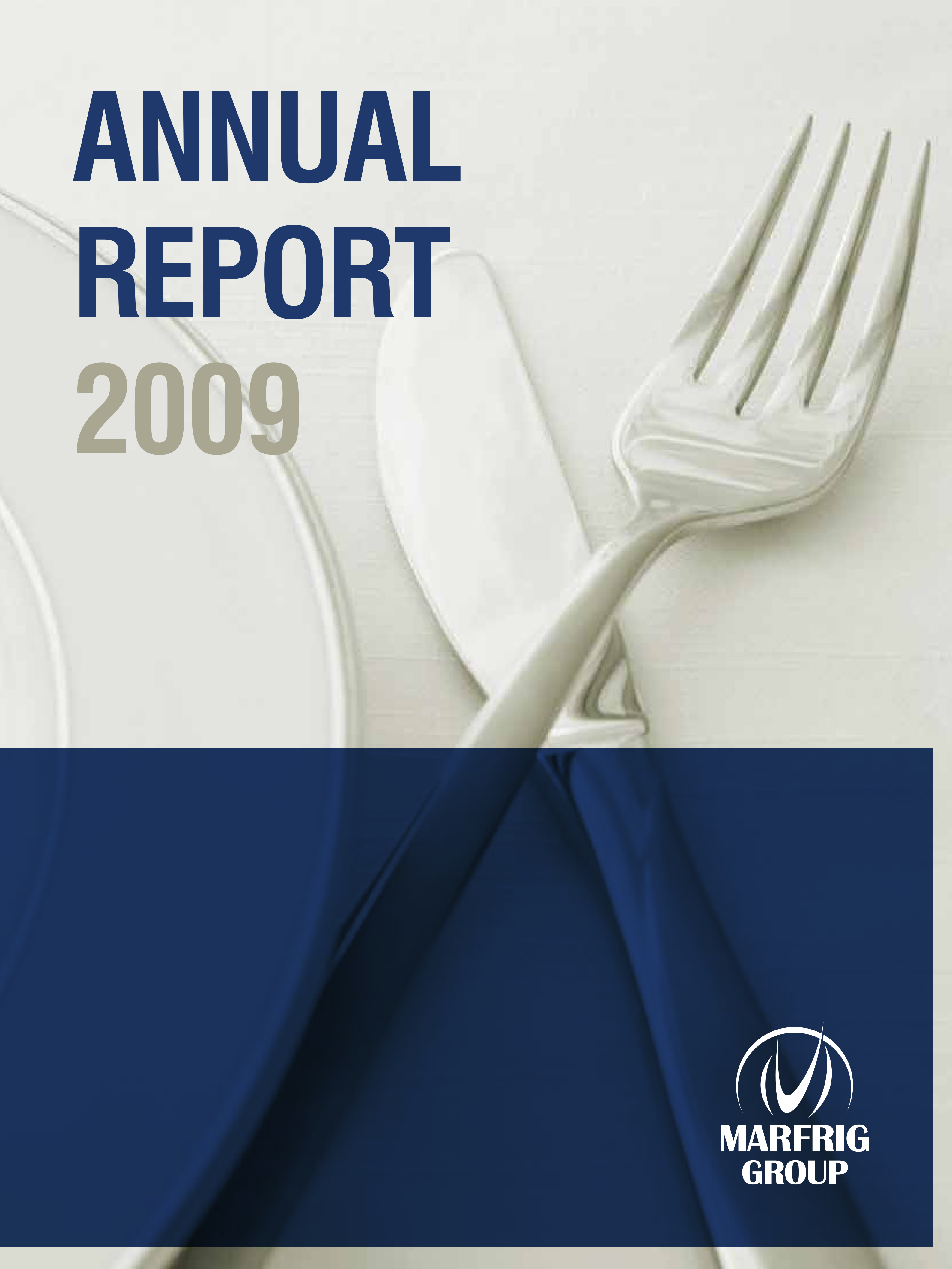
ANNUAL REPORT 2009



MARFRIG GROUP

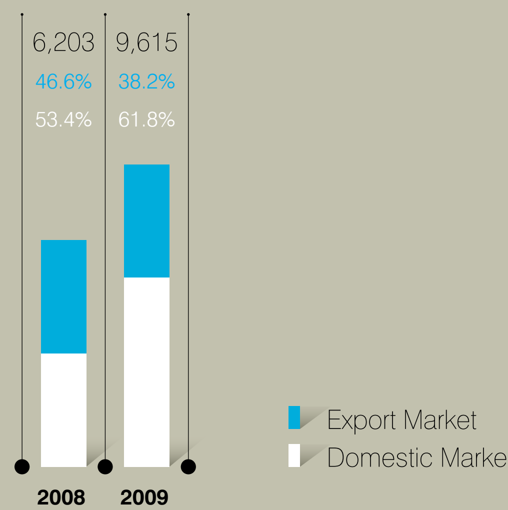
THE MARFRIG GROUP

The Marfrig Group ("Marfrig Alimentos" or "Marfrig") comprises of food companies involved in activities such as the fresh, chilled and frozen processed food production chain (including cold stores), with slaughtering facilities for beef, horse meat, pork, goats, lamb, poultry, buffalo, as well as the industrialization and commercialization of products and sub products of animal origin, edible by humans or not, including, but not limited to: (a) the industrialization and commercialization of leather products and sub products, in either its own or third-party establishments; (b) the purchase, sale, distribution, representation, import and export of food products in general, including alcoholic and non-alcoholic beverages; among other items; (c) the purchase and sale of live cattle, horses, pigs, goats, sheep, poultry, buffalo; (d) supplying the labor required for its businesses together with other companies; (e) cattle raising; (f) participation as a partner or shareholder in any company of a commercial or private nature; (g) the distribution and commercialization of food products in general; (h) the production, distribution and commercialization of soaps, cleaning products, disinfectants, fabric softeners and other hygiene and cleaning products; (i) the cogeneration, production and sale of energy and biodiesel; (j) participation in the financial market, as well as carbon credit market; (k) the commercialization and production of products derived from root or vegetable crops, as well as all the byproducts and succedaneum (substitutes): animal feed, conserves, canned food products and edible oils; and (l) the transport of its own and third-party products; representations and other associated undertakings, as well as those deemed necessary to achieving its corporate objectives.

As of January 2010, the Company's diversified and flexible operating base consisted of 97 plants and offices in South America, North America, Asia, Africa and Europe. In 2008 and 2009, the Company was considered one of the ten most internationalized and diversified in the Brazilian food sector producing animal protein, according to a study conducted by the Dom Cabral Foundation. The Group has made 37 acquisitions in the last three years, most of which were overseas, and it now has a presence in 13 countries, and ended this financial period (2009) with approximately 47,000 employees (excluding Seara and Grupo Zenda).

MARFRIG GROUP

The Domestic Market x Exports R$ million



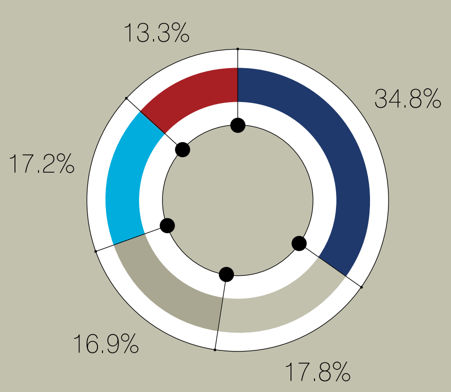
Financial Highlights	2009	Δ 09/08	2008	2007	2006
Gross Operating Revenue	**10,279.2**	**51.7%**	**6,775.2**	**3,726**	**2,391**
Domestic Market	6,571.5	71.2%	3,838.5	1,870	1,226
Export Market	3,707.7	26.3%	2,936.7	1,857	1,165
Net Operating Revenue	**9,616.7**	**55.0%**	**6,203.8**	**3,340**	**2,131**
Gross Income	1,381.4	4.1%	1,327.0	667	420
Gross Margin	14.4%	-700pb	21.4%	20%	19.7%
Operating Result before Inflationary and Financial effects	541.1	-24.8%	724,6	333	229
Operating Income	568.5	N/A	(236.5)	76	68
Operating Margin	-5.9%	-970pb	-3.8%	2.3%	3.2%
EBITDA	819.5	-7.3%	884.4	380	248
EBITDA Margin	8.5%	-580pb	14.3%	11.4%	11.6%
Net Income	679.1	N/A	(35.5)	85	64
Net Margin	7.1%	770pb	-0.6%	2.5%	3.0%
Number of Shares ('000)	346,984	+29.5%	267,944	203,949	N/A
Earnings per Share (R$/share)	1.96	N/A	(0,13)	0,42	N/A
Market Value	6,634	230%	2,010	3,110	N/A
Total Assets	11,451.6	25.1%	9,155.2	4,331	1,718
Net Equity	4,184.3	53.3%	2,739.9	1,282	223
Investment	731.1	-63.3%	2,006.6	1,129	287
Total Debt	5,154.1	19.5%	4,313.5	2,074	1,047
Net Debt	2,120.7	-34.6%	3,241.8	1,024	756

Notes: in millions of reais (R$), except when otherwise indicated; N/A – Not Available;

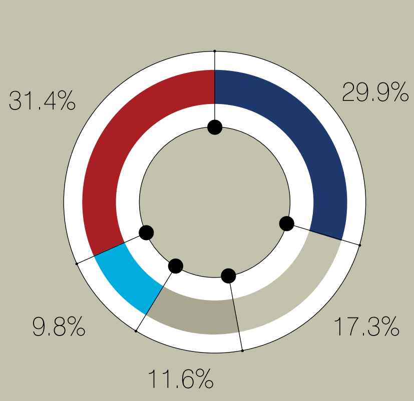
Net Revenue Breakdown per Business Unit

- Beef & Food Services – BR
- Poultry, Pork and Processed Foods – BR
- Argentina
- Uruguay
- Europe

2008



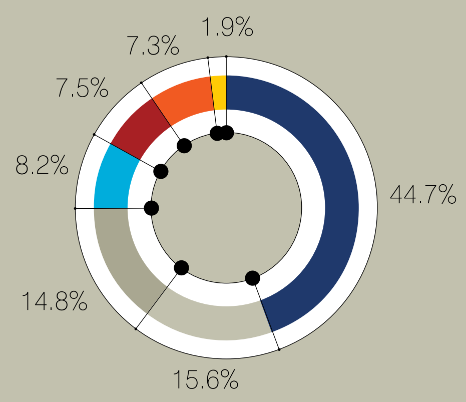
2009



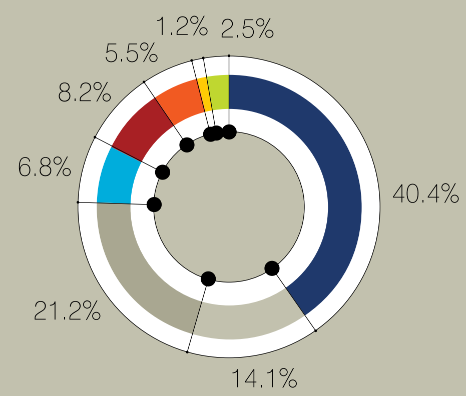
Export Markets

- Europe
- Russia
- The Middle East
- Central/South America
- Asia
- NAFTA
- Africa
- Others

2008



2009



ABOUT THIS REPORT

The information provided in this Report covers the period between January 1st and December 31, 2009, and presents the social-environmental, economic and financial results of the Marfrig Group's operations in Brazil and abroad. We also present our outlook for 2010.

The data collected for this report was based on the criteria defined by Brazilian Accounting Standards (Brazilian GAAP), and were submitted for examination by BDO Auditores Independentes – Independent Auditors.

The social performance indicators are related to the operations in Brazil, except when referring to labor practices, which is shown in consolidated global form. The compilation of this data involved all the Group's main areas and directorates, and the methodology used for calculations and measurements was unchanged compared with 2008.

The organization of the information and chapters prioritize both transparency and objectivity, with results reported for each business segment, as well as projections for 2010. For any further clarification about this Report and its content, the Marfrig Group provides readers with the following channels of communication:

Website www.marfrig.com.br/ir
E-mail ri@marfrig.com.br
Economic and financial information (55 11) 3728-8650/8600
Social-environmental information (55 11) 3728-8600

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Marfrig's products are available for sharing at the best opportunities and moments all around the world. With products sold to more than 100 countries with a variety of cuisines, the Company has to pay particular attention to provide high-quality products that satisfy a wide range of tastes and cultures.
Whether for Sunday lunch with the Family, a BBQ with friends, a snack for the children or even a business dinner, Marfrig can always supply the necessary, best and tastiest ingredients. We have a selected line of meat products and cuts, including beef, chicken, pork and lamb, as well canned and breaded products of guaranteed quality from the production stage to the consumer's home. And it is by providing such tasty meals and products that Marfrig has guaranteed its position in the global food market, and particularly in the animal protein segment.

MESSAGE FROM THE CEO

The Marfrig Group ("Marfrig Alimentos" or "Marfrig") faced a daunting challenge in 2009, of dealing with the aftereffects of the global financial crisis that began late in 2008, which put its strategy to diversify risk, developed since the creation of the Corporation, to the test. The financial crisis that affected markets around the world required dedication and efficiency from everyone involved to see the Company through.

It was a challenging year in which the Group reversed the operating loss reported in 2008 and overcame the obstacles of global economic instability in the period, which led to some marked changes in consumer habits and certain restrictions in terms of the availability of resources for importers, as well as an extremely volatile foreign exchange market, a decline exports and lower prices; and a reduction in consumer confidence levels.

Gross sales revenue in 2009 rose 51.7%, reaching R$10.3 billion, compared with the R$6.8 billion registered in 2008. We managed to reverse the R$35.5 million loss posted in 2008, posting a record profit of R$679.1 million in 2009. The delivery of consistently solid results together with the strategic actions taken to expand and diversify has made Marfrig an even more recognized and respected company in the global market, consolidating it as one of the most diversified food producers in the meat segment.

Despite these hurdles, Marfrig Alimentos S.A. managed to continue to expand in its pursuit of excellence, diversifying geographically and in the animal protein sector. This strategy culminated in the acquisitions of Seara, a national and international brand with added value; Grupo Zenda (industrialized tannery); the Brazilian turkey operation owned by Doux Frangosul, and the leasing of 12 cold store units from Margem and Mercosul.

The Marfrig Group is now proud to be the fourth largest producer of beef and beef products in the world, the second largest producer and exporter of food products based on the meat from poultry and pork in Brazil (with the acquisition of Seara), the second largest company in Northern Ireland (and one of the leaders in chicken-based food products in the United Kingdom), as well as being the largest private company in Uruguay and the market leader in Argentina with the Paty brand.

By acquiring healthy companies with significant potential for synergy gains, Marfrig consolidated its bases for future growth, ensuring a complete and diversified portfolio of products with the inclusion of the strong and recognized brand – Seara. This acquisition made an important contribution to Marfrig being able to convert its former Poultry, Pork and Processed Foods Division into one of the largest Brazilian companies and global players in the sector.

“GROSS SALES REVENUE IN 2009 ROSE 51.7%, REACHING R$10.3 BILLION, COMPARED WITH THE R$6.8 BILLION REGISTERED IN 2008. WE MANAGED TO REVERSE THE R$35.5 MILLION LOSS POSTED IN 2008, POSTING A RECORD PROFIT OF R$ 679.1 MILLION IN 2009. THE DELIVERY OF CONSISTENTLY SOLID RESULTS TOGETHER WITH THE STRATEGIC ACTIONS TAKEN TO EXPAND AND DIVERSIFY HAS MADE MARFRIG AN EVEN MORE RECOGNIZED AND RESPECTED COMPANY IN THE GLOBAL MARKET, CONSOLIDATING IT AS ONE OF THE MOST DIVERSIFIED FOOD PRODUCERS IN THE MEAT SEGMENT.”

