



A Company with  
two great paths  
and one great future

Innovation Strategy Efficiency  
Commitment Work  
Generation of value Reliability  
People Dedication  
Leadership Strong brands Ethics  
Sustainability High quality Future

Annual and Sustainability Report 2009



## 2009 HIGHLIGHTS

R\$ million	2009 <sup>(1)</sup>	2008	2007	2006	2005
<b>Gross sales</b>	<b>24,426</b>	<b>13,161</b>	<b>7,789</b>	<b>6,106</b>	<b>5,873</b>
Domestic market	15,282	8,104	4,589	3,644	3,036
Exports	9,144	5,057	3,199	2,461	2,837
<b>Net sales</b>	<b>20,937</b>	<b>11,393</b>	<b>6,633</b>	<b>5,210</b>	<b>5,145</b>
<b>Gross profit</b>	<b>4,730</b>	<b>2,759</b>	<b>1,873</b>	<b>1,344</b>	<b>1,459</b>
Gross margin (%)	22.6	24.2	28.2	25.8	28.4
<b>Operating income</b>	<b>416</b>	<b>709</b>	<b>504</b>	<b>191</b>	<b>547</b>
Operating margin (%)	2.0	6.2	7.6	3.7	10.6
<b>EBITDA</b>	<b>1,222</b>	<b>1,159</b>	<b>803</b>	<b>456</b>	<b>745</b>
EBITDA margin (%)	5.8	10.2	12.1	8.7	14.5
<b>Net income</b>	<b>228</b>	<b>54</b>	<b>321</b>	<b>117</b>	<b>361</b>
Net margin (%)	1.1	0.5	4.8	2.3	7.0
<b>Ajusted net income<sup>(2)</sup></b>	<b>360</b>	<b>155</b>	<b>321</b>	<b>117</b>	<b>361</b>
Ajusted net margin (%) <sup>(2)</sup>	1.7	1.4	4.8	2.3	7.0
<b>Market value</b>	<b>19,792</b>	<b>6,155</b>	<b>8,230</b>	<b>4,975</b>	<b>3,523</b>
<b>Total assets</b>	<b>25,671</b>	<b>11,219</b>	<b>6,543</b>	<b>4,829</b>	<b>3,625</b>
<b>Shareholder's equity</b>	<b>13,135</b>	<b>4,111</b>	<b>3,226</b>	<b>2,105</b>	<b>1,223</b>
<b>Net debt</b>	<b>3,878</b>	<b>3,390</b>	<b>429</b>	<b>633</b>	<b>765</b>
Net debt/EBITDA	3.17	2.92	0.53	1.39	1.03
Earnings per share - R\$ <sup>(3)</sup>	0.28	0.26	1.73	0.71	2.70
Number of shares	436,236,623	206,958,103	185,957,152	165,957,152	44,652,384
Treasury shares	1,226,090	430,485	430,485	430,485	143,495

(1) Pro-forma results, considering Sadia's results from 1.1.09

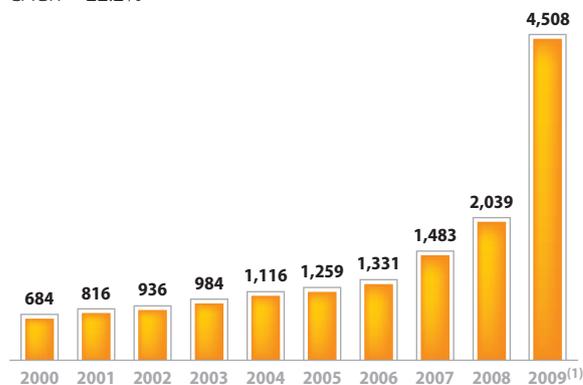
(2) Ajusted net income - In 2008, net income is adjusted by the portion related to the good will generated in the businesses acquisitions net of income tax effects, while in 2009 the adjusted net income does not include the write off deferred tax assets due to the Perdigão Agroindustrial merger occurred in the first quarter.

(3) Consolidated excluding treasury shares.

### Production of meat

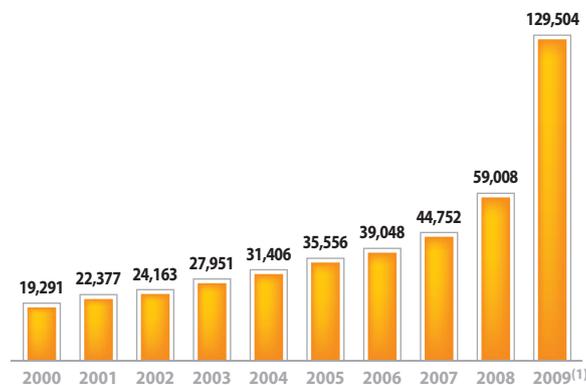
In thousands of tons

CAGR = 22.2%



### Number of employees

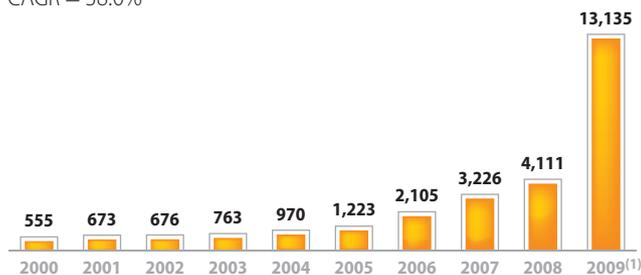
CAGR = 22.8%



(1) Pro-forma 2009 results as if the association with Sadia had occurred on 1.1.09

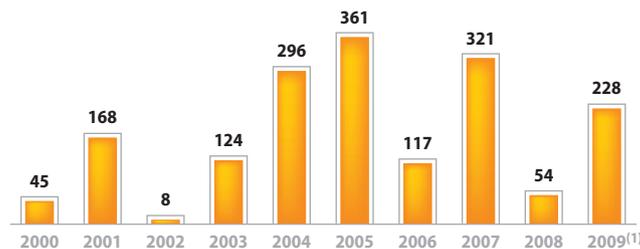
### Shareholder's equity

R\$ million  
CAGR = 38.0%



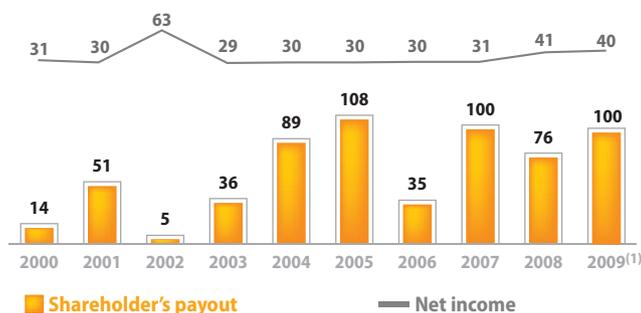
### Net income

R\$ million  
CAGR = 17.1%



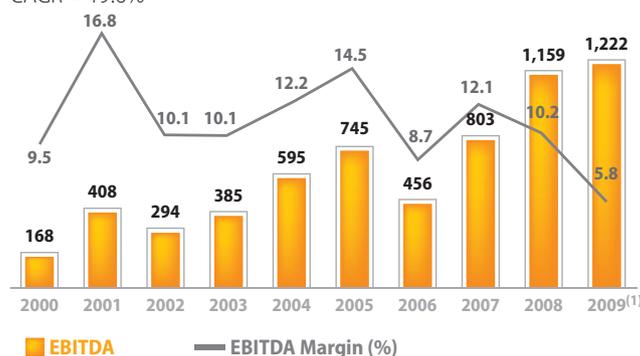
### Shareholder's payout

R\$ million  
CAGR = 22.6%



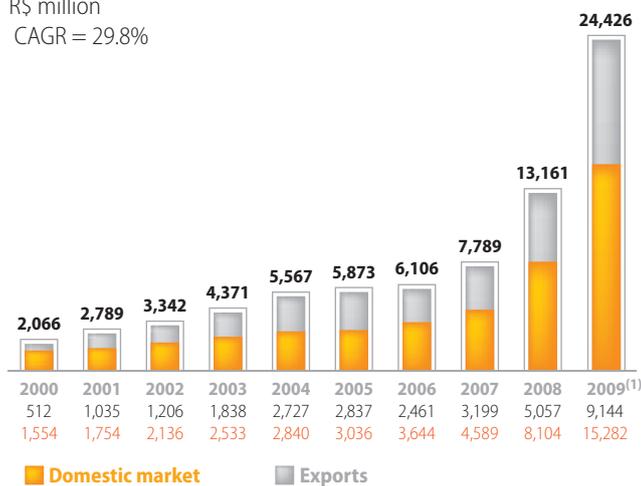
### EBITDA

R\$ million  
CAGR = 19.6%



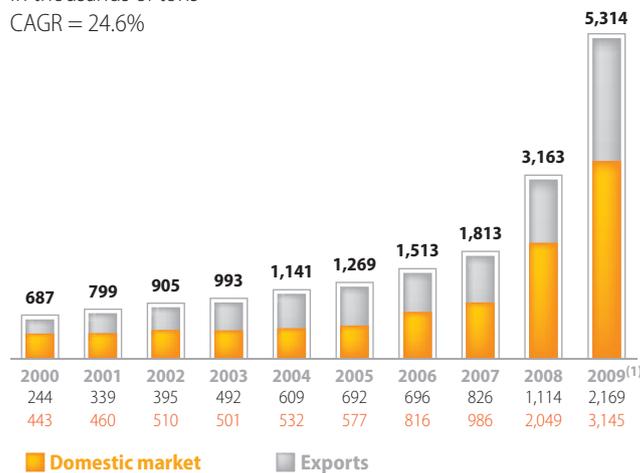
### Gross sales

R\$ million  
CAGR = 29.8%



### Sales\*

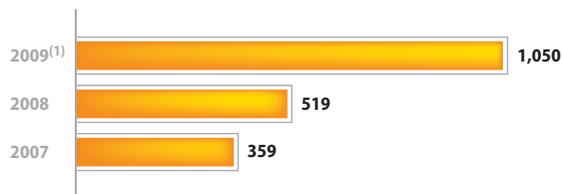
In thousands of tons  
CAGR = 24.6%



\* Including meat, dairy and other processed products

### Social investments\*

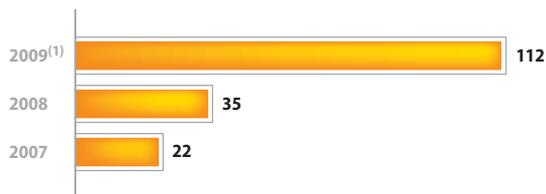
R\$ million



\* Include internal and external investments

### Environmental investments

R\$ million





Annual and Sustainability Report 2009

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# 1. Introduction

BRF combines the attributes of tradition, innovation, quality and reliability to become one of the most admired companies in the world

## **A NEW COMPANY IS BORN BRF - BRASIL FOODS S.A.**

In May 2009 was celebrated an Association Agreement between Perdigão and Sadia which resulted in the creation of BRF Brasil Foods S.A. (GRI 2.9).

This association, one of the year's main operations in the capital market, has established itself as a lasting mark on the Brazilian and world food industry.

The initial step of the process which culminated in the creation of the largest global proteins company by market capitalization was the change in corporate denomination from Perdigão to BRF – Brasil Foods S.A. and the Company's registered offices moving from São Paulo (SP) to Itajaí (SC).

The well-succeeded corporate structuring by merger of shares was realized in two stages: the first one took place in July, when it was incorporated the shares from HFF Participações S/A, which hold most of Sadia's common shares.

In August, the second stage of unification was concluded with the incorporation of common and preferred shares from Sadia by BRF.

The Company's bylaws were amended in line with BRF's good corporate governance practices, culminating in the new structure for the Board of Directors, presided by two co-chairmen.

The market's positive reaction to the new Company was manifested in the success of the primary share offering amounting to R\$ 5.3 billion, a green shoe clause being exercised for a supplementary lot of 15% in view of strong investor interest.

Recognized for the quality of its products, its distribution network nationwide and the penetration of its brands, BRF combines the attributes of innovation, quality and reliability to become one of the most admired companies in the world.



## BRF IN NUMBERS

- More than 100,000 employees
- Gross sales of R\$ 24.4 billion
- Annual exports of R\$ 9.1 billion
- Industrial complex consists of 63 production units
- Portfolio with more than 3,000 SKUs with leading brands

## LEADERSHIP RANKING

- The largest Brazilian specialty and frozen products company
- The world's largest poultry meat exporter
- The largest branded food company in Brazil
- 2nd largest exporter of meats in the world

## CORPORATE PROFILE

BRF – Brasil Foods S.A. is the world's largest exporter of poultry and the largest global proteins Company by market capitalization. In addition, it is one of the leading companies in Brazil in milk catchment and dairy product processing. (GRI 2.1, 2.6, 2.8)

A Company on an international scale with head office in Itajaí (SC), it has 60 industrial units in Brazil and three more overseas (Argentina, United Kingdom and the Netherlands). BRF exports its products to more than 110 countries and has a product portfolio of more than 3,000 items (SKUs), distributed among the meats, dairy products, margarines, pastas, frozen meals, frozen vegetables segments, among others. (GRI 2.3, 2.4, 2.5, 2.8)

Through a broad-based and complex structure, specializing in the delivery of chilled and frozen products along a distribution chain which includes 36 distribution centers, the company is present in the households of customers nationwide as well as in Europe, Asia, Africa and the United Arab Emirates. (GRI 2.3, 2.7, 2.8)

In the domestic market - 58% of its total sales – the Company operates under such branded names as Perdigão, Sadia, Batavo,

Elegê, Chester, Rezende, Confiança, Fiesta, Wilson, Miss Daisy, Qualy, Doriana and Becel (through a strategic joint venture with Unilever) and Turma da Mônica (under license). In export markets which take the remaining 42% of the Company's output, the leading brands are Perdix, Sadia, Hilal, Halal, Batavo, Fazenda, Borella, Corcovado and Confidence. (GRI 2.2)

BRF's shares are listed on the São Paulo Stock Exchange (BM&FBOVESPA) and the New York Stock Exchange (NYSE) through a Level III ADR program. Since 2006, the Company has also been listed on the New Market (Novo Mercado), a segment reserved for companies adhering to the strictest level of corporate governance.

BRF's securities are also components of the Ibovespa stock index, considered the most important indicator of average price performance in the Brazilian market. For the fifth consecutive year, BRF has been included in the portfolio making up the Corporate Sustainability Stock Index (ISE), a select group of companies committed to corporate, environmental and social responsibility, besides other important indexes of BM&FBOVESPA.

Characterized by its diffuse and pulverized control, BRF grants equal rights and protection mechanisms to its shareholders

**Note: For a better understanding we have considered pro-forma data for 2008 and 2009, which consolidates full information for Sadia S.A., as if the merger of the shares had taken place on January 1 2008, except when indicated otherwise.**

## MISSION

To be a part of people's lives by offering tasty foods, high quality and at affordable prices anywhere in the world.

## VISION



## PRINCIPLES AND VALUES

### Reliability

We are reliable, ethical and transparent. We do what we promise and, in so doing, build a relationship of mutual respect with our customers, suppliers, co-workers and shareholders.

### Quality

We have an obsession with quality and food safety. We seek to be in the vanguard of innovation and contribute to the well-being of our consumers worldwide.

### Participation

We strive passionately to be one of the best global food companies. We are committed to what we do and we do it with perseverance, single-mindedness and determination.

### Simplicity

We believe in operational simplicity and we put this approach into practice in the way we work. We solve our problems in a speedy and practical manner.

### People

We develop, prioritize and are committed to the team spirit and on this basis we build the future for our Company.

### Efficiency

We practice a management style which focuses on efficiency and profitability, avoiding waste and in this way we respect our shareholders.

### Socio-environmental Responsibility

We play, and will increasingly play, an important role as a catalyst for social development in the communities where we operate.

## MESSAGE FROM THE MANAGEMENT

Fiscal year 2009 will certainly be remembered as one of the most important in the 75 years of our Company's existence. The association between Perdigão and Sadia, which resulted in the creation of BRF – Brasil Foods, is being viewed as one of the most significant mergers in Brazil given the magnitude of the business involved. It originated the constitution of a company which is a leader in international transactions in animal protein, the largest exporter in the world in poultry meat and the planet's tenth largest food company.

These rankings make us both proud and, at the same time, conscious of our responsibility. They represent the opportunity and the challenge for further increasing the dynamism of our domestic operations as well as expanding our presence in export markets without ever losing sight of our commitment to the sustainability of the business and also for ensuring the creation of value for all our stakeholders.

In accordance with the ruling by CADE (Administrative Council for Economic Defense), with which we signed a Transaction Reversibility Preservation Agreement (APRO), we have maintained the administrative, productive and commercial structures separate, until CADE's final decision, initially integrating only the financial area, the *in natura* meats foreign and domestic trade business and the acquisition of raw materials and services, which was permitted.

In conjunction with consultants, we are examining all opportunities for improvements arising from integration and planning the necessary steps for obtaining economies of scale and synergies.

Clearly, this is a complex task which demands considerable effort. However, the two companies already have a track record in the field of mergers and acquisitions, standing both of them in good stead for overcoming with equilibrium and tranquility all the challenges which lie ahead.

Our confidence in the future of this operation stems not only from the process with which the business has grown stronger over the past decades, but also the positive reaction from the market, expressed in the success of the primary share issue in 2009, and through which we raised R\$ 5.3 billion.

Designed to enhance the feasibility of BRF's operations and consolidate the Company's financial equilibrium, the initial issue of 115 million shares was expanded through the exercising of the issue's green shoe clause for an additional lot of 15%, such was the level of investor interest. It is worth recalling that these results were achieved at a point in time when the world market was still laboring under the affects of the 2008 crisis.

However, paradoxically, the Company's stellar performance in 2009 from the strategic point of view, combined with a difficult year in terms of earnings - in large part due to the rupture in foreign trade flows and translating into a decline in exports. In the light of this scenario, we adopted a series of austerity measures, notably in the form of a budgetary review and cost cutting, as well as production adjustments, with output diverted to the domestic market to offset weaker demand from export markets.

Despite the scenario, we successfully complied with our commitments and continued to pursue our strategy of expanding activities through diversification of the product portfolio and spreading our risks.

Set against the background of this adverse business climate, net sales totaled R\$ 20.9 billion in 2009, equivalent to a 5% drop in relation to 2008. In operational terms, EBITDA was R\$ 1.2 billion, 47% down on 2008.

In 2010, we face the twin challenges of reversing this result while continuing the structuring of the new Company. For this, we are counting on the endeavor of our employees, all of whom have displayed pride and a will to work towards this new phase which awaits us on the horizon.

We are aware that these financial and operational results will only carry the seal of approval over the years to come if they are achieved together with respect for the human being and the environment. At BRF, we believe that dialog and generation of value for all our stakeholders are fundamental to ensure the sustainability of the business. For this reason, our operations are based on the constant search for economic, social and environmental equilibrium. (GRI 1.1)

We shall maintain our goal of achieving operational excellence and focus on the consolidation of the business concluded in recent years, at the same time without ceasing to analyze the opportunities that we may identify going forward.

While in 2009 we grew bigger, in 2010 we shall be working towards becoming better than we already are

**Luiz Fernando Furlan**  
Co-Chairman of the Board of Directors

**Nildemar Secches**  
Co-Chairman of the Board of Directors

**José Antonio do Prado Fay**  
Chief Executive Officer



## 2. Economic and operating performance

### **STRATEGY AND OBJECTIVES**

The association with Sadia in 2009 represented one of the most important steps taken by BRF on the strategic path in the direction of 2020, especially with respect to the growth and expansion of operations globally, to be the best choice anywhere and to become a world class company.

Once fully implemented, the association between the two Companies giants will transform the Company into a player with a global dimension and a size and competitive edge to consolidate its leadership in the Brazilian market and to enhance its potential for expanding international business.

As a result of this operation, the Company

has maintained its goal of creating shareholder value by investing in growth by acquisition and focusing on business opportunities which are complementary to the production chain, besides accelerating the process of internationalization of the Company.

Despite the movement generated by the association with Sadia, BRF continued to pursue its policy of diluting the risks of its businesses with the effective integration of Eleva, in the first quarter concluding the implementation of the information technology system (SAP) for all operations, the Company already seeing the benefits of the capture of the related synergies in 2009.



## INVESTMENTS AND PERSPECTIVES

For better comprehension, the pro-forma data for the investments in BRF and Sadia have been consolidated as if the merger of the shares had taken place on January 1 2008.

Under this criterion, total capital expenditure in fixed assets for the year was R\$ 1.2 billion, of which R\$ 368 million was allocated to poultry and hog breeder stock.

The investment of resources was also directed especially to funding Sadia's new meat processing units in pre-operational phase and located in Lucas do Rio Verde (MT) and Vitória de Santo Antão (PE). Investments were also made in the specialty poultry units in Mineiros (GO) and in the new dairy product units in Bom Conselho (PE) and Três de Maio (RS).

Among the resources used in improvements and to increase productivity, special mention should be made of the investment in the expansion of production capacity and modernization of the Lajeado (RS) plant to which the meat production activities at the Cavahada unit, located in the greater Porto Alegre (RS) area, were transferred.

### Perspectives

Prospects for 2010 are for export markets to report a gradual improvement in demand. The domestic market is also expected to grow, driven by increased household consumption, fuller employment and higher real incomes together with an expanding GDP.

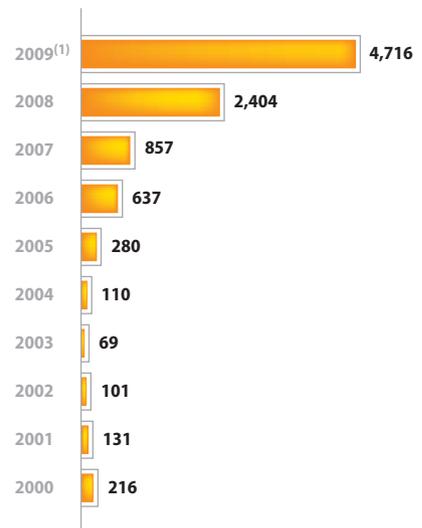
After the successful completion of the

merger of the shareholding bases of Perdigão and Sadia and the primary offering, the Company in 2010 is to focus on the merger of operations, implementing the best practices of each organization and resulting in a bigger and better company.

