

**(Convenience translation into English from  
the original previously issued in Portuguese)**

**MINERVA S.A.**

**INDIVIDUAL (COMPANY) AND CONSOLIDATED  
FINANCIAL STATEMENTS AS OF 30 JUNE 2010  
AND 31 MARCH 2010 AND SPECIAL REVIEW  
REPORT**

(Convenience translation into English from the original previously issued in Portuguese)

**MINERVA S.A.**

**INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2010 AND 31 MARCH 2010**

**CONTENTS**

Independent auditors' special review report

Exhibit 1 - Balance sheets

Exhibit 2 - Statement of operations

Exhibit 3 - Statement of changes in shareholders' equity

Exhibit 4 - Statement of cash flows

Notes to the financial statements



Tel.: +55 (16) 3632-9300  
Fax.: +55 (16) 3632-4353  
www.bdobrazil.com.br

BDO Auditores Independentes  
Rua Bernardino de Campos, 1.001 - 4º andar  
Ribeirão Preto - SP - Brasil  
14015-130

## INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of the Board of Directors and Management of  
Minerva S.A.  
Barretos - SP

1. We have performed a special review of the accompanying quarterly information (Company and Consolidated) of Minerva S.A. ("Company") for the quarter ended 30 June 2010 consisting of the balance sheet, and the related statements of operations, changes in shareholders' equity, and cash flows, notes and management report, all expressed in Brazilian reais and prepared under the responsibility of the Company's management.
2. Our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the CFC (Federal Association of Accountants), which consisted principally of: (a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the Quarterly Information and (b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company.
3. Based on our special review, we are not aware of any material changes which should be made to the Quarterly Information referred to above for it to be in conformity with Brazilian accounting practices and the standards issued by CVM - Brazilian Securities and Exchange Commission applicable to the preparation of Quarterly Information.

A handwritten signature in blue ink, appearing to be a stylized name or initials.



## INDEPENDENT AUDITORS' REVIEW REPORT

To the Members of the Board of Directors and Management of  
Minerva S.A.  
Barretos - SP

4. As mentioned in note 2, during 2009 various technical pronouncements, interpretations and guidelines issued by the Committee of Accounting Pronouncements effective for 2010 were approved which changed Brazilian accounting practices. As allowed by CVM Resolution No. 603/09, the Company's management decided to present the Quarterly Information using Brazilian accounting practices adopted in Brazil until 31 December 2009, i.e. it did not apply these standards effective for 2010. As required by CVM Resolution No. 603/09, the Company disclosed this fact in note No. 2 to the Quarterly Information and the description of the main changes so far that could have an impact on its year-end financial statements and an explanation of the reasons that prevent the presentation of an estimate of its possible effects on the equity and income (loss) at the moment, as required by the decision.

Ribeirão Preto, 13 August 2010

A handwritten signature in blue ink, appearing to read 'José Luiz Sanches'.

José Luiz Sanches  
Engagement Partner  
BDO Auditores Independentes

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 1

MINERVA S.A.

BALANCE SHEET AS OF 30 JUNE 2010 AND 31 MARCH 2010  
(In thousands of Brazilian reais)

ASSETS	Notes	Company		Consolidated		LIABILITIES	Notes	Company		Consolidated							
		30/06/10	31/03/10	30/06/10	31/03/10			30/06/10	31/03/10	30/06/10	31/03/10						
<b>Current assets</b>																	
Cash and cash equivalents	4	120,727	44,116	136,763	54,740	Loans and financing	12	149,371	110,041	182,070	137,197						
Marketable securities	4	178,187	171,038	368,203	409,782	Trade accounts payable	13	178,776	164,707	194,318	175,081						
Accounts receivable	5	157,339	208,877	184,106	229,665	Salaries, social charges and tax liabilities	14	35,783	29,960	38,942	32,181						
Inventories	6	257,107	225,559	274,690	240,179	Accounts payable		8,424	8,495	12,607	10,635						
Recoverable taxes	7	345,388	322,360	356,936	332,569												
Miscellaneous receivables		29,146	21,850	33,958	24,337	Total current liabilities		372,354	313,203	427,937	355,094						
<b>Total current assets</b>		<b>1,087,894</b>	<b>993,800</b>	<b>1,354,656</b>	<b>1,291,272</b>	<b>Non-current liabilities</b>											
<b>Non-current assets</b>																	
<b>Long-term assets</b>																	
Related-party transactions	8	229,214	130,548	14,979	21,335	Loans and financing	12	1,199,758	997,695	1,260,825	1,209,789						
Recoverable taxes	7	33,614	33,614	38,628	38,628	Deferred taxes	15	27,621	28,000	27,621	28,000						
Miscellaneous receivables		14,047	11,997	14,832	12,292	Salaries, social charges and tax liabilities	14	46,975	47,794	47,029	47,850						
Court deposits		12,539	11,119	12,571	11,163	Provisions for contingencies	16	24,137	22,641	24,138	22,641						
		289,414	187,278	81,010	83,418	Related-party transactions		709	3,392	2,290	1,671						
						Provision for investment losses	9	16,337	6,064	-	-						
						Total non-current liabilities		1,315,537	1,105,586	1,361,903	1,309,951						
<b>Permanent assets</b>																	
Investments	9	98,917	77,533	-	-	Minority interest		-	-	2,563	582						
Property, plant and equipment	10	680,317	647,132	825,123	777,550	<b>Shareholders' equity</b>											
Intangible assets	11	15,486	15,554	15,751	15,895	Share capital	17	251,635	247,728	251,635	247,728						
		794,720	740,219	840,874	793,445	Treasury shares		(1,589)	(3,247)	(1,589)	(3,247)						
<b>Total non-current assets</b>		<b>1,084,134</b>	<b>927,497</b>	<b>921,884</b>	<b>876,863</b>	Capital reserves		184,439	301,029	184,439	301,029						
						Revaluation surpluses		92,222	92,960	92,222	92,960						
						Cumulative translation adjustments		(4,149)	2,226	(4,149)	2,226						
						Income reserve		-	38,428	-	38,428						
						Accumulated losses		(38,421)	(176,616)	(38,421)	(176,616)						
						<b>Total shareholders' equity</b>		<b>484,137</b>	<b>502,508</b>	<b>484,137</b>	<b>502,508</b>						
<b>Total assets</b>		<b>2,172,028</b>	<b>1,921,297</b>	<b>2,276,540</b>	<b>2,168,135</b>	<b>Total liabilities</b>		<b>2,172,028</b>	<b>1,921,297</b>	<b>2,276,540</b>	<b>2,168,135</b>						

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 2

MINERVA S.A.

STATEMENT OF OPERATIONS  
AS OF 30 JUNE 2010 ABD FOR THE 2ND QUARTER OF 2010 AND 2009  
(In thousands of Brazilian reais)

Notes	Company				Consolidated			
	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009
Revenue from the sale of goods - local market	245,578	483,184	184,515	388,446	265,192	505,275	189,897	397,158
Revenue from the sale of goods - domestic market	600,400	1,110,532	467,611	869,083	655,017	1,190,611	487,923	910,007
Revenue deductions - taxes and others	(29,774)	(58,946)	(35,765)	(86,568)	(31,907)	(63,173)	(36,429)	(87,462)
Net revenue	816,204	1,534,770	616,361	1,170,961	888,302	1,632,713	641,391	1,219,703
Cost of goods sold	(646,164)	(1,233,452)	(508,962)	(968,330)	(710,843)	(1,321,993)	(530,251)	(1,009,643)
Gross income	170,040	301,318	107,399	202,631	177,459	310,720	111,140	210,060
Operating revenues (expenses):								
Selling expenses	(95,087)	(165,833)	(55,573)	(114,483)	(101,255)	(175,363)	(57,559)	(119,694)
Administrative and general expenses	(17,953)	(33,191)	(14,697)	(25,423)	(22,831)	(40,944)	(18,060)	(29,554)
Financial expenses	(44,850)	(90,676)	(71,361)	(132,915)	(54,528)	(107,076)	(73,486)	(136,683)
Financial income	5,878	12,138	10,893	21,462	5,813	14,574	11,519	31,174
Exchange rate gain (loss), net	(20,342)	(41,564)	84,515	93,247	(17,840)	(38,631)	86,699	95,467
Other operating revenues (expenses)	(3,205)	(2,945)	-	-	(4,113)	(3,772)	(605)	(1,254)
	(175,559)	(322,071)	(46,223)	(158,112)	(194,754)	(351,212)	(51,492)	(160,544)
Operating loss before equity interest	(5,519)	(20,753)	61,176	44,519	(17,295)	(40,492)	59,648	49,516
Equity accounting								
Equity in earnings (loss) of subsidiaries	(11,980)	(19,901)	(1,514)	4,759	-	-	-	-
Income (loss) before income and social contribution taxes	(17,499)	(40,654)	59,662	49,278	(17,295)	(40,492)	59,648	49,516
Income and social contribution taxes - current	-	-	(8,356)	(8,356)	-	-	(8,358)	(8,616)
Income and social contribution taxes - deferred	-	-	5,593	16,941	-	-	5,593	16,941
Income (loss) before minority interest	(17,499)	(40,654)	56,899	57,863	(17,295)	(40,492)	56,883	57,841
Minority interest in earnings of subsidiaries	-	-	-	-	(204)	(162)	16	22
Net income (loss)	(17,499)	(40,654)	56,899	57,863	(17,499)	(40,654)	56,899	57,863
Earnings (loss) per share	(0.17)	(0.39)	0.76	0.77				

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 3  
MINERVA S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(In thousands of Brazilian reais)

	Share capital	Treasury shares	Capital reserve	Revaluation surplus	Income reserve		Cumulative translation adjustments	Accumulated losses	Total
					Statutory reserve	Appropriated retained earnings			
Balances as of 1st January 2010	247,728	(1,755)	304,643	93,697	1,737	36,691	(1,447)	(154,577)	526,717
Treasury shares	-	(1,492)	-	-	-	-	-	-	(1,492)
Realisation of revaluation surplus	-	-	-	(1,117)	-	-	-	1,117	-
Realisation of income and social contribution taxes on revaluation surplus	-	-	-	380	-	-	-	-	380
Increase in capital reserve	-	-	(3,614)	-	-	-	-	-	(3,614)
Asset and liability valuation adjustment	-	-	-	-	-	-	3,672	-	3,672
Net loss	-	-	-	-	-	-	-	(23,155)	(23,155)
Balances as of 31 March 2010	247,728	(3,247)	301,029	92,960	1,737	36,691	2,225	(176,615)	502,508
Increase in capital reserve	3,907	-	-	-	-	-	-	-	3,907
Treasury shares	-	1,658	-	-	-	-	-	-	1,658
Realisation of revaluation surplus	-	-	-	(1,117)	-	-	-	1,117	-
Realisation of income and social contribution taxes on revaluation surplus	-	-	-	379	-	-	-	-	379
Absorption of the capital reserve	-	-	(116,590)	-	(1,737)	(36,691)	-	154,576	(442)
Asset and liability valuation adjustment	-	-	-	-	-	-	(6,374)	-	(6,374)
Net loss	-	-	-	-	-	-	-	(17,499)	(17,499)
Balances as of 30 June 2010	251,635	(1,589)	184,439	92,222	-	-	(4,149)	(38,421)	484,137

The accompanying notes are an integral part of these financial statements.