Marcos Antonio Molina dos Santos
CEO & Chairman

After 53 years in business, Seara is recognized both nationally and internationally. It has a substantial industrial park and a team of experienced employees. With the restructuring of Marfrig’s Poultry, Pork and Processed Foods Division, we created a new company, one that is extremely competitive and efficient, and ready to take on the other players in the market for processed and industrialized food products.

Marfrig’s consistent results and strategic actions to expand and diversify have made it a leading company in the national and international food markets. The continued search for sustainable development in production can be exemplified by the Group’s leadership among companies in the same segment in establishing sustainable and humanitarian processes better suited to the handling of animals. Among the actions focused on sustainability, the Company is still a signatory member of the Global Compact, working actively against forced or slave labor and to combat deforestation in the Amazon.

The Marfrig Group believes that it is adequately positioned to overcome the barriers that it may face as a result of changes in the global economy. With an expansion plan that prioritizes operational flexibility and a low-cost structure, the Company expects to report results in line with the expectations of our shareholders and potential investors.

The profitability for shareholders is one of the Group’s main targets, which focuses efforts on efficiency and a commitment to obtaining good results.

Marfrig’s policy as far as Human Resources is concerned is aimed at retaining productive, qualified and experienced personnel, as well as to constantly integrate its internal culture to the contributions made by the companies now part of the Group.

We would like to thank our investors, shareholders and the BNDES (National Development Bank) for the support shown in our public issuance of shares, for believing and trusting in our sector, and considering it strategic over the medium to long-term, as well as the partnership we are encouraging to improve our practices of corporate governance.

We would not be where we are today without the employees at the Marfrig Group. As such, I would like to thank them for all their effort and hard work in what was a difficult year, as they all play a fundamental part in guaranteeing the solid and sustainable base for our future growth.

I would also like to take this opportunity to thank our customers, suppliers and all those that believe and trust in Marfrig, making it one of the biggest companies in the food segment in the world.

Thank you to everyone that has collaborated with us on this journey.

THE MARFRIG GROUP

A GENUINELY BRAZILIAN MULTINATIONAL WITH A PRESENCE IN MORE THAN 100 COUNTRIES AND THAT, DIRECTLY OR INDIRECTLY, IS PART OF THE DAY-TO-DAY LIVES OF MORE THAN TWO BILLION PEOPLE. WHEN SOMEONE IN CHINA EATS A DELICIOUS ROAST OR AN AMERICAN A HAMBURGER, MARFRIG IS THERE, AS A GROUP COMPRISED OF FIVE BUSINESS DIVISIONS WITH A DIVERSIFIED AND FLEXIBLE OPERATING BASE.

VISION, MISSION AND VALUES

Vision

To be recognized as a company of excellence in the Brazilian and international markets for its processing and commercialization of high-quality products in all the business segments and commercial brands under the umbrella of the Marfrig Group, continuing with its expansion process in the markets it operates in both in Brazil and overseas. This strategy is aligned with the Group's commitment to continuously improving its products and ensuring the sustainable development and profitability of its business.

Mission

To meet and exceed the expectations of our customers and partners, by supplying products that are safe and of a differentiated quality using cutting-edge technologies and highly-qualified labor, acting with social and environmental responsibility; and generating value for our customers, partners, employees, shareholders and society as a whole.

Values

Commitment to Customers and Consumers, respect for the Environment, Excellence and Quality, Social Responsibility, Safety, and Integrity.

ORGANIZATIONAL PROFILE

The Group

The food market is one of the most dynamic in the world, with an enormous level of synergy between sectors and regions, as well as significant volumes of shipments handled through a sophisticated multimodal logistics system. Marfrig is one of the biggest companies in this market. Its leadership extends into the sectors of processing and product distribution of beef, pork, lamb and poultry. The domestic and international markets receive fresh, processed and industrialized food products.

However, the Group's operation goes beyond this, supporting agribusiness in terms of benefitting from the gains in scale in global markets, as well as by distributing other generic food products, such as vegetables, fish, frozen and canned parboiled potatoes, as well as readymade dishes, breaded products and pastas.

With a range of products exported to more than 100 countries and a target to increase its internationalization, the Marfrig Group began 2010 with the following business units:

- 31 beef slaughtering plants: 22 in Brazil, 5 in Argentina and 4 in Uruguay;
- 17 poultry slaughtering units: 14 in Brazil and 3 in Europe;
- 33 plants for processed and industrialized products: 15 in Brazil, 5 in Argentina, 3 in Uruguay, 1 in the United States and 9 in Europe;

- 4 pork slaughtering units in Brazil;
- 1 turkey slaughtering unit in Brazil;
- 5 lamb slaughtering units: 2 in Brazil, 2 in Uruguay and 1 in Chile;
- 4 of its own feedstock manufacturing plants for poultry and pork
- 2 tradings (Chile and the United Kingdom).

Marfrig, the fourth largest producer of beef and beef products in the world, also had the monthly installed capacity on December 31, 2009, to produce approximately 45,400 tons of processed and industrialized products and 31,500 tons of leather products. These figures are growing every year, underscoring the Company's profile, with its cutting edge technology throughout the production process, which has made it the second largest producer and exporter of food products based on the meat from poultry and pork in Brazil (with the acquisition of Seara), the second largest company in Northern Ireland (and one of the leaders in chicken-based food products in the United Kingdom), as well as being the largest private company in Uruguay and the market leader in Argentina with its Paty brand.

The Company went public in 2007, with shares traded on the BM&FBOVESPA's Novo Mercado, a segment of the São Paulo stock exchange that establishes rigorous criteria for Corporate Governance, among other requirements.

In 2010, Marfrig was operating with 97 plants distributed in 13 different countries.

Business Units

The Marfrig Group has divided its operations into five strategic business units: Beef Brazil & Food Service; Poultry, Pork and Industrialized (New Seara); Argentina; Uruguay and Europe. Each of these units is managed by an executive responsible for the operating and financial performance. However, all units operate according to the same guidelines.

Brazil (Beef & Food Service)

In 2009, Marfrig registered a slaughtering capacity of 22,300 head/day and production of 11,900 tons of processed and industrialized products a month at its 25 plants spread out in eight Brazilian states. The brands most recognized in Brazil are Bassi, Montana, Pampeano and Palatare, together with GJ in the export market. The slaughter of lamb in the Company's Promissão unit began in April 2009, with a capacity of 1,000 head/day. The Company exported beef to more than 100 countries. The Marfrig Group is one of the leading suppliers of animal protein to the food service segment, and its clients include restaurants such as: Barbacoa, Fogo de Chão, Habib's and Porcão.

Food service is a segment that has registered an average growth of between approximately 11% and 13% over the last five years.

THE 4th LARGEST PRODUCER OF BEEF AND BEEF PRODUCTS: HAS AN INSTALLED CAPACITY OF 45,400 TONS OF INDUSTRIALIZED AND PROCESSED PRODUCTS



Installed Capacity per Unit Beef Brazil

UNITS	State	ACTIVITY	DAILY CAPACITY	INDUSTRIALIZED TONS/MONTH
Tangará da Serra	MT	Slaughter	2,000	
Bataguassu	MS	Slaughter	2,000	
Porto Murtinho	MS	Slaughter	850	
Chupinguaia	RO	Slaughter	1,500	
Mineiros	GO	Slaughter	2,000	
Paranatinga	MT	Slaughter	2,000	
Promissão 1	SP	Slaughter/Industrialized	1,000	2,940
Promissão 2 (Frigoclass)	SP	Slaughter	800	
São Gabriel	RS	Slaughter	1,000	
Pampeano	RS	Industrialized		6,300
Extremo Sul – Pelotas	RS	Slaughter	400	
Alegrete	RS	Slaughter	800	
Bagé	RS	Slaughter	700	
Capão do Leão	RS	Slaughter	800	
Mata Leão	RS	Slaughter	200	
Pirenópolis	GO	Slaughter	800	
Tucumã	PA	Slaughter/Industrialized	1,500	1,680
Paranavaí	PR	Slaughter	800	
Paranaíba	MS	Slaughter	600	
Rio Verde	GO	Slaughter	700	
Rolim de Moura	RO	Slaughter	1,200	
Ariquemes	RO	Slaughter	500	
Mãe do Rio	PA	Slaughter	200	
São Paulo – Bom Charque	SP	Industrialized		945
Santo André	SP	Industrialized		105
Total			22,350	11,970

Brands and Products

Marfrig Alimentos' portfolio of brands allows it to supply the most diverse requirements in the Brazilian market and at approximately 100 international destinations. The main brands in the largest supermarket and food retail chains in Brazil, are Bassi (special selected meat cuts), Montana (selected meat cuts for BBQs) and Palatare (fresh beef). The GJ brand is the packaging for beef exports (fresh, industrialized and processed).

Brazil (Poultry, Pork and Industrialized)

With the acquisition of Seara, the Marfrig Group became the second largest producer and exporter of poultry and pork meat in Brazil according to data released by ABIPECS (the Brazilian Association of Beef Producers) and ABEF (The Brazilian Association of Chicken Exporters). The Company's installed production capacity in 2010 stands at 2.4 million chicken/day at 14 plants in six states; 10,400 porks/day in 4 plants located in three states; 30,000 turkeys/day at its plant in the state of Rio Grande do Sul. It also produces 30,500 tons of industrialized and processed products a month in nine plants in six different states. The Group's brands are recognized nationally and internationally, and include: Seara, DaGranja, Mabella and Pena Branca.

Brands and Products

The Group's strategy is to transform the Seara brand into a global Marfrig brand, while the other will remain under the Seara umbrella, with regional penetration. Brands such as Mabella, Pena Branca and DaGranja will be regional brands increasing the range of customer choice and expanding the presence of our products in the retail chains throughout the Country.

Installed Capacity per Unit Poultry, Pork and Industrialized

UNITS	STATE	CHICKEN/DAY	PORK/DAY	TURKEYS/DAY	INDUSTRIALIZED TONS/MONTH
DaGranja – Lapa	PR	240,000			955
DaGranja – Uberaba	MG	160,000			
Pena Branca – Amparo	SP	160,000			
Pena Branca – Jaguariúna	SP	160,000			
Pena Branca – São José do Rio Preto	SP				3,045
Pena Branca – Roca Sales	RS				3,360
Pena Branca – Caxias do Sul	RS	160,000			
Pena Branca – Ipumirim	SC	160,000			
Braslo	SP				3,150
Kilo Certo	SP				1,260
Prontodelis	DF				420
Caixas do Sul	RS			30,000	
Sidrolândia – Seara	MS	178,000			
Forquilhinha – Seara	SC	183,000			
Jaguará do Sul – Seara	SC	123,000			
Nuporanga – Seara	SP	183,000			
Jacarezinho – Seara	PR	188,000			
Itapiranga – Seara	SC	183,000			
Seara	SC	185,000	4,100		
Dourados – Seara	MS		2,100		9,240
Mabella – Frederico Westphallen	RS		2,200		1,911
Mabella – Itapiranga	SC		2,000		
Carroll's	MT				
Total		2,423,000	10,400	30,000	30,481

Argentina (Marfrig Quickfood)

Marfrig is the largest company in the sector in terms of beef production, sales and export, with a market share of 63% in the hamburger segment with its Paty brand. The Group's sales in the country are made directly to the local market and exports largely concentrated in special cuts. In South America and Argentina, the Marfrig Group has the largest Hilton Quota[1], operating five slaughtering units with a capacity of 3,900 head/day; five plants producing industrialized products with a capacity of 5,313 tons/month and three confinements with 53,000 head of cattle.

1. Hilton Quota ("Cota Hilton") is an export quota of high-quality and value boneless beef that the European Union grants annually to beef producing and exporting countries. In practice, Argentina has the highest quota, with 28,000 tons per year, which represents half of the total Hilton Quota delivered to Europe. The name comes from the commercial agreement signed at GATT (General Agreement on Tariffs and Trade) at the so-called Tokyo Round, in 1979, held at a hotel owned by the Hilton chain. At this round, the European Union agreed to establish a quota for high-quality beef exports to its market and other nations. In Argentina, the 28,000 tons of Hilton Quota are allocated to cold storage companies and groups of producers based on the criteria in the existing norm established for this purpose, which is linked to the export performance of each company.

Installed Capacity per Unit Argentina

UNITS	ACTIVITY	BEEF SLAUGHTER	INDUSTRIALIZED TONS/MONTH
AB&P	Slaughter	800	
Quickfood	Industrialized		1,785
Quickfood Baradeiro	Industrialized		1,155
Quickfood San Jorge	Slaughter/Industrialized	700	1,785
Quickfood Vila Mercedes	Slaughter	900	
Mirab	Industrialized		210
Mirab	Packaging and distribution		
Estância del Sur	Slaughter	800	
Vivoratá (Best Beef)	Slaughter/Industrialized	700	378
Total		3,900	5,313

LEADER WITH A 63% MARKET SHARE IN HAMBURGERS

Brands and Products

A variety of options to supply the most diversified markets is a central characteristic of Marfrig's business. In Argentina, the Group operates with the Paty brand (the market leader with a share of approximately 63% in hamburger sales), Quickfood (a traditional brand that has been on the market for more than 60 years), Aberdeen Angus (high-quality selected cuts) and La Morocha (cuts for export), as well as Pemmican and Mirab of Beef Jerky in the USA. The production of Beef Jerky in Argentina, Uruguay and Brazil is exported to the USA, Japan and Europe.

Uruguay (Marfrig Tacuarembó)

The operations of the Uruguay Division account for approximately 30% of total production and 26% of beef exports in the country. Tacuarembó – Mafrig is the largest private company in the country, and has four beef slaughtering units, two lamb slaughterhouses and three plants for industrialized products.

The division also controls and consolidates the operations in Chile, where Patagonia Cold store produces lamb with a capacity of 3,000 head/day and the trading company; Quinto Cuarto, which imports and exports products based on animal protein (beef, pork and chicken) from Argentina, Uruguay and Brazil. In 2009, the Uruguay division had an installed capacity of 3,900 head of beef/day and 8,400 lambs/day. It also had an installed production capacity of 5,648 tons of industrialized products per month.

Installed Capacity per Unit Uruguay

UNITS	COUNTRY	ACTIVITY	BEEF SLAUGHTER/DAY	LAMB SLAUGHTER/DAY	INDUSTRIALIZED TONS/MONTH
Colonia	Uruguay	Slaughter/Industrialized	1,200		630
Inaler	Uruguay	Slaughter	750	3,400	
Tacuarembó	Uruguay	Slaughter/Industrialized	1,000		788
Cledinor (La Caballada)	Uruguay	Slaughter	950	2,000	
Frai Bentos	Uruguay	Industrialized			4,200
Patagonia	Chile	Slaughter/Lambs		3,000	
Quinto Cuarto	Chile	Deboning and sales			
Total			3,900	8,400	5,618

Market leader IN THE PROCESSED CHICKEN SEGMENT IN THE UK

Brands and Products

In Uruguay, Marfrig operates under the Tacuarembó brand for fresh beef products; Viva, for special beef cuts; Bernina for processed and industrialized products exported to the main European markets; and Zenda (tannery), which supplies leather to the main car manufacturers and airlines. The Patagonia brand provides packaging for lamb products supplied worldwide.

Europe (Marfrig Moy Park)

The Marfrig Group acquired the companies in Grupo OSI in Europe in 2008, represented by Moy Park, Kitchen Range and Albert Van Zoonen. As a result, it became the largest producer of chicken meat products in the UK. A new beef cut operation was started up in 2009, increasing the company's processing capacity. Among Moy Park's main customers are the large retail chains in the UK, such as Tesco, Sainsbury's, Waitrose, as well as the restaurant chains McDonald's, Morrison's and KFC.