In 2010, BRF should resume its growth trajectory, benefiting principally from the improved climate for the conclusion of international agreements in world markets where the Company still has no footprint as well as from the consolidation of markets where it already has ongoing operations.

The first stage in this new cycle will be the definition of the necessary management structure to support the new operations and to put into practice the BRF strategic plan, also expected to be finalized in 2010.

**Investments\***  
R\$ million  
CAGR = 37.9%



\* Considering the incorporation of shares of Sadia (2009) and Eleva (2008)  
(1) Pro-forma

**Investments 2009\* (Pro-forma)**  
R\$ 802.8 million



\* The investments in fixed assets amounted R\$ 1.2 billion, considering R\$ 368 million in breeder stock.

## SECTORAL ANALYSIS

The international economic environment in 2009 was characterized by a disruption in foreign trade flows. Under the threat of more severe impacts on their economies, the majority of countries took steps to protect their indigenous markets in an attempt to attenuate the effects of the international financial crisis on consumption and output.

However, government stimulus policies adopted worldwide only began to produce positive effects in the second half of 2009, when several macroeconomic indicators showed incipient signs of recovery, bringing a degree of relief to the markets.

In Brazil, government-inspired policies saw the launch of economic stimulus packages such as the reduction in the IPI excise tax on cars and the introduction of looser monetary measures such as cutting bank reserve requirements and the basic Selic rate of interest. As a result, Brazil was one of the few to report a good economic performance in 2009, generating a positive balance in employment and attracting an inflow of foreign capital.

## Exports

Physical chicken meat export sales in 2009 held steady. Export volumes fell drastically in regions severely hit by the economic meltdown, Europe being a prime example (a 6% decline in shipped volume), but offset by the increase in physical shipments to the Middle East (an increase of 22.7%) and Africa (up by 22.2%). However, average export prices in US dollars were marked down heavily, falling by 16%.

Beef exports posted a decline both by volume as well as by value due to global economic weakness. Export volumes in 2009 fell 10% compared with 2008, while average prices were off by 14%.

The pork meat market recorded a 15% increase in exported volume, a good performance reflecting demand from Russia, which increased its purchases year on year by 18% and accounted for 43% of all export sales of Brazilian pork by volume. However, average prices failed to follow the same trajectory, recording a fall of 28% in 2009 compared with 2008.

## Domestic consumption

The unemployment rate in metropolitan regions as measured by the IBGE (the government statistics office), reached 9% in March 2009, declining to 6.8% in December, the same level prevailing at the end of 2008. Average real incomes between January and November 2009 reported an increase of 2.8% in relation to the same period in the preceding year.

## Raw Materials

While Brazilian corn production in 2009 was close to 2008 levels, with a slight increase of 0.7%, inventory carried over from previous crops and more plentiful supplies in the international markets had a positive impact for the Company, leading to a year on year fall in the average price in local currency of 15%.

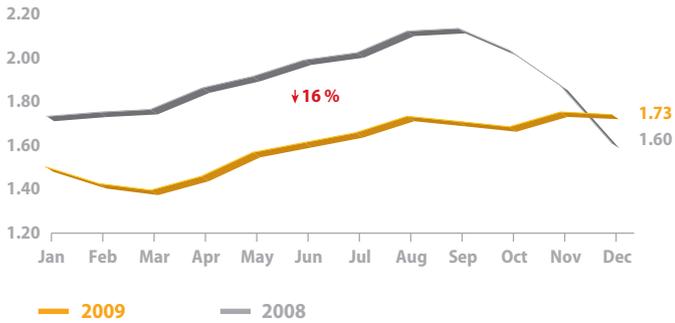
On the other hand, soybean prices rose, grains by an annual average of 2%, and 17% in the case of soybean meal, driven by greater demand from China and lower output by such important suppliers as Argentina.



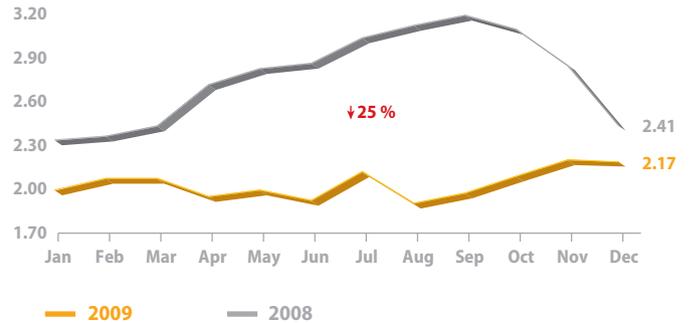
## EXPORTS AVERAGE PRICE

(US\$/kg)

### Poultry



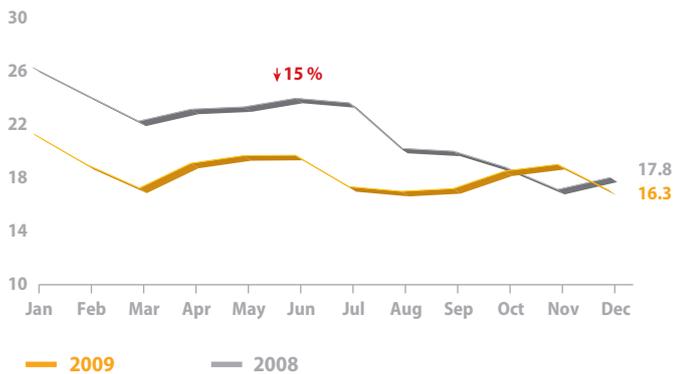
### Pork



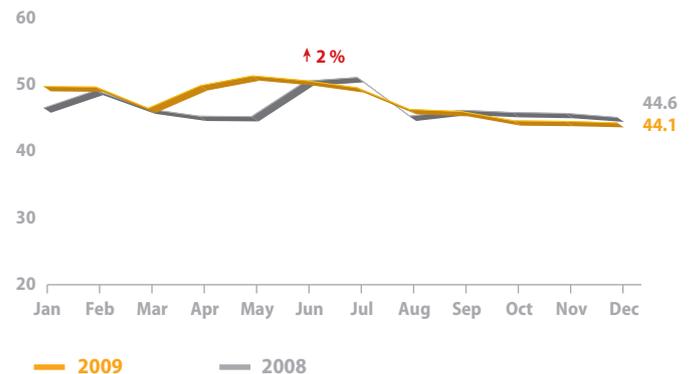
## GRAINS PRICE

(R\$/bag 60 kg)

### Corn

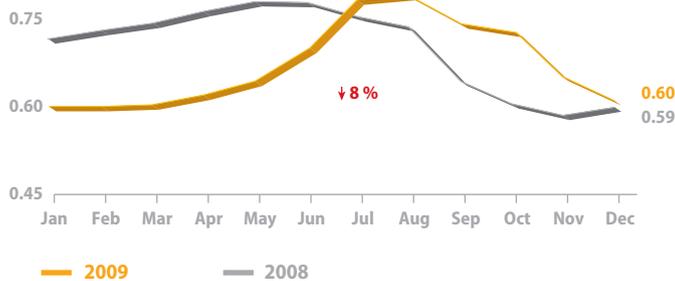


### Soybean



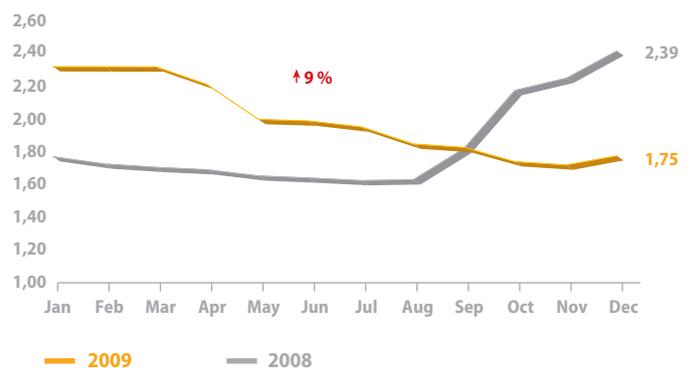
## MILK PRICE

R\$/litre



## EXCHANGE RATE

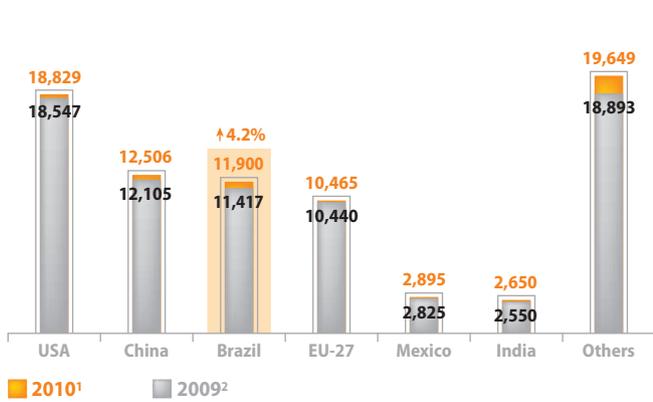
(R\$ X US\$)



### WORLD POULTRY PANORAMA\*

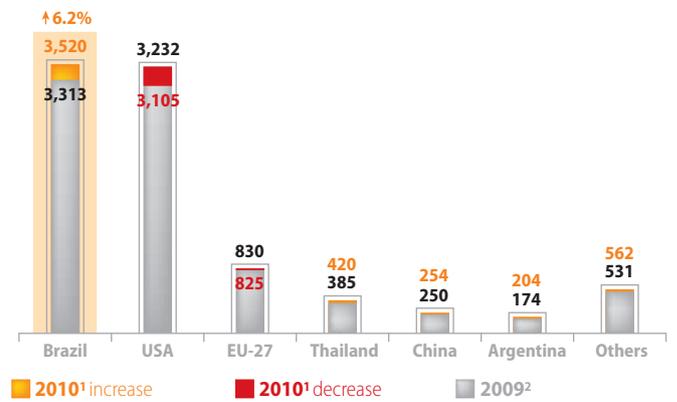
Thousand Tons - "Ready to Cook" Equivalent

#### Production



1 Estimated 2 Preliminary Source: USDA/oct09

#### Exports

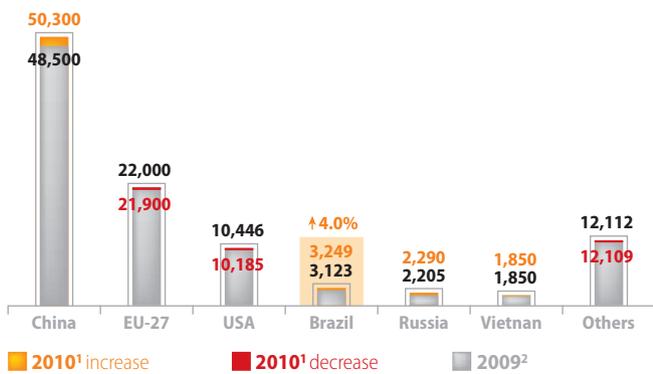


\* Chicken, special poultry and turkey

### WORLD PORK PANORAMA

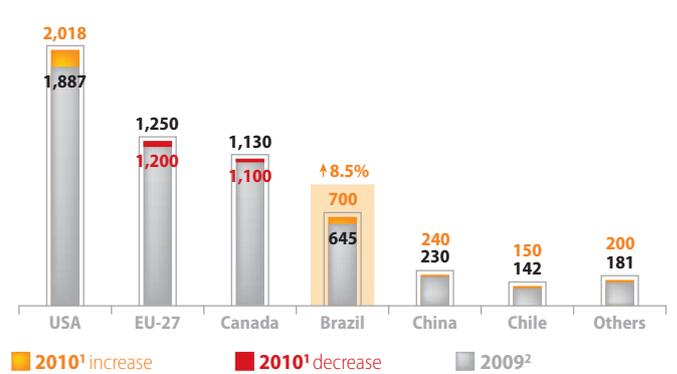
Thousand tons - equivalent carcass

#### Production



1 Estimated 2 Preliminary Source: USDA/oct09

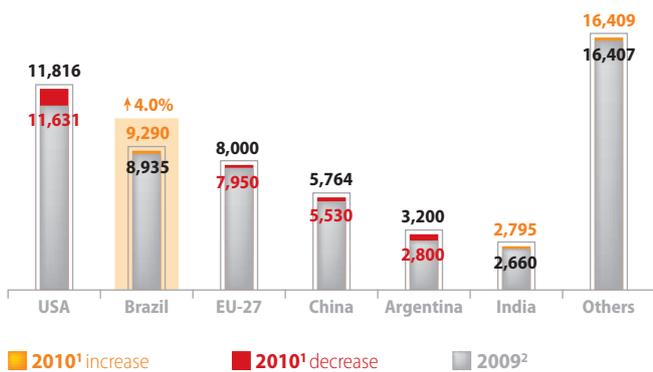
#### Exports



### WORLD BEEF PANORAMA

Thousand tons - equivalent carcass

#### Production

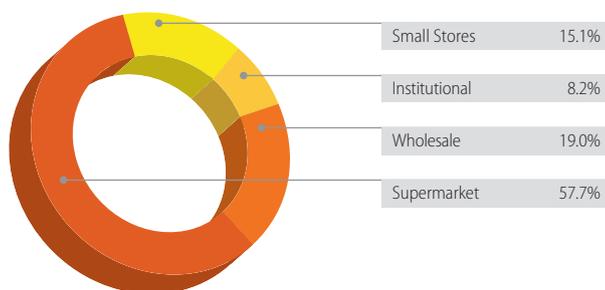


1 Estimated 2 Preliminary Source: USDA/oct09

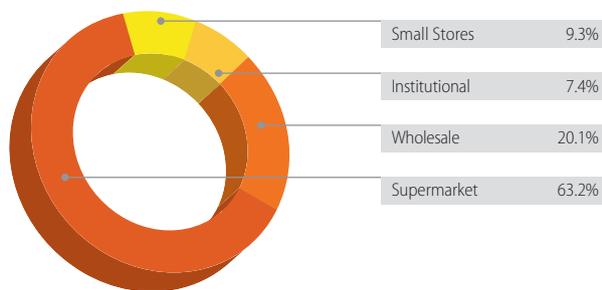
#### Exports



**Distribution channels 2009** (Corporate Law)  
(in revenues)



**Distribution channels 2008**  
(in revenues)



**OPERATING PERFORMANCE**

**Production**

Due to weakening export demand in the light of the adverse international scenario and the downsizing of inventory at the importing end of the business, BRF cut meat production destined for the overseas market by 20% in volume during the first quarter of 2009. This adjustment resulted in higher production costs, technical stoppages and employee vacation shutdowns at these units.

In spite of this reduction, with the consolidation of Sadia's results in the third quarter, poultry slaughter saw a growth of 39.0%, while hog/beef cattle slaughter rose 64.1%. On a pro-forma comparative basis, there was a downward adjustment of 8.3% in poultry slaughter, a 5.6% increase in hog/cattle slaughter and a decline of 2.3% in meat production.

On March 21 2009, there was a fire of moderate proportions at the industrial

installations at Rio Verde (GO), damage at the distribution center adjacent to the complex being the most serious. The Company's just-in-time process was upgraded to respond to the greater demand, finished products immediately being transferred to ports, customers and third party warehouses, the loss of storage space thus being successfully compensated. Supplies to customers from this plant were partially redirected to other units to satisfy demand and there were no adverse financial impacts for the Company, covered by insurance.

**Domestic Market**

In the face of weaker international markets and the need to absorb commodity-type products originally destined for export, the domestic market experienced oversupply and lower prices. This situation was aggravated by

the growth in consumption of consumer durables, a factor which also inhibited stronger demand for food items.

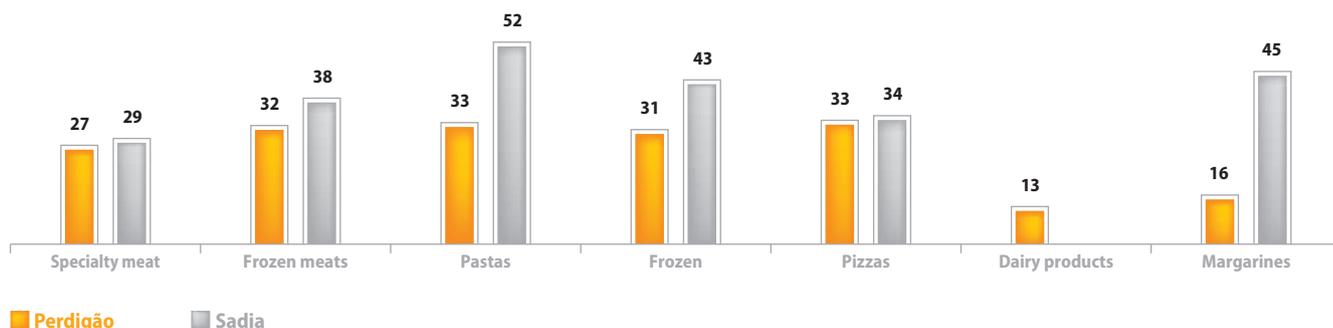
**Meats**

Sales revenue and volume were 73.5% and 57.4% higher than in 2008, (also incorporating Sadia's revenues), the domestic meats market generated an increase of 8.1% in revenue, a 2.3% rise in volume and a 5.8% improvement in average prices on a pro-forma basis.

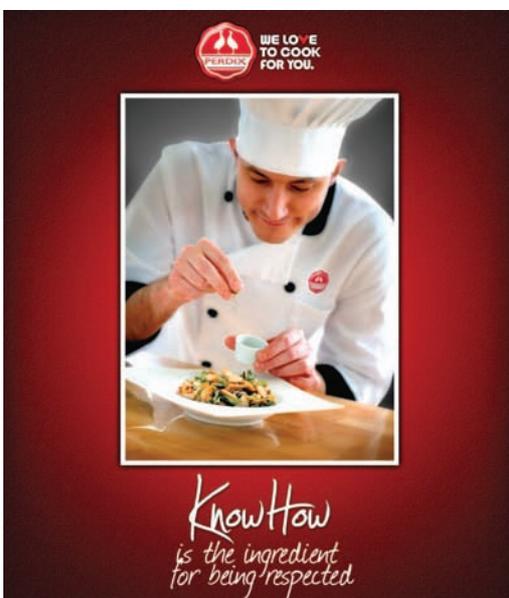
Results from this market reflect a combination of factors, notably: the migration of *in-natura* meat volumes originally destined for export, with the corresponding difficulty of passing on price increases to processed products; the repositioning of brands such as Avipal and Batavo, with the focus on profit margins; lower frozen product volume due to the accident at the plant in Rio Verde (GO).



**Market share (%)**



Source: AC Nielsen



**Dairy Products**

Dairy product volume posted a decline of 10.5% in relation to 2008 and sales revenue off by 6.4%, albeit set against a price adjustment of 4.1%. However, the more effective management of sales of *in-natura* milk sales saw this segment become more profitable with an improvement in results, especially grocery store products.

**Other processed products**

Other processed products posted year on year sales revenue and volumes 119% and 140% respectively higher (on the basis of the criterion of Brazilian corporate law) and 8.7% and 7.0% up respectively on a pro-forma basis. The segment posted a good performance on the back of sales from the portfolio which includes: pastas, pizzas, margarines, snacks, frozen vegetables, cheese bread, among others.

**Exports**

The Company exported R\$ 6.7 billion, a 33.5% growth over the same period in 2008. Viewed from a pro-forma standpoint, export revenues were off year on year by 14.1%.

The principal factors which impacted export performance were an accentuated decline in prices and volumes reflecting the international scenario and weak demand in the principal overseas markets, and the sud-

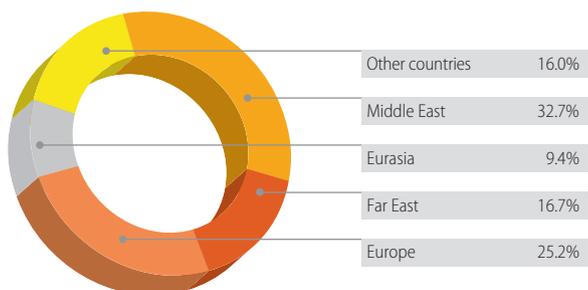
den appreciation of the Real against the US Dollar between March and September. Export performance was also affected by pressure from higher costs along the production chain and expenses due to instability in the markets, which maintained inventory at elevated levels, leading to a decline in prices and a disorganized rise in supplies of commodity-type products on the part of competitors.

During the year, average prices in FOB - Free on Board US dollars fell by about 16%, while the average appreciation in the foreign exchange rate in the same period was approximately 9%, both reflected in a significant erosion of sales revenue in Reais. These factors, together with a fall in volumes and an increase in costs/expenses, undermined performance in this market.

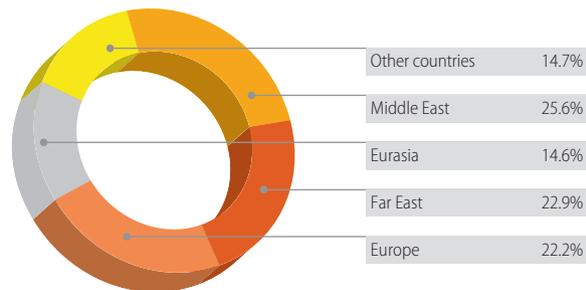
**Meats**

The Company reported an increase in meat volumes and sales revenue 48.1% and 35.0% higher, respectively. In pro-forma terms, there was a decline of 12.1% in sales revenue and 5.5% in volume during the year. Average prices in Reais were 8.3% less due to the fall in dollar denominated prices with no offsetting adjustment in foreign exchange rates. This combined with higher average costs and expenses saw export margins move sharply narrower.

**Exports by region 2009** (Corporate Law)  
% In revenues



**Exports by region 2008**  
% In revenues



**Dairy Products**

Dairy product shipments were significantly down, volumes falling 75.0% and sales revenue by 83.5%, reflecting weaker international demand and high inventory in other producing regions such as New Zealand. The currency translation effect depressed average prices by 31%, forcing the Company to revise planned export volumes with the partial transfer of production to the domestic market.