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 4

MINERVA S.A.

STATEMENT OF CASH FLOWS AS OF  
AS OF 30 JUNE 2010 AND FOR THE 2ND QUARTER OF 2010 AND 2009  
(In thousands of Brazilian reais)

	Company				Consolidated			
	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009	2nd Quarter 2010	Accumulated 2010	2nd Quarter 2009	Accumulated 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Net income (loss)	(17,499)	(40,654)	56,899	57,863	(17,499)	(40,654)	56,899	57,863
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortisation	11,212	21,759	13,553	20,725	12,873	24,950	18,159	25,952
Goodwill impairment	-	-	-	-	-	-	-	-
Loss on the sale of permanent assets	-	(55)	-	-	-	(55)	-	-
Realisation of deferred taxes - temporary differences	-	-	(5,219)	(16,194)	-	-	(5,219)	(16,194)
Realisation of deferred taxes - revaluation of assets	(379)	(759)	(373)	(746)	(379)	(759)	(373)	(746)
Equity in earnings (loss) of subsidiaries	11,980	19,901	1,514	(4,759)	-	-	-	-
Finance charges	25,998	47,318	32,044	61,710	31,529	58,562	60,809	62,579
Unrealised exchange rate gain (loss)	5,229	24,483	(170,565)	(164,508)	7,720	11,231	(180,178)	(173,808)
Provision for contingencies	1,496	3,178	309	717	1,497	3,177	(1,092)	(684)
Changes in operating assets and liabilities:								
Accounts receivable	51,538	27,464	(14,917)	(15,315)	45,559	14,576	(7,530)	(19,891)
Inventories	(31,548)	1,604	13,745	39,803	(34,511)	(4,544)	14,202	39,396
Recoverable taxes	(23,028)	(50,065)	(26,795)	(7,276)	(24,367)	(52,448)	(17,780)	15
Related-party transactions	(101,349)	(129,680)	(18,450)	(20,366)	5,737	4,340	(2,498)	(2,847)
Miscellaneous receivables	(9,346)	(17,736)	(9,446)	(6,878)	(12,161)	(21,552)	(9,584)	(5,473)
Trade accounts payable	14,069	(9,153)	36,406	34,932	19,237	(1,881)	28,936	40,081
Salaries, social charges and tax liabilities	5,004	15,702	11,798	(13,281)	5,940	17,193	9,766	(15,916)
Court deposits	(1,420)	(3,070)	(45)	(128)	(1,408)	(3,101)	(45)	(128)
Accounts payable	(71)	3,251	6,407	(27,448)	1,972	4,824	6,099	(27,843)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(58,114)</b>	<b>(86,512)</b>	<b>(73,135)</b>	<b>(61,149)</b>	<b>41,739</b>	<b>13,859</b>	<b>(29,429)</b>	<b>(37,644)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Investments	(25,561)	(25,542)	31,344	31,170	-	-	-	-
Intangible assets	(1)	(39)	(159)	(196)	80	(159)	(85)	(331)
Additions to property, plant and equipment	(43,949)	(64,248)	(53,629)	(60,370)	(60,382)	(84,778)	(41,207)	(65,438)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(69,511)</b>	<b>(89,829)</b>	<b>(22,444)</b>	<b>(29,396)</b>	<b>(60,302)</b>	<b>(84,937)</b>	<b>(41,292)</b>	<b>(65,769)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Repayment of loans	(67,831)	(476,817)	(106,994)	(202,800)	(15,800)	(436,660)	(111,604)	(207,538)
Settled finance charges	(5,051)	(45,767)	(17,952)	(60,967)	(19,447)	(65,485)	(55,111)	(70,679)
Proceeds from loans	283,051	600,449	167,137	298,137	91,907	651,874	187,298	322,634
<b>Net cash provided by (used in) financing activities</b>	<b>210,169</b>	<b>77,865</b>	<b>42,191</b>	<b>34,370</b>	<b>56,660</b>	<b>149,729</b>	<b>20,583</b>	<b>44,417</b>
Financing activities with shareholders								
Change in minority interest	-	-	-	-	1,981	1,941	(36)	(43)
Adjustment for translation of balances	-	-	-	-	(850)	531	(208)	(1,823)
Treasury shares	1,216	(166)	-	-	1,216	(166)	-	-
<b>Net cash provided by (used in) financing activities with shareholders</b>	<b>1,216</b>	<b>(166)</b>	<b>-</b>	<b>-</b>	<b>2,347</b>	<b>2,306</b>	<b>(244)</b>	<b>(1,866)</b>
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>83,760</b>	<b>(98,642)</b>	<b>(53,388)</b>	<b>(56,175)</b>	<b>40,444</b>	<b>80,957</b>	<b>(50,382)</b>	<b>(60,862)</b>
Cash and cash equivalents								
At beginning of period	215,154	397,556	439,192	441,979	464,522	424,009	456,060	466,540
At end of period	298,914	298,914	385,804	385,804	504,966	504,966	405,678	405,678
<b>Increase (decrease) in cash and cash equivalents, net</b>	<b>83,760</b>	<b>(98,642)</b>	<b>(53,388)</b>	<b>(56,175)</b>	<b>40,444</b>	<b>80,957</b>	<b>(50,382)</b>	<b>(60,862)</b>

## MINERVA S.A.

### NOTES TO THE INDIVIDUAL (COMPANY) AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2010 (In thousands of Brazilian reais)

#### 1. OPERATIONS

Minerva S.A. (the “Company”) is a publicly held company listed at the “Novo Mercado” (New Market) level of corporate governance and its shares are traded on BM&F BOVESPA S.A. (São Paulo stock exchange) - Bolsa de Valores de São Paulo. The Company's main activities include the slaughtering of livestock and processing of meat, the sale and exporting of chilled, frozen and processed meats, the processing and manufacturing of leather, the exporting of live cattle and the importing and resale of food products.

The Company's headquarters are in Barretos (SP), and it has production units in the cities of José Bonifácio (SP), Palmeiras de Goiás (GO), Batayporã (MS), Araguaína (TO), Goianésia (GO), Barretos (SP), Campina Verde (MG) and Assuncion (Paraguay). The distribution centres for the local market are located in the cities of Palmeiras (GO), Brasília (DF), Serra (ES), Itajaí (SC), São Paulo, Olímpia (SP) and Bauru (SP) serving the states of Goiás, Espírito Santo, Santa Catarina, São Paulo and parts of the states of Minas Gerais and Paraná.

As of 30 June 2010, the Company's industrial facilities had a daily slaughtering capacity of 7,440 head of cattle and a deboning capacity of 1,730 tons and are in compliance with sanitary requirements in order to export to a number of countries. All its premises are approved for export. The Barretos unit has a beef processing line (cubed beef and roast beef) which is mainly for exports.

Subsidiary Minerva Alimentos S.A., located in Rolim de Moura (RO), is engaged in beef processing but has no slaughtering unit yet. It purchases its raw material (boned meat) to produce and sell meats both in the domestic and foreign markets. That subsidiary is starting its operations and the building of its slaughtering unit is being completed.

Joint subsidiary, Brascasing Ltda., located in José Bonifácio (SP), is engaged in processing beef tripe and serves local and foreign markets.

Joint subsidiary, Minerva Dawn Farms S.A., located in Barretos (SP), produces, markets and sells beef, pork and poultry products. It has different scales of production to meet domestic and global demand for food services products. It is starting its operations and about 70% of its products will serve foreign markets.

Subsidiary Eurominerva, located in Barretos (SP) is a *joint venture* set up to export live cattle.

## 2. APRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements are expressed in thousands of Brazilian reais and were prepared in accordance with accounting practices adopted in Brazil, which are derived from the Corporate Law (Law 6,404/76), the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), approved and ratified by resolutions of the Brazilian Securities and Exchange Commission (CVM), and other pronouncements issued by that federal agency.

Due to the convergence of Brazilian accounting practices to International Financial Reporting Standards (IFRS), several pronouncements, interpretations and guidelines were issued during 2009 by the Accounting Pronouncements Committee (CPC) and decided by CVM with mandatory application for the year ending as of 31 December 2010, and for financial statements as of 31 December 2009 to be disclosed together with those of 2010 for comparison purposes.

As allowed by CVM Resolution No. 603/2009, of 10 November 2009, the Company and its subsidiaries are adopting the accounting standards in effect until 31 December 2009 to prepare its (individual and consolidated) Quarterly Information of 30 June 2010.

Management is assessing the potential effects of the adoption of these pronouncements, interpretations and guidelines on its Quarterly Information for the periods ended 30 June 2010 and 2009, to be presented in comparison with the Quarterly Information of 30 June 2010, and on the next quarters and year ending 31 December 2010.

Below we present the pronouncements, interpretations and guidelines issued for 2009 which the Company's management expects to have effects on its own and subsidiaries' financial statements, even when the effects are considered immaterial by the Company.

CPC	Name
15	Business combinations
16	Inventories
21	Interim reporting
22	Segment reporting
23	Accounting policies, changes in accounting estimates and correction of errors
24	Subsequent event
25	Provisions, contingent liabilities and contingent assets
26	Presentation of financial statements
27	Property, plant and equipment
30	Revenues
31	Non-current assets held for sale and discontinued operations
32	Income taxes
33	Employee benefits
37	Initial adoption of IFRS
38	Financial instruments: recognition and measurement
39	Financial instruments: presentation
40	Financial instruments: disclosures
43	First-time adoption of technical pronouncements CPC 15 to 40
ICPC 08	Accounting for proposed dividend
ICPC 10	Clarifications on CPCs 27, and 28 on property, plant and equipment and investment property

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

#### 3.1. SIGNIFICANT ACCOUNTING PRACTICES

##### a. Results of operations

Results of operations (revenues, costs and expenses) are recorded on the accrual basis. Revenue from the sale of goods is recognised when it can be measured reliably and all the risks and benefits are transferred to the buyer.