With offices located in Northern Ireland, England, France and Holland, Moy Park is the market leader in the chicken segment, with an estimated share of 30%, divided 40% in the selected cuts market and 60% in cooked cuts. Moy Park's sales are concentrated in the large retailers and distributers in the UK, which is our main client.

The European division has an installed capacity distributed in three plants with a slaughter capacity of 646,000 chickens/day; nine plants for processed and industrialized products with a capacity of 11,200 tons a month and two trading companies in the UK (Weston), which were incorporated by the European Division.

Brands and Products

The purchase of Grupo OSI's operations in 2008 gave Marfrig access to the main distribution channels to retail chains in the UK and Europe. The brands Albert Van Zoonen produces and distributes frozen products in Holland, while Moy Park is in Northern Ireland, the UK and France. Kitchen Range Foods is a brand of food and bakery products sold throughout the UK.

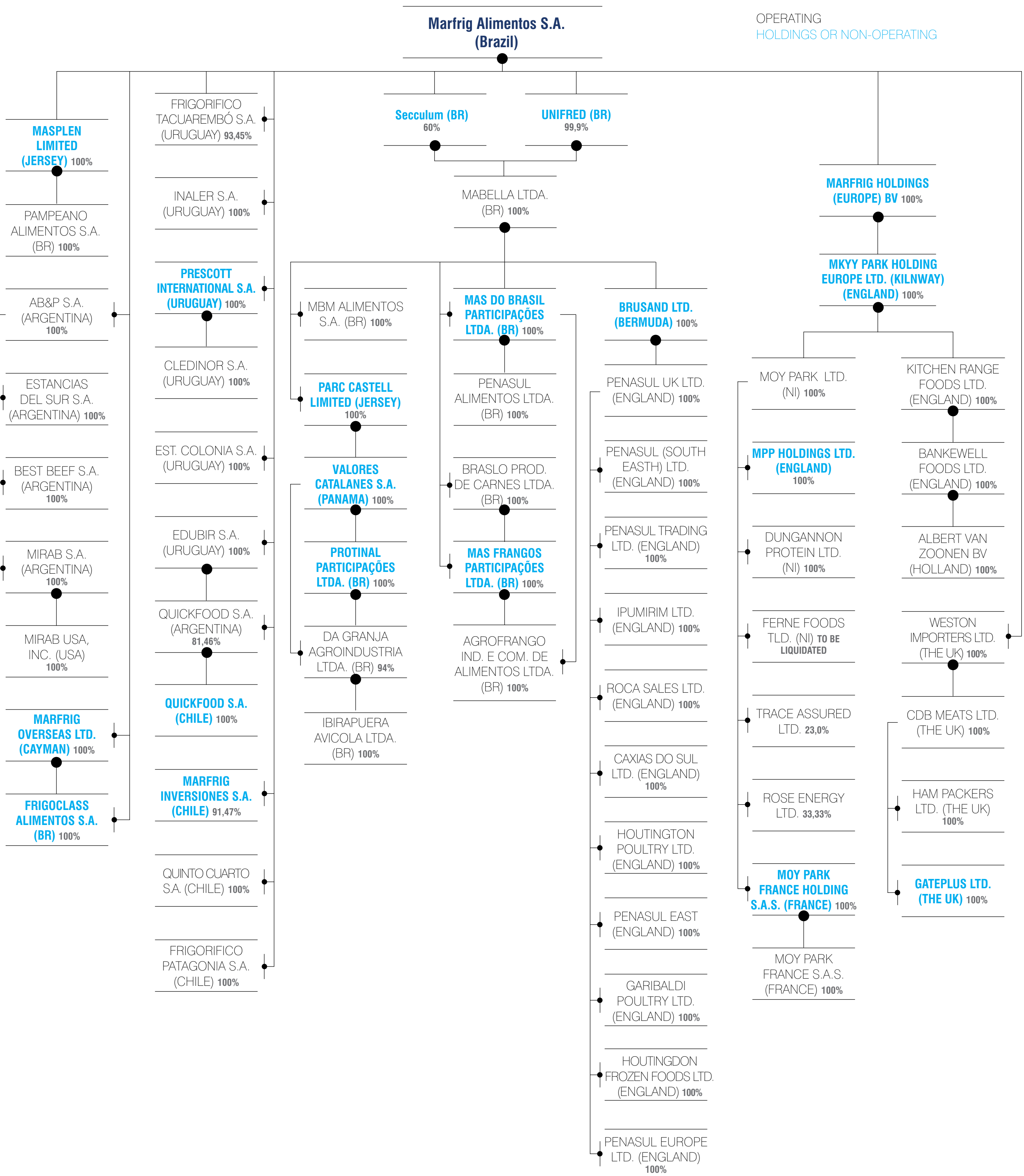
Installed Capacity per Unit Europe

UNITS	COUNTRY	ACTIVITY	CHICKEN SLAUGHTER/DAY	INDUSTRIALIZED TONS/MONTH
Craigavon (MoyPark)	Northern Ireland	Industrialized		3,444
Granthan (Moy Park)	England	Industrialized		2,520
Wisbech (Moy Park)	England	Industrialized		1,470
Huntington (Moy Park)	England	Industrialized		840
Peterborough (Kitchen Range)	England	Industrialized		315
Henin-Beaumont (Moy Park)	France	Industrialized		1,680
Marquise (Moy Park)	France	Industrialized		420
Schagen – AVZ (Moy Park)	Holland	Industrialized		315
Dunganon (Moy Park)	Northern Ireland	Slaughter	230,000	
Anwick (Moy Park)	England	Slaughter	270,000	
Ashbourne (Moy Park)	England	Slaughter	146,000	
CDB Meats	England	Industrialized		210
Weston	England	Sales		
Total			646,000	11,214

Organogram and Shareholder Structure

The structure of the Marfrig Group can be shown in the following organogram (from 2010):

And the following shareholder structure:



MARFRIG'S RANKINGS AROUND THE WORLD

- 1st CHICKEN PROCESSER IN THE UK
- 1st PRIVATE COMPANY IN URUGUAY
- 1st MEAT COMPANY IN ARGENTINA
- 1st SOUTH AMERICAN PRODUCER OF LAMB
- 2nd BRAZILIAN PRODUCER OF FROZEN MEAT
- 2nd BRAZILIAN EXPORTER OF POULTRY AND ASSOCIATED FOOD PRODUCTS
- 2nd BRAZILIAN EXPORTER OF PORK
- 4th LARGEST PRODUCER OF BEEF AND BEEF PRODUCTS IN THE WORLD

EVERYDAY,

MARFRIG'S PRODUCTS ARE ON MORE THAN 2 BILLION CONSUMERS' TABLES

AMERICAS: ARGENTINA, ARUBA, BAHAMAS, BARBADOS, BELIZE, BOLIVIA, BRAZIL, CANADA, CHILE, COLOMBIA, COSTA RICA, CUBA, ECUADOR, HAITI, HONDURAS, MEXICO, PANAMA, PARAGUAY, PERU, PORTO RICO, SAINT MARTIN, THE BRITISH VIRGIN ISLANDS, THE DOMINICAN REPUBLIC, THE DUTCH ANTILLES, THE UNITED STATES, TRINIDAD AND TOBAGO, URUGUAY AND VENEZUELA.

AFRICA: ANGOLA, ALGERIA, CONGO, GABON, GAMBIA, GHANA, GUINEY, MALI, MAURITANIA, MAYOTTE, MOROCCO, NAMIBIA, SENEGAL, SERRA LEON, SOUTH AFRICA, SUDAN, TANZANIA, THE CENTRAL-AFRICAN REPUBLIC, THE IVORY COAST AND THE REPUBLIC OF CAPE VERDE.

THE MIDDLE EAST: AFGHANISTAN, AZERBEKISTAN, BAHRAIN, CHIPRE, EGYPT, IRAN, IRAQ, ISRAEL, JORDAN, KUWAIT, LEBANON, LIBYA, OMAN, PALESTINE, PAKISTAN, QATAR, SAUDI ARABIA, TAJIKISTAN AND THE ARAB EMIRATES.

EUROPE: ALBANIA, AUSTRIA, BELGIUM, BOSNIA AND HERZEGOVINA, BULGARIA, CROATIA, DENMARK, ESTONIA, FINLAND, FRANCE, GERMANY, GREECE, HUNGRY, IRELAND, ICELAND, ITALY, KOSOVO, LITHONIA, LUXEMBOURG, MACEDONIA, MALTA, MOLDAVIA, MONACO, MONTENEGRO, NORWAY, POLAND, PORTUGAL, RUMANIA, RUSSIA, SLOVAKIA, SPAIN, SWEDEN, SWITZERLAND, THE CZECH REPUBLIC, THE MALDIVES, THE NETHERLANDS, THE UK, TUNISIA, TURKEY AND THE UKRAINE.

ASIA: ABKHAZIA, ARMENIA, BENIN, CHINA, HONG KONG, JAPAN, KAZAKHSTAN, MALAYSIA, NORTH KOREA, SOUTH KOREA, SINGAPORE, THAILAND AND VIETNAM.

OCEANIA: AUSTRALIA, NEW ZEALAND, POLYNESIA AND THE CHRISTMAS ISLANDS.

CORPORATE GOVERNANCE

Presentation/Implementation

The principles of corporate governance at Marfrig are based on the best practices related to transparency, book keeping (accountancy), the fair and equal treatment of all its shareholders, partners and employees.

Marfrig was listed in 2007, with its shares traded in the Novo Mercado of the BM&FBOVESPA, under the ticker code MRFG3. Stock in the company was included in the theoretical Brazilian Share index IBrX in 2008, as well as the Index for Shares with Differentiated Corporate Governance (IGC), the Index for shares with *Tag-Along* Rights (ITAG), the *Industrial Sector* Index (INDX), *Mid–Large Caps* Index (MLCX) and the *Consumer* Index (ICON).

The Company's capital stock is made up of ordinary shares, all with equal rights in relation to any sale in share control in the Company (100% tag-along rights).

The Board of Directors

Marfrig's Board of Directors, made up of eight members, three of whom are independent, preserves its corporate values, seeking to guarantee the longevity of business, deciding on and approving the annual budget and the expansion plans developed by the directorate.

According to the Company's Bylaws, the Board can have a minimum of five and a maximum of eleven members. The administrative body adheres to the Novo Mercado regulations, which recommends a minimum of 20% independent members. All the Board's decisions are taken based on a majority vote of the members present at any given meeting.

Members of the Board of Directors

The members of the Marfrig Group's Board of Directors are as follows:

Board of Directors

MEMBERS OF THE BOARD	TITLE	DATE ELECTED	END OF MANDATE
Marcos Antonio Molina dos Santos	Chairman of the Board	04/28/2009	BDM2011
Alain Emilie Henry Martinet	Member	11/09/2009	BDM2011
Antonio Maciel Neto	Independent Member	04/28/2009	BDM2011
Carlos Geraldo Langoni	Independent Member	04/28/2009	BDM2011
David G. McDonald	Member	04/28/2009	BDM2011
Marcelo Maia de Azevedo Correa	Independent Member	04/28/2009	BDM2011
Márcia A. P. Marçal dos Santos	Member	04/28/2009	BDM2011
Rodrigo Marçal Filho	Member	04/28/2009	BDM2011

THE COMPANY HAS 3 committees THAT SUPPORT THE BOARD AND UNDERSCORE ITS COMMITMENT TO BEST PRACTICES

Support Committees

The Board of Directors is supported by three committees, which meet on a monthly basis and are coordinated by the Independent Members to implement actions designed to implement the best practices of corporate governance.

The following Independent Members were nominated to coordinate the aforementioned committees, and that are also members of the Board of Directors:

Support Committee

COMMITTEE	INDEPENDENT MEMBER	COMMITTEE'S ACTIVITIES
Auditing and Financial Control/Supervision	Marcelo Maia de Azevedo Correa	• Implement internal and external auditing processes • Evaluate the Company's internal controls • Keep the Board informed about all aspects related to the accounting practices and release of financial information
Finance and Investment	Carlos Geraldo Langoni	• Monitor the investment and finance plan • Advise the Company about the best capital structure and general financial policies
Compensation, Human Resources and Corporate Governance	Antonio Maciel Neto	• Keep the Board informed about all the issues related to HR strategy, policies and norms • Decide on the benefits and compensation for senior management and key employees

Code of Ethics

In July 2009, the Marfrig Group presented its second version of the Code of Ethics, a document that establishes the values, principles and attitudes to be adopted by employees and managers while involved in working for the Company (operations and processes), from the acquisition of raw materials to the commercial and institutional relationships with clients, consumers, suppliers, communities, the environment and shareholders.

Anyone interested can consult, make suggestions or denouncements about possible violations of the Code of Ethics, in a service that is available to all on the Internet: to consult and download; please go to www.marfrig.com.br/ir.

SHAREHOLDER STRUCTURE

Capital Increase and Stockholder Structure

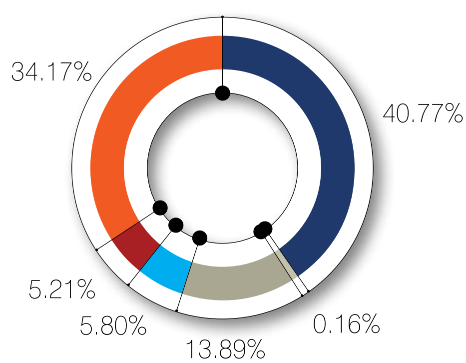
In November 2009, Marfrig made a Public Offer to distribute a Primary Issue of Ordinary Shares with the issuance of 79,040,000 new shares, including a supplementary lot, after which the fully subscribed (paid in) share capital in Marfrig totaled R$4,061,478,051.00, represented by 346,983,954 ordinary shares.

Performance in the Capital Market

Marfrig's shares were quoted at R$7.50 at the beginning of 2009, and closed the year at R$19.12, having appreciated 155% in the year, compared with the 83% gain in the Bovespa Index in the same period. The following chart shows a comparison between the performance of Marfrig's shares and the Ibovespa.

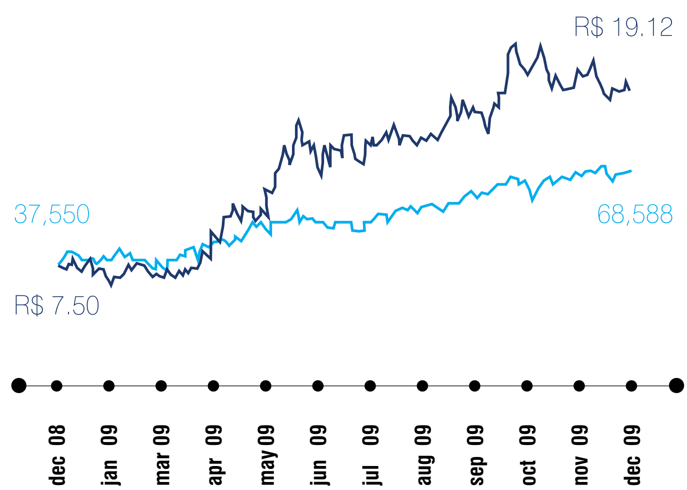
Shareholder Structure on December 31, 2009

- MMS Participações
- Shares held in Treasury
- BNDESPAR
- OSI Group
- Capital Group
- Others



MRFG3 x Ibovespa

- MRFG3
- Ibovespa



BUSINESS MANAGEMENT

Strategy

Marfrig's strategy is based on:

- The long-term sustainability of its business, associated with the Company's diversification (geographic and in the animal protein segment), the industrialization of products and distribution channels, resulting in a strategy conceived as an instrument to minimize risks and take advantage of new opportunities;
- A streamlined, flexible, and low-cost structure with operational diversity, are all necessary factors to achieving results in line with the expectations of our shareholders and potential investors;
- A balanced structure between domestic sales and exports;
- Growing the share of industrialized products in total sales revenue;
- An increase in sales through the distribution channels of food service in Brazil and abroad; and
- The strengthening of its brands in the Brazilian and international markets.