**Company performance in the leading markets:**

**Europe** – The European market continued to reflect the fall-out from the international financial crisis, reporting a fall in demand for meats, more especially in the processed products segment and turkey meat, inventories of which remained at high levels also due to the priority given to local production.

**Middle East** – Exports to the region were most affected, particularly in the early part of the year, thereafter showing some recovery in the second half, albeit with continuing price and volume volatility due to oversupply of griller chicken.

**Far East** – This market suffered the most from the international financial crisis in the beginning of the year. There was a recovery, albeit with volatility of prices and volumes due to oversupply of griller chicken.

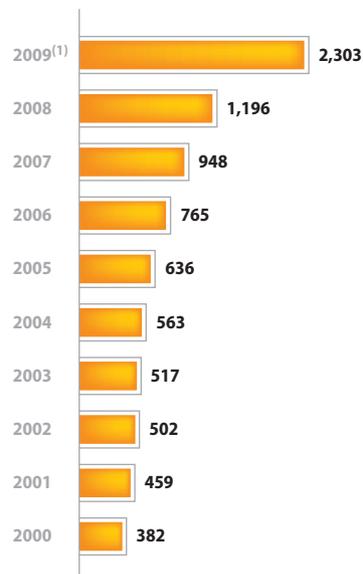
**Eurasia** – Suffering equally from the adverse international scenario, the Eurasian market posted negative margins, more especially in pork meat sales to Russia. In addition to the unfavorable global situation, import quotas for Brazilian meats were cut.

**Africa, Americas and Other Countries** – Increased business with these markets came principally from South Africa, Angola and Venezuela.



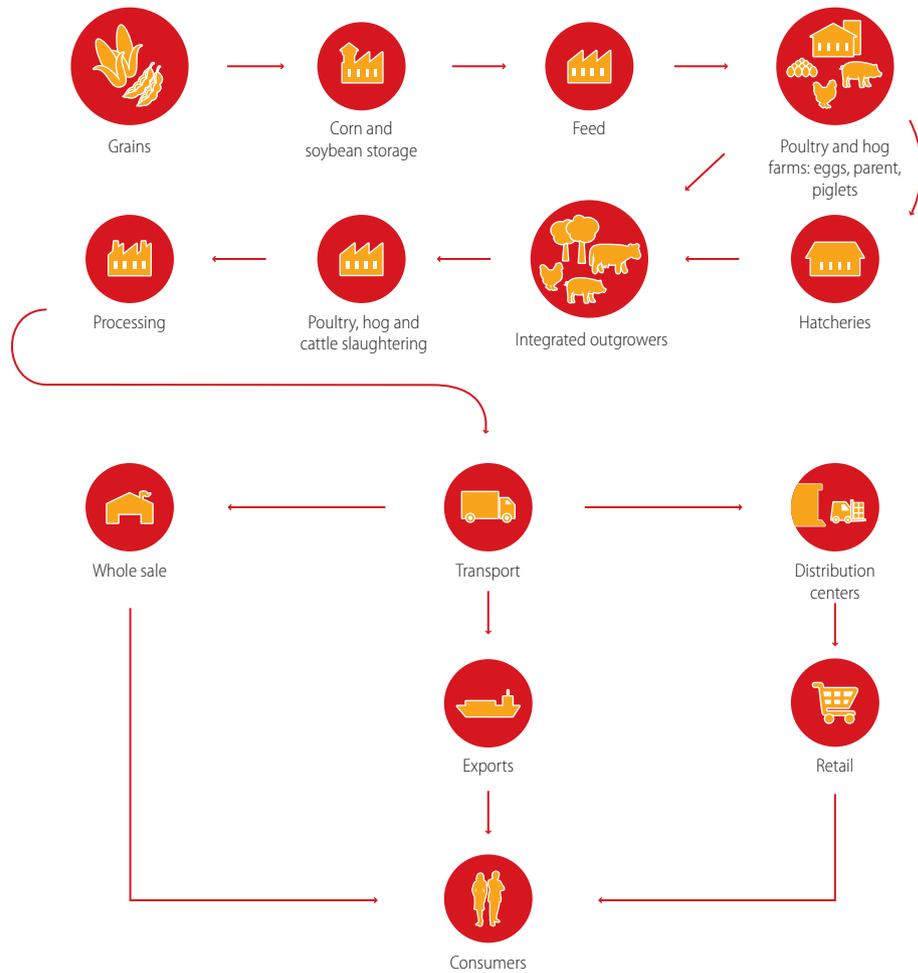
**Elaborated/processed product sold\***

Thousand Tons  
CAGR = 21.3%

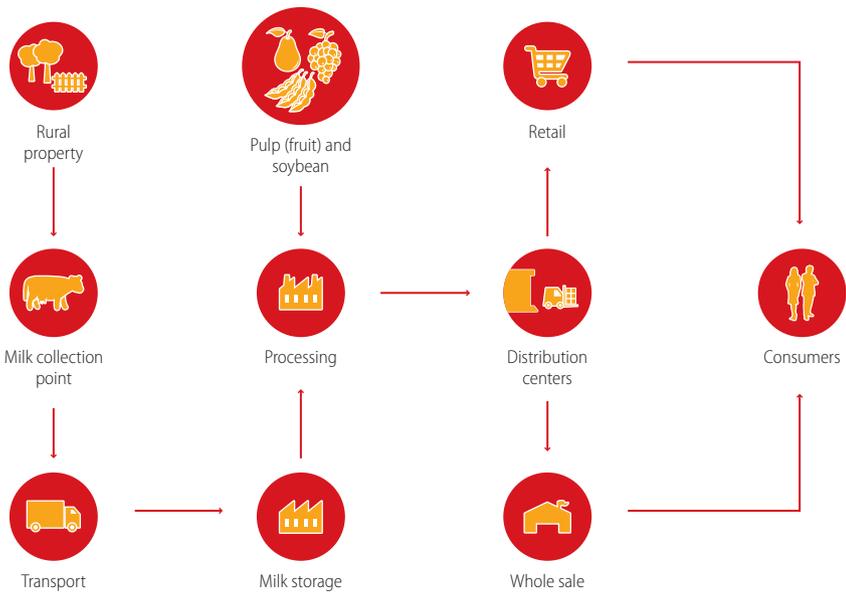


\* including meat, other processed products and dairy products.  
(1) Pro-forma

### MEAT PRODUCTION CHAIN



### DAIRY PRODUCTS PRODUCTION CHAIN



## SALES - PRO-FORMA

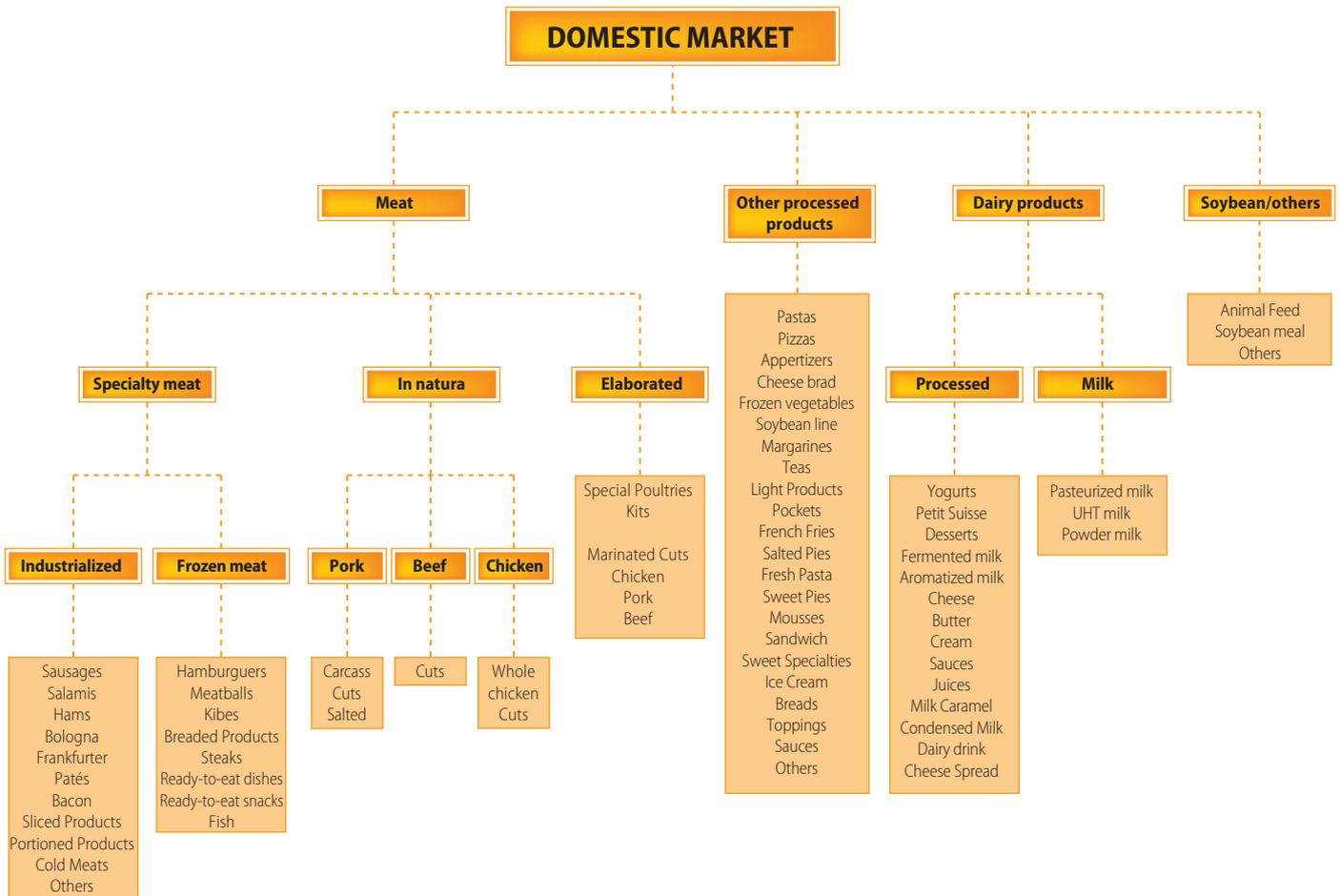
Domestic market	Thousand tons			R\$ million		
	2009	2008	% Ch.	2009	2008	% Ch.
<b>Meats</b>	<b>1,751</b>	<b>1,711</b>	<b>2</b>	<b>10,053</b>	<b>9,300</b>	<b>8</b>
<i>In natura</i>	352	360	(2)	1,638	1,597	3
Poultry	225	238	(6)	969	975	(1)
Pork/beef	127	121	5	669	622	8
Elaborated/processed (meats)	1,399	1,351	4	8,415	7,703	9
<b>Dairy products</b>	<b>1,009</b>	<b>1,128</b>	<b>(11)</b>	<b>2,627</b>	<b>2,807</b>	<b>(6)</b>
Milk	799	880	(9)	1,682	1,690	(0)
Dairy products/ juice/ others	210	247	(15)	945	1,117	(15)
<b>Other processed</b>	<b>384</b>	<b>359</b>	<b>7</b>	<b>1,939</b>	<b>1,790</b>	<b>8</b>
<b>Soybean products/ others</b>	<b>367</b>	<b>383</b>	<b>(4)</b>	<b>663</b>	<b>814</b>	<b>(19)</b>
<b>Total</b>	<b>3,512</b>	<b>3,581</b>	<b>(2)</b>	<b>15,282</b>	<b>14,711</b>	<b>4</b>
<b>Processed</b>	<b>1,994</b>	<b>1,958</b>	<b>2</b>	<b>11,299</b>	<b>10,610</b>	<b>6</b>
<b>% Total sales</b>	<b>57</b>	<b>55</b>		<b>74</b>	<b>72</b>	

Exports	Thousand tons			R\$ million		
	2009	2008	% Ch.	2009	2008	% Ch.
<b>Meats</b>	<b>2,147</b>	<b>2,272</b>	<b>(6)</b>	<b>8,973</b>	<b>10,211</b>	<b>(12)</b>
<i>In natura</i>	1,857	1,951	(5)	7,323	8,378	(13)
Poultry	1,572	1,684	(7)	5,927	6,818	(13)
Pork/beef	286	267	7	1,396	1,561	(11)
Elaborated/processed (meats)	290	321	(10)	1,649	1,833	(10)
<b>Dairy products</b>	<b>4</b>	<b>16</b>	<b>(75)</b>	<b>21</b>	<b>128</b>	<b>(83)</b>
Milk	2	13	(83)	11	107	(89)
Dairy products	2	3	(41)	10	21	(54)
<b>Other processed</b>	<b>18</b>	<b>22</b>	<b>(20)</b>	<b>79</b>	<b>85</b>	<b>(7)</b>
<b>Soybean products/ others</b>	<b>9</b>	<b>9</b>	<b>(4)</b>	<b>71</b>	<b>217</b>	<b>(67)</b>
<b>Total</b>	<b>2,178</b>	<b>2,320</b>	<b>(6)</b>	<b>9,144</b>	<b>10,641</b>	<b>(14)</b>
<b>Processed</b>	<b>309</b>	<b>346</b>	<b>(11)</b>	<b>1,738</b>	<b>1,939</b>	<b>(10)</b>
<b>% Total sales</b>	<b>14</b>	<b>15</b>		<b>19</b>	<b>18</b>	

Total sales	Thousand tons			R\$ million		
	2009	2008	% Ch.	2009	2008	% Ch.
<b>Meats</b>	<b>3,898</b>	<b>3,984</b>	<b>(2)</b>	<b>19,025</b>	<b>19,511</b>	<b>(2)</b>
<i>In natura</i>	2,210	2,311	(4)	8,961	9,975	(10)
Poultry	1,797	1,923	(7)	6,896	7,793	(12)
Pork/beef	413	389	6	2,065	2,183	(5)
Elaborated/processed (meats)	1,689	1,673	1	10,064	9,536	6
<b>Dairy products</b>	<b>1,013</b>	<b>1,143</b>	<b>(11)</b>	<b>2,649</b>	<b>2,935</b>	<b>(10)</b>
Milk	801	893	(10)	1,694	1,797	(6)
Dairy products/ juice/ others	212	251	(15)	955	1,138	(16)
<b>Other processed</b>	<b>402</b>	<b>381</b>	<b>5</b>	<b>2,018</b>	<b>1,875</b>	<b>8</b>
<b>Soybean products/ others</b>	<b>376</b>	<b>393</b>	<b>(4)</b>	<b>734</b>	<b>1,031</b>	<b>(29)</b>
<b>Total</b>	<b>5,690</b>	<b>5,901</b>	<b>(4)</b>	<b>24,426</b>	<b>25,352</b>	<b>(4)</b>
<b>Processed</b>	<b>2,303</b>	<b>2,304</b>	<b>(0)</b>	<b>13,038</b>	<b>12,549</b>	<b>4</b>
<b>% Total sales</b>	<b>40</b>	<b>39</b>		<b>53</b>	<b>49</b>	

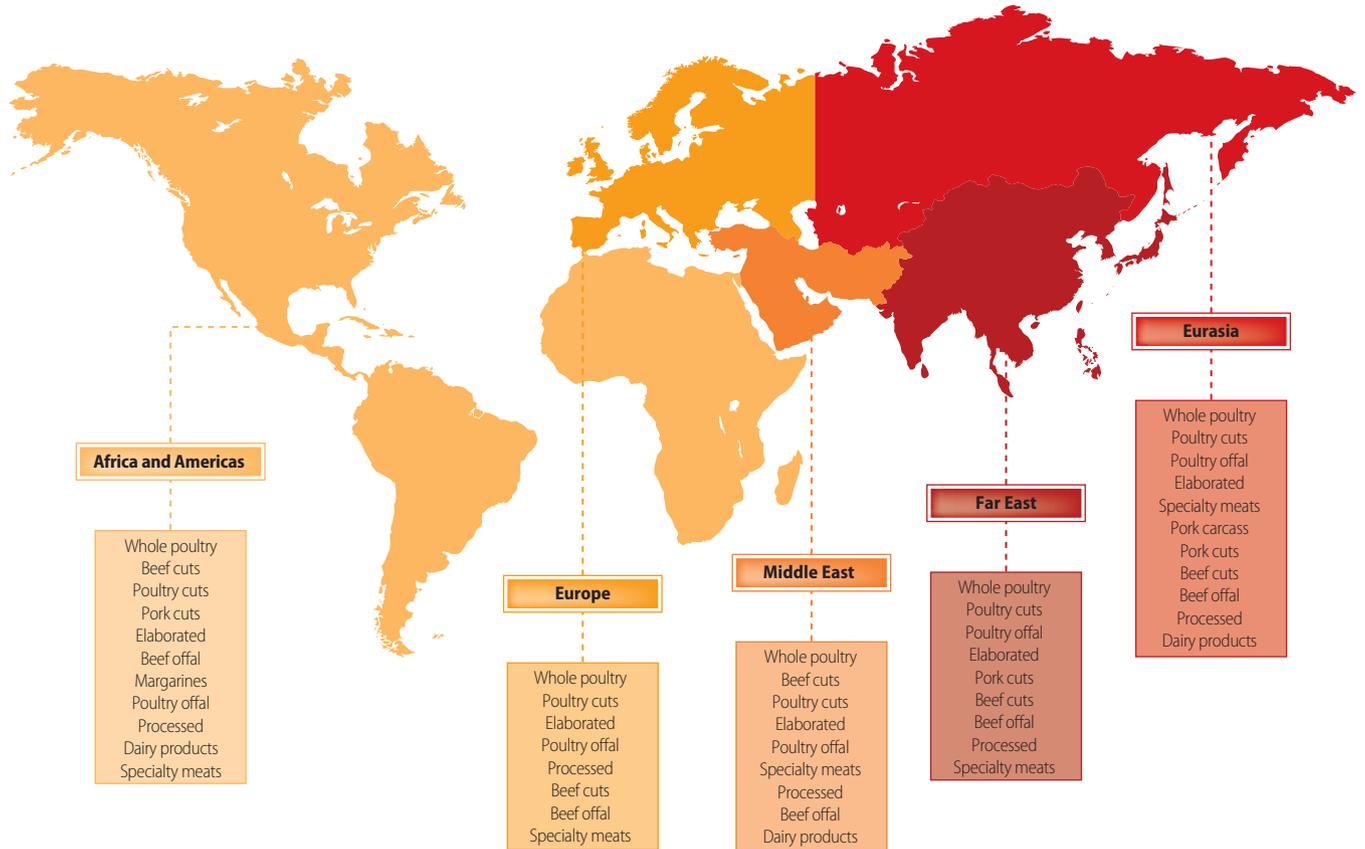
Note: Pro-forma 2009 and 2008 results, consolidating Sadia's figures as if the incorporation of shares had occurred on 1.1.08

**BRAND AND PRODUCTS LINE**



Becel's products are made, commercialized and distributed by UP Alimentos, joint venture created in 2007 by BRF and Unilever. Becel's royalties belong to Unilever.

## EXPORTS



Highlights - R\$ million	Corporate Law			Pro-forma		
	2009	2008	% Ch.	2009	2008	% Ch.
Gross Sales	18,589	13,161	41%	24,426	25,353	(4%)
Domestic Market	11,840	8,104	46%	15,282	14,711	4%
Exports	6,749	5,057	33%	9,144	10,642	(14%)
Net Sales	15,906	11,393	40%	20,937	22,121	(5%)
Gross Profit	3,635	2,759	32%	4,730	5,621	(16%)
Gross Margin	22.9%	24.2%	(130 bps)	22.6%	25.4%	(280 bps)
EBIT	350	709	(51%)	416	1,458	(71%)
Net Income	120	54	122%	228	(2,435)	-
Net Margin	0.8%	0.5%	30 bps	1.1%	(11.0%)	-
Adjusted Net Income <sup>(1)</sup>	252	54	364%	360	(2,435)	-
Adjusted Net Margin	1.6%	0.5%	110 bps	1.7%	(11.0%)	-
EBITDA	912	1,159	(21%)	1,222	2,324	(47%)
EBITDA Margin	5.7%	10.2%	(450 bps)	5.8%	10.5%	(470 bps)
Earnings per Share <sup>(2)</sup>	0.28	0.26	8%			

(1) Net adjusted result - ignoring the absorption of the tax loss relative to the incorporation of Perdigão Agroindustrial S.A., booked to first quarter results 2009.

(2) Consolidated earnings per share (R\$) excluding treasury stock (1,226,090 on December 31 2009).

## ECONOMIC-FINANCIAL PERFORMANCE (MD&A)

### Net Sales

Net sales for the year were R\$ 15.9 billion, 39.6% higher, reflecting the consolidation of Sadia's results, while registering a decline of 5.4% on a pro-forma basis due to conditions in markets to which the Company sells.

In pro-forma terms, the domestic market reported net sales of R\$ 12.2 billion with growth of 3.7%, representing 58.1% of total net sales. On the other hand, sales to the export market recorded a share of 41.9% of net sales, equivalent to R\$ 8.8 billion, and 15.6% down for the year, reflecting the complexity of the scenario in the principal importing markets with the onset of the international crisis.

### Cost of Sales

The increase in the cost of sales of 42.1% in the year, proportionally greater than sales revenue, contributed to the squeeze on margins compared with 2008. The cost of sales totaled R\$ 12.3 billion, corresponding to 77.1% of net operating revenue against 75.8% in the preceding year. On a pro-forma basis, the cost of sales fell 1.8%, although sales revenue posted a fall of 5.4%, thus also contributing to narrower margins when performance is viewed on this basis.

The increase in annual costs particularly reflects the fixed structure of the production

chain without a compensating growth in volumes and prices. In addition, the rise in cost of sales was largely driven by the following factors: (i) a 20% cut in production for export in the first quarter; (ii) idle capacity in the production chain due to new industrial plants at a pre-operational phase; (iii) the diversion of production from the Rio Verde (GO) plant to other industrial units due to an incident which partially affected operations at this industrial complex.