##### b. Accounting estimates

The financial statements include, when applicable, estimates and assumptions, such as the measurement of provisions for losses on credit operations, estimates of the fair value of certain financial instruments, provisions for contingent liabilities, the estimated useful lives of certain assets and others. Actual results may differ from these estimates and assumptions.

c. Functional and reporting currency

The Company's management established that its functional currency is the Brazilian real, the same currency used for the preparation and presentation of the financial statements, according to the provisions of CPC Technical Pronouncement No. 02 - Effects on Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution No. 534/08.

The assets and liabilities of the other subsidiaries abroad, which do not have administrative autonomy, are considered as activities of the investing company and are translated at the exchange rate on the date of the financial statements. Gains and losses resulting from changes in these investments abroad are recognised directly in the statement of operations.

d. Cash and cash equivalents

Represented by cash, bank deposits, cash and short-term financial investments of high liquidity stated at acquisition cost, plus income earned through the balance sheet date. See note 4 for further details about the Company's and its subsidiaries' cash equivalents.

e. Financial instruments

In accordance with CVM Resolution No. 566/08, the financial instruments of the Company and its subsidiaries were classified in the following categories:

- Valued at fair value in the statement of operations: financial assets held for trading, i.e. purchased or acquired mainly for the purpose of sale or repurchase in the short term, and derivatives. The changes in fair value are recorded in the statement of operations and the balances are stated at fair value.
- Held-to-maturity: non-derivative financial assets whose payments are fixed or may be determined. Their maturity dates are defined and the Company intends and is able to hold them to maturity. The income earned is recorded in the statement of operations and the balances are stated at acquisition cost plus income earned.
- Available for sale: non-derivative financial assets which are designated as available for sale or which were not classified in other categories. The income earned is recorded in the statement of operations and the balances are stated at fair value. The differences between the fair value and the cost of acquisition plus the income earned are recognised in a specific shareholders' equity account. The gains and losses recorded in shareholders' equity are recognised in the statement of operations if they are settled earlier.

- Loans and receivables: non-derivative financial instruments with fixed or calculable payments that are not quoted on an active market, except: (i) those that the Company intends to sell immediately or in the short term, and those that the Company classifies as valued at fair value in the statement of operations; (ii) those classified as available for sale; or (iii) those regarding which holders may not substantially recover their initial investment for any reason other than the deterioration of the receivable. The income earned is recorded in the statement of operations and the balances are stated at acquisition cost plus income earned.

#### *Financial instruments and hedging activities*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and, subsequently, they are revalued at their fair value and these changes are recorded with an offsetting entry in the statement of operations.

Although the Company uses derivatives for hedging purposes, it does not use the so-called *hedge accounting*.

See note 19 for further details on the financial instruments of the Company and its subsidiaries.

#### f. Accounts receivable

Accounts receivable are stated at their present and realisable amounts and accounts receivable from customers abroad are adjusted according to the exchange rates in force on the date of the financial statements. An allowance for doubtful accounts is recorded in an amount considered sufficient by management.

#### g. Inventories

Inventories are stated at average acquisition or production cost, which does not exceed market value.

#### h. Investments

Investments in subsidiaries (in which the Company has a material influence) are accounted for on the equity method of accounting. Other investments are stated at cost of acquisition, less a provision for losses, except for temporary losses.

i. Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition, formation or construction, plus interest and other finance charges incurred during the construction or development of projects. Depreciation of assets is calculated using the straight line method at the rates described in note 10. The capitalised finance charges are depreciated according to the same criteria established for the property, plant and equipment item to which they were added.

The balance of the revaluation surplus, as permitted by Law No. 11.638/07 and described in note 10, will be held until its complete amortisation, due to full amortisation or disposal of assets.

j. Lease

Finance lease agreements are recognised in property, plant and equipment and in liabilities for loans and financing at the lower of the present value of the minimum mandatory payments of the agreement or the fair value of the assets, plus, when applicable, the initial direct costs incurred with the transaction. They are depreciated over the estimated useful lives of the assets. Operating lease agreements are recognised as expenses on a systematic basis representing the period in which the benefit on the leased asset is obtained, even if these payments are not made on this basis.

k. Intangible assets

Intangible assets acquired separately are initially recognised at the cost of acquisition and, subsequently, less accumulated amortisation and impairment, when applicable.

Intangible assets generated internally, less capitalised expenditure on the development of products, are recognised in operations for the year. Intangible assets with a definite useful life are amortised according to their estimated useful lives and, when indications of impairment are identified, are tested for impairment. Intangible assets with indefinite useful lives are not amortised; however they are tested for impairment on a yearly basis.

## *Goodwill*

Goodwill or negative goodwill calculated on the acquisition of an investment is classified in two categories: (i) as an investment when resulting from the appreciation of assets, represented by the difference between the carrying value of the acquired company and the fair value of the assets and liabilities and (ii) as intangible assets when resulting from expectations of future profitability, represented by the difference between the fair value of the assets and liabilities and the purchase amount. An analysis of the recoverability of this goodwill is made every year. Negative goodwill is amortised only upon disposal of the investment.

In the consolidated statements, the goodwill arising from the appreciation of assets is allocated to the assets and liabilities that gave rise to it.

When the investment that gave rise to the goodwill is merged, the goodwill resulting from the difference of the market value of the assets and liabilities is included in the assets and liabilities that gave rise to it. The remaining goodwill paid for expectations of future profitability is classified in intangible assets.

Pursuant to CVM Resolution No. 565/08, the goodwill for expectations of future profitability ceased to be systematically amortised as from the fiscal year starting on 1 January 2009.

### l. Impairment test

Management annually reviews the net book value of assets with the purpose of evaluating events or changes in economic, operating or technological circumstances that may indicate impairment. When this evidence is identified and the net book value exceeds recoverable value an impairment charge is recognised writing the net book value down to recoverable value.

### m. Other current and non-current assets and liabilities

An asset is recognised in the balance sheet when it is probable that future economic benefits will be generated in favour of the Company and its cost or value can be determined with certainty.

A liability is recognised in the balance sheet when the Company has a legal obligation or as a result of a past event, and funds are likely to be necessary to settle the obligation. The corresponding charges, monetary variations and/or exchange rate gains (losses) and discounts to present value are added when applicable. Provisions are recorded according to the best estimates of risks involved.

Assets and liabilities are classified as current when their realisation or settlement is expected to occur in the following twelve months. Otherwise they are stated as non-current.

n. Income and social contribution taxes

Income and social contribution taxes are calculated according to effective rates and consider the carry forward of income and social contribution tax losses for purposes of determining the amount payable. Therefore, the addition of temporarily non-deductible expenses to or deductions of temporarily non-taxable revenues from taxable income to assess current taxable income generate deferred tax credits and debits.

Deferred tax credits resulting from income and social contribution tax losses are recognised only to the extent that their realisation is probable, based on past profitability.

o. Contingent assets and liabilities and legal obligations

The accounting practices for recording and disclosing contingent assets and liabilities and legal obligations are as follows: (i) contingent assets are recognised only when there are secured guarantees or favourable legal decisions that are already final and unappealable. Contingent assets with probable chances of success are disclosed in a note to the financial statements; (ii) and a provision is recorded for contingent liabilities when the chances of loss are assessed as probable and the amounts involved can be measured with sufficient certainty. Contingent liabilities assessed as possible losses are only disclosed in a note to the financial statements and contingent liabilities assessed as having remote chances of loss are neither provisioned for nor disclosed; and (iii) legal obligations are recorded as liabilities, regardless of the evaluation of the probabilities of success, for proceedings whereby the Company has questioned the constitutionality of taxes.

p. Consolidated financial statements

The Company's consolidated financial statements, which include the accounts of the subsidiaries described in note 9, are prepared in accordance with consolidation practices and legally applicable provisions. Accordingly, intercompany interests, balances of accounts, revenues and expenses, and unearned income are eliminated in consolidation. The joint subsidiaries are consolidated proportionally to the Parent Company's ownership interest percentage.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents:

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Cash	185	146	230	201
Bank accounts	22,720	27,403	38,532	37,972
Cash and cash equivalents denominated in foreign currency	97,822	16,567	98,001	16,567
	<u>120,727</u>	<u>44,116</u>	<u>136,763</u>	<u>54,740</u>

Marketable securities:

	Company		Consolidated	
	30/06/10	31/03/10	30/06/10	31/03/10
Financial investments				
In local currency:				
Bank deposit certificate (CDB)	178,187	168,906	368,203	407,650
Debentures	-	2,132	-	2,132
	<u>178,187</u>	<u>171,038</u>	<u>368,203</u>	<u>409,782</u>

In accordance with CVM Resolution No. 566/08, the financial assets of the Company and its subsidiaries were classified according to their characteristics and the Company's intentions as: (i) valued at fair value in the statement of operations, (ii) held to maturity, (iii) available for sale; and (iv) loans and receivables, in accordance with the table below:

	Company		Consolidated	
	30/06/10	31/03/10	30/06/10	31/03/10
Valued at fair value in the statement of operations	178,187	171,038	368,203	409,782
	<u>178,187</u>	<u>171,038</u>	<u>368,203</u>	<u>409,782</u>

For purposes of preparing the Company's (individual and consolidated) statement of cash flows, the balances of (i) "cash and cash equivalents", and (ii) "marketable securities" are taken into account, as shown below:

	Company		Consolidated	
	30/06/10	31/03/10	30/06/10	31/03/10
Cash and cash equivalents	120,727	44,116	136,763	54,740
Marketable securities	178,187	171,038	368,203	409,782
	<u>298,914</u>	<u>215,154</u>	<u>504,966</u>	<u>464,522</u>

## 5. ACCOUNTS RECEIVABLE

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Notes receivable - local market	22,181	30,140	25,335	35,908
Notes receivable - foreign market	141,124	184,823	164,737	199,843
(-) Allowance for doubtful accounts	(5,966)	(6,086)	(5,966)	(6,086)
	<u>157,339</u>	<u>208,877</u>	<u>184,106</u>	<u>229,665</u>

The Company has sale agreements for receivables from exports without right of recourse at an average cost of LIBOR + spread.