Sustainable Growth

Committed and engaged to sustainable production, the Marfrig Group has been growing and expanding its activities, based on respect for the social, environmental and economic dimensions.

Marfrig has assumed the commitment to make constant improvements to reach a level of compatibility between its processes, products and the environment. This is achieved by reducing the use of non-renewable natural resources, with the aim of preserving and preventing environmental damage, complying with existing legislation and other norms, particularly those that deal with the generation of atmospheric emissions, the use and discharge of water, the handling of hazardous materials and the final disposal of industrial waste.

This commitment is based on the Company's "Corporate Environmental Principles":

[1] Obeying the law and other applicable environmental requirements.

[2] Preventing pollution, particularly as applicable to our processes and products.

[3] The continued improvement in environmental performance.

[4] The evaluation of environmental performance by means of indicators.

[5] Transparency in the information disclosed about environmental protection.

[6] Preservation of the natural resources used in our production processes.

Risk Management

The Marfrig Group's business, as well as its financial situation, operating results, cash flow and liquidity can be adversely affected by determined risk factors, such as sanitary, economic and geographic conditions. The strategy to diversify geographically and in animal proteins adopted by the Group has significantly contributed to mitigating these risks.

If a sanitary barrier is imposed by a given country, Marfrig can continue with its normal business activities with little effect, due mainly to its geographical diversification and variety of animal proteins it offers, which dilutes the effective risk of an event of this type, as operations can swiftly be transferred to other units located in other regions or even other countries. The procedure is the same in the cases of economic barriers, as with the fluctuations in demand for different animal proteins, Marfrig can guarantee continuity in production as a result of the fact that it works with a variety of such products.

The central pillar of our Management Policy for Market Risks is to minimize the economic and financial exposure of the Company's operating activities to variations in foreign exchange rates, interest rates, the prices of commodities and credit risk.

To manage its financial risk, the Company is positioned conservatively, as it does not use sophisticated derivative operations.

Quality Risk

To minimize any type of risk related to the quality of its products, the Marfrig Group actively pursues all possible differentials. To obtain guarantees, it adopts HACCP[2] certified meat production processes, which are recognized internationally by the FDA[3] (Food and Drug Administration) in the United States; and the UN Codex Alimentarius[4], from Geneva (Switzerland).

2. Hazard Analysis and Critical Control Point (HACCP) – is a system of food safety management based on the analysis of potential dangers to consumer health at several stages of food production, determining the appropriate prevention measures to control these dangers by means of critical control points. Operationally, an HACCP system can be certified by ISO 22000.

3. A governmental body in the United States of America that controls food (both for human and animal consumption), food supplements, medication (human and animal), cosmetics, medical equipment, biological materials and products derived from human blood. Nay new food, medication, food supplement, cosmetics and other substances under its supervision is rigorously tested before it is approved for sale to the public.

4. A series of internationally recognized standards, codes of conduct, guidelines and other recommendations related to food – production and safety. The content of the texts are developed and maintained by the Codex Alimentarius Commission, established in 1963 by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). The objectives are to protect the health of consumers and guarantee honest practices in the international trading of food. Codex Alimentarius is recognized by the World Trade Organization (WTO) as an international benchmark for resolving disputes about food safety and consumer protection.

MARFRIG'S QUALITY PROGRAM WITH SUPPLIERS

To audit and certify the entire production process of organic meats, the Group has a seal of quality guarantee in the form of IBD certification (Instituto Bio Dinâmico).

Marfrig's quality program, implemented in partnership with its suppliers, rewards the suppliers with additional remuneration that sells animal lots complying with the minimum pre-established standards in terms of age, weight, sex and condition. These animals are kept on farms at a distance of around 300 kilometers from the industrial plants and are bred and nurtured to rigorous standards that include attention to the available pastureland, handling the animals and their transport to confinement and/or slaughter. A certification of origin is also among the Company's requirements.

Market Risks

Given the geographical diversification coupled with the variety of animal proteins it produces, and thus the sheer scope of the Marfrig Group's business, the main purpose of its Policy for the Management of Market Risks is to mitigate the exposure of its operating activities to economic and accounting factors, such as variations in the FX and interest rates, commodity prices and credit risks.

The Group has established policies and procedures to manage these samples, and can use local and foreign financial derivative instruments, as and when approved by the Board of Directors, to avoid exposure of its debt to FX fluctuations, as well as export cash flow and interest rates.

The exposure to commodity prices, notably the purchase of inputs such as live cattle and grains, are managed in accordance with its policy for physical inventories, maintaining a strategy using forward purchasing, or purchase contracts for future delivery, together with operations on the futures market.

The Group adopts hedge accounting rules for its derivative instruments classified as hedge of cash flow, which consists of protecting its exposure to variations in cash flow that:

- Are attributable to a specific risk associated with a recognized asset or liability; or
- a highly-likely prior transaction; or
- one that might affect its profit and loss.

Financial Risks

The Company adopts a conservative policy of not entering into operations that could compromise its financial position. It does not use leveraged operations in derivatives or similar instruments if not to provide the minimum protection required for its exposure to other currencies.

Marfrig maintains a solid financial policy, with a conservative cash balance and financial applications in recognized institutions. The Company concentrates its debt over the long term with maturity dates distributed so as not to be concentrated in any single financial period.

Credit Risk

For protection against credit risk, Marfrig adopts a criteria to provision as doubtful debt all outstanding amounts past due by more than 90 days, as well as receivables from bankrupt companies or that the possibility of not being paid is not assured or have a firm guarantee.

Crisis Management

With its well-structured strategic planning, the Marfrig Group guarantees the appropriate management during any crisis, and is also protected by its geographical diversification and corporate structure divided into five operating divisions, which helps to mitigate the risks inherent in any crisis. To guarantee that all this is in line with the Company's interest, Management holds weekly meetings with the directors responsible for each division, to ascertain and understand the progress of operations underway, always seeking to maintain the requisite corporate strategy; and thus anticipating any possible crisis.

Intangible assets

Brands

The Marfrig Group has a presence in the markets in which it operates with an extensive brand portfolio, in order to best serve its clients when the issue is meat (beef, poultry, pork and lamb). In Brazil, the products carry brand names such as: Seara, Mabella, Bassi, DaGranja, Pena Branca, Palatare and Montana. For the export of frozen beef (fresh, industrialized/ processed) Marfrig uses the GJ and Seara brands.

The Company's brand portfolio is equally as extensive abroad. In South America, Argentina has the Paty brand, the local market leader in hamburgers; Quickfood, for processed and fresh beef; Aberdeen Angus and La Morocha, for premium beef. The brands used in Uruguay are Tacuarembó, for beef; Viva, for prime beef; Bernina, industrialized/processed products; and Zenda (leather). In Chile, the PatAugustnia brand is used to sell lamb. In turn, Pemmican and Mirab USA are the brands used in the United States for beef jerky and beef products in snack form.

In Europe, Moy Park, the second largest company in Northern Ireland, also operates in the UK, France and Holland with the brands: Moy Park, Kitchen Range Foods and Albert Van Zoonen, as well the brands it exports from South America.

Human Resources

To respect the singular characteristics of each company it operates in, the Marfrig Group has developed a series of guidelines to deal with the system used to manage health and safety at work. The aim of this system is to unify the Human Resources' practices in all the companies the Group controls.

In terms of labor legislation, the Company is aware of and complies with all the regulations issued by the International Labor Organization (ILO), in Brazil as well as other countries. Training is provided for the correct use of Individual Protection Equipment (IPE) and accidents at work and work-related diseases are always registered. All the Company's units have an Internal Committee on Accident Prevention (CIPA), comprised of members of senior management and employees.

Marfrig's Code of Ethics includes mechanisms to prevent all and any type of discrimination. With the programs intermediated in partnership with the health secretariats, employees receive guidance about sexually transmittable diseases and the importance of using contraception.

The Group ended 2009 with 46,984 employees in the nine countries in which it operates, an increase of 19.8% compared with 2008, largely explained by the incorporation of the companies acquired and plants leased during the year. The investment in training and qualification of professionals is provided together with the encouragement given from management to participate, motivate and help develop leaders and aggregate value to the Company's human assets in terms of the companies it has acquired.

Customer Relations

For Marfrig, customer relations are a core strategic point in creating and adding value. As such, it offers differentiated products and services, with the aim of satisfying all its customer needs and expectations. Deliveries within the established time period, guaranteed supply, the quality of its products, constant innovation and communication are crucial points that companies in the Group pay particular attention to.

BUSINESS PERFORMANCE

MARFRIG REPORTED AN EXCEPTIONAL PERFORMANCE IN 2009 COMPARED WITH 2008. GROSS REVENUE ROSE 51.7%; AND NET REVENUE 55%. THIS WAS AN IMPRESSIVE PERFORMANCE CONSIDERING THE DIFFICULTIES FACED BY COMPANIES IN ALL THE GROUP'S OPERATING SEGMENTS IN A YEAR CHARACTERIZED BY UNCERTAINTY AND A DECLINE IN CONSUMPTION IN THE MAIN GLOBAL MARKETS. THE GROUP'S FIGURES SHOW THAT ITS OPERATING STRATEGY WAS MORE THAN ADEQUATE.

GENERAL OVERVIEW

Throughout the first semester of 2009, practically every country felt the effects of the deterioration in the global economic crisis and suffered from a decline in demand, drop in employment and confidence levels and a scarcity in available credit. However, this scenario was effectively reversed in the last six months of last year, with markets staging recoveries of varying degrees, and which were particularly accentuated in developing countries.

The volatility in the exchange rate market characterized 2009 to such an extent that the uncertainties about the US economy led to the US Dollar depreciating against the main global currencies. As an example, the Brazilian Real was quoted at R$ 2.337 against the US$ at the end of 2008, but ended 2009 quoted at R$ 1.741, representing a depreciation of 25.5% in the year.

Another consequence of the global economic crisis was the deceleration in meat exports around the world. The three main animal proteins – beef, pork and chicken – suffered from a reduction in demand in important import markets.

The Marfrig Group

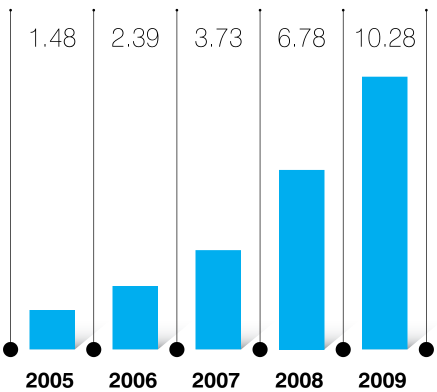
Operating Revenue

Gross revenue in 2009 totaled R$10.3 billion, an increase of 51.7% compared with 2008. The Marfrig Group's consolidated net revenue reached R$9.6 billion, up 55% compared with the R$6.2 billion reported in 2008. The most notable factors contributing to the increase in revenue in 2009 were:

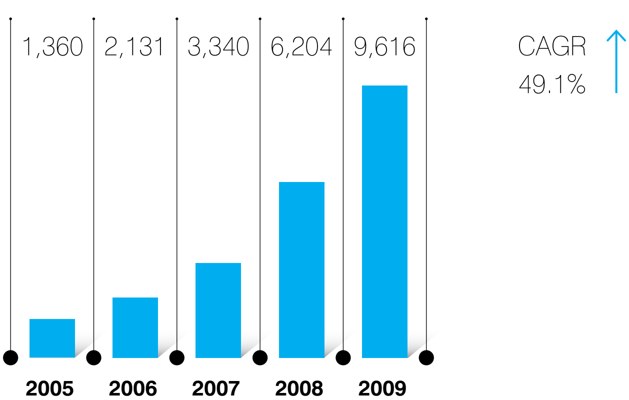
- Increase in the utilization of beef capacity and excellent performance reported by food service; integral consolidation of Moy Park, Kitchen Range, Braslo, Penasul and Agrofrango, DaGranja, MBL and Penapaulo, which were partially consolidated in 2008;
- The startup of lamb production in Brazil in April and turkey in July;
- Leasing of the beef slaughter unit in Rio Grande do Sul (Capão do Leão) in July, as well as Mercosul's six cold store plants, which started up operations in the fourth quarter; and
- The organic growth of our operations.

The charts show the increase in Consolidated Gross and Net Revenue at Marfrig:

Consolidated Gross Revenue R$ billion



Net Revenue R$ million



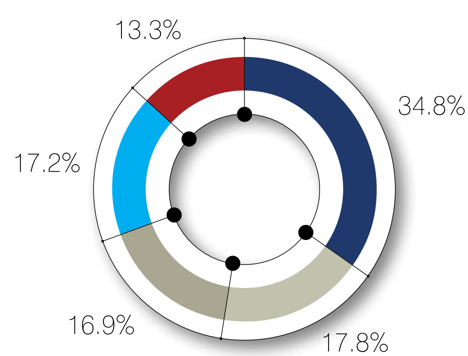
Sales to the domestic market in 2009 accounted for 61.9% of Marfrig's consolidated revenue, compared with 53.4% in 2008. The share of exports fell from 46.6% to 38.1% in 2009, as a consequence of the global crisis, which led to a drop in the volumes and prices of meat products in the international markets. However, there was a gradual recovery from the second semester, but volumes and prices were still below the levels seen in 2008. The volatility in the foreign exchange market was another factor that affected exports in 2009.