### Gross Profit and Gross Margin

Gross profit totaled R\$ 3.6 billion, 31.8% higher than in 2008, factoring in the results for Sadia. This result reflects a combination of an adverse export performance against an expansion in domestic market business. Gross margin was 22.9% against 24.2% in 2008, a decline of 15.8%. On a pro-forma comparative basis, gross profit was R\$ 4.7 billion, representing a margin of 22.6% against 25.4% for the preceding year.

### Operating Expenses

The impact of poorer market performance was also reflected in higher operating expenses, relative to the fixed structure of the production chain and the increases reported in distribution, freight, warehousing and investments in marketing campaigns. As a result, operating expenses rose 60.2% during the year, a 3.6% increase in pro-forma terms, more especially due to growth in commercial

expenses which contributed to the reduction in operating margins for the year.

Administrative expenses represent the structures of the two companies which are to be maintained independent of one another.

### Operating Income and Margin

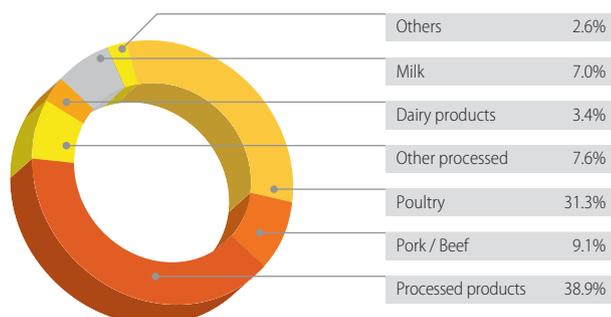
Operating income before financial expenses was R\$ 350.1 million, equivalent to a 2.2% operating margin as opposed to 6.2% in the preceding year. This same item was 71.4% lower using pro-forma figures as a comparative base, reaching R\$ 416.3 million, and representing a 2.0% operating margin against 6.6% recorded in the preceding year. These results correspond to the weak performance resulting from the effects of the economic scenario and the impact of foreign exchange volatility on exports, as well as reduced volumes registered in some markets and an increase in production costs and commercial expenses.

### Financial Results

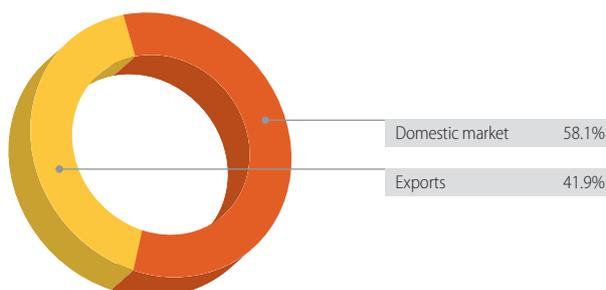
During the year, the Company posted a net financial income of R\$ 241.2 million, due to the appreciation of the Real against the US Dollar and financial investments resulting from funds raised through the primary share offering. In pro-forma terms, financial income for the year was R\$ 587.7 against a financial expense of R\$ 4.5 billion - reflecting overhead costs of Sadia's derivative instruments and a different foreign exchange rate situation to

## BREAKDOWN OF NET SALES (PRO-FORMA)

### By product



### By market



the one prevailing in 2008.

Net debt increased 14.4% compared with December 31 2008, while on a comparative pro-forma basis, outstanding debt was offset against the drawdown of funds generated from the primary share issue totaling R\$ 5.3 billion.

Of this amount, R\$ 2.2 billion was injected into Sadia in order to liquidate expensive short-term debt. The net debt/EBITDA ratio was 3.2 times due to lower cash generation in the year, in spite of an adequate level of net debt. Consolidated currency exposure was US\$ 1.1 billion - within the Company's established parameters.

On January 21 2010, a subsidiary of the Company, BFF International Ltd., issued ten-year bonds for a total value of US\$750 million maturing on January 28 2020, with a coupon of 7.250% per year (yield to maturity

7.375%). The bonds become due and payable semi-annually as from July 28 2010. The funds raised from the offering will be allocated to the lengthening of the debt maturity profile and for corporate requirements in general.

### Other Operating Results

Relates to the cost of idle capacity – in particular the result of new plants still at a pre-operational phase.

### Income Tax and Social Contribution

With the incorporation of Perdigo Agroindustrial S.A., a total of R\$ 132 million of existing tax losses carried forward, and the negative base for calculation of the social contribution of this company were recognized by BRF during the year. As a result, the income tax and social contribution item reported a negative R\$ 65.2 million against a positive

Debt - R\$ million (Corporate Law)	As of 12.31.09		As of 12.31.08		% Ch.
	Current	Non-current	Total	Total	
Local Currency	1,914	2,305	4,218	1,228	243
Foreign Currency	1,000	3,580	4,580	4,138	11
<b>Gross Debt</b>	<b>2,914</b>	<b>5,884</b>	<b>8,798</b>	<b>5,366</b>	<b>64</b>
<b>Cash Investments</b>					
Local Currency	2,393	394	2,787	772	261
Foreign Currency	1,851	283	2,134	1,204	77
<b>Total Cash Investments</b>	<b>4,244</b>	<b>677</b>	<b>4,920</b>	<b>1,976</b>	<b>149</b>
<b>Net Accounting Debt</b>	<b>(1,330)</b>	<b>5,208</b>	<b>3,878</b>	<b>3,390</b>	<b>14</b>
<b>Exchange rate exposure US\$ million</b>			<b>(1,092)</b>	<b>(581)</b>	<b>88</b>

R\$ 255.3 million for 2008 – arising from goodwill on incorporations. Positive financial results also contributed to an increased appropriation of this tax. From a pro-forma point of view, income tax was a negative R\$ 367.3 million against a positive R\$ 972.9 million, taking into account the incorporation of a subsidiary in 2009 and in 2008, goodwill from the incorporation of acquisitions, and the negative financial result generated by Sadia.

### Net Income and Net Margin

Consolidated adjusted net income totaled R\$ 252.5 million and the net income excluding the adjustment for the incorporation of the Agroindustrial subsidiary totaled R\$ 120.4 million against R\$ 54.4 million reported in 2008. These contrasting results reflect the impact of the adverse international market and the benefits of the financial gain due to the appreciation of the Real against the US dollar on our outstanding currency position.

Viewed from the pro-forma standpoint, the Company posted a net income of R\$ 227.6 million

against a loss of R\$ 2.4 billion in the preceding year – reflecting the financial loss on derivative instruments recorded in Sadia's balance sheet. If the fiscal loss on the incorporation of Perdigão Agroindustrial is excluded, then the accumulated net result for 2009 would be R\$ 360 million.

### EBITDA

The operating performance as indicated by EBITDA (operating income before financial expenses, taxes and depreciation) was R\$ 911.5 million, 21.4% less for the year and corresponding to an EBITDA margin of 5.7%, in particular, the result of pressure on margins due to the negative export performance. Consequently, in pro-forma terms, the year reported a decline of 47.4% in the EBITDA, reaching R\$ 1.2 billion and an EBITDA margin of 5.8%.

### Shareholders' Equity

Shareholders' Equity was R\$ 13.1 billion against R\$ 4.1 billion on December 31 2008, a 220.4% increase. This includes the results of

the primary share offering which resulted in the raising of R\$ 5.3 billion and allocated for the purpose of stabilizing our consolidated capital structure. In addition, a further two capital increases were made through the incorporation of shares amounting to R\$ 3.9 billion.

### Combination of the Businesses

The accounting and fiscal treatment with respect to the association agreement was measured in accordance with current practices, allocation being made to property, plant and equipment or non-current assets under the "intangible" item and subject to annual impairment test (non-recoverability) appraisal.



Corporate Event	Date	R\$ million	In Shares
Initial Capital Stock	06.30.09	3,445	206,958,103
Merger of HFF shares - 1 for 0.166247 shares	07.08.09	1,483	37,637,557
Subscription of shares – primary offering	07.21.09	4,600	115,000,000
Merger of Sadia's shares - 1 for 0.132998 shares	08.18.09	2,335	59,390,963
Share subscription - green shoe	08.20.09	690	17,250,000
<b>Capital Stock subscribed and Paid In</b>	12.31.09	<b>12,553</b>	<b>436,236,623</b>

Cash flow - R\$ million (Corporate Law)	2009	2008
<b>Cash Flow from Operating Activities</b>		
Net Income	120	54
Adjustments to Reconcile Net Income Cash Provide By	140	1,222
	<b>260</b>	<b>1,276</b>
<b>Variation</b>		
Trade Accounts Payable, Net	119	(195)
Inventories	245	(465)
Suppliers	(29)	256
Other Assets and Liabilities	(128)	(344)
	<b>467</b>	<b>528</b>
<b>Cash Flow from Investments Activities</b>		
Cash Investments	(888)	97
Investments in Fixed Assets	(402)	(1,737)
Business Acquisition	66	13
	<b>(1,223)</b>	<b>(1,628)</b>
<b>Cash Flow from Financial Activities</b>		
Loans and Financing	(3,606)	1,199
Capital Increase	5,290	33
Cost of issuance of the common shares	(92)	0
Dividends and Interest Over Capital Paid	(25)	(114)
	<b>1,568</b>	<b>1,118</b>
<b>Exchange variation effect on cash and cash equivalents</b>	<b>(147)</b>	<b>106</b>
<b>Net Increase (Decrease) in Cash</b>	<b>665</b>	<b>125</b>

EBITDA - R\$ million (Corporate Law)	2009	2008	% Ch.
Net Income	120	54	121
Non-Controlling Shareholders	(4)	0	-
Employees/Management Profit Sharing	21	17	23
Income Tax and Social Contribution	197	(255)	-
Non-Operating Results	145	49	200
Net Financial Income	(241)	630	-
Equity Income/Other Operating Results	83	63	32
Depreciation, Depletion and Amortization	591	602	(2)
<b>= EBITDA</b>	<b>912</b>	<b>1,159</b>	<b>(21)</b>

**GROWING ACTIVITY ABROAD**

**Oosterwolde, The Netherlands**  
Specialty and frozen meats

**Wrexham, UK**  
Meat Processing plant

**3 INDUSTRIAL UNITS ABROAD**

**Carlos Casares, Argentina**  
Cheese

**COUNTRIES TO WHICH WE EXPORTED IN 2009**

**AMERICAS**

- Anguilla
- Antigua and Barbuda
- Argentina
- Aruba
- Bahamas
- Bermuda
- Bolivia
- British Virgin Islands
- Canada
- Cayman Islands
- Chile
- Cuba
- Curacao
- Dominican Republic
- Equador
- Granada
- Guadalupe
- Guyana
- Haiti
- Martinique
- Netherland Antilles
- Panama
- Paraguay
- Peru
- Saint Kitts and Nevis
- St. Marteen
- Suriname
- Trinidad & Tobago
- Uruguay
- Venezuela

**AFRICA**

- Angola
- Algeria
- Benin
- Cameroon
- Cape Verde
- Central African Republic
- Chade
- Comores Islands
- Congo
- Democratic Republic of the Congo
- Djibuti
- Equatorial Guinea
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Ivory Coast
- Liberia
- Libya
- Mauritania
- Mauritius
- Mayotte
- Morroco
- Mozambique
- Namibia
- República do Benin
- São Tomé and Príncipe
- Senegal
- Seychelles
- Sierra Leone
- South Africa
- Togo
- Tunisia

**EUROPE**

- Andorra
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Gibraltar
- Great Britain
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Luxembourg
- Malta
- Marshall Islands
- Monaco
- Montenegro
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom

**ASIA**

- China
- Hong Kong
- Japan
- Maldives
- New Caledonia
- Philippines
- Singapore
- South Korea
- Vietnam

**MIDDLE EAST**

- Bahrain
- Egypt
- Iran
- Iraq
- Israel
- Jordan
- Kuwait
- Lebanon
- Oman
- Qatar
- Saudi Arabia
- Syria
- United Arab Emirates
- Yemen

**EURASIA**

- Afeganistan
- Albania
- Armenia
- Azerbaijan
- Bosnia and Herzegovina
- Croatia
- Georgia
- Kazakhstan
- Kirguistan
- Kosovo
- Macedonia
- Moldavia
- Russia
- Tajikistan
- Turkey
- Ukraine
- Uzbequistan



**24 OFFICES ABROAD**

**MORE THAN 110 IMPORTING COUNTRIES**

**Offices in South America**

- Buenos Aires - Argentina
- Santiago - Chile
- Montevideo - Uruguay

**Offices in Central America**

- Cayman Islands - Cayman Islands (2)
- San Ignacio - Venezuela

**Offices in Europe**

- Budapest - Hungary
- London - England
- Moscow - Russia (2)
- Hertogenbosch - The Netherlands
- Verona - Italy
- Viena - Austria (2)
- Madeira Island - Portugal (2)
- Quimper - France
- Oosterwolde - The Netherlands
- Wrexham - England
- Worcester - England
- Frankfurt - Germany
- Neede - The Netherlands
- Istanbul - Turkey

**Offices in Middle East**

- Dubai - UAE (2)
- Jebel Ali Free Zone - UAE

**Offices in Asia**

- Singapore - Singapore
- Tokyo - Japan (2)
- Xangai - China

- Offices abroad
- Exports
- Industrial units



## 3. Competitiveness

BRF ensures the growth of its businesses through the generation of value and returns to its shareholders, consolidating its organizational structure through the best corporate governance practices

### **CORPORATE GOVERNANCE**

In 2006, as the first company in the food sector to list on BM&FBOVESPA's New Market (Novo Mercado), BRF is characterized by a widely-held shareholding structure, providing protective mechanisms and equal rights to shareholders.

In 2009, for the second consecutive year, the Company was ranked by IR Magazine Awards as the Best Brazilian Company in Corporate Governance. This accolade recognizes BRF's policy of pursuing planned and transparent operations, an example being the successful conclusion of the association with Sadia, an operation which will capture synergies and bring benefits to all shareholders.

The Company has two corporate credit ratings with the two highest classifications in its business sector: BB+ (PE), assigned by Standard & Poor's and BA1 (PE) - Global Local Currency Corporate Family from Moody's Investor Service.

All BRF's principles and values are enshrined in its Code of Ethics and Conduct which establishes guidelines and provides orientation on decisions and attitudes to employees both with respect to one and other as well as to customers, suppliers and other stakeholders. Non-compliance with such guidelines is subject to legal penalties and can lead to the rescission of contracts (labor and commercial) in the event of violation of ethical principles. (GRI 4.8)

### **Investor Relations**

The Company adopts a policy of widely disseminating its results and initiatives, maintaining an investors' relations website through which stakeholders can access the principal corporate decisions taken and closely monitor management processes. Transparency in relation to the investors is underscored through one-on-one meetings,



conference calls, public meetings (APIMECs and financial institutions), roadshows and in loco conferences.

The Company also adopts a policy for securities trading and for disclosing material facts to all its employees and stakeholders as a whole.

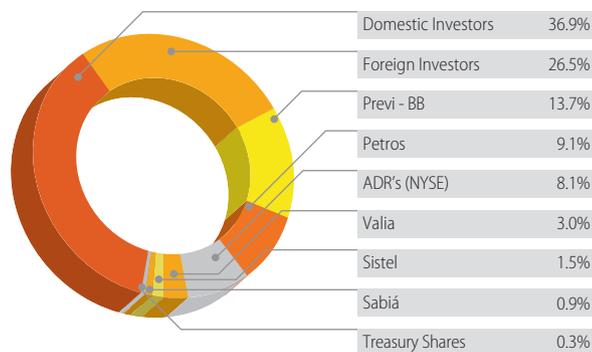
In 2009, investor attendance reported year on year growth of 104% reflecting the association with Sadia.

### Meetings

Although BRF's is a widely held company, shareholders' meetings are customarily held with a quorum of more than 70%. Participation in the meetings is stimulated through a direct approach to the investors as well as through the distribution of a reference manual. This explains in detail the reasons for the meeting, the importance of taking part as well as general guidance for participation.

### Shareholder's composition

Difuse control - equal rights



Basis: 12.31.09

Number of Common Shares: 436,236,623

Capital Stock: R\$ 12.6 billion



## BOARD OF DIRECTORS

BRF's Board of Directors is made up of eleven members, the majority of them independent, and enjoying a two-year term of office. This body operates on a strategic basis, defining the business and capital expenditures plan, overseeing the Company's established projects, deciding and assessing guidelines and the performance of the Company and its officers. (GRI 4.1, 4.3)

In accordance with best corporate governance practice, the members of the Board of Directors have no executive role in the activities of the Board of Executive Officers. Members receive a fixed compensation conditional on their participation in board meetings. (GRI 4.2, 4.5)

Meetings are held monthly and whenever necessary. In 2009, the Board met on 24 occasions. (GRI 4.9)

All information on the Board's activities can be accessed from the specific Management website, this ensuring integration of the corporate organs and the necessary support for analyses and decision-making.

### 1. LUIZ FERNANDO FURLAN

#### Co-Chairman of the Board of Directors

Chemical Engineer, with a degree in Business Administration and specialization in Financial Management. He was Minister for Development, Industry and Foreign Trade in the Federal Government. At Sadia, he sat on the Board of Directors, accumulating the function of Investor Relations Officer, and also holding the position of Executive Vice President. In 2008 he resumed his position as Chairman of the Board of Sadia.

### 2. NILDEMAR SECCHES

#### Co-Chairman of the Board of Directors

Mechanical Engineer, with a postgraduate degree in Finance and a doctorate in Economics. He is a member of the Board of Directors of Weg, Ultrapar Participações, Suzano Papel e Celulose and Iochpe Maxion. He was an executive officer at the National Economic and Social Development Bank - BNDES, at the Iochpe-Maxion Group and president of the Brazilian Association of Chicken Exporters - ABEF. He was Chief Executive Officer of Perdigão from 1994 to 2008.

### 3. FRANCISCO FERREIRA ALEXANDRE

#### Vice Chairman of the Board of Directors

Civil Engineer, with a degree from the Universidade Federal de Alagoas and a graduate in Law from the Maceió Higher Education Center. He concluded a specialization course in Strategic Management for Corporate Directors at INSEAD Business School, France; he has an MBA in Corporate Finance from PUC-Rio de Janeiro and a postgraduation degree in Economics and Management of Labor Relations from PUC-SP. He also concluded the Advanced Management Program - Harvard Business School. A bank officer since 1978, he is currently also Administration Director of PREVI (a pension fund).

### 4. CARLOS ALBERTO CARDOSO MOREIRA

#### Board Member

Business Administrator, with specialization in Capital Markets. He was a Vice President at Citibank, and worked as an Institutional Customers Officer at Banco BMC. He is currently Investments and Finance Director at Sistel (a pension fund) as well as a Member of the Board of Directors of CPFL and GTD Participações.

### 5. DÉCIO DA SILVA

#### Board Member (Independent member)

Mechanical Engineer, with a postgraduate degree in Business Management. He has held the positions of Production Director, Regional Director and Sales Director at Empresas Weg. He is also currently Chairman of Weg.

### 6. JOÃO VINICIUS PRIANTI

#### Board Member (Independent member)

Economist and specialist in marketing. He worked for 37 years at Unilever, heading up various teams around the world. He was chairman of Unilever Brasil and for twelve years sat on the company's Latin American board of directors. He is currently a business consultant and has a seat on various boards.

### 7. LUIS CARLOS FERNANDES AFONSO

#### Board Member (Independent member)

Economist with a postgraduate degree in Environmental and Economic Development and a master's degree in Economics. He was Finance Secretary in the municipal governments of São Paulo, Campinas and Santo André.

### 8. MANOEL CORDEIRO SILVA FILHO

#### Board Member (Independent member)

Business Administrator with a postgraduate qualification in Economic Engineering and an MBA in Finance. He has 32 years of experience at Companhia Vale do Rio Doce. He is currently Investment and Finance Director of Fundação Vale do Rio Doce de Seguridade Social-VALIA and is also National Investments Committee Coordinator - ABRAPP.



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### 9. RAMI NAUM GOLDFAJN

#### Board Member (Independent member)

Production Engineer, and has an MBA in Business Management with International Extension. He was Chief Executive Officer for Eleva Alimentos S.A. He worked for over ten years in the financial market and was a partner at Galeazzi & Associados and Finance Director for the Estado de São Paulo Group and Eleva S/A.

### 10. ROBERTO FALDINI

#### Board Member (Independent member)

Business Administrator, graduating from EAESP – Fundação Getulio Vargas - FGV, with specialization in Advanced Management from the Fundação Dom Cabral and the INSEAD Business School, France; in Entrepreneurship from the Babson College; in Corporate Governance. He was Co-founder of the Brazilian Corporate Governance Institute - IBGC and an Associate Member of IBEF–Brazilian Institute of Financial Executives and the IEF–Family Company Institute. He was an Executive Officer, Shareholder and Member of the Board of Directors of Metal Leve S.A. and Chairman of the CVM–Brazilian Securities and Exchange Commission in 1992.

### 11. WALTER FONTANA FILHO

#### Board Member

Economist, with a postgraduation degree in Economics with specialization in Marketing Administration from the FGV. Member of the Board of Directors of the newspaper 'O Estado de São Paulo' since 1999, Member of the Board of Directors of ALGAR – Algar S.A. Empreendimentos e Participações since 2005, Member of the Board of Directors of WTorre Empreendimentos Imobiliários S.A. since 2007. He was Chairman of the Board and Chief Executive Officer of Sadia S.A.

## FISCAL COUNCIL / AUDIT COMMITTEE

The Fiscal Council is made up of three independent members, one of them holding the position of financial specialist, meeting on a monthly basis and, whenever necessary, deliberating jointly with the Board of Directors. (GRI 4.1) Pursuant with United States legislation, the Fiscal Council also exercises the functions of Audit Committee. (GRI 4.4)

### ATTÍLIO GUASPARI\*

#### Council Member (Independent member)

Engineer, with a master's degree in Business Sciences. He was Finance Director of the BNDES Employees' Association – AFBNDE, Rio de Janeiro. Currently, he sits on the Board of Directors of Brasil Ferrovias S.A. and is a Member of the Fiscal Council/Audit Committee of BRF - Brasil Foods with the functions of Financial Specialist.