These transactions have credit insurance taken out with two insurance companies covering 90% of the amount of the receivables sold. The beneficiaries of the insurance policies are the financial institutions.

## 6. INVENTORIES

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Finished goods	145,657	138,116	157,844	149,176
Goods for resale	39,257	33,392	39,257	33,392
Raw materials	49,499	38,364	52,731	38,364
Stores and secondary material	22,694	15,687	24,858	19,247
	<u>257,107</u>	<u>225,559</u>	<u>274,690</u>	<u>240,179</u>

The Company purchases cattle for fattening, aiming at controlling the supply for the factories in periods of shortage of cattle, which is classified as inventories of raw material.

## 7. RECOVERABLE TAXES

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
PIS credit	32,918	24,918	33,367	25,241
COFINS credit	151,156	130,805	156,118	135,197
State VAT (ICMS)	153,697	157,996	163,929	167,750
Income and social contribution taxes	41,231	42,255	41,581	42,633
Value-added tax	-	-	569	376
	<u>379,002</u>	<u>355,974</u>	<u>395,564</u>	<u>371,197</u>
Current	345,388	322,360	356,936	332,569
Non-current	33,614	33,614	38,628	38,628

#### COFINS AND PIS (TAXES ON SALES)

The COFINS (Contribution for Social Security Funding) and PIS (Contribution to the Social Integration Programme) credits arose from the change in the tax legislation in accordance with Law No. 10,637/02 and Law No. 10,833/03, which established non-cumulativeness for these taxes, thus generating credits for export companies

Currently, the Company is awaiting the end of the inspection for ratification by the Federal Revenue Service of the requests for reimbursement of credits taken in 2006, 2007 and the first half of 2008. Reimbursement is expected for 2010.

#### ICMS (STATE VAT)

The ICMS credit results from the fact that the Company's exports are greater than its domestic sales, thus generating credits which, after ratification by state tax authorities, are used for purchasing inputs for production, and which may also be sold to third parties.

The aforementioned credit balance is being inspected and ratified by the São Paulo State Finance Department and the Company's management expects to recover a significant portion of it during 2010. Grounded in studies conducted by the Company's management, R\$33,614 was transferred from current assets to non-current assets (Company) and R\$38,628 (Consolidated).

#### **8. RELATED-PARTY TRANSACTIONS**

Related-party transactions, which are conducted under normal market conditions and at normal market prices, are summarised in the tables below and comprise:

Loans receivable	Interest rate	Company		Consolidated	
		30.06.10	31.03.10	30.06.10	31.03.10
Brascasing (1)	120% of CDI	3,812	3,812	1,906	1,906
Redi Neto Construções Ltda.(2)	120% of CDI	-	114	-	-
Transportadora Minerva Ltda.(3)	120% of CDI	445	445	445	445
Minerva Indústria e Comércio de Alimentos Ltda. (4)	120% of CDI	16,912	16,804	-	-
Minerva Overseas Ltd (5)	Libor (6)	8,844	55,644	-	-
Minerva OverseasLtda II (6)	Libor (6)	171,392	45	-	-
Minerva Dawn Farms S.A. (7)	120% of CDI	19,506	16,326	9,753	8,163
Friasa S.A. (8)	Libor (6)	3,018	32,353	2,875	10,821
Transminerva (9)	120% of CDI	5,005	5,005	-	-
Minerva Itália SRL (10)	Libor (6)	280	-	-	-
		<u>229,214</u>	<u>130,548</u>	<u>14,979</u>	<u>21,335</u>

- (1) Loan to the company Brascasing Ltda to be reimbursed.
- (2) Rendering of construction services to the Company by Redi Neto Construções Ltda (a subsidiary since August 2006 and previously owned by the shareholders of the parent company, VDQ Holdings S.A.);
- (3) Expenses of Transportadora Minerva Ltda., a subsidiary, to be reimbursed;
- (4) Loan made to Minerva Indústria e Comércio de Alimentos Ltda., to start building the new factory;
- (5) Loan made to Minerva Overseas LTD for partial repurchase of Senior Unsecured Notes;
- (6) Loan made to Minerva Overseas II LTD to be reimbursed.
- (7) Loan made to Minerva Dawn Farms S.A. for working capital;
- (8) Loan with Friasa S.A. to start up activities in Paraguay;
- (9) Expenses of Transminerva, a subsidiary, to be reimbursed.
- (10) Expenses of subsidiary Minerva Itália to start the selling office, to be reimbursed.

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Accounts payable to suppliers				
Brascasing Comercial Ltda.	1,598	2,193	-	-
Agropecuária - sócios	1,554	857	1,554	857
Minerva Indústria e Comércio de Alimentos S.A.	3,188	371	-	-
	<u>6,340</u>	<u>3,421</u>	<u>1,554</u>	<u>857</u>
	Company		Consolidated	
Accounts receivable from customers	30.06.10	31.03.10	30.06.10	31.03.10
Brascasing Comercial Ltda.	120	85	-	-
Minerva Ind. E Com. De Alimentos S/A	2,092	1,655	-	-
Minerva Dawn Farns S.A.	277	342	-	-
	<u>2,489</u>	<u>2,082</u>	<u>-</u>	<u>-</u>

#### Business transactions with subsidiaries

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Sales revenue				
Brascasing Comercial Ltda.	5,408	3,718	-	-
Minerva Indústria e Comércio de Alimentos S.A	17,052	8,928	-	-
Minerva Dawn Farms S.A.	13,429	4,998	-	-
	<u>35,889</u>	<u>17,644</u>	<u>-</u>	<u>-</u>
Meat purchases				
Friasa S.A.	768	510	-	-
	<u>768</u>	<u>510</u>	<u>-</u>	<u>-</u>
Cattle purchases				
Crop and livestock farming - partners	6,093	4,038	6,093	4,038
	<u>6,093</u>	<u>4,038</u>	<u>6,093</u>	<u>4,038</u>

The Company and its subsidiaries have business transactions, particularly sales, between themselves, at market prices and conditions, when applicable.

No allowances for doubtful accounts or expenses incurred with uncollectible debts regarding related-party transactions were recognised in the quarter ended 30 June 2010 and the year ended 31 March 2010.

## 9. INVESTMENTS

The changes in investments in subsidiaries and an affiliated company are presented below:

Description	Percentage ownership	Balances as of 31/12/09	Translation adjustment	Goodwill amortisation	Paid-in capital	Merger	Equity in earnings (losses) of subsidiaries	Balances as of 30/06/10
Minerva Indústria e Comércio de Alimentos Ltda.	98.00%	30,584	-	-	-	-	(6,134)	24,450
Redi Neto Construções Ltda.	99.00%	(113)	-	-	-	113	-	-
Eurominerva Indústria e Comércio de Alimentos Ltda.	50.00%	271	-	-	-	-	13	284
Minerva Overseas Ltd	100.00%	39,871	-	-	-	-	4,560	44,431
Minerva Middle East	100.00%	37	-	-	-	-	-	37
Brascasing Comercial Ltda.	50.00%	4,611	-	-	-	-	(292)	4,319
Minerva Beef Ltd	100.00%	1,800	(286)	-	-	-	50	1,564
Friasa Ltd	92.00%	(2,566)	(2,416)	-	25,426	-	3,290	23,734
Transminerva	100.00%	90	-	-	-	-	8	98
Investments		<u>74,585</u>	<u>(2,702)</u>	<u>-</u>	<u>25,426</u>	<u>113</u>	<u>1,495</u>	<u>98,917</u>
Minerva Itália	100.00%	-	-	-	22	-	(297)	(275)
Minerva Dawn Farms S.A.	50.00%	4,944	-	-	-	-	(11,069)	(6,125)
Minerva Overseas Ltd II	100.00%	-	-	-	93	-	(10,030)	(9,937)
Provision for investment losses		<u>4,944</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>-</u>	<u>(21,396)</u>	<u>(16,337)</u>
Investments, net		<u><u>79,529</u></u>	<u><u>(2,702)</u></u>	<u><u>-</u></u>	<u><u>25,541</u></u>	<u><u>113</u></u>	<u><u>(19,901)</u></u>	<u><u>82,580</u></u>

In November 2007, April 2008 and September 2009 the Company paid in 3,528,000 shares, 11,358,000 shares and 20,394,000 shares respectively, in the amount of one real (R\$1) each, in Minerva Indústria e Comércio de Alimentos Ltda., a company set up to manage the new operations which will soon be started in the State of Rondônia.

In 2007, the Company paid in R\$10 in Minerva Overseas, located in the Cayman Islands. This subsidiary was established basically for raising capital by issuing Senior Unsecured Notes and transferring them to the Company through an export prepayment transaction under the same conditions as those stipulated for the creditors of these notes. The commission to the underwriters was fully paid by this subsidiary and is recorded under other operating expenses (reclassified). In June 2007 the Company made a capital increase in this company in the amount of R\$14,445.

In June 2007 the Company paid in R\$37 in Middle East Sal, located in Lebanon. This subsidiary was established basically as a sales office abroad.

In May 2007 the Company acquired a 50% interest in Brascasing Comercial Ltda. (located in José Bonifácio in the State of São Paulo) for R\$50, with negative goodwill of R\$200. This company's main activity is the processing of beef tripe for export.

In July 2007 the Company paid in R\$600 referring to a 50% interest in Minerva Dawn Farms Indústria e Comércio de Proteínas. S.A., a company formed by Minerva S.A. and Dawn Farms Food Ltda. The factory's purpose is to process proteins and food products that may or may not have been transformed for the Brazilian and foreign markets, as well as to sell and export cooked and raw proteins. In August 2008 the Company completed the paying in of capital in the subsidiary in the amount of R\$2,400, represented by 2,400,000 shares. Minerva Dawn Farms made investments of R\$29,464 in the fourth quarter of 2008. In September 2009, the Company increased capital in its subsidiary, in the amount of R\$3,000, represented by 3,000,000 shares.

In February 2008, the Company paid in R\$1,215, referring to a 100% interest in Minerva Beef Ltd., located in the Cayman Islands. This subsidiary was established basically to operate as a sales office abroad.