The following chart shows the share of each of the Marfrig Group's Divisions in terms of Net Revenue in 2009:

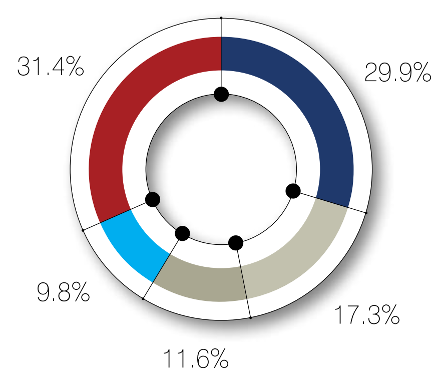
Net Revenue
By division

- Beef Brazil & Food Service
- Poultry, Pork and industrialized – Brazil
- Argentina
- Uruguay
- Europe

2008



2009



The tables show Net Revenue and Sales Volume by Business Division in 2008 and 2009:

Net Revenue

BY DIVISION/MARKET (R$'000)	2008	2009	VAR. % 2008 X 2009
Beef Brazil	**1,690,203**	**2,293,015**	**35.7%**
Domestic Market	905,777	1,209,111	33.5%
Exports	784,426	1,083,904	38.2%
Retail (Food Service) – Brazil	**467,188**	**578,192**	**23.8%**
Domestic Market	467,188	578,192	23.8%
Exports	-	-	-
Pork and Industrialized – Brazil	**368,262**	**305,699**	**-17.0%**
Domestic Market	209,987	193,423	-7.9%
Exports	158,275	112,276	-29.1%
Poultry and Industrialized – Brazil	**733,042**	**1,357,988**	**85.3%**
Domestic Market	309,099	584,098	89.0%
Exports	423,943	773,890	82.5%
Total Poultry, Pork and Industrialized	**1,101,304**	**1,663,687**	**51.1%**
Domestic Market	519,086	777,521	49.8%
Exports	582,218	886,166	52.2%
Total Brazil	**3,258,695**	**4,534,894**	**39.2%**
Domestic Market	1,892,051	2,564,824	35.6%
Exports	1,366,644	1,970,070	44.2%
Argentina	**1,048,517**	**1,115,957**	**6.4%**
Domestic Market	621,392	722,690	16.3%
Exports	427,125	393,267	-7.9%
Uruguay	**1,069,570**	**944,732**	**-11.7%**
Domestic Market	294,536	281,348	-4.5%
Exports	775,034	663,384	-14.4%
Europe	**827,015**	**3,020,157**	**265.2%**
Domestic Market	504,799	2,374,486	370.4%
Exports	322,216	645,671	100.4%
Total Marfrig	**6,203,797**	**9,615,740**	**55.0%**
Domestic Market	3,312,778	5,943,348	79.4%
Exports	2,891,019	3,672,392	27.0%

Sales in Volume

BY DIVISION / MARKET (TONS)	2008	2009	VAR. % 2008 X 2009
Beef Brazil	**443,695**	**567,144**	**27.8%**
Domestic Market	337,711	409,081	21.1%
Exports	105,984	158,063	49.1%
Retail (Food Service) – Brazil	**84,298**	**95,831**	**13.7%**
Domestic Market	84,298	95,831	13.7%
Exports	-	-	-
Pork and Industrialized – Brazil	**108,136**	**123,155**	**13.9%**
Domestic Market	78,061	93,697	20.0%
Exports	30,075	29,458	-2.1%
Poultry and Industrialized – Brazil	**234,789**	**478,802**	**103.9%**
Domestic Market	115,688	265,696	129.7%
Exports	119,101	213,106	78.9%
Total Poultry, Pork and Industrialized	**342,925**	**601,957**	**75.5%**
Domestic Market	193,749	359,393	85.5%
Exports	149,176	242,564	62.6%
Total Brazil	**870,918**	**1,264,932**	**45.2%**
Domestic Market	615,758	864,305	40.4%
Exports	255,160	400,627	57.0%
Argentina	**285,580**	**320,846**	**12.3%**
Domestic Market	244,169	262,329	7.4%
Exports	41,411	58,517	41.3%
Uruguay	**220,970**	**218,365**	**-1.2%**
Domestic Market	127,788	124,570	-2.5%
Exports	93,182	93,795	0.7%
Europe	**103,299**	**382,100**	**269.9%**
Domestic Market	66,026	306,924	364.9%
Exports	37,273	75,176	101.7%
Total Marfrig	**1,480,767**	**2,186,243**	**47.6%**
Domestic Market	1,053,741	1,558,128	47.9%
Exports	427,026	628,115	47.1%

Beef Brazil & Food Service

Net revenue in this Division was R$2.9 billion in 2009 (of which R$2.3 billion was from beef and R$0.6 billion from Food Service), an increase of 33.1% compared with the R$2.2 billion reported in 2008 (R$ 1.7 billion from beef and R$0.5 billion from Food Service). This growth reflected the 25% increase in volume sold compared with 2008, and the 6.5% increase in average prices (comparison between 2009 and 2008).

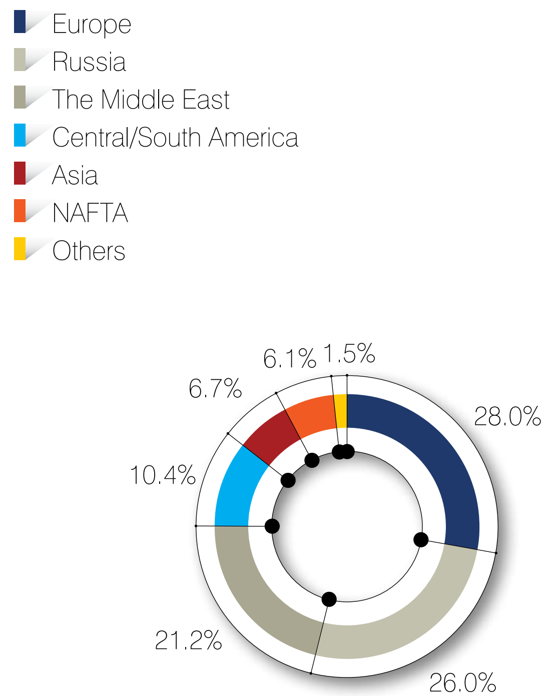
Domestic sales represented 62.3% of total sales in 2009 (63.6% in 2008), while exports accounted for 37.7% (36.4% in 2008). The priority in this division was to improve the efficiency and profitability of operations in the domestic market, by increasing distribution channels, which resulted in a 10.2% year-on-year increase in the average price in the domestic market.

The Food Service in the Beef Division – Brazil registered growing sales in the domestic market, with a 13.7% increase in the volume sold and 8.9% in average prices compared with 2008. Net revenue grew 24.6% in the period ending the year at R$0.6 billion.

The export market was affected by the decline in demand as a result of the global crisis in the first semester, associated with the devaluation in the US Dollar of approximately 25% in the year against the Real, leading to average prices falling by approximately 7.3% compared with 2008. Europe continued to be the main export market for Brazilian beef, accounting for 28% of total export revenue, followed by Russia, 26%, and the Middle East, with 21.2%.

Beef Brazil – Export Revenue

Main markets



R$2.9 billion OF NET REVENUE IN THE DIVISION, AN INCREASE OF 33.1%

The Group expects to see a gradual improvement in the supply of cattle in Brazil in 2010, with the stability in arroba prices. It is also believed that the domestic market may well heat up and that export volumes and prices will recover gradually during the year. The Marfrig Group intends to gradually increase its utilization of production capacity at its beef plants during 2010.

Poultry, Pork and Industrialized – Brazil

Net revenue in the Poultry, Pork and Industrialized – Brazil Division registered R$1.7 billion, an increase of 51.1% in relation to 2008, when the same figure came in at R$1.1 billion. The 75.5% year-on-year increase in volume sold was driven by the full incorporation of the poultry operations acquired during 2008, and the startup of the turkey meat unit in 2009. The international financial crisis, the devaluation in the US$ and excess supply in the domestic market drove prices down 13.9% compared with 2008.

Net revenue in the turkey operation in Brazil rose 85.3%; to R$1.4 billion compared with R$0.7 billion in 2008. Domestic market sales represented 43% of net revenue and reached R$0.6 billion. Export revenue totaled R$0.8 billion, rising 82.5% compared with 2008, with an average price of 2% higher than in the previous year.

The pork operation registered a net revenue of R$305.7 million, a drop of 17% compared with 2008, the result of a 27.1% decrease in prices in 2009 (23.3% in the domestic market and 27.6% in exports). The surplus products in the domestic market contributed to this decline, as total sales in Brazil fell 7.9%.

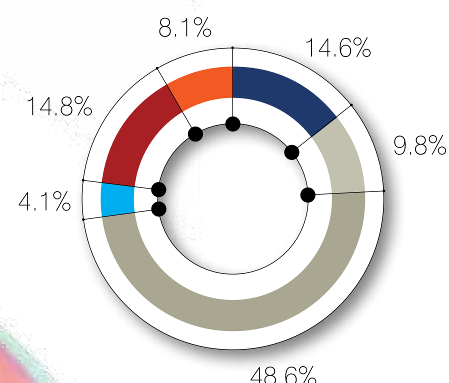
The total volume of export revenue also shed 29.1% (2009 x 2008). The Company's main client of pork meat, Russia (which accounted for approximately 50% of total sales of Brazilian pork), was one of the country's most affected by the economic crisis.

The Middle East remained the main export destination for Brazilian chicken and pork, accounting for 48.6% of the total, followed by Asia with 14.8% and Europe with 14.6%.

Poultry, Pork and Industrialized – Export Revenue

Main Markets

- Europe
- Russia
- The Middle East
- Central/South America
- Asia
- Others



We expect to see the results of the consolidation of investments made in 2009 in 2010, as Marfrig will finalize the incorporation of its entire Poultry, Pork and Industrialized products operation under the umbrella of the Seara brand. The Company also intends to invest in this brand to increase its national and international reach.

An important change in strategy is in the offing, as until 2009, Seara exported approximately 75% to 80% of its output, and focused on fresh products. Marfrig intends to alter this figure to around 50% in the domestic market and 50% in exports. It also plans to invest in the increasing the participation of industrialized products in this profile.

Another two particularly relevant points for 2010 are the integration and verticalization of all operations to benefit from the obvious synergies in the poultry and pork market; as well as guaranteeing margins in line with similar products focused on industrialized products.

Argentina (Marfrig Quickfood)

The Division in Argentina registered a net revenue of R$1.1 billion in 2009, an increase of 6.4% over 2008, which was largely due to the higher volume sold (of 320,800 tons, up 12.3% over 2008), despite the 5.3% year-on-year decrease in average prices (despite the 8.3% increase in the domestic market, export prices fell 34.8%, mainly due to the devaluation in the exchange rate in the period). The operations in this division are largely concentrated in the domestic market, which accounted for 81.8% of the total volume sold and reached 262,300 tons in 2009, 7.4% higher than in 2008, when 244,200 tons were sold. Net sales in the domestic market represented 64.8% of total revenue in Argentina. Exports totaled R$393.3 million, 7.9% lower than in 2008, when this figure was R$427.1 million, although the total volume sold rose by 41.3% with the average price falling by 34.8% in the period.

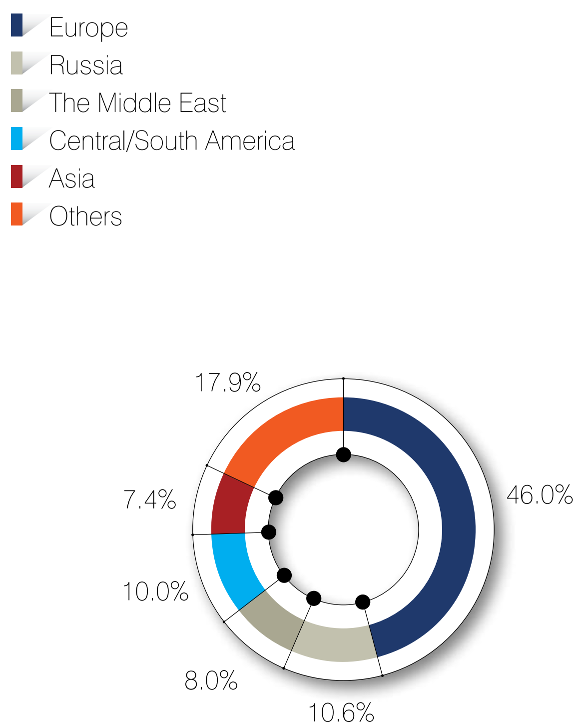
As well as the global readjustment in prices, other factors that affected the average export price of meat sold by the Argentinean Division, was the average year-on-year appreciation of 17.9% of the Argentine Peso against the US Dollar, as well as the lower volume of sales made within the Hilton Quota (to December 2009, only 20% of the quota was shipped between July 2009 and June 2010).

Europe is still the main export market for Argentinean products, representing 46.0% in value, followed by the Middle East with 15.2% and Russia with 10.6%.

Looking ahead to 2010, Marfrig believes that Argentina's domestic market will heat up and that exports will gradually recover in terms of prices and volumes during the year. To reduce the risks in a country that consumes a lot of meat (70 kg *per capita* in 2009), the Company is studying the possibility of building two more confinement facilities with a capacity for 22,000 head of cattle, to virtually double, from 10% to approximately 20%, the proportion of cattle fed in confinement in the slaughter total. The aim of this strategy is to guarantee a constant supply of input for the beef operations, as well as helping Marfrig to expand in 2010.

Argentina – Export Revenue

Main Markets



Uruguay (Marfrig Tacuarembó)

The net revenue posted by the Uruguay Division totaled R$0.9 billion in 2009, compared with R$1.1 billion in 2008; a decline of 11.7%, the result of the 1.2% reduction in volume sold during the year, largely explained by the 10.6% drop in average prices (2% in the domestic market and 15% for exports), as well as the appreciation of the Uruguayan peso against the US Dollar.

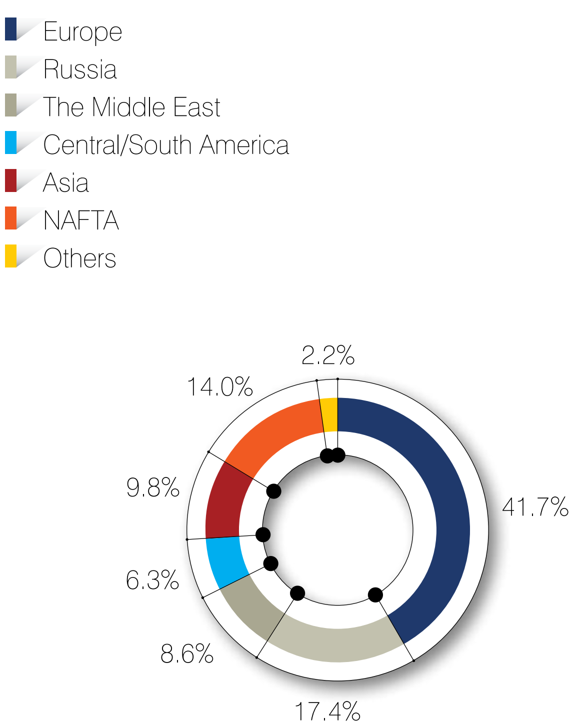
Domestic market sales totaled R$0.281 billion, or 4.5% lower than the R$0.294 billion reported in 2008, and accounted for 29.8% of the Division's total revenue (27.5% in 2008). Exports fell by 14.4% to R$0.7 billion, representing 70.2% of revenue (72.5% in 2008), a result of the difficulties faced in the export sector, which is responsible for most of the Division's revenue.

Europe remains the main market for exports from Uruguay, accounting for 41.7% of revenue, followed by Russia (17.4%) and NAFTA countries third with 14.0%.

Marfrig believes that the purchase of Grupo Zenda will lead to several benefits through the synergies obtained by the expansion in capacity and the higher added value of its operations with beef hides in Uruguay and Argentina.

Uruguay – Export Revenue

Main Markets



Europe (Marfrig Moy Park)

Net revenue in the European Division came in at R$3.0 billion in 2009, an increase of 265.2% compared with the R$0.8 billion registered in 2008. This significant growth is explained by the full incorporation of the Moy Park operations in Marfrig's results, as this consolidation was only the case in the fourth quarter of 2008. The restructuring of operations, the commercial sectors and management at the companies included in this Division also affected 2009 results.

Despite the international crisis, the domestic consumption of chicken in Europe remained stable, which was a significant contributory factor to the solid performance posted by the European Division. In 2009, European consumers saw their purchasing power fall due to the global crisis and, consequently, more meals were made at home, with going out to eat less of a priority, favoring the cheaper animal proteins such as chicken, which has led the European Division to believe that performance in 2010 will be healthy.

Exports totaled R$0.6 billion, a figure 100.4% higher than in 2008, explained by the 101.7% in volume sold and the 0.6% drop in average price. The Middle Eastern countries and those in Central/South America were the main export markets for the European Division, accounting for approximately 7.0% of this Division's total revenue.

It should also be remembered that there is still approximately 50% of the estimated synergy gains after the acquisitions made in European operations to be incorporated in 2010.

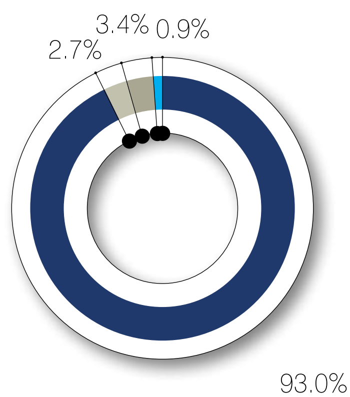
100.4%

INCREASE IN EXPORTS AT THE EUROPEAN DIVISION

Europe – Export Revenue

Main Markets

- Europe
- The Middle East
- Central/South America
- Others



Marfrig also expects to see an increase in the volume of chicken cuts sent to Europe to be industrialized and sold, together with an increase in the sales of beef from Brazil and cut and prepared in Europe. This highlights the fact that Marfrig expects to use its already established distribution channels on the continent to distribute a range of existing products in Brazil, Argentina and Uruguay, thus gaining from the synergies obtained, which should lead to higher profitability in this Division.