### JORGE KALACHE FILHO

#### Council Member (Independent)

Engineer, with a postgraduate degree in Finance and Industrial Economics, and a master's degree in Business Management. At the BNDES he headed up various departments as well as being Head of the Industrial Operations, Commerce and Services areas and the Industrial Area. He has extensive experience as a board director.

### OSVALDO ROBERTO NIETO

#### Council Member (Independent)

Accountant with a doctorate in Business Management. He was Planning Director of Accor Brasil, Audit Manager at PricewaterhouseCoopers and currently Managing-Partner of Baker Tilly Brasil Auditores Independentes S/S.

BRF's governance model also prioritizes administrative efficiency and the professionalism of the Company's managers. Within this structure, the committees play a fundamental role in integrating the Board of Directors and the Board of Executive Officers. (GRI 4.4)

Made up of members of the Board of Directors and the Board of Executive Officers, the Company has three advisory committees: Governance, Sustainability and Strategy; Finance, Policy and Risks; Management Compensation and Executive Development. In addition, the Company also has a Disclosure Committee as called for under the Sarbanes-Oxley Act.

\* Financial Specialist

## BOARD OF EXECUTIVE OFFICERS

BRF's Board of Executive Officers is made up of eight members, elected by the Board of Directors, reelection being permitted. (GRI 4.1)

The Executive Board is responsible for the administration of the day-to-day operations of the Company in line with the guidelines laid down by the Board of Directors for the management of the business.



### 1. JOSÉ ANTONIO DO PRADO FAY

#### Chief Executive Officer

Mechanical Engineer, with a postgraduation degree in Industrial Systems. He was Engineering Manager at Petrobras, Operations Director for Bunge – Moinhos Riograndenses, Central Region Director and Consumption Products Director for Bunge – Santista Alimentos S.A., Commercial Director and Marketing Director of Electrolux do Brasil and Director-General of Batávia and Director-General of the Perdigão Businesses.



### 2. ANTONIO AUGUSTO DE TONI

#### General Director of Perdix

Foreign Trade Administrator, with specializations in Marketing Administration, International Administration and Corporate Finance. He also has an MBA in Agribusiness. He was Manager and Director of Chapecó Companhia Industrial de Alimentos, and Executive Director of Chapecó Trading S.A.. He was Market Development Manager and Foreign Trade Director for BRF - Brasil Foods Business.



### 3. GILBERTO ANTONIO ORSATO

#### Human Resources Officer

Company Administrator, graduating from Unoesc (Universidade do Oeste de Santa Catarina), with specialization in Entrepreneurial Management also from Unoesc, in Business Management – STC from the Fundação Dom Cabral and Kellogg Business School and an MBA in Business Administration from Universidade de São Paulo - USP. He joined BRF in 1987, working in the Slaughtering Plants' managerial area and Operations Management until being appointed to head the Human Resources area.



### 4. LEOPOLDO VIRIATO SABOYA

#### CFO and Investor Relations Officer

Agronomist Engineer, with a master's degree in Applied Economics from ESALQ/USP. He joined the Company in 2001. During this period he accumulated a broad experience in the areas of Corporate Finance, Capital Markets, Strategic Planning and Competitive Intelligence. He occupied the post of Corporate Manager for Finance, assuming the Chief Financial and Investor Relations Officer's position in 2008.

Directors	Areas
Achim Lubbe	General Director Plusfood
Airton Petrini	Deputy Executive Officer Batávia
Alcione Antonio Santin	Domestic Sales Director
Antonio Carlos Zanella	Finance and Planning Director
Eric Michel Boutaud	Marketing Officer
Gentil Gaedke	Deputy Executive Officer
Ideraldo Luiz Lima	Deputy Executive Officer
Joaquim Goulart Nunes	Deputy Executive Officer for Quality
José Maurício Mora Puliti	Project Director
Lambert Kroese	Deputy Executive Officer for Plusfood



**5. LUIZ ADALBERTO STABILE BENICIO**  
**Agribusiness Officer**

Animal Scientist, he graduated from the Fundação Universidade Estadual de Maringá in the state of Paraná. He has a master's degree and a doctorate in Animal Nutrition from the Universidade Federal de Viçosa in the state of Minas Gerais. He also has an MBA in Business Management from the Universidade de São Paulo. He joined the Company in 1986, occupying different positions, among them Animal Nutrition Manager for the period from 1996 to 2000 and Technology Director in 2001.



**6. NELSON VAS HACKLAUER**  
**Business Development Officer**

Company Administrator, graduating from the Campos Salles Business Administration Faculty in the state of São Paulo. He joined the Company in 1983, holding various posts including the position of Chief Financial and Investor Relations Officer for the period from 1994 to 1995 and Administration Director, between 1989 and 1994.



**7. NILVO MITANCK**  
**Chief Operating Officer**

Mechanical Engineer, with specialization in Business Management – STC from the Fundação Dom Cabral and Kellogg Business School and an MBA in Administration from USP. He joined BRF in 1985, holding posts in the areas of engineering, projects, operations, logistics and supply chain until being posted to his current position as Chief Operating Officer.



**8. WLADIMIR PARAVISI**  
**General Director of the Batavo/Elegê Business**

Accountant, he graduated from the Universidade do Estado de Santa Catarina, having an MBA in Agribusiness Management from USP as well as participating in the Kellogg Business School – STC (2001) program and The Wharton Advanced Management Program – AMP (2006). He joined the Company in 1978, working as a Regional Director for Operations between 2000 and 2003 and as Supply Chain Director between 2003 and 2007.

Directors	Areas
Luís Alfredo de Oliveira	Regional Director - Middle East and Africa
Luiz Alberto Machado de Brito	Deputy Executive Officer
Mario Cesar Carneiro	Deputy Executive Officer
Marisilda Nabhan Guerra	Deputy Executive Officer for Food Service
Maritza K. Souza	Regional Director - Europe (Industry) and Eurásia
Marta Ikeda	Regional Director - Asia
Peter Bosch	Deputy Executive Officer - Dairy Products
Roberta Morelli	Marketing Officer
Rogério Moraes de Oliveira	Marketing Officer
Sidiney Koerich	Deputy Executive Officer

## CAPITAL MARKETS



Opening bell at BM&FBOVESPA on 9.22.2009



Closing bell at NYSE on 7.22.2009

Transactions in the Company's securities were boosted by keen investor interest following the announcement of the association between Perdigão and Sadia, combined with the additional liquidity resulting from the primary offering and the incorporation of shares. Average daily financial volume traded on the BMF&Bovespa and the New York Stock Exchange – NYSE reached US\$ 39.2 million in 2009, against US\$ 26.8 million in 2008, corresponding to an increase of 45.9%.

In spite of the unfavorable international scenario, share performance reported growth of 52.6% during the year while the ADRs appreciated 98.5%. This performance accounted for 70% of the transactions involving the Company's sector on the BM&FBOVESPA in 2009, and the total number of ADR operations for the sector on the NYSE.

During a period when the world market was still subject to the effects of the financial meltdown, BRF's share performance is indicative of the level of investor confidence in the new cycle set in motion with the merger of Sadia.

### Remuneration of Shareholders

At a meeting held on December 17 2009, the Board of Directors approved shareholder remuneration of R\$ 100 million, corresponding to R\$ 0.22998533 per share with payout on February 26 2010 in the form of interest on shareholders' equity, with retention of withholding tax at source in accordance with current legislation. The amount distributed to shareholders for fiscal year 2009 represented 39.7% of adjusted net income reported in the period.

### Shares X Ibovespa

(Basis 100 - Dec 04)



BRF3	2009	2008
Share price - R\$*	45.37	29.74
Traded shares (volume) - million	318.7	209.4
Performance	52.6%	(32.8%)
Bovespa Index	82.7%	(41.2%)
IGC (Brazilian Corporate Governance Index)	83.4%	(45.6%)
ISE (Corporate Sustainability Index)	66.4%	(41.1%)

\* Closing Price

### ADRs X Dow Jones

(Basis 100 - Dec 04)

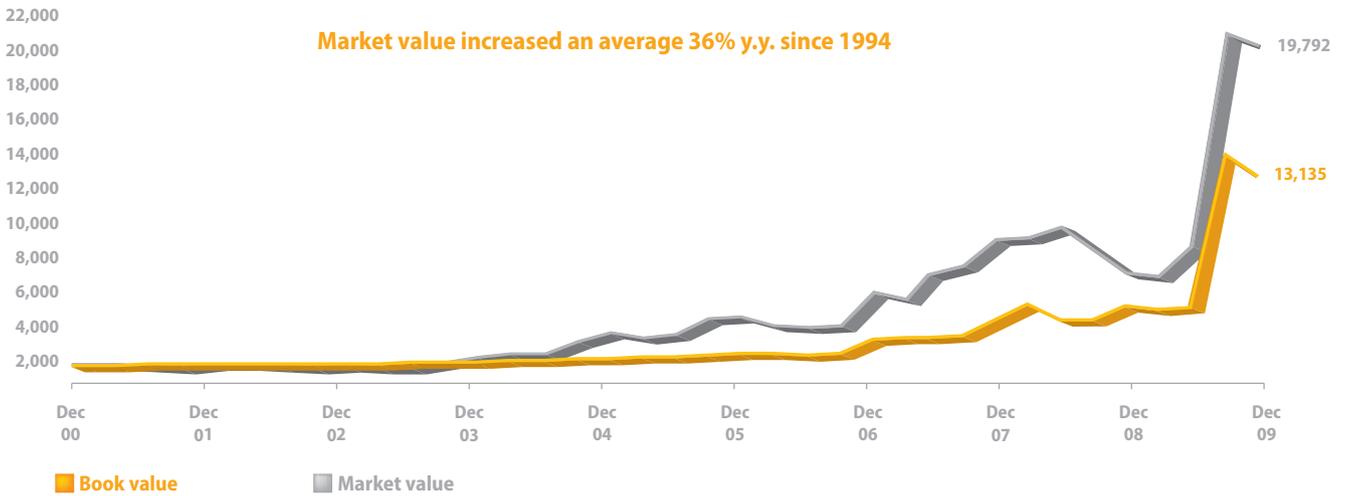


BRF5	2009	2008
Share price - US\$*	52.37	26.38
Traded ADR (volume) - million	68.8	45.3
Performance	98.5%	(46.4%)
Dow Jones Index	18.8%	(33.8%)

\* Closing Price

### Market Value

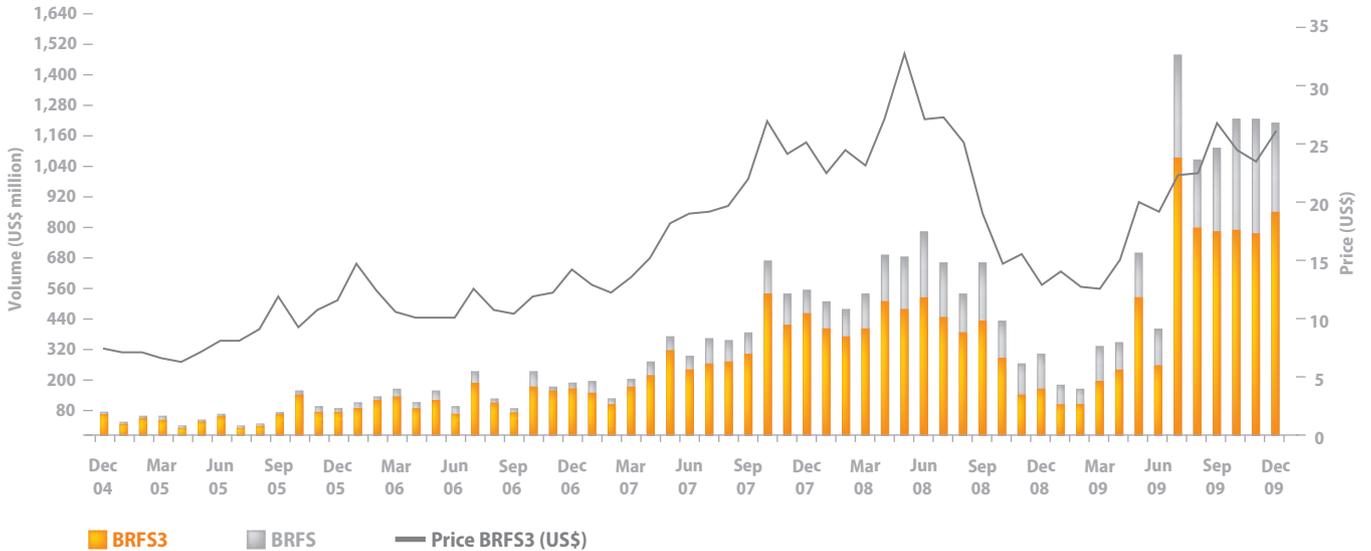
R\$ million



### Monthly Traded Volume

Average 2009: US\$ 39.2 million/day - 46% higher than 2008

Average 4Q09: US\$ 61.9 million/day - 278% higher than 4Q08



## RISK MANAGEMENT (GRI 1.2 e GRI 4.11)

BRF adopts a series of pre-established measures for maintaining the inherent risks to its business under the most rigorous control. The dilution of risk is deemed as one of the aspects in the strategic plan which is key to the Company's good performance and the generation of value for all stakeholders.

### Operating Risk

#### Sanitary Controls

BRF invests permanently in processes for improving sanitary controls to minimize and frequently, to eliminate risks of this kind. These precautions can be seen at all stages of the Company's businesses, from the choice of site for its plants to monitoring the processes which are the responsibility of the integrated outgrowers. Strategically distributed in different regions of Brazil, the slaughtering units are geographically dispersed to minimize the impact on performance of the businesses in the event of trade bans on products from a specific region of the country.

#### Food Safety

BRF has the capacity to trace all the items produced at its units from breeder stock to the final product, including stages such those involving the application of medications as well as the type of feed consumed by the animals. All this data can be quickly accessed allowing corrective measures to be taken in the event of emergencies during any one of the production stages.

#### Grain Price Volatility

The Company adopts protective mechanisms for guaranteeing supplies required throughout the year in the knowledge of the impact that corn and soybean commodity price volatility has on the performance of its business. Among these measures, particularly important are the geographic location of the plants, strategically sited in regions with readily available raw materials, maintenance of strategic buffer stocks as well as daily market monitoring of prices. BRF is equipped to conduct hedging operations at times of major volatility, when necessary.

#### Environmental Protection

More than just meeting specific legislation in the regions where it has operations, BRF has a policy of anticipating environmental demands, establishing targets for various indicators at levels that go beyond the requirements of the environmental protection agencies.

#### Insurance of Operations

All BRF's units carry property insurance for material damages, loss of profits and civil liability. The Company's operations are also insured against all aspects involving the warehousing and product distribution stages.

### Financial Risks

#### Financial Policy

BRF has a formal policy for management of financial risks, approved by the Board of Directors and permanently monitored by the Strategies and Finance Committee. Among the norms established under this policy is that the Company does not operate in the leveraged derivatives market. BRF's cash position is entirely invested with first class banks in instruments of guaranteed liquidity.

#### Risk Analysis

The Company remains aligned to market requirements through the continuous monitoring of tendencies and macroeconomic scenarios. This enables it to respond in an agile and focused manner in the event of adverse situations and thus minimize the impacts on the results of its operations.

#### Investments

At the heart of BRF's corporate policy is to guarantee creation of value and a return to shareholders. All the Company's investments are based on detailed analysis of the prospects for effective returns through the use of the EVA® (Economic Value Added) guidelines which are the basis for the structuring of the More Value system.

#### Financial Market

The Board of Executive Officers in conjunction with its various committees is responsible for the day-to-day monitoring of the financial markets. This enables the

Company to measure risks and opportunities, facilitating a rapid response in the face of scenarios of economic turmoil.

#### Currency

BRF adopts a conservative posture in relation to currency dealing, maintaining an oversold position equivalent to approximately four months of exports.

#### Credit Controls

The Company's credit controls are conducted through an advanced on-line system which monitors information flow in real time. Specific limits are established for each sales office under the system, compliance with which is the responsibility of the Credit Committee.

## LOGISTICS

Specialized in chilled and frozen products, BRF's logistics chain is one of the most comprehensive and complex in Brazil and accounts for a significant percentage of the country's refrigerated truck fleet. The logistical network consists of 36 distribution centers covering all the nation's territory.

In 2009, the Company focused its efforts in this area on the integration of the dairy product supply chain and on targets for reducing warehousing and freight costs.

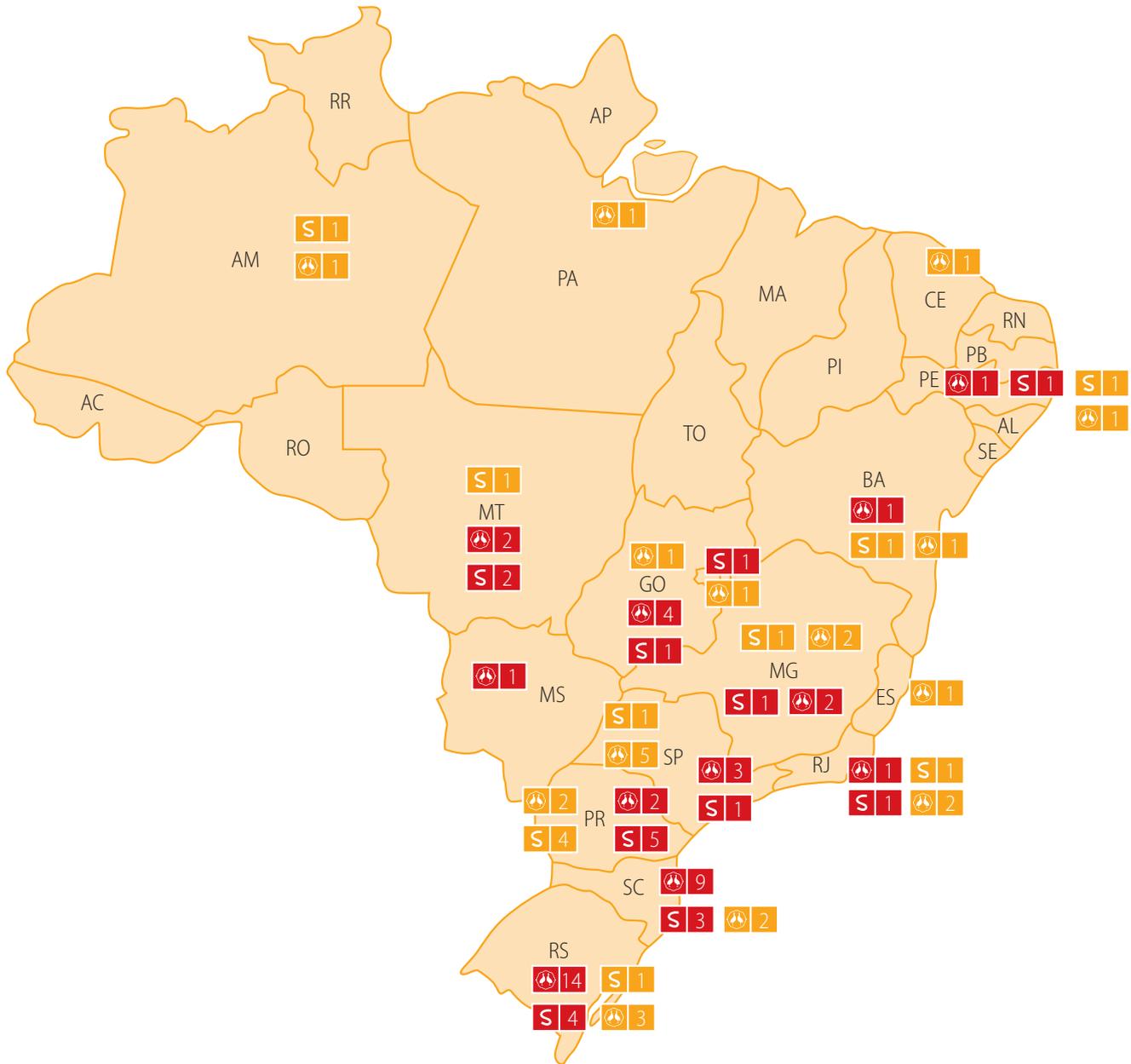
In the domestic market, this focus has translated into the reduction of logistical operating points – distribution centers and transit points, the restructuring of which has been made possible through the capture of synergies in the dairy product businesses.

Agility and quality of service have also been pivotal to the Company's activities. Four regional management areas have been set up (São Paulo, Rio de Janeiro, Espírito Santo and Belo Horizonte) to ensure greater customer focus, identifying and anticipating consumer requirements.

A start has also been made on adjusting the emphasis which the Company places the various transportation modals. In 2009 for example, the use of the railway modal for shipping BRF's production grew by 830% over 2008. The initiative for expanding this transportation modal is a component part of the Company's strategy for boosting exports.

On the overseas front, the Company suc-

## INDUSTRIAL UNITS IN BRAZIL



 Industrial units  
 Perdigão  
 Sadia

 Distribution centers  
 Perdigão  
 Sadia

Distribution centers	36
Industrial units (meat)	42
Industrial units (dairy products)	14
Industrial unit (soybean)	1
Industrial units (margarines)	2
Industrial unit (pizzas, pastas, desserts and processed products)	1



cessfully achieved a reduction in product delivery times. In 2009, BRF also completed the standardization of all logistical processes with the implementation of the SAP system at all units, including those abroad.

The logistical structure's effective capacity for adjustment and decision was proven in 2009, when a fire of moderate proportions damaged the plant in Rio Verde (GO), affecting the distribution center adjacent to the industrial complex. The just-in-time system on which operations are based was decisive in the immediate transfer of finished products to the ports, customers and third party warehouses which made up the loss of proprietary warehousing space. Supplies to customers normally attended by this plant were also redirected, ensuring uninterrupted service to the points of sale.

### Procurement

BRF's quest for efficiency and integration of the logistics chain includes procurement which is structured into five main categories (raw materials, materials, animals, services and permanent assets).