In July 2008 the Company completed the negotiations for the purchase of 100% of the capital of subsidiary Lord Meat Ltda., a meat packing company located in the city of Goianésia (GO), with a slaughtering capacity of 500 head per day and a deboning capacity of 75 tons per day. In April 2009 subsidiary Lord Meat Ltda. merged into the Company. Merged net assets totalled R\$33,596.

In August 2008 the Company also completed the negotiations for purchasing 70% of the share capital of FRIASA S.A., a subsidiary, located in Asunción in Paraguay, thus starting up its activities abroad, with a slaughtering capacity of 700 head per day and a deboning capacity of 120 tons per day.

In January 2010, the Company paid in R\$93 in Minerva Overseas II LTD, located in the Cayman Islands. This subsidiary was basically set up to raise funds by issuing Senior Unsecured Notes.

In April 2010, the Company paid in R\$25,425 to acquire additional 22% of subsidiary FRIASA S.A's share capital, holding from 70% to 92% of its share capital.

#### SUMMARY OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES AS OF 30 JUNE 2010.

	Percentage ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity
Minerva Alimentos	98.00%	22,143	90,257	9,359	78,091	24,950
Minerva Itália	100.00%	29		24	280	(275)
Eurominerva Comércio	50.00%	554	166	152	-	568
Minerva Overseas	100.00%	28,768	317,494	11,060	290,771	44,431
Minerva Overseas II	100.00%	147,902	456,633	6,258	608,214	(9,937)
Minerva Middle East	100.00%	37	-	-	-	37
Brascasing	50.00%	14,694	864	2,994	3,926	8,638
Minerva Dawn Farms	50.00%	33,204	103,992	53,906	95,540	(12,250)
Minerva Beef	100.00%	4	1,560	-	-	1,564
Friasa (i)	92.00%	44,933	11,071	26,160	4,047	25,797
Transminerva	100.00%	5,083	20	-	5,005	98
Total		297,351	982,057	109,913	1,085,874	83,621

(i) Acquisition of Friasa S.A.

In April 2010, the Company acquired 22% of subsidiary Friasa S.A's ownership interest, holding 92% of its ownership interest upon paying the capital. The total amount of the transaction totalled R\$25,425.

The financial statements of the subsidiaries were reviewed by the same auditors of this Company. But the financial statements of Friasa S.A. were reviewed by a member firm of BDO in their countries. The shareholders' equity of Friasa is stated at fair value.

## 10. PROPERTY, PLANT AND EQUIPMENT

As permitted by Law 11,638/07 and CVM Resolution No. 565/08, the Company chose to keep the revaluation balances until their effective realisation by depreciation or write-off and these balances make up the cost of the assets.

Company				30/06/10	31/03/10
Description	Depreciation rate - %	Revalued cost	Accumulated depreciation	Net	Net
Buildings	4%	388,621	(57,985)	330,636	343,960
Machinery and equipment	10%	252,434	(65,469)	186,965	153,085
Furniture and fixtures	10%	6,433	(3,104)	3,329	1,307
Vehicles	20%	27,682	(15,792)	11,890	13,241
Hardware	20%	4,802	(2,502)	2,300	3,682
Plots of land	-	40,657	-	40,657	40,658
Construction in progress	-	104,540	-	104,540	91,199
		<u>825,169</u>	<u>(144,852)</u>	<u>680,317</u>	<u>647,132</u>

  

Consolidated				30/06/10	31/03/10
Description	Depreciation rate - %	Revalued cost	Accumulated depreciation	Net	Net
Buildings	4%	431,332	(59,393)	371,939	384,878
Machinery and equipment	10%	295,126	(68,603)	226,523	191,970
Furniture and fixtures	10%	8,305	(3,297)	5,008	2208
Vehicles	20%	27,936	(15,815)	12,121	13,490
Hardware	20%	5,389	(2,583)	2,806	4,335
Plots of land	-	48,893	-	48,893	48,894
Construction in progress	-	157,833	-	157,833	131,775
		<u>974,814</u>	<u>(149,691)</u>	<u>825,123</u>	<u>777,550</u>

## MAIN ACQUISITIONS MADE IN 2010

In the second quarter of 2010 the Company continued with its building program for the Redenção (PA) and Rolim de Moura (RO) (Minerva Alimentos S.A.) units, as well as the expansion of the Araguaína (TO), José Bonifácio (SP) and Goianésia (GO) units, which should be completed during 2010.

### 11. INTANGIBLE ASSETS

	Company		Consolidated	
	30/06/10	31/03/10	30/06/10	31/03/10
Goodwill on acquisitions	14,720	14,720	14,720	14,720
Software	766	834	1,031	1,175
	<u>15,486</u>	<u>15,554</u>	<u>15,751</u>	<u>15,895</u>

Changes in this quarter are shown below:

	Company		
	Goodwill on acquisitions (i)	Acquired softwares	Total
Opening balances as of 1st January 2010	14,720	884	15,604
Acquisition	-	75	75
Amortisation	-	(193)	(193)
Balances as of 30 June 2010	14,720	766	15,486

	Consolidated		
	Goodwill on acquisitions (i)	Acquired softwares	Total
Opening balances as of 1st January 2010	14,720	1,034	15,754
Acquisition	-	270	270
Amortisation	-	(273)	(273)
Balances as of 30 June 2010	14,720	1,031	15,751

The goodwill resulting from the difference between the amount paid for the acquisition of investments and the fair value of the assets and liabilities (goodwill due to expectations of future profitability) refers to the acquisitions of Lord Meat and Friasa.

The abovementioned purchase transactions were initially recorded at book value (cost). The Company engaged an independent technical study to assess the market value of the assets and liabilities of the acquired and merged companies and allocated the assets and liabilities that were identified, as presented below:

	Book value	Market value	Allocation
	<u>          </u>	<u>          </u>	<u>          </u>
Expectation of future profitability - investments			
Lord Meat	-	17,657	17,657
Friasa	-	2,062	2,062
Property, plant and equipment			
Plots of land	370	397	27
Machinery and equipment	4,461	10,535	6,074
Buildings and constructions	5,205	20,004	14,799
Other assets and liabilities			
Net	(2,165)	563	2,728
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>1,871</u>	<u>51,218</u>	<u>43,347</u>

As of 31 December 2008, according to the report on future cash flow estimates, as established by CPC 01, the Company recognised an *impairment* charge of R\$4,559 for the goodwill on the investment in Lord Meat, a subsidiary. In 2009 no impairment adjustment occurred.

## 12. LOANS AND FINANCING

Types	Finance charges	Company		Consolidated	
		30.06.10	31.03.10	30.06.10	31.03.10
Local currency					
BNDES (2)	TJLP + basket of currencies + spread	51,777	34,658	51,777	34,658
FINEP (3)	Long-term interest rate (TJLP)+ spread	17,722	19,809	24,517	26,592
Lease (1)	Interest of 3.5% per year + TJLP	12,662	13,651	16,713	15,405
Export credit note (1)	Variation of CDI + Spread	82,462	31,718	86,218	34,089
Bank credit certificate - CCB (1)	Annual interest of 8.5%	60,894	60,829	118,604	117,559
Export credit note - CCE(1)	CDI Interest + Spread	100,731	100,671	100,731	100,671
Other types (1)	10.0% per year	1,407	1,503	2,745	2,193
		<u>327,655</u>	<u>262,839</u>	<u>401,305</u>	<u>331,167</u>
Local currency (US dollar)					
Advance on exchange contracts (ACC) (1)	Interest from 3.5% to 5.5% per year + Exchange rate gains (losses)	90,751	62,315	107,044	75,780
Prepayment (4)	Interest from 2.8% to 5.5% per year + Exchange rate gains (losses)	126,103	122,996	152,960	149,222
Export credit note (1)	Interest from 7.0% per year + Exchange rate gains (losses)	30,493	64,270	30,493	64,270
Senior Unsecured Notes (5)	Interest + Exchange rate gains (losses) (i)	774,127	595,316	736,068	722,521
Other types (1)	Interest from 5.50% per year + Libor	-	-	15,025	4,026
		<u>1,021,474</u>	<u>844,897</u>	<u>1,041,590</u>	<u>1,015,819</u>
Total loans		<u>1,349,129</u>	<u>1,107,736</u>	<u>1,442,895</u>	<u>1,346,986</u>
Current		149,371	110,041	182,070	137,197
Non-current		1,199,758	997,695	1,260,825	1,209,789

(i) Interest rate of Senior Unsecured Notes are the following, with maturity in 2017 (9.5% per year) and 2019 (10.875% per year).

The Company offered the following guarantees for the loans it has taken out:

- (1) Endorsement of the parent company VDQ Holdings S.A and/or endorsement of the shareholders of VDQ Holdings S.A.;
- (2) Mortgage of the Palmeiras de Goiás factory and the farms of the shareholders of the parent company VDQ Holdings S.A.;
- (3) Mortgage of the Barretos factory;

The following guarantees were offered to Rabobank specifically for the PPE transaction for Minerva Dawn Farms (MDF), a subsidiary:

- 50% guaranteed by the Company and 50% guaranteed by Dawn Farms Foods;
  - Chattel mortgage on the equipment of the financed party;
  - First-degree mortgage of the plant of Minerva Dawn Farms;
  - 99.99% of chattel mortgage on the shares of Minerva Dawn Farms, a subsidiary.
- (4) Endorsement by the Company for the Senior Unsecured Notes issued by subsidiary Minerva Overseas Ltd. and Minerva Overseas II Ltd.