COGS – Cost of Goods Sold

The cost of goods sold (COGS) rose 68.8% in 2009 to R$8.2 billion from R$4.9 billion in 2008, with this increase being due to the consolidation of the companies acquired in 2008 and 2009, as well as the plants leased in 2009, in line with the Group's expansion strategy by means of acquisitions and organic growth. The main component in COGS is still raw material, which for Marfrig includes the purchase of animals and the input for feedstock (grain), which accounted for 67.8% of the total in 2009 compared with 77.2% in 2008.

Cost of Goods Sold (COGS)	2008	% SHARE IN 2008	2009	% SHARE IN 2009	Δ 09/08
Raw Material	(3,762.7)	77.2%	(5,576.9)	67.8%	48.2%
Beef	(2,716.2)	55.7%	(3,035.3)	36.9%	11.7%
Chicken & Swine (Grains)	(1,046.5)	21.5%	(2,541.6)	30.9%	142.9%
Packaging	(175.0)	3.6%	(388.0)	4.7%	121.7%
Electricity	(90.1)	1.8%	(168.4)	2.0%	86.9%
Direct Expenses + Lab. (*)	(542.9)	11.1%	(1,340.9)	16.3%	147.0%
Ind. Exp. + Ind. Lab. (**)	(242.1)	5.0%	(524.1)	6.4%	116.5%
Others	(64.0)	1.3%	(236.0)	2.9%	268.6%
Total	(4,876.8)	100.0%	(8,234.3)	100.0%	68.8%

(*) Direct Expenses and Direct Labor
(**) Indirect Expenses and Indirect Labor

Gross Margin

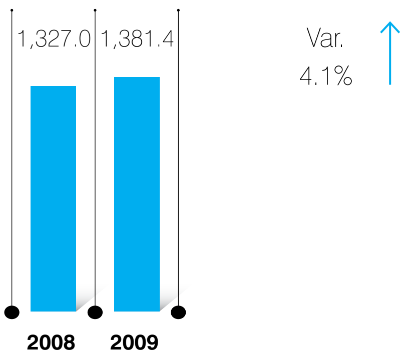
Marfrig's gross margin in 2009 was 14.4%, seven percentage points lower than the margin of 21.4% registered in 2008. The contraction of this margin can be explained by the global financial crisis, the depreciation in the exchange rate during the year and lower meat prices (beef, pork and chicken) particularly in the export markets.

The prices of the main animal proteins in 2009 (beef, pork and chicken) continued on the downward trajectory begun at the end of 2008, which was a direct consequence of the economic crisis that led to a decline in demand and scarcity of credit in some crucial importing countries.

Gross Profit

Gross income totaled R$1,381.4 million, an increase of 4.1% when compared to the R$1,327 million registered in 2008.

Gross Profit R$ million



Selling, General & Administrative Expenses (SG&A)

The Marfrig Group has maintained its strategy to reduce expenses and benefit from synergy gains after the recent acquisitions. SG&A expenses in 2009 were R$0.9 billion compared with R$0.6 billion in 2008, which represented an increase of 62.1% and 9.7% of net income, 50 bps higher compared to the 9.2% of net income posted in 2008.

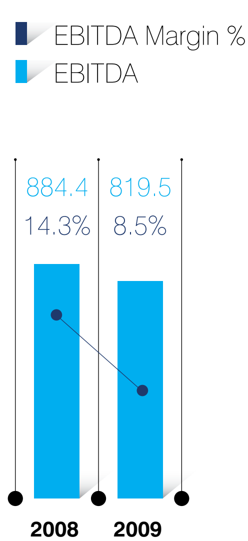
In 2010, with the startup of operations at Seara, we expect to benefit from operating synergies in several different areas, including the purchase of raw materials, logistics and distribution. This is also expected to be the case with the Moy Park operation in Europe, which should contribute to reducing expenses and an improvement in margins. The strategy to increase the participation of processed and industrialized products in total revenue, as well as sales through existing distribution channels, should guarantee higher and more sustainable profitability margins in the next few years.

NET MARGIN ROSE BY 7.1%

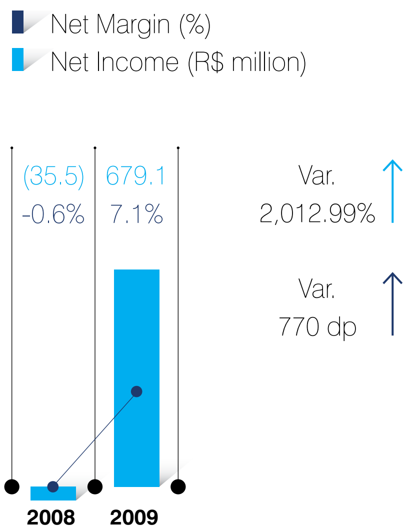
EBITDA and EBITDA Margin

Marfrig's consolidated EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) in 2009 totaled R$819.5 million, 7.3% lower than the R$884.4 million reported in 2008, and the EBITDA margin was 8.5% compared with 14.3% in 2008. Both the gross margin and EBITDA margin were affected by the drop in prices in the three main animal proteins sold, particularly to export markets. Another factor contributing to the narrower margin was the volatility in the exchange rate market, with the weakening of the US dollar against other currencies, and the consolidation of the Moy Park operations in the fourth quarter of 2008, which in 2009 was still operating at lower margins than those generally practiced by the Company.

EBITDA R$ million



Net Income and Margin



Net Income

One of the highlights in 2009 was the record level of net income reported, of R$679.1 million, which reversed the net loss of R$35.5 million posted in 2008, a year in which results were affected by the currency devaluation. This profitability was the result of the successful strategy to diversify risks with a varied and integrated platform of animal proteins in different countries, linked to the gradual increase in the share of industrialized products in the Group's revenue mix.

Net Margin

The Group's net margin in 2009 was 7.1%, compared with a negative figure of 0.6% in 2008. This result was largely due to the strategy to diversify risks linked to the gradual increase in the share of industrialized products in the Group's revenue mix, a fact that, based on management analysis, is the fundamental base necessary to maintain sustainable margins over the medium to long term.

Consolidated Financial Result

The Marfrig Group posted financial income of R$23.4 million in 2009, reversing the financial loss of R$0.9 billion registered in 2008. In 2009, with the 25.5% devaluation in the US Dollar against the Real, the Company generated a positive net exchange rate gain of R$0.6 billion reversing the R$0.7 billion negative result registered in 2008, when the financial result was affected by the 31.9% appreciation in the US$ against the Real (R$).

Investment

The Marfrig Group has adopted a strategy based on significant and consistent growth in its operations since 2006, based on an internationalized and diversified business model. A total of more than R$5 billion has been invested in three years to acquire 37 companies, more than half of which were overseas, thus guaranteeing the Group's presence in 13 countries.

Part of the investment announced in 2009 (the purchase of Seara) was financed with the public issuance of 79,040,000 ordinary shares at a price of R$19.00, which corresponded to a capital injection of approximately R$1.5 billion.

The following table shows the breakdown of investments:

Consolidated Investment (R$'000)	2008	2009	△ 09/08
Investment (payment of previous acquisitions)	603,970	190,346	(68.5%)
CAPEX – investment in fixed assets	485,091	535,483	10.4%
Intangible assets/deferred premium (goodwill)	917,553	5,319	(99.4%)
Total Investment	2,006,614	731,148	(63.6%)

The result of the cash flow related to investment activities totaled R$731.1 million, as shown in table four of the explanatory notes. Investment in Fixed Assets (CAPEX) totaled R$535.5 million in 2009.

The main highlights related to the investments made in 2009 are shown below:

Lamb in Brazil – the Group started up the production of lamb in Brazil in April, in the city of Promissão (SP). The unit has the capacity to produce 1,000 head/day, in addition to the 8,400 lambs/day produced at the units in Uruguay and Chile. The lamb produced in Brazil is part of the Marfrig product portfolio distributed to the main steak houses and restaurants in the Country through food service, as well as to the large supermarket chains and export clients.

Entry into the turkey market – the Company acquired the assets in the turkey meat segment in Brazil owned by Doux Frangosul in June. The acquisition included a plant in the city of Caxias do Sul (RS), with a daily production capacity of 30,000 turkeys. The total acquisition value agreed for these assets was R$65 million, and marks the entry of the Marfrig Group into the turkey meat market, in line with its strategy to diversify in animal proteins and widen its range of higher added value products offered to clients.

The Diamantino Industrial Complex/Rosário do Oeste (MT) – the Company announced it was investing in an industrial complex in the State of Mato Grosso in June, including the construction of a unit to produce industrialized products, as well as expanding its pork breeding facilities, implementation of biodigestors and the cogeneration of energy. The plant has the daily capacity to handle 3,000 porks and 100 tons of industrialized products, and the expected investment is R$128 million, with the operational start up scheduled in the second semester of 2010. This investment is in line with the Group's strategy to strengthen its presence in the market for processed foods, as well as diversification in the animal protein segment.

Leasing of cold stores in Rio Grande do Sul – the Group leased a cold store in the city of Pelotas (RS) in July, with the capacity to handle 400 head of cattle/day, for a period of 36 months. The plant is authorized to export to the European Union, Russia and Chile. Its location, 51 km from the port at Rio Grande, helps in terms of the sales logistics for exports and the synergy for supplying the Company from the slaughter units in São Gabriel and the production of industrialized products at Pampeano, Bagé.

Expansion in beef in Brazil – the Company signed a memorandum of intent with Margem S/A and Mercosul S/A in September, to lease 13 industrial units with a combined capacity to process 8,800 head of cattle/day as well as a beef jerky manufacturer producing 1,700 tons of industrialized products/month. The operation increased the Company's capacity to 22,350 head of beef cattle/day in Brazil and a total of 30,150 head of beef/day. Marfrig believes that the strategy of this operation is opportune at a time when there is an improved supply of livestock in the Country as well as rising external demand.

Partnership with Grupo Atacadista Martins – the Company entered into a five-year partnership with Grupo Martins (Martins Com. e Serv. de Distribuição S.A.) in September. The partnership is in line with the Group's strategy to expand its operation in the retail segment, increasing its geographical presence in Brazil, diversifying its product portfolio and reaching new consumers with products supplied from its operating platform in beef, poultry, pork and lamb in Brazil and abroad. Martins is currently the largest wholesale-distributer in Latin America, with three storage centers and 39 distribution centers spread out throughout the country.

Consolidated Debt

Marfrig's consolidated debt on December 31, 2009 stood at R$5.2 billion, comprised of R$1.5 billion in short-term debt (28.6% of its total indebtedness) and R$3.7 billion in long-term debt (71.4 % of its total indebtedness).

Of the Group's total debt, 24.8% is in Reais and 75.2% in other currencies, practically in line with the 70.1% of the Group's revenue generated in foreign currencies other than the Real in 2009.

The Group's net indebtedness with financial institutions at the end of 2009 totaled R$2.1 billion, 34.6% less than the R$3.2 billion registered as of December 31, 2008. Marfrig's cash position on December 31, 2009 was R$3 billion (of which R$1.5 billion was generated from the public share offer made in 4Q09) compared with R$ 1.1 billion in 2008. The Net Debt/EBITDA ratio in 2009 was 2.60x.

Consolidated Debt – The Marfrig Group

SHORT TERM	2008	% SHARE IN '08	2009	% SHARE IN '09	Δ 09/08
National Currency	262.6	6.1%	713.0	13.8%	171.5%
Foreign Currency	969.5	22.5%	760.6	14.8%	-21.5%
Total Short Term	1,232.1	28.6%	1,473.6	28.6%	19.6%
LONG TERM	2008	% SHARE IN '08	2009	% SHARE IN '09	Δ 09/08
National Currency	531.7	12.3%	569.1	11.0%	7.0%
Foreign Currency	2,549.7	59.1%	3,111.5	60.4%	22.0%
Total Short Term	3,081.4	71.4%	3,680.5	71.4%	19.4%
Total Indebtedness	**4,313.5**	**100.0%**	**5,154.1**	**100.0%**	**19.5%**
Cash	1,071.7		3,033.4		183.1%
Net Debt	**3,241.8**		**2,120.7**		**-34.%**
EBITDA	884.4		819.5		-7.3%
Net Debt/EBITDA	**3.7x**		**2.6x**		

On December 31, 2009, 75.1% of the Group's consolidated gross debt was linked to foreign currencies. With approximately 70.1% of net revenue being earned in foreign currencies, the Group has a natural hedge, in Real (R$), in terms of the maturities of future debt obligations in foreign currencies. Marfrig does not use leveraged or derivative operations or similar instruments except to provide the minimum protection in terms of its exposure to other currencies, with a conservative policy of not entering into operations that might compromise its financial position.

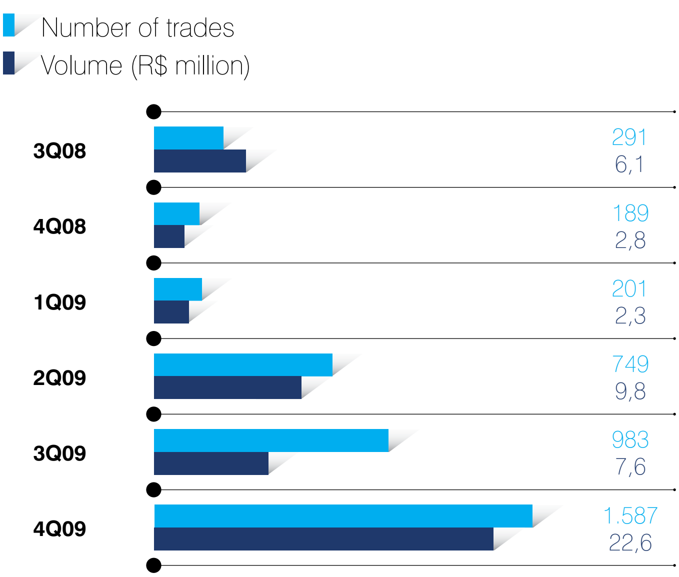
Of the Group's total debt, 63.9% is guaranteed with collateral, pledges, bank or promissory notes.

The Capital Market

Shares in the Marfrig Group performed well during 2009 in terms of both their appreciation in value and liquidity. The average daily trading volume on the stock exchange rose significantly to a volume in the fourth quarter of the year of approximately R$22.6 million.

This increase in share liquidity was a direct result of the Company's strategy, focused on delivering sustainable results throughout the year, its commitment to the environment and society as a whole, as well as the consistent policy for transparency when disclosing information of interest to and about shareholders.