Rigid criteria are employed in the ratification of suppliers and involve requirements of an ethical and socio-environmental nature, in addition to strict compliance with the legislation.

In line with its commitment to social

responsibility, BRF prioritizes the development of local suppliers, so contributing to economic growth and income distribution in regions where the Company has its operations. Approximately 80% of the Company's purchases is regional, particularly in the case of the state of Goiás, which accounts for the supply of more than 95% of the requirements used by BRF in its operations in the state.

Rather than simply demanding compliance with the regulations, BRF encourages and provides assistance to its suppliers in the adoption of responsible and sustainable practices.

### TECHNOLOGY

Unceasing technological innovation is one of the key pillars upon which BRF's solid growth has been achieved over the years. The adoption of technological tools and advanced systems are part of the corporate process whereby decisions on the suitability of installations are considered and implemented in line with the Company's strategic vision of expansion and sustained growth.

In 2009, the technology area included among its functions the definition and adaptation of procedures and methods to be employed in agricultural issues related to milk production. This represents a further step forward in the process of integrating the Eleva business.

One of the first initiatives in this context was the creation of the BRF Producers' Club. The Club's purpose is to increase competitiveness in the market for milk through transfers of dairy farming technology to small and medium-size producers in the Company's supplier portfolio, at the same time helping reduce costs.

Another important focus of technological upgrading in 2009 was the implementation of projects for identifying alternatives for nutritional improvements and animal wellbeing, both of which have a direct impact on company productivity.

BRF is the first Company in Brazil to invest in animal wellbeing in line with the best international practices and in compliance with the most rigorous foreign trade requirements.

In partnership with some of Brazil's most renowned universities, BRF's Technology Center maintained its average annual output of 100 scientific studies for developing and anticipating solutions of questions related to the market in which the Company operates.

In all, 8 of BRF's units are certified according to ISO 14001 standards.

### INTANGIBLE ASSETS

BRF's intangible attributes provide a solid competitive base contributing decisively to the execution of the strategic plan and facilitating the implementation of the Company's plans for expansion and internationalization. Stakeholder trust in relation to the intangible assets is preserved by the Company through permanent investments in enhancing this capital.

In order to maintain its reputation, which has been built up since its foundation, BRF periodically measures the degree of consumer satisfaction with its brand names. The Company also undertakes consumer perception surveys on the qualities of its products.

### Brand Name

BRF's two leading brands (Perdigão and Sadia) are among the most valuable in Brazil according to the consultancy, Brand Finance. With more than half a century of tradition, both names transmit reliability and value to

the entire family of BFR brands associated to them. The complementary nature of the Perdigão and Sadia names play a decisive role in leveraging BRF's expansion in domestic and international markets.

### Human Capital

The Company has introduced a communication plan specifically directed to employees, maintaining them informed on progress involving the association with Sadia, as well as ensuring workplace peace of mind during the transition period.

BRF's objective is to develop a diversified team, promoting the professional development of employees, at the same time attracting market professionals to be a part of a structure of dynamic and innovative people.

### Supply Chain Management

BRF has established and, through continual upgrading, developed one of the most efficient chilled and frozen product distribution systems in Brazil as part of its objective of

achieving a competitive edge in the market. Through a complex integrated warehousing and distribution model, the Company serves customers ranging from small retailers to major supermarket chains.

The Company has successfully built one of the best product supply systems in the country thanks to the synergies between product lines and the high degree of penetration of its distribution network combined with modern management systems.

### Management Tools

All BRF's operations are supported by internationally tried and tested management tools, duly adapted to the realities of each region where the Company operates. This facilitates access to information as well as decision making both from the production and also the administrative points of view. Among these tools it is worth highlighting More Value, Total Service, Total Quality and the Shared Services Center.

The employees constitute a significant part of the Company's dynamism and form one of the principal pillars sustaining solid growth



Awards and Recognition	Reason	Institution
Best Company in Corporate Governance	For the second consecutive year, BRF has distinguished itself as the best company in corporate governance	IR Magazine
Best Company in the Food Sector	The most comprehensive ranking in Brazil encompassing companies with an outstanding performance in financial, socio-environmental management, innovation and human resources	IstoÉ Dinheiro Magazine
Fritz Müller Award	Conservation of Production Raw Materials Category – Water	State of Santa Catarina Environmental Protection Agency - FATMA
Guia Exame Sustainability Award	Classified among the 20 model companies in sustainability	Exame Magazine
The most admired companies in Brazil 2009	Among the most admired companies in Brazil and ranked 7th in the agribusiness sector – a new award category	Carta Capital Magazine
“Best Follow-on Equity Issues”	Best share offering for capitalizing the new company, resulting from the association between Perdigão and Sadia	Latin Finance



## 4. Sustainability

The Company adopts a structured policy of sustainability based on best international practices

One of the BRF's principles has always been that a concern for the economic, environmental and social impacts of its businesses should always go hand in hand with production processes. The Company adopts a structured policy of sustainability based on best international practices.

In concrete terms this policy translates into actions which are practiced in the day-to-day routine and manifested in aspects involving personnel management, the responsible use of non-renewable natural resources and

proactive involvement in relation to the communities of which the Company is a part.

In order to structure these commitments and practices in 2009, BRF set up a Working Group (GT) made up of managers from various areas, and an Executive Sustainability Committee on which the principal officers of the Company sit.

Following the merger between Perdigão and Sadia and on the cusp of a new growth cycle, the Company reaffirms its commitment to continue focused on the challenges of

### GENERATION AND DISTRIBUTION OF VALUE

Corporate Law R\$ million	2009	2008
Human Resources	2,159	1,320
Taxes	2,613	1,201
Interest	(257)	1,311
Interest on Shareholders' Equity	100	76
Retention	20	(22)
Minority Interests	(4)	0
<b>Total</b>	<b>4,632</b>	<b>3,887</b>



sustainability. BRF is of the firm belief that by contributing to the preservation of natural resources, the communities and workforce, in the final analysis it is also preserving and enhancing the integrity of its business.

## **ECONOMIC-FINANCIAL ASPECTS**

The generation of added value increased by 19%, amounting R\$ 4.6 billion, considering Sadia's results since June 2009.

## **SOCIAL PERFORMANCE**

On the basis of values such as reliability, participation, simplicity and efficiency, BRF adopts as a principle the building of long-lasting relations with its stakeholders, encouraging the self-development of employees, suppliers, customers and the community as a whole.

## **EMPLOYEES**

With a workforce of 120,000, BRF adopts a policy of personnel management based on principles such as respect and mutual trust, and invests permanently in developing the potential of its employees to the full.

### **Diversity**

BRF does not make any kind of distinction between race, color, religion or political or

sexual orientation. The Company has hotlines in place specifically for receiving allegations of discrimination thus ensuring equality of treatment among all its employees. Infringements of the Code of Ethics and Conduct is subject to the applicable legal penalties. No incidents of discrimination were registered at BRF and Sadia. (GRI HR4)

An example of the importance placed on diversity is the Capinzal plant's program run specifically for the social inclusion of people living on the Cacique Doble (RS) indian reserve situated 81 km from the plant. Nine members of the reserve's inhabitants have been hired by BRF. In 2009, there was no record of any violation involving the rights of indigenous people at any of the locations where the Company has installations. (GRI HR9)

### **Training in Human Rights**

Human rights policies and procedures are covered in the Code of Ethics and during the induction course for new employees. In 2009, more than 18 thousand were trained with this focus, making a total of 74 thousand class hours.

A further 1,477 hours of training was administered to 189 managers (0.34% of the total number on the payroll) dealing specifically with such themes as Labor Legislation, Prevention of Sexual Harassment and Civil

and Criminal Responsibility. (GRI HR3)

During the year, Sadia ran a lecture on "Human Rights in the Corporate Environment", at an in-house workshop for Sustainability Working Groups with the participation of 35 employees.

Brasil Foods requires that all companies providing security and surveillance services substantiate that their employees have undergone skills training or recycling courses, including aspects with respect to human rights.

The Federal Police, the body which regulates private security companies in Brazil, is responsible for an official handout used in the courses. This publication contains a specific chapter on human rights. (GRI HR8)

### **Technical and Behavioral Training**

In line with the guidelines established in its strategic plan, the Company concentrated on implementing its Training and Development Plan, the objective of which is to maintain employees fully trained to meet the demands placed on them as a result of the expansion of the businesses.

The Company dedicated 1,527,615 hours to training and development activities - equivalent to 26.91 hours per employee/year - offering 405,499 places in courses of various types.

Total workforce by employment type, labor contract and region.  
(GRI LA1)

Type of Employment Contract	Number of Employees
Fixed period	326
Indeterminate period	113,733
Outsourced	15,147
Interns	298
<b>Total</b>	<b>129,504</b>

Rate of turnover in 2009 - BRF	
Male	1.62 %
Female	0.85%
Less than 30	1.76%
Between 30 and 50	0.68%
Over 50	0.03%
Total number of employees leaving the Company: 20,350 of which 9,176 left voluntarily (45%).	

Total number of hours of employee training	Hours
Managerial	2,314.60
Supervisory/Coordination	28,368.30
Administrative	121,810.50
Operational	1,375,121.60

Number of opportunities / employee training places	
Managerial	448
Supervisory/Coordination	5,306
Administrative	24,813
Operational	374,932

Average hours per category of employee	Hours / Opportunity
Managerial	5.16
Supervisory/Coordination	5.34
Administrative	4.90
Operational	3.66

### Competencies' Management Program

The BRF Academy combines a series of strategic actions for managing competencies and learning in order to support the employability of the Company's workforce and help them to manage their careers.

The strategic actions for developing competencies at Brasil Foods are centralized in the Brasil Foods Academy and divided into three dimensions:

PDG – Managerial Development Program: covers initiatives for career development which the Company offers to its executives.

TAB – Brasil Foods Learning Trail: covers development initiatives offered to all levels of the organization and the communities in which we operate.

Sales Academy: covers a series of training courses for the development of initiatives and competencies and offered to the Brasil Foods sales force.

In addition to BRF Academy's programs, employees may take part in external training courses at recognized institutions. Personalized courses can also be structured to meet specific requirements.

The expectation is that in 2010, the Brasil Foods Academy will meet all the necessary characteristics to become a corporate university with various activities directed towards knowledge management, such as physical and remote classes supported by an integrated management training system and development based on the most advanced technologies in the area.

### Retirement Program

In 2009, 26 employees took part in the BRF Retirement Program pilot project held at the industrial unit in Capinzal (SC). The project was put together to prepare employees during the transition process from work to retirement and help them adapt to a new chapter in their lives.

The program comprises five meetings, each of approximately two hours duration, in which various issues are examined on the theme. The coordination is the responsibility of personnel drawn from the area of human resources, and also social assistants, psychologists, physicians and physiotherapists, and specialists in social security legislation (GRI LA11)

### Performance analysis

BRF conducts periodic performance and career development reviews and analyses among its executives as a means of attributing method and transparency to the Company's leadership succession process.

The analyses at managerial levels are conducted on the basis of tools and structured data permitting the visualization of the career curve as well as identifying potential as a basis for making decisions on the formation of the executive team.

In 2009, all supervisors, coordinators, managers, advisers and deputy directors – a total of 1,159 – were subject to a performance review. (GRI LA12)

### Pension Plan

In 2009, Brasil Foods introduced a new Retirement Pension Plan for its employees as an alternative to the existing plan. Instituted in 1997, more than 80% of the employees have already signed up to the new plan. (GRI EC3).

Since 1997, the Company has administered the operations of Perdigão Sociedade de Previdência Privada (PSPP), a closed complementary pension entity for providing supplementary retirement benefits to the employees of the BRF – Brasil Foods S.A. companies.

PSPP manages two defined benefit plans of a voluntary nature, offered to all employees, and currently with 15,512 members. The plans offer traditional retirement benefits as well as benefits for early retirement, incapacity and a pension in the event of death as well as proportional benefits.

The defined percentage contribution of the two plans is based on the following criteria: under the regulations of Plan I, the defined contribution is 0.70% of wage levels corresponding to a maximum of 10 URPs (Perdigão Reference Unit, currently equivalent to R\$ 2,841.70) and 3.70% of any amount above this ceiling, where applicable. Pension fund members have the option of making

supplementary contributions on a totally voluntary basis, equivalent to a percentage of wages or any fixed value at the discretion of the employee. The sponsor's contributions are made according to each member's basic contribution shown in the following table:

The defined contribution in the Plan II regulations is 0.70% on the portion of the wage corresponding to a maximum of 10 URP (Perdigão Reference Unit, currently equivalent to R\$ 2,841.70) and 3.70%, 5% or 7% on any amount above this ceiling, where applicable, and at the employee's discretion. Pension fund members may also make supplementary contributions, on a totally voluntary basis and corresponding to a percentage of wages or any fixed value at the option of the employee. The sponsor's contributions correspond to 100% of the member's basic contribution.

While the two plans are basically defined contribution, they have a defined benefit feature as well, the actuarial liability of which relates to the present value of future benefits to retired members, since the benefit of a lifetime income is set following retirement date. Under Plan I, the benefit option is a lifetime income alone while in the case of Plan II, in addition to a lifetime income, the option of a monthly income "For a Fixed Term" or "Defined in Reais" is offered. The plans currently pay pensions to 51 retirees receiving monthly stipends, 49 under Plan I and 2 under Plan II regulations.

The plans' liabilities are covered by a fund that is separate from the sponsor's resources. An independent company (Towers Perrin) undertakes an annual actuarial review of the plan on a member by member basis. The latest review indicates that the plans are actuarially and financially in equilibrium in accordance with current market practices.

PSPP has selected HSBC and Itaú as investment managers, Both financial institutions administer the pension fund resources in accordance with the sponsor's investment policy. BRF has engaged Consultoria Financeira Risk Office as financial consultant on market risk control and management. The plans are also independently audited on an annual basis.

BRF conducts periodic performance and career development reviews and analyses among its executives as a means of attributing method and transparency to the Company's leadership succession process

Age (years)	Sponsor's contribution
Up to 50	100% of the member's basic contribution
Over 51	200% of the member's basic contribution



### Sadia

Sadia offers its employees two pension plans, the oldest of the two offered by the Atílio Francisco Xavier Fontana Foundation and a newer one by Unibanco.

### Unibanco Plan

PPS is a Defined Contribution Plan and managed by Unibanco Asset Management. This is a PGBL retirement fund exclusive to Sadia's employees. The plan has been offered to all employees hired since January 2003. Funded jointly by the employee and employer, members contribute with a value corresponding to a percentage of the Participation Wage.

The participation wage is the member's monthly compensation, including overtime, commissions and additions but excluding bonuses, fringe benefits and 13th month wage. The company's contribution is equal to that of the fund member in accordance with the following table.

### Atílio Francisco Xavier Fontana Foundation Plan

Available to all employees hired prior to December 2002, the defined benefit retirement plan is designed for the companies' employees and administered by the Atílio Francisco Xavier Fontana Foundation.

The supplementary retirement benefit is defined as the difference between (i) the Benefit Wage (the restated average of the last 12 participation wages, limited to 80% of the final participation wage) and (ii) the value of the retirement pension paid by the official government social security scheme. The supplementary benefit is readjusted an-

nually according to the National Consumer Price Index - INPC.

As of December 31 2009, the Foundation had 17,527 members of which, 13,158 were active.

The plan adopts an actuarial regime of capitalization for the complementary contributions to retirement benefits and pensions and a simple distribution regime for complementary contributions to sickness benefits. Sadia's contribution, which in 2008 and 2009 corresponded to 0.75% of payroll of active plan members, is set out in a costs plan prepared annually by the independent actuaries and approved by the Trustees of the Atílio Francisco Xavier Fontana Foundation.

On December 31 2008 and 2009, Sadia's corporate contributions totaled R\$ 2.003 million and R\$ 2.141 million and the consolidated amount R\$ 2.039 million and R\$ 2.182 million, respectively.

At the end of 2007, ALM-Asset Liability Modeling undertook a study of benefits under the plan over a ten-year period. As a result, plan resources are invested in accordance with the strategic long-term allocation most appropriate to its liabilities and to the degree of risk tolerance.

According to the Foundation's statutory provisions, the companies are jointly and severally responsible for the liabilities contracted by the entity on behalf of members and their dependents.

Each member's contribution corresponds to 1.5% of the participation wage.

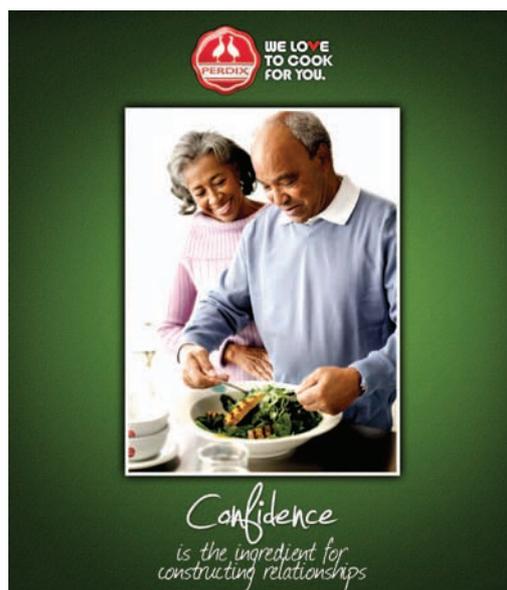


Table 1 Participation Wage	Percentage of contribution
Portion of the Participation Wage (*) less than R\$ 1,430.00	1.5%
Portion of the Participation Wage between R\$ 1,430.00 and R\$ 4,290.00	4.0%
Portion of the Participation Wage in excess of R\$ 4,290.00	6.0%

The participation wage is the monthly compensation of the member, including overtime, commissions and simple add-ons but excluding bonuses, welfare benefits and 13th month wage. The company's contribution is equal to that of the fund member in accordance with the foregoing table.

### **Collective bargaining agreement**

Due to the nature of BRF's business, the majority of employees is represented by the Meats and Derivatives Industries, Food Industries and Similar Workers Labor Union at the sites of the respective company installations. All BRF's employees are covered by collective wage agreements and bargaining. (GRI LA4)

### **Freedom of association**

BRF maintains a Human Resources area as part of its functional structure, dedicated exclusively to matters related to labor union activities. Its mission is to sustain permanent dialog and interaction with employee representatives, receiving suggestions and opinions, clarifying doubts and ensuring a relationship characterized by ease of access, agility and pro-activity among the parties concerned. In 2009, there is no record of any incident that might have compromised the employee's right to exercise freedom of association or which might have represented a threat to collective bargaining. (GRI HR5)

### **Participation of employees in formal committees**

More than 90% of BRF's employees are represented in formal occupational health and safety committees that help in the monitoring and advising on occupational health and safety programs. (GRI LA6)

### **Education, Training and Counseling on Risk Control**

Both BRF as well as Sadia run education, training, counseling, prevention and risk control programs. (GRI LA8)

In addition to compulsory programs (Environmental Risks Prevention Program – PPRA and Medical Control and Occupational Health Control Program – PCMSO), BRF implements other initiatives related to prevention, health controls, safety and occupational illnesses.

With the aim of continuing its trajectory towards excellence, BRF has been intensifying its focus on the Safety, Health and Environmental areas (SSMA). It considers this to be fundamental in consolidating its leadership in the markets in which it operates in a responsible and sustainable manner.

The project's core objective is to implement the SSMA Management by stimulating a new culture of safety and corrective actions in eventual risk situations in the working environment.

To implement this project, BRF has the assistance of consultants, DuPont, an internationally recognized company in the SSMA area. The project involves the transfer of technology and advisory services for the implementation of the management system as well as the training of the work force.

Various committees were created according to the methodology of the project to assume responsibility for specific subjects: Training and Communication Committee, Cultural Committee, Misappropriation and Third Parties and Installation and Processes Committee.

### **SSMA training schemes being introduced**

- ELW (Executive Leadership Workshop) | Chief Executive Officer and Executive Officers;
- OMGR (Operation Manager) STOP I managers;
- LSUP (Line Supervision) STOP I supervisors;
- Safety PRO (Safety Professionals) STOP I SSMA instructor;
- LSUP (Line Supervision) STOP I technicians;
- POP (Prevention and Observation Program) | non-leadership professionals;
- Accident Investigation | SSMA managers and professionals;
- Risk Analysis | SSMA managers and professionals;
- Occupational Safety Management | in-house professionals who hire third parties;
- Outstanding Performance through SSMA Management | suppliers of third parties;
- Electrical Safety | electricians;
- Operational Discipline | managers and SESMET.

Sadia in turn, improves the skills of its employees through periodic training, such as induction courses and training in functional changes, information on environmental risks, the adequate use and conservation of EPLs / EPCs, CIPA – in-house accident prevention course, and the setting up of a team to deal with emergencies, Safety Alerts, Occupational Safety Instructions and training as required

under the legislation in NR 33, NR 10, NR 12 and NR 11 regulations, among others.

In addition to training, the business units hold their own Occupational Safety Dialog on a weekly basis to deal with pertinent matters on safety in the workplace, SSO procedures (local and corporate), identified unsafe conditions, accident victim witnesses, accident statistics and principal measures adopted for improving safety. Corporate safety campaign matter when published is also used in accordance with corporate rules and guidelines.

The company's Ergonomics Program adopts educational, training, counseling and initiatives to prevent occupational illnesses based on observation of activities in the workplace and employee interviews.

The purpose of ergonomic intervention is to change a work situation, improving information on the professional activities of each employee and identifying areas where upgrading is possible.

### **Corruption**

The theme is covered in the Code of Ethics, this material being distributed to all employees in eligible positions (such as leadership, control, power of decision, access to the IT system, etc.) when joining the Company and also in the program of integration of new employees. In 2009, more than 99% of all new hires took part in training in the Code's content. (GRI SO3)

The list of eligible posts is revised on an annual basis by the Internal Auditor and the areas have copies of the Code of Ethics and Conduct which, against signature of an agreement, provide the necessary information to new employees and those promoted to eligible posts. Additionally, the Code is available for consultation through the Intranet and Internet.