Long-term portions of Company's loans and financing mature as follows as of 30 June 2010:

Company	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Lease	1,960	4,465	2,042	-	-	-	-	-	-	8,467
Finame (National Equipment	-	-	-	-	-	-	-	-	-	-
CCB (Bank credit	28,695	50,641	8,975	8,985	8,400	8,400	2,444	7,452	-	123,992
FINEP (Research and Project	4,175	4,347	793	-	-	-	-	-	-	9,315
BNDES (National Bank for	6,298	8,664	8,664	8,664	8,664	8,457	2,366	-	-	51,777
Export credit note	11,132	48,680	18,649	-	-	-	-	-	-	78,461
Pre-shipment	18,640	37,281	30,525	-	-	-	-	-	-	86,446
ACC (Advance on exchange	-	85,556	-	-	-	-	-	-	-	85,556
Other types	198	396	396	68	-	-	-	-	-	1,058
Senior Unsecured Notes	-	-	-	-	-	-	304,311	-	450,375	754,686
	<u>71,098</u>	<u>240,030</u>	<u>70,044</u>	<u>17,717</u>	<u>17,064</u>	<u>16,857</u>	<u>309,121</u>	<u>7,452</u>	<u>450,375</u>	<u>1,199,758</u>

(Consolidated) long-term portions of Company's loans and financing mature as follows as of 30 June 2010:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Lease	2,477	5,498	3,046	915	-	-	-	-	-	11,936
Finame (National Equipment	207	414	199	-	-	-	-	-	-	820
CCB (Bank credit	28,695	50,642	8,975	8,985	8,400	8,400	2,444	65,160	-	181,701
FINEP (Research and	4,409	5,283	1,729	936	936	936	936	933	-	16,098
BNDES (National Bank for										
Economic and Social										
Development)	6,298	8,664	8,664	8,664	8,664	8,457	2,366	-	-	51,777
Export credit note	11,132	52,334	18,649	-	-	-	-	-	-	82,115
Pre-shipment	21,695	42,189	35,433	4,908	2,494	-	-	-	-	106,719
ACC (Advance on exchange	4,296	85,556								89,852
Other types	198	396	396	68	-	-	-	-	-	1,058
Senior Unsecured Notes	-	-	-	-	-	-	281,927	-	436,822	718,749
	79,407	250,976	77,091	24,476	20,494	17,793	287,673	66,093	436,822	1,260,825

At the beginning of 2007, the Company raised US\$200 million (R\$403 million) by issuing Senior Unsecured Notes in accordance with Regulation S, Rule 144A, on the international market, with a payment term of 10 years and a 9.5% p.a. coupon rate, payable half yearly.

In January 2010 the Company raised US\$250 million (equivalent to R\$469,000) by issuing Senior Unsecured Notes in accordance with Regulation S 144A, on the international market, with a payment term of 9 years and a 10.875% p.a. coupon rate, payable half yearly.

The following events should also be highlighted:

- (i) The financial cost prepaid in June and February 2007 in the total amount of R\$9,541 was recorded as prepaid expenses and is being amortised on a straight line basis over the term of the contract. On 1 January 2008 the remaining balance of R\$5,446 was transferred to the liability account recording the debt;
- (ii) Expenses on professional services of *underwriters*, lawyers and independent auditors in the total amount of R\$7,561 were recognised directly in the statement of operations as other operating expenses;
- (iii) Minerva Overseas Ltda., a subsidiary, cancelled US\$40.6 million in Senior Unsecured Notes in the fourth quarter of 2009 of the total of US\$200 million. US\$159.4 million remains to be settled by the end of 2017.
- (iv) The finance charge prepaid in January 2010 in the amount of R\$8,760 was recognised as a contra account to the debt to record the net debt.

Financial *covenants* are being used according to the level of debt coverage. The ability to cover the debt is measured in relation to *EBITDA* (earnings before interest, taxes, depreciation and amortisation). The contractual index means that the debt coverage level may not be more than 3.75 times the *EBITDA* for the last 12 months at 31 December 2008 and 3.50 times as from 2009.

For these purposes, the following definitions are considered:

- (I) (I) "Net debt" means the sum of the balance of the loans and financing, without considering exchange rate gains (losses) occurring in the period since the contracting of the debt, less the sum of (i) cash and cash equivalents (as defined below) and (ii) write-downs (as defined below).
- (II) "Cash and cash equivalents" - means the sum of the balance of the following balance sheet accounts: "Cash and cash equivalents" and "Marketable securities";
- (III) "Write-downs" means a series of exceptions, or permitted debts, related to specific transactions. In short, these exceptions include refinancing existing debts, under certain circumstances, and raising funds for a number of investments, some of which are for specific purposes, in a total of US\$36.0 million (equivalent to R\$64.0 million).
- (IV) "EBITDA" - means the amount calculated on an accrual basis over the last 12 (twelve) months equal to the sum of net revenues, less: (i) the cost of provided services, (ii) administrative expenses, plus (a) depreciation and amortisation expenses, (b) net financial results, (c) equity accounting results and (d) direct taxes.

The *covenants* described above are calculated according to financial statements.

These agreements oblige the Company to comply with other financial commitments, among which, but not exhaustively, are the following:

- Encumbering rights and properties;
- Entering into certain transactions with related parties;
- Selling corporate interest in subsidiaries;
- Merging or selling certain assets.

The covenants were complied with at 30 June 2010 and at 31 March 2010.

### 13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Brazilian				
Commodities	110,973	99,401	117,549	102,127
Materials and services	38,300	33,073	46,849	40,220
Finished goods	16,786	19,882	16,786	19,882
	<u>166,059</u>	<u>152,356</u>	<u>181,184</u>	<u>162,229</u>
Foreign				
Rendered services	12,672	11,374	12,672	11,374
Finished goods	45	977	462	1,478
	<u>12,717</u>	<u>12,351</u>	<u>13,134</u>	<u>12,852</u>
	<u>178,776</u>	<u>164,707</u>	<u>194,318</u>	<u>175,081</u>

#### 14. SALARIES, SOCIAL CHARGES AND TAX LIABILITIES

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Labour				
Salaries and management fees	3,840	4,198	3,895	4,680
Payroll charges - FGTS and INSS (employees and third parties)	17,622	24,424	17,955	24,698
Accrued vacation pay and charges	13,402	11,162	14,704	12,145
Other proceeds and charges	1,617	1,333	1,681	1,457
	<u>36,481</u>	<u>41,117</u>	<u>38,235</u>	<u>42,980</u>
Tax				
INSS (social security contribution) paid in instalments	38,668	34,828	38,668	34,828
Goais State Incentive - Tare	1,621	1,197	1,920	1,233
Other taxes	5,988	612	7,148	990
	<u>46,277</u>	<u>36,637</u>	<u>47,736</u>	<u>37,051</u>
	<u>82,758</u>	<u>77,754</u>	<u>85,971</u>	<u>80,031</u>
Current	35,783	29,960	38,942	32,181
Non-current	46,975	47,794	47,029	47,850

#### 15. INCOME AND SOCIAL CONTRIBUTION TAXES

##### a. Current - payable

Income and social contribution taxes are calculated and recorded according to taxable income, including the tax incentives that are recognised as taxes are paid and taking into consideration the rates established by prevailing tax legislation.

b. Deferred - Provision in liabilities, net amount

Deferred tax debts are recorded to reflect future tax effects attributable to temporary differences between the tax basis of assets and liabilities and their respective carrying amount, as well as to reflect the tax credits resulting from income and social contribution tax losses:

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Deferred taxes - asset revaluation surplus	27,621	28,000	27,621	28,000
	<u>27,621</u>	<u>28,000</u>	<u>27,621</u>	<u>28,000</u>

Reconciliation of the balances and expenses for income and social contribution taxes

The balance provided for and the results of the taxes levied on income are as follows:

*Current*

	Company		Consolidated	
	30.06.10	31.03.10	30.06.10	31.03.10
Income (loss) before taxes	(40,654)	(23,155)	(40,654)	(23,155)
Add-backs				
Temporary differences	24,188	11,721	24,188	11,721
Permanent differences	3,880	2,472	3,880	2,472
Realisation of revaluation surplus	2,233	1,116	2,233	1,116
Effects of Law No. 11,638/07	4,610	4,610	4,610	4,610
Deductions				
Temporary differences	(4,410)	(2,357)	(4,410)	(2,357)
Effects of Law No. 11,638/07	(9,075)	(10,678)	(9,075)	(10,678)
Subtotal	<u>(19,228)</u>	<u>(16,271)</u>	<u>(19,228)</u>	<u>(16,271)</u>
Basis for calculation of taxes after realisation of tax losses	<u>(19,228)</u>	<u>(16,271)</u>	<u>(19,228)</u>	<u>(16,271)</u>
Tax loss available for offset	<u>(19,228)</u>	<u>(16,271)</u>	<u>(19,228)</u>	<u>(16,271)</u>
Current income tax	-	-	-	-
Current social contribution tax	-	-	-	-

Income and social contribution taxes were calculated in accordance with prevailing legislation and the Temporary Tax Regime, provided for in Executive Act No. 449/2008.

Income and social contribution tax calculations and returns are open to review and final assessment by tax authorities for varying statutory periods in relation to the payment or filing date.

Based on studies and projections for the following periods and considering the limits fixed by prevailing legislation, the Company's management expects that the existing tax credits will be realised over a maximum term of five years.

Net book income has no direct relationship with the taxable income for income and social contribution taxes, due to the differences between the accounting criteria and the pertinent tax legislation. Therefore, we recommend that the evolution of the realisation of the tax credits resulting from income and social contribution tax losses and temporary differences should not be taken as an indication of future net income.

## 16. CONTINGENCIES

### a. Summary of the contingent liabilities accounted for in the Company's balance sheet

The Company and its subsidiaries are parties to a number of proceedings that are part of the normal course of business, for which provisions were recorded according to the estimates of its legal advisers and management. The main information on these proceedings as of 30 June 2010 is presented below:

Lawsuits	Company 30/06/2010	Consolidated 30/06/2010
Deposits in court for labour lawsuits	1,890	1,890
Deposits in court for tax lawsuits	9,255	9,255
Tax (offset against unapproved credits)	9,042	9,043
Contingencies - labour claims	3,950	3,950
Total	24,137	24,138

Description of the contingent liabilities and assets of a labour and tax nature

#### a.1. *Labour claims (chances of loss assessed as probable)*

Most of these labour lawsuits involve health hazard claims and article 253 of the Consolidation of Labour Laws for the benefit of employees. According to the opinion of the legal counsellors that handle these legal demands and experience accumulated by management in similar cases, provisions of R\$3,950 were accrued for labour lawsuits.

## a.2. *Tax lawsuits*

- a.2.1. Legal liabilities resulting from amortisation of tax liabilities using deemed IPI (Federal VAT) credits (resulting from purchase of cattle from individual farmers) that are not yet final and unappealable.

On 17 December 2003 the Company filed an action to obtain IPI credits as reimbursement for PIS and COFINS (taxes on sales) on the purchase of raw material for the production of merchandise intended for export. A legal action was filed relating to those exports and the Company won its case in the lower courts.