Average Daily Trading Volume



ACQUISITIONS OF SEARA AND GRUPO ZENDA

Seara

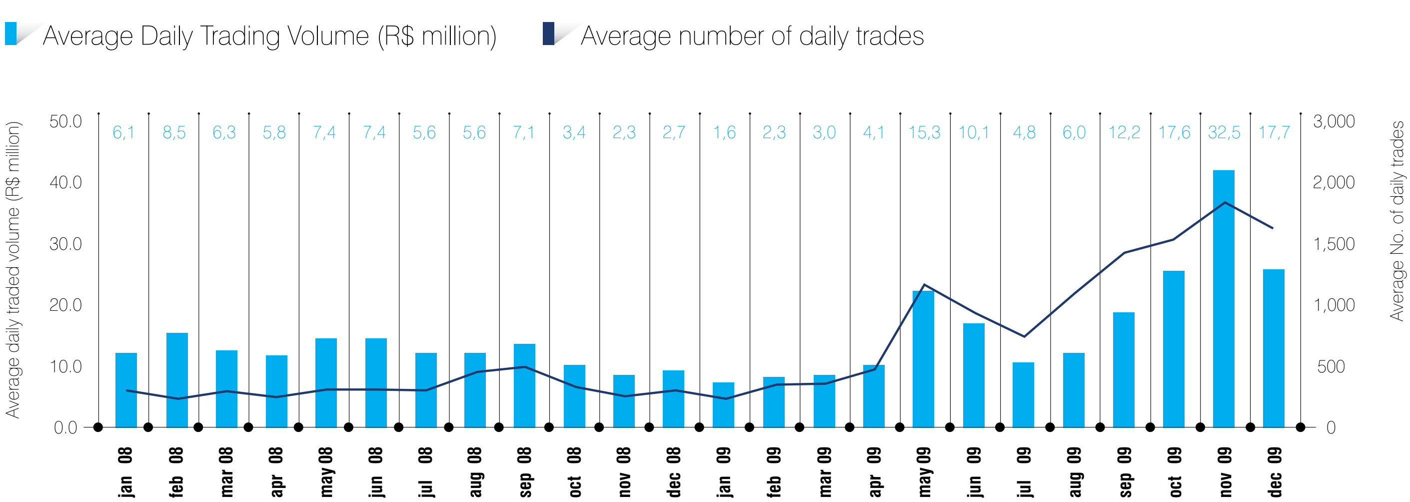
The Group made a large and important investment in 2009: the purchase of Seara, the result of which was the consolidation of the second largest player in Brazil in poultry and pork in the domestic market and exports. For Marfrig, the strategy used was to acquire a brand with both national and international presence, as well as one with widely recognized products of a high aggregate value.

Marfrig acquired the entire Brazilian animal protein business (poultry, pork and industrialized products) from Cargill Inc., represented by Seara Alimentos Ltda. as well as affiliates in Europe and Asia. The acquisition included the brand Seara in Brazil and abroad, 12 plants in the value added processed food segment and industrialized poultry and pork products, as well as a port terminal.

The high quality production capacity of Seara was a decisive factor in this purchase, as was the range of potential operating and logistics synergies between the company acquired and the Marfrig Group. Other factors that weighed on the decision were Seara's distributers and international client base.

As a result of this transaction, Marfrig will increase its access to the largest retail chains and food service Brazil, expanding its product and client portfolios. The absorption of Seara will also contribute to making room on the shipment routes and opening up access for Marfrig to important international markets, including Japan, China, the Middle East, Europe and South Africa.

MRFG3



Seara will absorb the former Poultry, Pork and Industrialized Division – DASI, which will be renamed the New Seara Division. The General Director of this Division will remain Mayr Bonassi, who has been with the Group since the acquisition of the Mabella cold store in 2007.

New Seara will have a simpler structure, more streamlined, and focused on its clients, the domestic market and exports. The brands Mabella, DaGranja and Pena Branca will be integrated into the Division's portfolio, operating under the "umbrella" of Seara, a strong national brand that has been sold in the domestic market for more than 50 years.

Finally, Marfrig guaranteed the consolidation of its expansion strategy in the processed and industrialized poultry and pork segments by adding the production capacity with vast potential synergies in relation to the operating structures at the Company's national Division for Poultry, Pork and Industrialized Products.

The following charts show the Division's slaughtering capacity and production of industrialized products before and after the acquisition.

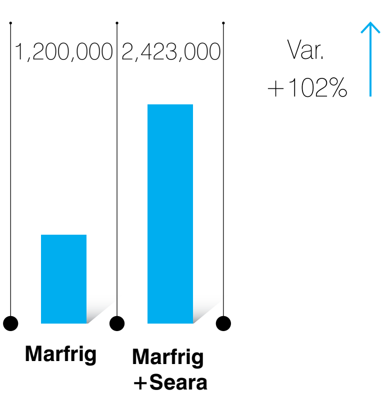
Association with Grupo Zenda

Also in September, the Company signed a commitment agreeing to an association and the initial acquisition of 51% of Grupo Zenda, which is involved in the activities of industrialization and commercialization of finished and cut leather hides, for an estimated value of US$49.5 million. The term of commitment also includes the transfer of the remaining shares in accordance with the future operating performance of the business.

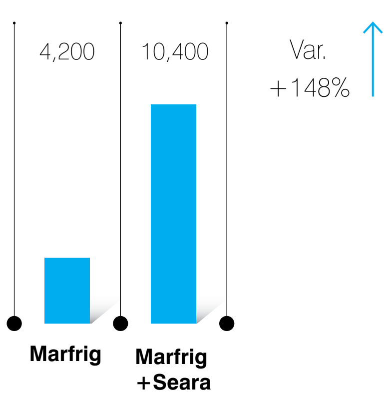
Responsible for industrializing and commercializing high-quality leather, Grupo Zenda supplies its range of products to the auto manufacturing sector, and has clients such as BMW, Audi, Ford, Peugeot, VW, Porsche, Citroen, Nissan and Mitsubishi, as well as Hawker Beechcraft, LAN, Aerolineas Argentinas and Pluna, in the aviation sector, and others in the upholstery trade.

For Marfrig, the acquisition offers some significant benefits, through the synergies obtained associated with the expansion in capacity and the higher added value of its operations with cowhides in Uruguay and Argentina. Grupo Zenda's operations for Marfrig began on January 21, 2010.

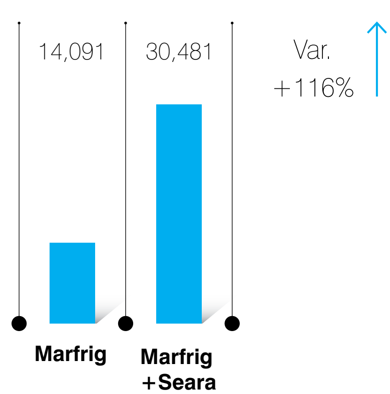
Poultry Slaughter Capacity
Head/day – BR



Pork Slaughter Capacity
Head/day – BR



Industrialization Capacity
Tons/month – BR



SOCIAL PERFORMANCE

AS A RESULT OF ITS CONTINUED ACQUISITIONS, MARFRIG NOW COMPRISES OF A WIDE RANGE OF COMPANIES. AS SUCH, THE INTEGRATION OF EMPLOYEES AND THE DEVELOPMENT OF ITS OWN ORGANIZATIONAL CULTURE IS ONE OF THE MAIN CHARACTERISTICS OF ACTIVITIES IN THE HUMAN RESOURCES AREA. THE CENTRAL PILLARS IN THIS DEPARTMENT ARE THE SEARCH FOR EXCELLENCE IN TERMS OF THE QUALITY OF LABOR AND THE GENERAL DISSEMINATION AND IMPLEMENTATION OF THE GROUP'S VALUES. THIS PLATFORM SUSTAINS THE GROUP'S GROWTH AND STRENGHTENS ITS MARKET POSITION, AS IT NOW HAS MORE THAN 46,000 EMPLOYEES AROUND THE WORLD.

EMPLOYEES

Since it began operations, Marfrig has been expanding on and improving the integration of its employees, as well as developing its own organizational culture, actions and measures that characterize activities in the human resources area.

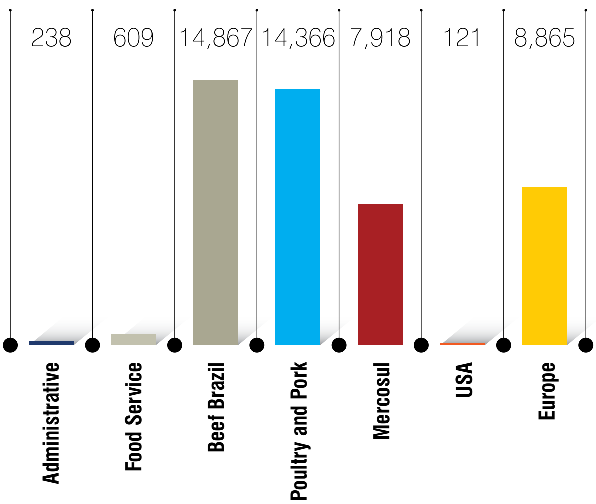
This same process was continued in 2009, with a backdrop of a search for excellence in terms of the quality of labor and the dissemination and implementation of the Group's values. For Marfrig, investing in training and qualifying professionals is an integral part of its strategy and contributes to the efficiency of its companies. The basic idea is always to stimulate participative management, encourage the development of leaders and, through these actions of professionalization, aggregate value as far as the human assets in the companies acquired are concerned. This platform sustains the growth and strengthens the Group, which now has more than 46,000 employees around the world.

Direct Employees

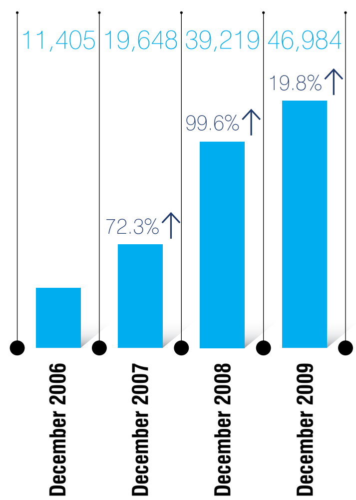
BUSINESS DIVISION	DEC/09	DEC/08
Marfrig Holding	238	184
Beef & Food Service	15,476	10,161
Poultry, Pork and Industrialized Brazil	14,366	12,720
Argentina*	4,020	3,607
Uruguay**	4,019	3,810
Europe	8,865	8,737
Total	**46,984**	**39,219**

** Includes the US*
*** Includes Chile*

Employees per Segment december 2009



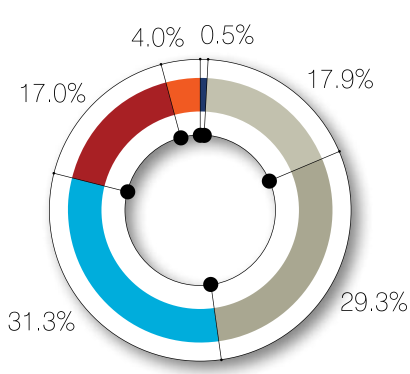
Percentage Growth



Besides its more than 46,000 employees, the Marfrig Group has 11,411 indirect employees and 1,754 outsourced workers. There are 332 employees with some form of physical impairment and the average age of employees at Marfrig is 37, with an average length of service of five years. In 2009, 17,994 employees were hired and 14,739 laid off, with a turnover rate (churn) of 3%.

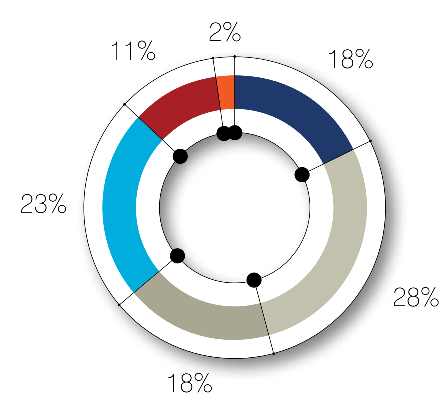
Ages of Direct Employees

- Younger than 18
- Between 18 and 25
- Between 25 and 35
- Between 35 and 45
- Between 45 and 55
- Over 55



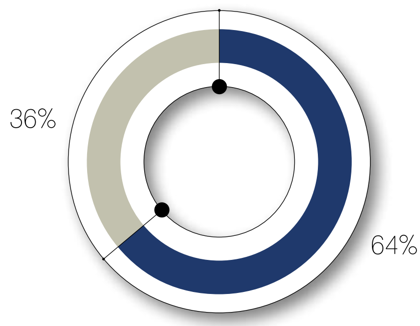
Length of Service

- Up to 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Between 5 and 10 years
- Between 10 and 20 years
- Between 20 and 30 years



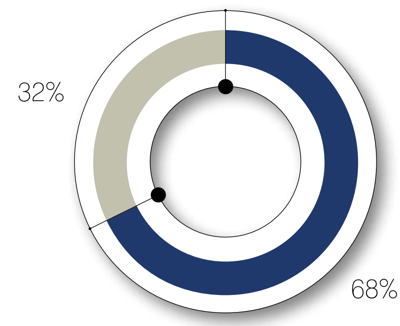
Employees by Gender

- Men
- Women



Employees by Race

- White
- Black



The net revenue per employee rose by 10.1% in 2009 compared with 2008, with the volume sold per employee rising 4.8%.

CLIENTS

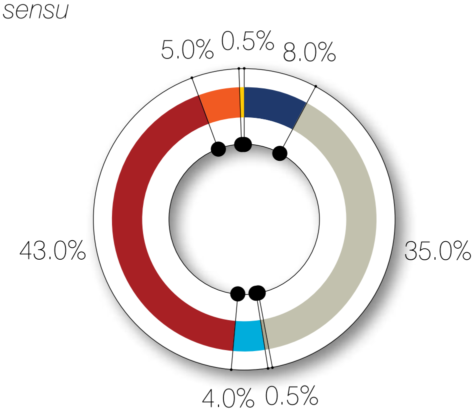
The Marfrig Group has more than 45,000 registered clients in its data banks, and the diversification of its client base effectively reduces risks, particularly as it can sell products to different niches and markets, and has the flexibility to quickly alter the allocation of products in the event of sanitary or economic restrictions.

The Company sold products to both wholesale and retail clients in 2009 in the 13 countries where it operates and exported to another 100. The ten largest foreign clients account for approximately 7.7% of export sales, or 3% of total net revenue. Among its main foreign clients are Kraft, ConAgra and Angliss. The retail clients include well known restaurants and brand boutiques for meat/beef butchers, such as Rubaiyat, Fogo de Chão, Porcão, Montana, Novilho de Prata, McDonald's, Habib's, Outback Steakhouse, China in Box, Marba, Mario's and Giraffa's, among others.

The Company manages, operationally, to balance sales to the domestic and foreign markets, with the aim of maintaining its flexibility to protect itself against any potentially adverse international conditions, such as sanitary and phytosanitary trade barriers and possible tariff restrictions.

Education

- No formal education
- Junior school not completed
- Junior school completed
- High school not completed
- High school completed
- Higher Education completed
- *Lato sensu*



Indicators	2008	2009	Var %
Number of employees*	39,219	46,984	19.8%
Average No. of employees in any given year	29,792	41,930	40.7%
Net revenue per employee/ year – R$'000	28.2	229.3	10.1%
Volume sold per employee (ton/year)	49.7	52.1	4.8%

** As of December 31 of each year*

ENVIRONMENTAL PERFORMANCE

MARFRIG IS COMMITTED TO SUSTAINABLE GROWTH AND ENVIRONMENTAL PRESERVATION IN ALL ITS OPERATIONS. FOR THIS REASON IT IS AFFILIATED WITH THE TASK FORCE FOR SUSTAINABLE RANCHING, A WORLD BANK AND IFC INITIATIVE TO PROMOTE SUSTAINABILITY; AS WELL AS HAVING PARTNERSHIPS WITH STATE GOVERNMENTS TO DEVELOP THE PROGRAM FOR CERTIFYING THE ORIGIN OF ANIMALS; COMBATING CHILD AND FORCED LABOR, AND DEVELOPING SOCIAL ACTIONS IN THE COMMUNITIES IN WHICH IT HAS OPERATING UNITS.

SOCIAL-ENVIRONMENTAL MANAGEMENT

The Marfrig Group believes that the rapid expansion of its activities will be accompanied by its commitment to and engagement in sustainable production. Sustainability is an integral part of the Company's strategy, and incorporated by the Presidency and all its professionals.