Sadia covers the issue of corruption in its Code of Ethics which is delivered to employees in the integration. No specific training is provided on this theme. Since Sadia is a signatory to the Business Pact for Integrity and Against Corruption, in 2009 ten employees took part in an external event on the issue. The event was instrumental in launching the publication "The Social Responsibility in Combating Corruption"

The Company works on the principle of achieving excellence in quality, investing in technological innovations that contribute to consumer wellbeing throughout the world

as well as offering lectures on ethics in the corporate environment. An internal circular was also sent to all employees on the occasion of International Anti-Corruption Day (December 10) – together with banners, electronic messages and posters.

#### Violations

Investigation of violations is received through a hotline contained in the Code of Ethics. Results are discussed with the Chief Executive Officer and the Executive Officers who unconditionally support verification and imposition of the appropriate penalties. In consensus with members of a multi-disciplinary team (Human Resources, Legal, Audit and Executive Board) the penalties are defined and imposed: termination of the labor contract with or without cause, rescission of the service contract and/or legal action. In 2009, BRF terminated labor contracts of employees. However, there are no cases of definitive rulings on legal actions involving corruption. (GRI SO4)

### CUSTOMERS

BRF enjoys ethical and transparent relations with its customers, seeking to meet and even anticipate their needs in terms of products, services and information.

The Company works on the principle of achieving excellence in quality, investing in technological innovations that contribute to consumer wellbeing throughout the world, at the same time maintaining an ongoing dialog with these stakeholders.

#### Product Labeling

All products manufactured by BRF adhere to rigorous technical and legal specifications established by regulatory bodies such as the Ministry for Agriculture, Fisheries and Supply and the Ministry of Health. (GRI PR3)

Product label content is standardized, ensuring the consumer has all the necessary information on composition, preparatory methods, and care required in conservation and handling, when necessary.

Sadia also adheres strictly to parameters established in the specific legislation on la-

beling, providing information to consumers on the preparation and consumption of products.

Both companies operate their own consumer hotlines to clarify doubts and receive complaints on products as well as the latest news from the experimental kitchen where new solutions for food preparation are tested and developed.

#### Environmental impact of packaging

BRF also includes standard symbols on its packaging to instruct the consumer on recycling, also informing (in the case of cartonboard and corrugated cardboard packaging) that the pulp used in the manufacture of these materials comes from renewable forest plantations with a certification seal.

Sadia uses recycling symbols according to the Brazilian Association of Technical Standards – ABNT on its packaging. Sadia was the first Brazilian chilled and frozen products company to use packaging certified internationally with the FSC (Forest Stewardship Council) seal.

#### Communication and marketing

In line with its ethical principles, BRF practices a communication policy in accordance with the regulations of official organs such as the National Advertising Self-Regulation Council - Conar. (GRI PR6)

In 2009, the Company signed a public undertaking with the Brazilian Food and Beverages Industry Association (ABIA) and the Brazilian Advertisers Association (ABA), agreeing to comply with the new rules and formats for advertising food and beverages for young children. This document establishes voluntary but stricter criteria covering Perdigão, Batavo, Elegê, Cotochês and Perdix (including sub-brands) brand names.

Sadia adopts a policy of responsible marketing, published in its website, and also based on voluntary Conar parameters.

#### Rational consumption

BRF endeavors to disseminate internally and with consumers as a whole, the nutritional principles proposed through

important nutritional guidelines published worldwide such as the Food Guide for the Brazilian Population put out by the Ministry of Health, the Nutritional Guides of the American Dietetic Association, the American Heart Association, and the Dietary Guidelines of the United States Agricultural Departments (USDA) through the My Pyramid for Kids and Preschoolers project for healthy eating.

Based on these institutions' proposals, the Company has also been seeking to inform and stimulate its consumers as to healthy eating habits and physical activity through, for example, the Batavo Saúde: [www.batavosaude.com.br](http://www.batavosaude.com.br) website.

In 2009, Sadia put together a handout and organized a consumers' workshop for encouraging rational consumption through the intermediary of the IPAS (Pro-Healthy Food Initiative) – a group of food chain companies.

### Legislation

At BRF, no case of non-conformity with the regulations was reported which could result in the imposition of a fine, penalty or warning with respect to health and safety of products and services. Neither was any evidence found of cases of non-conformity with the voluntary codes of conduct.

BRF has been served notices of infraction, at the administrative procedural stage, relating to product information and labeling. (GRI PR2 and GRI PR4)

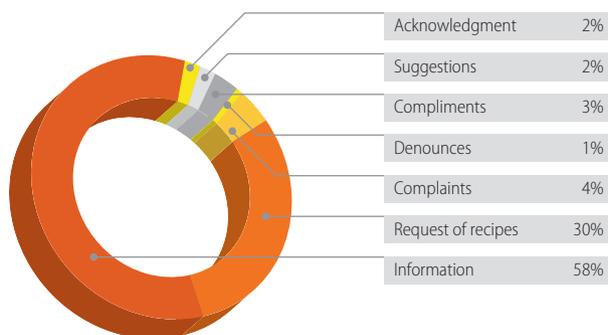
In addition in 2009, BRF received no notification of non-monetary sanctions and recorded no arbitration process. (GRI SO8)

### Consumer satisfaction survey

We conducted a telephone satisfaction survey with our consumers in an effort to maintain a continuous improvement in our products, with the following results.

The Company has also been seeking to inform and stimulate its consumers as to healthy eating habits and physical activity

### Manifestations



	Total	%	Dissatisfied	%	Satisfied	%	Exceeded Expectations	%
Batavo	4,659		1	0.02%	4,655	99.91%	3	0.06%
Perdigão	34,883		32	0.09%	34,806	99.78%	45	0.13%
Margarinas	326		-	0.00%	326	100.00%		0.00%
<b>Total</b>	<b>39,868</b>	<b>100%</b>	<b>33</b>	<b>0.08%</b>	<b>39,787</b>	<b>99.80%</b>	<b>48</b>	<b>0.12%</b>

Breakdown of opinions received during 2009

The company shares know-how, emphasizes the importance of local suppliers and permanently stimulates the adoption of environmentally and socially correct practices

## SUPPLIERS

BRF offers equality of opportunity to its suppliers and establishes partnerships which go beyond the pure and simple acquisition of products and services. The company shares know-how, emphasizes the importance of local suppliers and permanently stimulates the adoption of environmentally and socially correct practices.

### Relationship with integrated outgrowers

All BRF's integrated outgrowers (8,499 producers of eggs, chickens, turkeys, hogs and suckling pigs) participate in skills upgrading programs. Training is directed to improving animal husbandry. (GRI HR2)

Using the tenets of the 5S Program, the Company provides the integrated outgrower with a series of concepts on quality to be applied throughout his property to improve productivity and income. An Integrated Outgrower Enhancement Program has also been created to award best-performing producers.

In 2009, BRF conducted a survey for profiling outgrowers, identifying such aspects as the availability of labor on the property, age of children living there and production growth prospects, among others.

The survey will provide the necessary support to analyze the sustainability of the outgrowers' businesses as well as planning the future of the outgrowers themselves under the Agricultural Sustainability Program with the objective of creating opportunities for introducing improvements for increasing the viability of activities both for the Company and its producer partners.

### Appraisal of the suppliers

All commercial contracts with suppliers of raw materials (corn, soybeans, soybean meal, vegetable oils and other cereals) contain clauses on compliance with legislation on human rights and compulsory and child labor as well as the preservation of the environment.

BRF verifies the federal government's register of suppliers on the "Black List of Compulsory Labor" on a monthly basis and published in the [www.reporterbrasil.org.br](http://www.reporterbrasil.org.br) website. The Company notifies its suppliers on other guidelines and ethical socio-environmental

responsibility standards through a "Supplier Relationship Guidelines Agreement". This is required from all suppliers of materials and services with average monthly sales over R\$ 50,000.00 and covering approximately 1,000 names.

This procedure is among the controls required under the US Sarbanes-Oxley Act and is regularly audited by an independent entity (KPMG). In addition to this investigative mechanism, during the supplier ratification process, the Company uses a "self-evaluation questionnaire" and in some cases undertakes on-the-spot audits.

### Stimulus to responsible behavior

More than merely making it mandatory, BRF encourages and assists its suppliers in adopting responsible and sustainable practices. In 2009, the "Two Way", program with the Company's transportation service providers was one of the features highlighted in BRF's *Guia Exame's* Sustainability Award.

This initiative is designed to raise the awareness of drivers working for BRF on the risks of using narcotics, the dangers of sexually transmitted diseases and the legal and ethical implications of sexual exploitation.

### Encouraging locally-based suppliers

While a preference for local suppliers is not formally part of corporate policy, in practice, local companies are prioritized in certain segments as long as they meet the technical and economic prerequisites. Thus, the procurement area operates a functional structure of purchases in each region focused on promoting the development of local suppliers. This contributes to economic growth and the distribution of incomes in regions where the company is based. (GRI EC6)

BRF defines "local" as suppliers located within the borders of the state of the federation where its industrial unit is sited. Under this criterion, about 44% of the Company's purchases are regional, this being particularly the case in the state of Santa Catarina, where local suppliers account for more than 57% of inputs employed by BRF in the state. This data excludes agricultural purchases such as milk and grains.

## COMMUNITY

### Social Action

This initiative contributes to the improvement in the quality of life of the communities living adjacent to Brasil Foods industrial units, facilitating access to services in the areas of healthcare (medical and dental attendances), citizenship (receipt and/or regularization of documents, legal advice etc.) and education as well as activities directed to culture, leisure and sport. Brasil Foods, in partnership with institutions and local companies, works as an agent for social change, stimulating the employees and municipal class associations in the exercise of social inclusion and solidarity, thus collaborating in the social development of the region and the country.

Since its creation in 2003, the program has already been responsible for more than 200 thousand attendances. In 2009, the Social Action program was responsible for attendances in:

Units	Attendances
Dourados (MT)	13,680
Itajaí (SC)	10,902
Carambeí (PR)	4,376
Serafina Correa (RS)	5,864
Mineiros (GO)	14,093
Lages (SC)	21,624
<b>Total</b>	<b>70,539</b>

### 5 KM Perdigão

This program is designed to arouse the perception of the employees and the communities in which the Company is present on the importance of including physical activities in the daily routine as well as stimulating improvements in health and quality of life.

Start of the initiative: 2007

#### 2008 Data

Locations: Itajaí (SC), Carambeí (PR), Rio Verde (GO), Videira (SC) and Marau (RS).

Total Number of participants: 5,090

#### 2009 Data

4,000 enrollments: Videira (SC); Carambeí (PR); Rio Verde (GO); Marau (RS).

### Educational Center for People with Special Needs

This initiative offers primary and middle school courses to people with special needs to prepare them for the labor market. The

course also includes the teaching of Braille and 'libras', the Brazilian sign language. The Center is a joint effort between SESI, the School for Adolescents and Adults and the Program for Inclusion of People with Special Needs. SESI (Social Service for Industry) supplies the furnishings for the classrooms and BRF, the space and infrastructure, in addition to paying a monthly fee to SESI for managing the pedagogic activities.

Start of the initiative: 2007

#### Data 2009:

#### Videira Center (SC)

- 47 students

#### Educational Level

- Elementary School 1st Segment (Literacy)
- Elementary School 1st Segment (2nd to 5th Grade)
- Elementary School 2nd Segment (6th to 9th Grade)
- Middle School
- Arts Work Shop
- Learn to Click Digital Education Course
- Training for work

#### Marau Center (RS)

- 57 students

#### Educational Level

- Elementary School 1st Segment (Literacy)
- Elementary School 1st Segment (2nd to 5th Grade)
- Libras
- Braille
- Learn to Click Digital Education Course
- Arts Workshop

### Citizen of the Future Project

This initiative is designed to encourage the habit of reading newspapers among 5th and 6th grade students in municipal schools in Carambeí (PR).

#### Characteristics

Under an agreement with Brasil Foods, the Carambeí unit and the *Jornal Diário dos Campos*, this initiative permits the financing and tracking of the weekly distribution of the newspapers to the municipality's schools, assisting the children to broaden their knowledge, improve their writing skills, interpretation capacity and critical abilities



Start of the initiative: 2002

Coverage: Carambeí (PR)

Beneficiaries to the present time: 2,000 children (in 2009, all municipal schools took part in the project).

### ENVIRONMENTAL PERFORMANCE

BRF's environmental investments are directed towards three principal areas: Prevention and Management; Destination, Treatment and Mitigation of Impacts, and Investments in Forestry Plantations.

Data for 2009 has been consolidated on a pro-forma basis, considering the resources employed by both BRF and Sadia. Using this criterion, investments in environmental management totaled R\$ 111.8 million in the period. (GRI EN30)

BRF 2009 consolidated (proforma)	R\$
Prevention and Management	21,130,781
Disposal, Treatment and Mitigation of Impacts	66,487,836
Investments in Forest Plantations	24,222,354
<b>Total environmental investments (R\$/year)</b>	<b>111,840,971</b>

It is important to note here that in the case of other areas such as milk catchment and the acquisition of raw materials such as grains, different policies and practices are adopted.

### Energy Consumption

BRF is conscious of the need for the appropriate management of natural resources to ensure the sustainability of its businesses and minimize the impact of its operations. Since 1995, the Company has operated an Energy Rationalization and Conservation Program - PROCEP, for improving energy efficiency with a focus on reducing the energy resources needed for production, minimizing environmental impacts and reducing costs .

The Company sets its consumption targets based on an internal benchmark, emphasizing the use of best practices, modernization of equipment and processes and at the same time periodically monitors performance indicators. These indicators are obtained from the ratio between consumption and plant output (ton of finished product – TFP) and in the case of the boilers, according to the ratio

between the quantity of steam generated and the quantity of fuel burnt.

The main indicators which are monitored are:

- KWH/TFP (consumption of energy per ton of finished product),
- TON/STEAM/TFP (ton of steam per ton of finished product) and
- KG/STEAM/KG/FUEL (mass of steam per mass of fuel).

In 2009, the drive to reduce consumption focused on the introduction of the Energy Rationalization and Conservation Program - PROCEP at the principal industrial meat production and dairy product units which were incorporated following the acquisition of Eleva.

### Direct consumption of energy

The indicators reflect the meat processing industrial units and the five largest dairy product plants, together accounting for 92.97% of BRF's total energy consumption. The smaller dairy product units and agricultural product plants (animal feed, incubators, poultry farms etc.) are not included in this percentage.

The principal direct energy consumption is for steam generation. The resource most widely used to fire the boilers is biomass in the form of wood chips, firewood from tree trunks or timber offcuts (sawmill waste). In certain specific processes it is technically not possible to use biomass and in this case BPF oil, shale, natural gas or LPG is employed instead. Diesel oil consumption is used principally for generating electricity. (GRI EN3)

As a result of consolidating the indicators for Eleva (meats and dairy products) and Sadia, there was a 2% reduction in the total use of renewable energy sources. The principal factors involved in this result are:

- Boilers which operate using BPF (Bio Power Fluid). The migration to the use of renewable fuel sources (biomass, vegetable or animal oils) in this equipment has already begun. Projects concluded in 2009 resulted in the migration of 138,867 gigajoules (GJ) to renewable fuel energy sources.
- Use of diesel-powered generators to produce energy at peak hours following tariff changes. The Company adopted a policy of migrating the largest consumers to renewable sources (this is only possible when contracts mature).



Unit	Source of renewable energy (GJ)	Source of non-renewable energy (GJ)	% Renewable		
EN3 - Direct energy 2008 BRF (Meats)	Ethanol	6.29	BPF	75,277.42	96%
	Rice husk briquettes	231.12	Diesel	8,789.19	
	Wood Chips	2,601,447.42	Gasoline	59.70	
	Firewood	1,490,692.50	LPG	10,055.70	
	Vegetable oil	352.21	Kerosene	0.28	
	Offcuts	306,960.91	Shale	82,646.72	
	Sawdust	11,064.14			
	<b>4,410,754.59</b>	<b>176,829.01</b>			

PS: BRF's 2008 energy data were released in MW and do not include dairy products.

Unit	Source of renewable energy (GJ)	Source of non-renewable energy (GJ)	% Renewable		
EN3 - Direct energy 2009 BRF (Meats/dairy products) SADIA	Ethanol	1,358.93	BPF	476,228.56	94.19%
	Rice husk briquettes	-	Diesel	110,671.97	
	Wood Chips	5,374,267.59	Gasoline	1,943.96	
	Firewood	9,952,549.27	LPG	271,794.62	
	Vegetable oil	260,727.81	Kerosene	212.97	
	Offcuts	460,016.81	Shale	117,002.54	
	Sawdust	2,202,912.66	Natural Gas	147,244.79	
	<b>18,251,833.07</b>	<b>1,125,099.42</b>			

Conversion indices (GJ/ton.)			
Ethanol	29.70	BPF	42.30
Rice husk briquettes	28.68	Diesel	43.00
Wood Chips	15.60	Gasoline	44.30
Firewood	15.60	LPG	47.30
Vegetable oil	40.00	Kerosene	43.80
Offcuts	15.60	Shale	38.10
Sawdust	15.60		

Unit	Renewable energy (GJ)	Non-renewable energy resource (GJ)	% Renewable		
EN4 – 2009 BRG (Meats)	Hydroelectricity	1,871,813.29	Gas	236,834.94	83.0%
	Biomass	95,623.50	Oil	98,292.06	
	Biomass	8,005.69	Nuclear	40,028.44	
		-	Coal	29,131.81	
	<b>1,975,442</b>	<b>404,287</b>			
EN4 – 2009 BRF (Meats/Dairy Products) Sadia	Hydroelectricity	6,182,550.41	Gas	262,467.94	92.0%
	Biomass	331,941.30	Oil	119,654.50	
	Biomass	-	Nuclear	108,075.03	
	Photovoltaic	2.08	Coal	62,620.69	
	<b>6,514,494</b>	<b>552,818</b>			

PS: BRF 2008 data do not include dairy products

National Interconnected System - Percentage as per source of energy			
Hydroelectricity	81.7%	Natural and Industrial Gas	6.8%
Biomass	4.0%	Oil Derivatives	3.1%
Wind power		Nuclear	2.8%
		Coal	1.6%

Source: ANEEL website – accessed February 9 2010

Note: as the business units are located in various states, National Interconnected System percentages were used.

• Greater use of LPG and Natural Gas in recently incorporated plants. The Company has also begun studies to identify possibilities for substituting fuels in other areas – production processes permitting.

**Indirect energy consumption**

Electricity is the only indirect energy source used by BRF. The larger part of the volume consumed by the Company is supplied through the National Interconnected System – SIN and distributed through local concessionaires. (GRI EN4)

BRF has adopted a policy of wherever possible purchasing energy from small hydroelectric power plants, given their reduced

environmental impact. Currently three units operate under these conditions and the long-term contracts which will come into effect in 2010 already accord with this new policy.

In 2009, use of energy directly from renewable sources rose 9.2%, while the volume supplied through the National Interconnected System increased 3.9%.

**Water consumption**

In addition to being a factor of concern for the entire planet, water shortages have a strategic impact on agribusiness, where due to the large volumes of water required at all production stages, efforts for conservation and reuse need to be redoubled. BRF is

well aware of this need and is permanently engaged in the search for solutions which contribute to reduced consumption and for technologies which permit the reuse of water.

Water at BRF's units is principally withdrawn from surface resources, followed by aquifers and small volumes from the public water supply. (GRI EN8)

Consolidated data on water withdrawn by source takes into consideration the production units of Perdigão and Sadia, plus BRF's animal feed factories and dairy product plants (Carambeí, Concórdia, Teutônia, Ijuí, Itumbiara and Ravena). Other dairy product plants where PROCEP is currently being implemented were not included.

**BRF and Sadia consolidated 2009**

	Source of withdrawal				
	Surface	Underground	Public utility supply	Rainwater (roofs and yards)	General total
Total per source	41,693,856 m <sup>3</sup> /year	17,350,531 m <sup>3</sup> /year	2,136,939 m <sup>3</sup> /year	45,105 m <sup>3</sup> /year	61,226,432 m <sup>3</sup> /year
% per source	68.1%	28.3%	3.5%	0.1%	100%

Note: the above numbers are consolidated volumes for BRF - Perdigão/Sadia.

**BRF and Sadia consolidated 2008**

	Source of withdrawal				
	Surface	Underground	Public utility supply	Artificial Reservoirs	General total
Total per source	38,735,436 m <sup>3</sup> /year	11,673,074 m <sup>3</sup> /year	518,658 m <sup>3</sup> /year	3,795,420 m <sup>3</sup> /year	54,722,588 m <sup>3</sup> /year
% per source	70.8%	21.3%	0.9%	6.9%	

Note: the above numbers are consolidated volumes for BRF - Perdigão/Sadia.



### Recycled and reused water

In 2009, for the third consecutive time, the State of Santa Catarina Environmental Protection Agency (FATMA) presented BRF with the Fritz Muller Award in recognition of measures adopted for reuse of water and specifically, the pilot project for installing the Water Treatment Plant at the unit in Capinzal (SC). (GRI EN10)

The increase in the percentage is due to the larger volume of water reused in BRF's units in addition to the standardization of methodologies used for the consolidation of data.

### Effluent treatment

BRF's concern with the preservation of the environment and natural resources is a continual one. Compliance with environmental protection agencies' standards and maintenance of the quality of the effluent to be discarded is the daily responsibility of the ETPs (Effluent Treatment Plants) at the industrial units. All the effluent generated by BRF in its industrial processes undergoes treatment for subsequent disposal into the environment. (GRI EN21)

### Clean Development Mechanism

BRF's implementation of CDM (Clean Development Mechanisms) programs for the reduction of greenhouse gas emissions (GGE) recorded important progress in 2009. (GRI EN18)

In June, the Perdigão Institute for Sustainability's first PDD (Project Design Document) for the Perdigão Sustainable Hog Farming Program was registered with the United Nations Framework Convention on Climate Change - UNO/UNFCCC under number 2249. In October, the first PoA (Program of Activities) was registered by the UNO/UNFCCC for its 3S Program under number 2767 contemplating through this methodology the equivalent to approval of 15 PDDs.