Although this decision was not final, part of the total of R\$89,809 in credits involved in these proceedings was offset in the amount of R\$3,448. Following the opinion of the Company's external lawyers, management believes that a successful outcome is probable in the higher courts. In the event of an appeal against this decision and if an unfavourable decision is handed down against the Company, the corresponding legal obligation is recorded in the amount of R\$3,448, including R\$5,505 related to the provision for interest and a fine, totalling a provision of R\$8,953 accrued in accordance with Brazilian accounting practices.

In March 2008 the Company started making court deposits for the fee charged for the shipment of live cattle in Para State for the number of head of cattle exported. As of 30 June 2010 the total amount of court deposits was R\$9,252.

- a.2.2. Credits ("contingent assets") with chances of probable or possible success, the gains on which have not been accounted for in the Company's balance sheet
- (I) Credits of PIS and COFINS (taxes on sales): On 24 January 2006 the Company filed an action to use the PIS and COFINS credits related to the purchase of raw materials for manufacturing products intended for export. This action is in progress and, based on the opinion of the Company's external lawyers, the chances of success are probable.

## 17. SHAREHOLDERS' EQUITY

### SHARE CAPITAL

The Company's subscribed and paid-in capital is R\$251,635 (R\$247,728 as of 31 March 2010) represented by 105,737,017 common, book-entry shares (105,000,000 as of 31 March 2010, respectively) with no par value, all of which are free and clear of any burden or encumbrance. After the Company's board of directors approved the increase in authorised capital changing the limit for more up to 100,000,000 common shares, authorised share capital increased to 175,000,000 common shares.

On 20 July 2007 the Company's capital was increased through an initial public offering of 20,000,000 common, book-entry shares with no par value at the price of R\$18.50 per share, totalling R\$370,000, of which R\$70,000 was allocated to the capital account and R\$300,000 was allocated to the capital reserve account, pursuant to article 14 of Brazilian Corporate Law.

On 30 April 2009, the Board of Directors authorised a programme for repurchase of shares issued by the Company to be held in treasury, cancelled or put on the market again.

On 30 September 2009, the Company's share capital was changed due to an increase of 29,030,639 common, book-entry shares with no par value at the price of R\$5.30 per share, totalling R\$153,862, which was fully allocated to the Company's share capital.

On 22 October 2009, the Company's share capital was changed due to a share capital transaction relating to the remains of 969,361 common, book-entry shares with no par value at the price of R\$5.30 per share, totalling R\$5,138, which was fully allocated to the Company's share capital.

On 7 May 2010, the Company's share capital was changed due to a share capital transaction relating to the bonus of 737,017 common, book-entry shares with no par value at the price of R\$5.30 per share, totalling R\$3,907, which was fully allocated to the Company's share capital.

#### TREASURY SHARES

In accordance with the provisions of paragraphs 1 and 2 of article 30 of Law 6,404/76 and Instructions No. 10, 268 and 390 of the Brazilian Securities and Exchange Commission (CVM), the Board approved the acquisition of up to two million, four hundred thousand (2,400,000) registered, book-entry, common shares, with no par value, representing 10% of the twenty-four million (24,000,000) shares of the Company outstanding on the market.

In March 2010, the Company repurchased 431,200 shares at an average cost of R\$7.53. Given that the acquired shares were not alienated, they were traded at the São Paulo Stock Exchange at market prices.

#### REVALUATION SURPLUS

In 2003 and 2006 the Company revalued the assets of its property, plant and equipment and the amount presented at 30 June 2010 was R\$92,222 (R\$92,906 at 31 March 2010).

As explained earlier and in compliance with Law No. 11,638 of 2007, the Company decided to keep the revaluation surplus accrued until 31 December 2007 until its full realisation, which must occur due to depreciation or sale of revalued assets.

## SHARE OPTION PLAN

On 1 October 2008 the Company's Board of Directors approved, in a Special Shareholders' Meeting, the Share Purchase Option Plan (Plan), the purpose of which is to grant purchase options on shares issued by the Company to officers and employees at management level.

Periodically, the Board of Directors will be able to create share purchase option programmes (Programmes), in which the terms and conditions for each granting of shares will be defined, following the basic guidelines established in the Plan.

All the rules for each programme must be reported in the Agreement for Granting Share Purchase Options and Other Covenants, to be entered into with each participant in each programme.

The Plan will be limited to a maximum number of options which results in a dilution of up to 5% of the Company's share capital on the date of the creation of each programme.

The Company has adopted the policy of disclosing the information required by CVM with respect to its option plan and future programmes. As of 30 June 2010, there were no effects to be valued and disclosed, since no programme has been approved.

## 18. MANAGEMENT'S REMUNERATION

As of 30 June 2010, the Company and its subsidiaries recorded expenses on remuneration of their key personnel (board members and directors of the Company) in the amount of R\$599 (R\$295 at 31 March 2010). All the remuneration is short term.

## 19. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's transactions are exposed to market risks, particularly with respect to changes in exchange and interest rates, credit risks and purchase prices for cattle. In its investment management policy, the Company establishes the use of derivative financial instruments for hedging against these risk factors.

Market risk management is carried out through the use of two models, namely: calculating VaR (*Value at Risk*) and calculating impacts by applying stress scenarios. In the case of VaR, management uses two distinct models: Parametric VaR and Monte Carlo Simulation VaR. Risk monitoring is constant and the risks are calculated at least twice a day.

Additionally, financial instrument transactions for speculative purposes are not permitted.

### a. Policy for the treasury's hedging transactions

The implementation of the Company's hedging management policy is the responsibility of the Treasury Department and follows the decisions taken by the Risk Committee, which is made up of the Company's managing officers, employees and outside consultants.

The supervision and monitoring of compliance with the guidelines laid down by the hedging policy are the responsibility of the Risk Management Board, which is subordinated to the Presidency and the Risk Committee.

The Company's hedging policy, approved by its Board of Directors, takes into consideration its two main risk factors: the exchange rate and fat cattle.

#### *1. Foreign exchange hedging policy*

Its purpose is to minimise the impacts of exchange rate gains (losses) on the Company's results, as well as to protect it from fluctuations that cause an increase in reais of the debt in US dollars. This policy is divided into two parts, which are:

##### **1. Cash flow**

Cash flow hedging strategies are daily discussed with the market committee.

The purpose of the cash flow hedging policy is to make use of market fluctuations to improve the Company's operating income and hedge its flows (inflows and outflows of US dollars) within a year.

Cash flow exposure is the sum of current exposure, such as cash in US dollars, invoiced exports, imports, freight in US dollars etc. plus the flow of debt maturities in US dollars lower than one year.

Financial instruments available on the market, such as: raising funds in US dollars, bringing foreign-currency denominated cash and cash equivalents into Brazil, NDFs with banks, futures contracts for dollars on the Futures and Commodities Exchange (BM&F) and options on dollar futures contracts on the BM&F may be used.

##### **2. Balance sheet**

Balance sheet hedging is monthly discussed at the committee's meeting and in external advisory.

The purpose of the balance sheet hedging policy is to protect the Company against an increase in debts in foreign currency.

The balance sheet exposure is the debt flow in US dollars over a period longer than one year.

Financial instruments available on the market, such as: holding cash in US dollars, NDFs with banks, futures contracts for dollars on the Futures and Commodities Exchange (BM&F) and options on dollar futures contracts on the BM&F may be used.

## *II. Cattle hedging policy*

The purpose of the cattle hedging policy is to minimise the impacts of price fluctuations per arroba (a unit of weight equivalent to 15 kg) of cattle beast on the Company's results. The policy is split into two topics:

### 1. Forward contracts for cattle

In order to guarantee raw material, especially in the off-season period for cattle, the Company purchases cattle for future delivery and uses the BM&F for the sale of futures contracts, minimising the risk of price fluctuations per arroba of cattle beast.

Financial instruments available on the market, such as: futures contracts and options on future contracts for fat cattle on the BM&F can be used.

### 2. Hedging of meat sold

For the purpose of guaranteeing the cost of the raw material used in its meat production, the Company uses the BM&F to purchase future contracts minimising the risk of price fluctuations per arroba of cattle beast and hedging its operating margins obtained at the time of selling the meat.

Financial instruments available on the market, such as: futures contracts and options on future contracts for fat cattle on the BM&F can be used.

#### a - Statement of derivative positions

The statement of derivative positions was prepared so as to present the derivative financial instruments taken out by the Company at the closing of the fourth quarter of 2009 and 2008, according to their purpose (equity hedging and other purposes):

Proteção Patrimonial

Description	Thousand - R\$		Fair value in thousand R\$		Accumulated effect in thousand R\$	
	30/06/10	31/03/10	30/06/10	31/03/10	Valor a receber /	Amount payable / (paid)
<b>Futures contracts:</b>						
<u>Purchase commitments</u>						
Foreign currency						
DOL (US\$)						
Mini US dollar (US\$ x 0.10)	20	410	36	734		43
Local currency						
Indices						
IND (Index points)						
WIN						
Shares						
Others						
BGI (arrobas)						
CNI						
SOJ (sacks)						
DI 1 DIA (R\$)						
ICF						
<u>Purchase commitments</u>						
Foreign currency						
DOL (US\$)	122,750	128,500	222,275	230,347	-	9,198
Mini US dollar (US\$ x 0.10)						
Local currency						
Indices						
IND (Index points)						
WIN (points x 0,20)						
Shares						
Others						
BGI (arrobas)	1,490	249	126,597	21,995	561	
CNI (sacks)						
SOJ						
DI 1 DIA						
ICF (sacks)						

Notional values are the values that represent the base value, i.e. the opening amount at which the derivative agreement is entered into in order to calculate the positions and the market value.

The fair values were calculated in the following manner:

- Futures contracts traded on an exchange: calculated in accordance with the market quotations published by the BM&F.
- Option contracts: for those contracts that were traded and quoted on exchanges, they were calculated according to the values published by the BM&F (market quotation). For the other option contracts (exchange without liquidity), Black & Scholes models (Interbank Deposit and Cattle), Black 76 (Dollar) or Garch (fixed and Interbank Deposit Index) were used, which take into consideration volatility, exercise price, interest rate and term.
- Swap contracts: estimated based on market quotations for similar contracts and on the updating of the variables included in them. The effective financial settlement of swap contracts occurs only upon their respective maturities. The Company has no intention of settling these contracts before the end of the term.
- NDF (Non Deliverable Forward): estimated according to market curves used for similar instruments on the respective calculation dates and discounted to their present value.