Since June 22 2009, Marfrig has been committed to not purchasing, slaughtering or selling beef cattle originating from the Amazon Biome area. This decision underscores the Company's commitment to finding a sustainable solution for rearing livestock/ranching.

In addition, Marfrig requested that BDO Independent Auditors focused on the audit of 100% of cattle acquisitions, and no purchases were identified from farms listed by IBAMA (embargo areas), as well as by the Ministry of Labor (slave labor).

The Company has also established partnerships with state governments in the development of a Program to Guarantee the Origin of Animals, and does not acquire beef cattle from locations on IBAMA's list of embargoed areas, deforested areas in the Amazon Biome or on the Ministry of Labor's list related to slave labor.

Another initiative was the organization of the Work Group for Sustainable Cattle Ranching, an initiative promoted by the IFC/World Bank with the aim of promoting sustainability in the beef production chain. Marfrig is a member of the Work Committee's executive management committee, over which it currently presides. The Group is preparing to obtain the certification norms ISO 14000; 9001; SA 8000 and OSHAS 18000 (before 12/2011) at all its units. The Company's social-environmental management is in line with the principles of sustainability and includes the following measures:

- A system for the treatment of effluents using biodigestors that capture and burn methane gas;
- A program to reduce the consumption and reuse water at the Company's operating units, the target of which is to reduce the consumption of water per ton produced before December 2010;
- The implementation of the Impulse Ranching Program, which is based on establishing and valuing the best practices to improve productivity in the field, using what has already been learnt and developed at units in Argentina and Uruguay;

- More efficient production – do more with less – consuming less water, electricity and using materials more sparingly, always seeking to reduce the generation of waste, thus making the production process cleaner and more efficient;
- Reducing the impacts on nature and people, with the aim of ensuring that future generations have an environment preserved in a scenario of sustainable development, with coherence and ethics.

The Marfrig Group is a member of the Leather Working Group, an international work group and a multi-stakeholder, the main objective of which is to develop an environmental development protocol for producers and promote the best practices in terms of sustainability in the leather industry.

EMVIRONMENTAL POLICY

Based on its concern about sustainability, the Marfrig Group has adopted an environmental policy based on current and future challenges, such as protecting the environment and guaranteeing that operations are carried out using healthy management practices. The guidelines that the Group's environmental objectives are based on are as follows:

- Act as a responsible environmental neighbor in the communities it operates in. Try to eliminate or reduce any adverse effects on health, safety and the environment;
- Make sure the Company's environmental policy is clear to all its employees, making them jointly responsible for applying the principles included in it in their work areas;
- Invest in equipment and technologies that help reduce pollution and the consumption of energy;
- Encourage the reduction, reuse and recycling of waste, as well as lower consumption of materials and energy, thus stimulating the rational use of natural resources;
- Prevent pollution in all segments of its production activities;
- Work with and provide guidance to partners, clients and suppliers about the best practices to respect the environment;
- Know each significant environmental aspect resulting from its activities, products and services, thus helping to prevent any adverse impact on the environment;
- Comply with or even surpass the minimum requirements as established in legislation, regulations and other legal standards. Where these do not exist, the Company should prepare and implement similar standards whenever possible;
- Pay constant attention to prevention in all business areas;
- The Company is committed to a program to prevent pollution, thus ensuring a continued improvement to making air cleaner;
- Develop processes and provide services, training for professionals, that are conveyed to shareholders and the consumers of its products, all focused on raising environmental awareness;
- Provide material information to shareholders, suppliers and consumers to show the Company's performance in terms of the environment;
- Help the suppliers of raw materials and services, as well as product purchasers to develop solutions for problems of an environmental nature;
- Carry out audits and self-evaluations through Internal Environmental Management Committees to ensure coherence in its environmental policy; and
- The Company is obliged to continuously monitor its compliance with Environmental Management, ensuring that it is adequate and up to date.

The entire Marfrig Group focuses its efforts on reducing the consumption of both renewable and non-renewable natural resources. Towards these ends, the Company seeks to introduce new treatment technologies to reduce consumption of these resources, and invests in production equipment that is more efficient from the energetic point of view, in terms of water consumption, and that is capable of helping reduce the overall consumption of natural resources, most notably with the following measures, some of which were prepared in 2008 and implemented in 2009:

- To avoid waste in the consumption of energy, water and fossil fuels and increase efficiency, environmental committees were set up to propose improvement measures to make the use of natural resources more efficient;
- Investment was made to improve and/or substitute inefficient equipment in production lines, helping to reduce the overall consumption of water and energy;
- The implementation of Projects to reuse liquid effluents treated in areas that allow for their reuse, as well as the introduction of measures designed to reduce the use of drinking water;

- All the Company's steam distribution networks were isolated;
- Studies were carried regarding the use of sources of renewable energy, and boilers substituted that were fueled by shale oil, BPF together with gas boilers that burnt firewood and coke, with these sources of energy now generating far less greenhouse-gas causing pollutants;
- Recycling of material and natural resources and the use of recycled material. Industrial waste from all the Group's plants is recycled. Among the recycled waste produced at the units are paper, plastics, PVC boots and curtains, glass, metals, lubricating oils, solvents, fluorescent bulbs and isopor (polystyrene);
- Control of emissions: the color index of densities (tons) of atmospheric emissions from boilers is controlled on a daily basis by means of a colorimetric chart – using the Ringelmann scale for measuring the apparent density of smoke;
- Conservation of protected and replanted areas at all the units close to areas of permanent preservation (APPs), surrounding rivers and creeks or the provision of a legal reserve (rural zones). These locations are in the final process of being laid out and replanted, and most of these projects have already been finalized. In the projects in protected areas, native seedlings to the region are used whenever possible;
- Campaigns to raise environmental awareness are promoted with the participation of brand franchise holders and their employees, suppliers, partners and other public groups. The programs are open to the local communities and implemented in some units, and the intention is to include all the Company's units in environmental education projects in 2010; and
- Campaigns to raise environmental awareness are promoted with the participation of the Company's employees and/or dependents.

THE MAIN GUIDELINE FOR MARFRIG'S ENVIRONMENTAL POLICY IS THE RESPONSIBLE OPERATION OF ITS UNITS

OPERATION

Environmental Operation Programs*

PROGRAM	OBJECTIVE	START UP	TARGET PUBLIC (GROUPS ATTENDING)
Environmental Management Committee	Setting up of teams in the units that meet on a monthly basis to discuss and gather information about possible improvements in the environmental conditions of the companies involved	Implementation in the Group's units during 2009	Industrial management, supervisors, environmental analysts and any other interested parties
Depollution Program	Control the atmospheric emission of pollutants emitted by trucks used in outsourced transport	September/2009	All the trucks used to provide transport services to the units

** The main programs developed by the Marfrig Group, such as waste management, environmental investigation, and education for employees, control of emissions etc.*

Use of Resources

	2009	2008
Annual Consumption of energy (kWh)	149,724,966	121,653,869
Annual Consumption of water (m^3)	5,473,418	4,938,595
Annual Consumption of fossil fuels		
Gasoline/Diesel (liters)	208,162	N/A*
Fuel oil (tons)	1,586.8	754
Gas (LPG/NVG) (m^3)	1,215,641.8	1,322,015.6
Annual volume of solid waste (rubbish, sanitary, rubble, etc.) generated (tons)	18,555.31	16,937.60

** N/A – Not Available*

Spontaneous Environmental Operation Programs (linked to the community)*

PROGRAM	OBJECTIVE	START UP	TARGET PUBLIC (GROUPS ATTENDING)
Earth needs Water	Awareness at regional community level about the importance of preserving hydric resources	2003	Schools, Universities, Social Groups, Local Councils, Government bodies and the community in general
Desvio Rizzo Environmental	Environmental Education	August/2009	The community in general and schools
Citizen in the Company	Environmental Education	2005	Schools, Universities
Environmental Awareness	Environmental Education	SIPAT 2009	Company employees

** Developed in the Mabella de Frederico Westphalen and Itapiranga units.*

Environmental Management Technology *

PROGRAM	OBJECTIVE	START UP	SPECIFIC INVESTMENT 2009
Engineering refit at the Agrofrango Plant	Initiate activities with new equipment and impermeabilization of treatment pools	2008	228,306.38
Engineering refit at the DaGranja Uberaba Plant	Implementation of a complete physical-chemical system	2009	1,600,000.00
Bioremediation at the Braslo Unit	Reduce the percentage of fat discharged with the effluent	2009	15,612.08
Installation of a physical-chemical and coverage system for pools at Mabella Frederico Westphalen	Substitute the old floater and lids of the three first treatment pools	2009	950,052.17
Engineering refit at Mabella Jaguariúna	Complete remodeling of the unit's effluent system	2008	1,960,461.00
Engineering refit at DaGranja Lapa	Implementation of a primary system	2009	900,000.00
Total			5,666,102.43

** Processes and investment in technological operations, research and development in new products and services aligned with the concept of environmental sustainability.*

OUTLOOK

IF 2009 WAS A YEAR OF CONSOLIDATION AND INTEGRATION OF ALL THE COMPANIES ACQUIRED DURING THE PREVIOUS YEAR, MARFRIG EXPECTS TO INCREASE ITS INTERNATIONAL PRESENCE IN 2010, AS WELL AS INVEST IN ORGANIC GROWTH, BROADEN ITS OPERATIONAL SCOPE TO PRODUCTS WITH A HIGH ADDED VALUE, CAPITALIZE AND DEVELOP THE GROUP'S BRANDS AND COMMERCIAL RELATIONSHIPS, EXPAND ITS FOOD SERVICE ACTIVITIES AND ADD VALUE IN ITS LEATHER BUSINESS.

STRATEGY AND OPPORTUNITIES FOR GROWTH

Inherent in its general strategic vision is Marfrig's expansion of its internationalization, with higher export volumes and shares in the markets in which it operates, as well as to develop its business with products of a higher aggregate value to increase margins and profitability. To achieve these targets, the Company has determined the following objectives to be put into practice:

- Invest in organic growth. Remain dedicated to increasing the utilization in capacity of its beef producing plants, in order to maintain the revenue in these segments balanced with the resources originating from beef products. The Company also plans to invest in its already ample system of distribution and logistics. In operational terms, the existing industrial park will allow a significant increase in capacities in production without the need for any large investment;
- Broaden the focus to products with a higher aggregate value. To achieve this, the Company decided to increase its range of industrialized and processed products and special cuts, such as cold cuts, breaded, frozen meals, canned, hamburgers, pastas and differentiated meat cuts, among others. These are products of high aggregate value compared with fresh meat and, therefore, generally capable of contributing to increasing the Company's financial margins;
- Capitalize and develop Marfrig's brands. Consolidate in the markets in which it operates, with practices similar to those implemented in Argentina, where the Company has the Paty brand, leader in the hamburger market and a benchmark in the category. In the UK, Marfrig has the very strong Moy Park and Augustra brands and Seara in Brazil, all of which are recognized for offering products of an extremely high quality. With this brand portifolio, in both Brazil and overseas, Marfrig intends to build a framework of brands that aggregate value for the Company, and in which the consumer recognizes as synonymous with superior quality and confidence, which will allow the practice of an even more differentiated price policy.
- Maximize the global platform and commercial relationships to increase the Company's participation in the domestic and international markets. The Group is looking for new opportunities by region and business division, exploring undeveloped markets and increasingly developing the markets in which it already operates;
- Expand the food service activities. As a result of this approach, Marfrig intends to increase its direct sales of products to restaurants, industrial kitchens, meat boutiques and fast food chains, as these sales offer better margins. The Group is constantly seeking to increase the number of products it can offer in its food service segment and to maximize the existing distribution network to serve its clients in the food services business with an integrated supply option with a complete range of food products they can use in their daily operations.

MARFRIG WILL CONTINUE TO DEVELOP ITS STRATEGY BASED ON GEOGRAPHICAL AND PROTEINS DIVERSIFICATION BY ADDING VALUE TO ITS BRANDS

Aggregate value in finished leather, semi-finished leather, processed skins and tanned hides (raw skin, wet blue skin, wet leather and dry leather). Increase the sale of these products in Europe North America, Asia, Africa and to the Mercosul member countries, adding more value to the leather and, as a result, the total value obtained from the slaughter of beef. The main clients for these products are the auto manufacturing industry, airlines, upholstery and related products. The recent acquisition of Grupo Zenda is a fundamental part of this strategy.

MARKET POSITION

The Marfrig Group is in a privileged position to continue the expansion of its operating base of clients, taking advantage of the business opportunities in the industrialized and processed food segments, for prime cuts and in the food service segment. The fact the Company knows and understands its market indicates that Marfrig will also continue to create additional value for its shareholders, mainly due to its proven track record in terms of organic growth and its history of successful quality acquisitions:

- Based on its 1,646.6% increase in production capacity for industrialized products between 2006 and 2009 (excluding Seara), the Company believes that it has the following strong points:
- Capacity for organic growth. The plants were all acquired, leased or built in the last nine years and were designed or are being modernized to produce a wide range of beef, pork, lamb and poultry products, including those with a high aggregate value, such as prime cuts, frozen cooked beef, smoked pork, breaded and salted. With its modern installations, the Company has good access to clients, including world supermarket chains, that demand the highest quality standards from their suppliers;

- Proven capacity to select, acquire and successfully integrate new companies. The Company's proven track record in terms of successfully integrating and acquiring companies in Brazil and abroad is undeniable, particularly in its knowledge of how to carry out these processes swiftly and seamlessly to capture all the synergies involved. The Company has acquired and integrated 37 companies in the last three years with high growth potential, including companies, assets and brands in several different segments in the sector. As a result, Marfrig management believes that it has the necessary experience to identify, acquire and integrate new business opportunities as well as benefit from the synergies associated with each new acquisition;
- A global and diversified platform. The Company has a presence on five continents, with 97* plants and offices in South America, North America, Asia, Africa and Europe, as well as a distribution system that gives it access to more than 100 countries. The strategic location of its plants in Brazil, Argentina and Uruguay helps to lower production costs due to the availability of land and the tradition of rearing animals for slaughter in these regions, which results in competitive prices and higher export volumes;
- A solid reputation and well positioned brands. Marfrig has a range of strong regional brands that are recognized as symbols of top quality and consistency in food products, such as: Bassi, Seara, Mabella, DaGranja, Montana and Pena Branca. Among the main Brazilian export brands are: GJ for beef; Seara, DaGranja Exports and PenaSul, for chicken; and Westphalen, for pork. The Group also has other prestige brands, including Paty – the market leader in the Argentine hamburger segment and synonymous with quality in the country – and Aberdeen Angus, a symbol of quality meat in Argentina; Mirab, an important brand in the Argentine and North American market for meat snacks, such as beef jerky (industrialized dried and salted beef), which it exports to several countries, including the United States, Japan and the UK. In Uruguay, Tacuarembó, Viva, Paty and Bernina are also recognized in the international market. In Europe, Moy Park, and Pemmican and Mirab USA, are important brands for meat snacks in North America;

** After the acquisition of Seara and Zenda.*

- Sustained growth and a strong commitment to environmental preservation. Marfrig is deeply concerned in and involved in encouraging sustainable growth, the reason it is affiliated with the Task Force for Sustainable Ranching, a World Bank and IFC initiative to promote a sustainable environment in the beef production chain. Marfrig has also committed to partnerships with state governments to develop Animal Origin Certification Programs and not to breed or acquire cattle from the areas listed by IBAMA and other control agencies, such as areas of environmental risk, deforestation regions, or even from the Amazon forest or areas where there are indications that slave labor might be being used;
- Experienced management and business development. The management team has vast knowledge in the food sector, with more than 20 years of experience that is reflected in the capacity to explore possible new business opportunities in the segments it operates in. The current management has been responsible for the increase in sales, optimization of operations and the successful integration of the recent acquisitions.