In addition to advancing the documentary substantiation process, the Sustainable Hog

#### BRF and Sadia consolidated 2009

Total reuse	15,506,752 m <sup>3</sup> /ano
Total water consumption	61,226,432 m <sup>3</sup> /ano
% of reuse	20.2%

PS: The numbers above are consolidated BRF's volumes - Perdigão/Sadia.

#### BRF and Sadia consolidated 2008

Total reuse	11,632,232 m <sup>3</sup> /ano
Total water consumption	54,722,588 m <sup>3</sup> /ano
% of reuse	17.5%

PS: The numbers above are consolidated BRF's volumes - Perdigão/Sadia

#### BRF and Sadia consolidated

	Disposal		General total
	Surface Waters	Soil	
Total by source	52,758,568 m <sup>3</sup> /ano	1,050,429 m <sup>3</sup> /ano	53,808,997 m <sup>3</sup> /ano
% by source	98.0%	2.0%	100%

Note: The above figures are consolidated volumes for BRF - Perdigão/Sadia.

Farming Program – with the aim of reducing greenhouse gas emissions from integrated producer farms - is already bringing effective benefits to the environment. In 2009, an accredited audit conducted on behalf of the United Nations confirmed that the projects undertaken in partnership with AgCert in the state of Goiás had generated a reduction in greenhouse gases of 95,879 tons of CO<sub>2</sub> equivalent.

This volume corresponds to 11.01% of GHGs emitted by BRF's integrated hog farmers (ignoring those of Sadia's). Forecasts are for the new phase of the project (PDD-2) to further reduce emissions, and will correspond to 24% of the total, again without taking into account Sadia's integrated outgrowers.

BRF implements initiatives for mitigating environmental impacts of products and services and for extending the affect of the reduction of these impacts

### Renewable forestry plantation program

Renewable forestry plantations (pinus and eucalyptus) is a further BRF initiative to reduce the impact of greenhouse gases on the environment. The wood from the trees harvested from reforestation areas will be used as an energy source for generating steam in the industrial units and replacing fossil fuels. (GRI EN18)

In 2009, the Company invested R\$ 24.2 million in the program (BRF-Sadia consolidated data). Of this total, R\$ 3.7 million was allocated to payment to rural producers for renting and leasing of idle land. This in turn has served to increase income and improve the economic viability of the rural properties concerned.

The Company continues to examine the possibility of raising CERs (Certified Emission Reductions) through reforestation. However, due to lack of an agreement at the 15th Conference of the Parties (COP-15) in Copenhagen, and European Union policy contrary to accepting CERs from forestry activities to compensate greenhouse gas emissions, BRF is awaiting a more favorable outlook for making this procedure a practical proposition.

### Environmental impact of products and services

BRF implements initiatives for mitigating environmental impacts of products and services and for extending the affect of the reduction of these impacts. The guidelines adopted by the Packaging Research and Development Team is based on the following premises: (GRI EN26)

- Identification of packaging material for recycling – latest packaging has a space set aside during the creation of the art work for inclusion of its composition. This facilitates classification and enhances the intrinsic value to the recycling companies of the packaging post consumption.

- Reduction of packaging consumption (bulk) – based on optimization projects, new materials, specifications and dimensions are tested with the purpose of reducing the weight of packaging without any change in quantity of product per package. Each improvement is based on the principle that the current quality of the packaging shall at least be maintained. In the light of work concluded in 2009, the following reductions in packaging materials were achieved:

- Corrugated Cardboard: 384,067 kg
- Flexible Packaging: 148,396 kg
- Labeling: 52,770,181 kg
- Rigid Packaging: 21,761 kg
- Aseptic Carton Packaging: 6,088 kg
- Metals: 1.578 kg

These improvements reduce the environmental impact both through the reduction in consumption of natural resources, energy and water as well as through the reduced disposal of solid waste.

- Optimization of palletization (transportation efficiency) – Shipment box measurements depend on the way products are packed and influences the quantity of products that can be placed on the pallet. Based on studies using software for tridimensional visualization of the product system/box/pallet, it has been possible to modify the arrangement of a series of products and increase the number of boxes transported and cubic efficiency, the same quantity of items using fewer pallets. In 2009, improvements in palletization produced a reduction in the movement of 50,775 pallets/year - equivalent to 1,953 semi-trailer trucks (assuming loads of 26 pallets per truck) no longer occupying the Brazilian highways and, at the same time, reducing greenhouse gases accordingly.

- Level of utilization of recycled packaging – BRF also uses materials partially from material recycled into plastic packaging with no direct contact with foodstuffs. This reduces the amount of fossil-based raw materials enhancing the value of waste.

## ABOUT THIS REPORT

For the second consecutive year, BRF – Brasil Foods S.A. is publishing its Annual Sustainability Report in accordance with the GRI G3 guidelines of the Global Report Initiative (GRI). The Company announces its results annually, the last edition of the Report being published in April 2009. (GRI 3.2, 3.3)

The publication covers the economic-financial, social and environmental results of the Company's operations in Brazil and overseas for the period from January 1 to December 31 2009. (GRI 3.1, 3.6)

The changes commented in this report are comparisons between the years 2009 and 2008. Sadia's results have been incorporated as from July 2009. For this reason, the accumulated results for the year encompass Sadia's second half accounts. For a better understanding of the businesses, the changes are compared in numbers according to Brazilian corporate law and on a pro-forma basis, as if the incorporation of shares had occurred on 1.1.2008. (GRI 3.7, 3.8, 3.9, 3.10, 3.11)

The consolidation of the data for GRI performance indicators for BRF and Sadia are informed by an indicator throughout the text.

The process of elaborating and defining the content of this Report is coordinated by the Investor Relations Department with the involvement of employees from various areas and levels of the Company, the final validation of the information involving the Chief Executive Officer, officers and managers. (GRI 3.5)

During 2009, BRF worked on the structuring of its management and sustainability governance, also making advances in activities involving the engagement of its stakeholders in identifying matters of most relevance.

The process of identification and selection of the stakeholders to participate in the Materiality Test and the definition of indicators for BRF's 2009 Annual Report was undertaken by the Sustainability Work Group (GT), with a

view to prioritizing the stakeholders relevant to the business for this first consultation.

Subsequently, the in-house relationship areas selected representatives from the prioritized stakeholder groups (shareholders, employees, suppliers, customers, consumers, government and environmental protection agencies) which were consulted via e-mail with respect to matters of interest for inclusion in the report. The activity consisted in submitting a list of subjects previously prepared and approved by BRF's GT for classification according to relevance (high, medium or low) in the view of the stakeholders, both external as well as internal, and represented by BRF's officers. On the basis of 45 responses obtained (81% of those consulted) a materiality matrix of BRF topics was created. Key themes were cross referenced with GRI indicators and serve as a basis for the definition of content and indicators to be included in the AR 2009. (GRI 4.14, 4.15, 4.16)

The progress shown by BRF in the process of management and reporting is gauged by the increase in the number of reported indicators, through the level of stakeholder engagement and in the test of materiality, thus guaranteeing the meeting of the requirements for Application B level of the GRI guidelines.

BRF's principal sustainability themes resulted from cross referencing of the internal and external view on the subject and represented in the materiality matrix in the upper right quartile. (GRI 4.17)

### Confirmation of Application Level of GRI G3 Guidelines – Annual Sustainability Report 2009

BSD Consulting has verified the application level for the Sustainability Report's Guidelines of the Global Report Initiative GRI (version 3). The Company has declared full conformity with Level B, reached in a consistent manner during the course of 2009.

Additional information and clarifications on this Report or any other part of its content may be made through the following communication channels: (GRI 3.4)

site – [www.brasilfoods.com/ir](http://www.brasilfoods.com/ir)  
e-mail – [acoes@brasilfoods.com](mailto:acoes@brasilfoods.com)  
phone – (55) 11 3718-5301/5306

### Materiality Matrix

- 1 Reputation of brand and image
- 2 Management of financial risks
- 3 Company performance and creation of value
- 4 Enhancement of human capital
- 5 Rational use of water
- 6 Code of ethics/conduct
- 7 Quality of the products, food safety and packaging
- 8 Excellence in Corporate Governance and transparency
- 9 Management of emissions, effluent and waste
- 10 Social responsibility policy
- 12 Consumption and energy efficiency
- 13 Equitability and relationship with the shareholders
- 14 Nutrition, health and healthy eating
- 15 Traceability in the supply chain
- 19 Relationship between growth strategy and sustainability
- 20 Long-term relations, mutual, transparent and ethical respect
- 21 Occupational health and safety
- 22 Policies for treatment of human rights

## SOCIAL REPORT - IBASE 2009 - PRO-FORMA

### R\$ million

1 - Basis of calculation		2009 amount			2008 amount		
Net sales (NS)		20,937			22,122		
Operating results (OR)		416			1,458		
Gross payroll (GP)		3,146			2,564		
2 - Internal social indicators	Value	% of GP	% of NS	Value	% of GP	% of NS	
Food	156.95	4.99%	0.75%	151.98	5.93%	0.69%	
Mandatory payroll taxes and benefits	629.97	20.02%	3.01%	561.89	21.91%	2.54%	
Private pension plan	11.21	0.36%	0.05%	11.66	0.45%	0.05%	
Health	100.16	3.18%	0.48%	77.61	3.03%	0.35%	
Safety and health at workplace	21.63	0.69%	0.10%	32.81	1.28%	0.15%	
Education, Training and Professional development	6.08	0.19%	0.03%	27.84	1.09%	0.13%	
Transports	32.67	1.04%	0.16%	73.75	2.88%	0.33%	
Culture	14.40	0.46%	0.07%	20.11	0.78%	0.09%	
Day care or stipend for day care	1.15	0.04%	0.01%	1.28	0.05%	0.01%	
Profit-sharing	26.76	0.85%	0.13%	21.85	0.85%	0.10%	
Other	47.41	1.51%	0.23%	52.49	2.05%	0.24%	
<b>Total - Internal social indicators</b>	<b>1,048.38</b>	<b>33.32%</b>	<b>5.01%</b>	<b>1,033.25</b>	<b>40.29%</b>	<b>4.67%</b>	
3 - External social indicators	Value	% of GP	% of NS	Value	% of GP	% of NS	
Education	1.34	0.32%	0.01%	1.33	0.09%	0.01%	
Culture	0.01	0.00%	0.00%	0.04	0.00%	0.00%	
Health and sanitation	0.00	0.00%	0.00%	0.09	0.01%	0.00%	
Sports	0.59	0.14%	0.00%	0.24	0.02%	0.00%	
Hunger relief and food security	0.07	0.02%	0.00%	0.00	0.00%	0.00%	
Other	0.00	0.00%	0.00%	0.36	0.02%	0.00%	
<b>Total contributions to society</b>	<b>2.00</b>	<b>0.48%</b>	<b>0.01%</b>	<b>2.06</b>	<b>0.14%</b>	<b>0.01%</b>	
Taxes (excluding payroll taxes)	3,019.85	725.92%	14.42%	1,445.65	99.15%	6.54%	
<b>Total - External social indicators</b>	<b>3,021.85</b>	<b>726.41%</b>	<b>14.43%</b>	<b>1,447.71</b>	<b>99.29%</b>	<b>6.54%</b>	
4 - Environmental indicators	Value	% of GP	% of NS	Value	% of GP	% of NS	
Related to company operations	111.46	26.79%	0.53%	101.88	6.99%	0.46%	
External projects	0.38	0.09%	0.00%	0.32	0.02%	0.00%	
<b>Total invested in environment</b>	<b>111.84</b>	<b>26.88%</b>	<b>0.53%</b>	<b>102.19</b>	<b>7.01%</b>	<b>0.46%</b>	
Regarding the establishment of annual targets to minimize toxic waste and consumption during production/operation and to improve the better use of natural resources, the company:							
			( ) does not establish targets				
			( ) attains 0 to 50% targets				
			( ) attains 50 to 75% targets				
			(X) attains 75 to 100% targets				
5 - Employee composition indicators	2009			2008			
# of employees at the end of term	114,059			119,588			
# of hires during term	31,025			42,033			
# of outsourced employees	15,147			17,659			
# of interns	298			599			
# of employees over 45	11,680			9,024			
# of women working at the company	42,467			44,521			
% of management positions occupied by women	16.21%			16.33%			
# of black employees working at the company	17,012			17,307			
% of management positions occupied by blacks	4.35%			3.55%			
# of employees with disabilities	1,044			911			

6 - Information relating to the exercise of corporate citizenship	2009			Targets 2010		
Ratio of highest to lowest compensation at company	51			NA		
Total # of accidents at the company	1,927			NA		
Social and environmental projects developed by the company were selected by:	(x) top level executives					
The company's standards for safety and cleanliness in the workplace were set by:	(x) top level executives and mid-level management			(x) all employees + Cipa		
Concerning freedom of association, the right to collective bargaining and employee representation in unions, the company:	(x) encourages and follows ILO			(x) will encourage and follow ILO		
The company pension plan covers:				(x) all employees		
The profit-sharing program covers:				(x) all employees		
In the selection of suppliers, the same ethical standards and standards of socio-environmental responsibility adopted by the Company:	(x) are required			(x) will be required		
On the participation if employees in volunteer work, the Company:	(x) organizes and encourages it			(x) will organize and encourage it		
Total number of consumer complaints and criticism:	to the Company BRF: not informed	to Procon BRF: 2	to the Law Courts BRF: 32	to the Company BRF: not informed	to Procon BRF: not informed	to the Law Courts BRF: not informed
% of complaints and criticisms attended or solved:	by the Company % BRF:100%	through Procom % BRF: 100%	through the Law Courts: BRF: 0%	by the Company % BRF:100%	through Procom % BRF: not informed	through the Law Courts: BRF: not informed
Total added value to be distributed (in R\$ million)	In 2009: 4,632			In 2008: 3,887		
Distribution of Added Value (DAV)	56.4% government 46.6% employees 7.2% shareholders (5.5%) third parties 0.4% retained			30.9% government 34.0% employees 2.0% shareholders 33.7% third parties 0.6% retained		

## 7 - Other information

- IBASE data – BRF and Sadia proforma figures
- Item 5 – Number of hires during the period: in 2008 the item is shown as “number of additional jobs” but for 2009 the criterion was reviewed and published according to the IBASE item which incorporates posts, admissions and other hiring
- Item “6 – Relevant information on the exercising of corporate citizenship” relates to BRF only since data between companies is still not consolidated due to some CADE- and management-related restrictions.

\* NA - Not available

## GRI APPLICATION LEVELS TABLE

		2002 “in accordance with”	C	C+	B	B+	A	A+
Obligatory	Self-declaration							
	Examined by Third Parties			With external verification		With external verification		With external verification
Optional	Examined by GRI							

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EN8	Total water withdrawal by source	48
EN9	Water sources significantly affected by withdrawal of water	NA
EN10	Percentage and total volume of water recycled and reused	49
EN11	Location and size of land owned	NA
EN12	Description of significant impacts of activities, products, and services on biodiversity	NA
EN13	Habitats protected or restored	NA
EN14	Strategies for managing impacts on biodiversity	NA
EN15	Number of IUCN Red List species and national conservation list species	NA
EN16	Total direct and indirect greenhouse gas emissions by weight	NA
EN17	Other relevant indirect greenhouse gas emissions by weight	NA
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	49, 50
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NO, SO, and other significant air emissions by type and weight	NA
EN21	Total water discharge by quality and destination	49
EN22	Total weight of waste by type and disposal method	NA
EN23	Total number and volume of significant spills	NA
EN24	Weight of transported waste deemed hazardous	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats	NA
EN26	Initiatives to mitigate environmental impacts	50
EN27	Percentage of products and packaging materials that are reclaimed by category	NA
EN28	Monetary value fines and total number of sanctions for noncompliance with environmental laws	NA
EN29	Significant environmental impacts of transporting products and members of the workforce	NA
EN30	Total environmental protection expenditures and investments by type	46
<b>Social Performance Indicators - Labor Practices and Decent Work</b>		
LA1	Total workforce by employment type, employment contract, and region	38
LA2	Total number and rate of employee turnover by age group, gender, and region	38
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NA
LA4	Percentage of employees covered by collective bargaining agreements	41
LA5	Notice description (procedures and period)	NA
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	41
LA7	Rates of injury, occupational diseases, lost days	NA
LA8	Education, training, counseling, prevention, and risk-control programs	41
LA9	Health and safety topics covered in formal agreements with trade unions	NA
LA10	Average hours of training per year per employee by employee category	38
LA11	Programs for skills management and lifelong learning	38
LA12	Percentage of employees receiving regular performance and career development reviews	39
LA13	Composition of governance bodies and breakdown of employees per category	NA
LA14	Ratio of basic salary of men to women by employee category	NA
<b>Human Rights Performance Indicators</b>		
HR1	Description of policies and clauses to manage human right aspects	NA
HR2	Suppliers and contractors that have undergone screening on human rights and actions taken	44
HR3	Policies to assessments concerning aspects of human rights	37
HR4	Total number of incidents of discrimination and actions taken	37
HR5	Policies to exercise freedom of association and actions taken to support these rights	41
HR6	Measures taken to contribute to the elimination of child labor	NA
HR7	Measures to contribute to the elimination of forced or compulsory labor	NA
HR8	Policies for training concerning aspects of human rights to security personnel	37
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	37
<b>Society Performance Indicators</b>		
SO1	Programs and practices that assessment and manage the impacts of operations on communities	NA
SO2	Percentage and total number of business units analyzed for risks related to corruption	NA
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	41
SO4	Actions taken in response to incidents of corruption	42
SO5	Public policy positions and participation	NA
SO6	Policies in financial contributions to political parties, politicians, and related institutions	NA
SO7	Number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices	NA
SO8	Description of significant fines and total number of non-monetary sanctions	43
<b>Product Responsibility Performance Indicators</b>		
PR1	Policies to preserve consumer's health and safety, during use of products and services	NA
PR2	Non-compliance concerning health and safety impacts of products and services	43
PR3	Type of products and services information required by procedures of labeling	42
PR4	Non-compliance concerning product and service information and labeling	43
PR5	Practices related to customer satisfaction, including results of surveys	43
PR6	Programs for adherence to laws, standards, and voluntary codes	42
PR7	Incidents of non-compliance concerning marketing communications	NA
PR8	Complaints regarding breaches of customer privacy and losses of customer data	NA
PR9	Fines for noncompliance concerning the provision and use of products and services	NA

\* NA - Not available

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### Stock Exchange Ticker Symbols

#### BM&FBOVESPA

BRFS3 – Common Shares – New Market

#### New York Stock Exchange – NYSE

BRFS – Level III ADRs

### Official Newspapers

Diário Oficial do Estado de Santa Catarina  
Diário Catarinense  
Valor Econômico

### Independent Auditors

#### KPMG Auditores Independentes

*The statements contained in this report with respect to the outlook for the Company's businesses, to the forecasts and results and the potential for the Company's growth, constitute mere projections and were based on management's expectations in relation to the Company's future. These expectations are extremely dependent on changes in the market, on the general economic performance of the country, the sector and the international markets, being subject to changes.*

*The results for the fourth quarter 2009 consolidate the Companies BRF - Brasil Foods S.A. and Sadia S.A. (wholly owned subsidiary). Sadia's results have been fully consolidated since July 2009 pursuant to the Association Agreement and Shareholder Meetings for the merger of shares which took place in July and August 2009.*

*The merger between BRF and Sadia is currently under analysis by the Brazilian System for Protection of Competition and its implementation depends on the approval of the Administrative Council for Economic Defense - CADE. On July 7 2009, an Agreement was signed with CADE (APRO – Transaction Reversibility Preservation Agreement) which ensures the reversibility of the operation, authorizes the preparation of synergetic studies and the adoption of joint management initiatives with respect to treasury activities.*

The changes commented in this report are comparisons of the years 2009 and 2008. Sadia's results have been incorporated as from July 2009. For this reason, the accumulated results for the year encompass Sadia's second half accounts. For a better understanding of the businesses, the changes are compared in numbers according to Brazilian corporate law (CL) and on a pro-forma basis, as specified.

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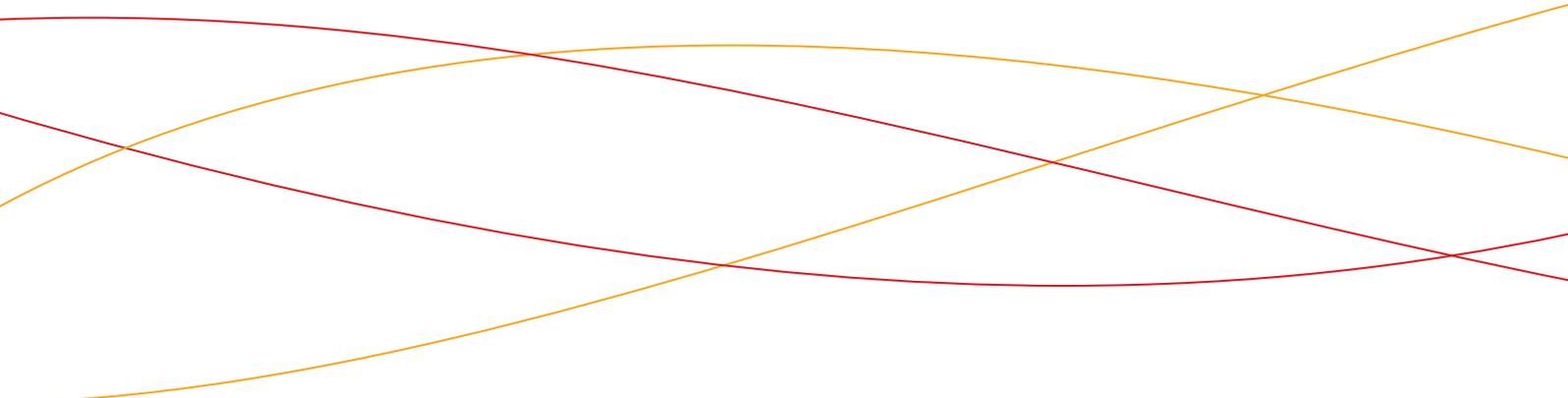
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