The fair values were estimated on the date of the quarterly information, according to "relevant market information". Changes in the assumptions and in the financial market may materially affect the estimates presented in the financial statements.

The notional values of these contracts are not recorded in the Company's financial statements as of 30 June 2010 and 31 March 2010.

Derivatives undergo daily settlement of the financial adjustments on the BM&F, except for over-the-counter transactions (swap and NDF) whose maturities for settlement of the financial adjustments may be weekly, monthly or quarterly. Accordingly, only financial adjustments realised and not settled are recorded in equity accounts as of 30 June 2010 and 31 March 2010 as "Treasury advances". The breakdown of the balances payable/receivable recorded in the financial statements is as follows:

Derivatives	30/06/10 Receivable (payable)	31/03/10 Receivable (payable)
Futures contracts (D+1)	953	1831
Option contracts	-	171
Swap	-	-
Purchase of shares	0	(2728)
	953	(726)

Outstanding over-the-counter NDF, swap and São Paulo Stock Exchange (BM&F - Bovespa) option transactions are marked to market and as of 30 June 2010 and 31 March 2010 are recorded as "NDF receivable", "Swaps" and "Options receivable", respectively.

<i>Financial instruments</i>	<i>30/06/2010</i>	<i>31/03/2010</i>
	<i>Mark-to-market</i>	<i>Mark-to-market</i>
<i>Options</i>	<i>2,842</i>	<i>3,437</i>
<i>Swap</i>	<i>4,738</i>	<i>2,687</i>
<i>NDF (EUR+DOL)</i>	<i>1,495</i>	<i>4,554</i>
<b><i>TOTAL</i></b>	<b><i>9,075</i></b>	<b><i>10,678</i></b>

b. Exchange and interest rate risks

The exchange and interest rate risks on loans and financing, financial investments, accounts receivable in foreign currency arising from exports and other liabilities denominated in foreign currency are managed by using derivative financial instruments based on futures contracts traded on exchanges, rate swap transactions and NDFs (*Non Deliverable Forwards*), options and other exchange instruments.

In the following table we present the Company's consolidated position, specifically with respect to its financial assets and liabilities, separated by currency and exchange exposure, thus presenting a picture of the net position of assets and liabilities per currency, compared with the net position of derivative financial instruments intended for hedging and managing the exchange exposure risk:

	Consolidated		
	30/06/10		
	Currencies		
	Local	Foreign	Total
<u>Assets</u>			
Cash and banks	230	98,001	98,231
Banks - current accounts	38,532	-	38,532
Financial investments	192,338	175,865	368,203
Accounts receivable	22,574	161,532	184,106
Amounts receivable from future contracts - short term	-	-	-
Total current assets	<u>253,674</u>	<u>435,398</u>	<u>689,072</u>
Total assets	<u><u>253,674</u></u>	<u><u>435,398</u></u>	<u><u>689,072</u></u>
<u>Liabilities</u>			
Short-term financing	<u>69,814</u>	<u>112,256</u>	<u>182,070</u>
Total current liabilities	69,814	112,256	182,070
Long-term financing	<u>331,492</u>	<u>929,333</u>	<u>1,260,825</u>
Total non-current	331,492	929,333	1,260,825
Total liabilities	<u><u>401,306</u></u>	<u><u>1,041,589</u></u>	<u><u>1,442,895</u></u>
Financial debt, net	<u><u>147,632</u></u>	<u><u>606,191</u></u>	<u><u>753,823</u></u>
Exchange hedging derivatives - Net position	<u>-</u>	<u>103,031</u>	<u>-</u>
Exchange position, net	<u><u>-</u></u>	<u><u>709,222</u></u>	<u><u>-</u></u>

The net position of derivative financial instruments is broken down as follows:

<i>Financial instruments (net)</i>	<i>Liability (asset) position, net as of 30/06/10</i>	<i>Liability (asset) position, as of 31/03/10</i>
<i>Future contracts - DOL (US Dollar)</i>	<i>(122,730)</i>	<i>(128,500)</i>
<i>Option contracts - DOL (US Dollar)</i>	<i>20,000</i>	<i>10,000</i>
<i>Swap contracts - (US Dollar)</i>	<i>13,550</i>	<i>13,218</i>
<i>NDF (US Dollar + EURO)</i>	<i>192,210</i>	<i>112,785</i>
<b><i>Total Net</i></b>	<b><i>103,030</i></b>	<b><i>7,503</i></b>

Financial assets and liabilities are presented in the financial statements for 30 June and 31 March 2010 at amounts that closely approximate market values. Their respective revenues and expenses are recognised and they are presented on these dates according to their expected realisation or settlement. The amounts related to export orders (firm sales commitments) refer to orders from approved clients that have not yet been invoiced (and therefore not accounted for), but which are already hedged against the risk of changes in foreign currency rates (US dollars or other foreign currency) through derivative financial instruments.

The Company hedges long-term financial assets and liabilities subject to exchange rate gains (losses), mainly the US dollar. As of 30 June 2010, the Company held NCEs (export credit notes), PPEs (export prepayments) and *Unsecured Senior Notes* falling due in the long-term and subject to exchange rate gains (losses).

Also, in order to protect its balance sheet in the medium term the Company chose to contract swaps partly indexed to the US dollar versus the interbank deposit rate (CDI) and partly to the LIBOR plus a fixed rate.

The swaps and corresponding debt are presented as follows:

<i>Bank</i>	<i>Associate</i>	<i>Notional</i>	<i>Bank's asset</i>	<i>Company's asset</i>	<i>Maturity</i>	<i>Periodicidade de Verificação</i>
UNIBANCO	NCE	16,143	87% of CDI-CETIP	EC + 7.0% per year straight line	22/08/2011	6-monthly
SANTANDER	NCE	32,408	78.50% of CDI-CETIP	LIBOR + 2.81% per year	19/07/2013	6-monthly
BRADESCO	NCE	51,987	EC+ 7.21% aa - straight line	100% of CDI-CETIP +2.20% per y	24/01/2013	6-monthly

Following are presented NDFs held by the Company:

TYPE	POSITION	CURRENCY	MATURITY	FAIR VALUE	INSTITUTION
NDF	SALE	EURO	07/07/2010	(1,918)	BCO PINE SA
NDF	SALE	EURO	23/08/2010	(6,613)	BANCO BTG PACTUAL
NDF	SALE	EURO	23/08/2010	(6,613)	GOLDMAN SACHS GP
NDF	SALE	EURO	23/08/2010	(6,613)	BANCO CITIBANK
NDF	SALE	EURO	23/08/2010	(4,409)	BANCO RABOBANK
NDF	SALE	EURO	23/08/2010	(7,980)	BANCO BTG PACTUAL
NDF	SALE	EURO	23/08/2010	(7,980)	BANCO RABOBANK
NDF	SALE	EURO	23/08/2010	(4,409)	BANCO RABOBANK
NDF	SALE	EURO	23/08/2010	(3,086)	BANCO CARGIL S.A.
NDF	SALE	EURO	30/08/2010	(4,409)	BANCO RABOBANK
NDF	SALE	EURO	30/08/2010	(11,022)	BANCO ITAU BBA S/A
NDF	SALE	EURO	06/09/2010	(5,401)	BANCO ITAU BBA S/A
NDF	SALE	EURO	06/09/2010	(5,511)	BCO BRADESCO SA
NDF	SALE	EURO	06/09/2010	(9,478)	BANCO CITIBANK
NDF	SALE	US DOLLAR	31/08/2010	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	30/09/2010	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	29/10/2010	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	30/11/2010	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	31/12/2010	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	31/01/2011	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	28/02/2011	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	31/03/2011	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	29/04/2011	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	31/05/2011	(2,233)	BANCO PINE SA
NDF	SALE	US DOLLAR	30/06/2011	(2,233)	BANCO PINE SA
NDF	PURCHASE	US DOLLAR	01/07/2011	108,090	BANCO PINE SA
NDF	PURCHASE	US DOLLAR	01/07/2011	90,075	GOLDMAN SACHS GP
NDF	PURCHASE	US DOLLAR	01/07/2011	27,023	BANCO BRADESCO SA
NDF	PURCHASE	US DOLLAR	01/07/2011	36,030	GOLDMAN SACHS GP
NDF	PURCHASE	US DOLLAR	01/07/2011	18,015	GOLDMAN SACHS GP

c. Credit risks

The Company is potentially subject to credit risks related to accounts receivable from its clients. It minimises these risks by diversifying its client portfolio, given that the Company does not have a client or business group that accounts for more than 20% of its invoicing and restricts the granting of credit to clients with good financial and operating indices.

d. Cattle price risks

The Company's line of business is exposed to the volatility of the prices for cattle, its main raw material, changes which arise from factors outside the control of management, such as climatic factors, volume of supply, transport costs, agricultural policies and others. The Company, in accordance with its inventory policy, pursues its management strategy for this risk, working on physical control, which includes purchases in advance, confinement of cattle and the signing of contracts for future settlement (over-the-counter and exchanges), which ensure the realisation of its inventories at a determined price level.

Boi	July/10	August/10	September/10	October/10	November/10	December/10	Fair Value 30/06/2010
<b>Over-the-counter market</b>							
<b>Purchased forward contract Contrato a Termo Comprado</b>							
Notional value (@)	236,280	66,000	111,540	1,256,310	7,920	7,920	1,685,970
Future contract price (R\$/@)	83.48	80.95	81.92	83.06	85.33	85.58	83
<b>Total R\$/1000</b>	<b>19,725</b>	<b>5,342</b>	<b>9,137</b>	<b>104,352</b>	<b>676</b>	<b>678</b>	<b>139,910</b>
<b>Mercado BM&amp;F</b>							<b>Fair Value</b>
	<b>July/10</b>	<b>August/10</b>	<b>September/10</b>	<b>October/10</b>	<b>November/10</b>	<b>December/10</b>	<b>30/06/2010</b>
<b>Sold future contract</b>							
Notional value (@)	236,280	66,000	111,540	1,256,310	33,330	3,960	1,707,420
Future contract price (R\$/@)	84.32	84.50	84.35	85.38	85.57	85.49	85
<b>Total R\$/1000</b>	<b>19,923</b>	<b>5,577</b>	<b>9,408</b>	<b>107,264</b>	<b>2,852</b>	<b>339</b>	<b>145,363</b>

e. Cash sensitivity statements

The purpose of the sensitivity analysis statements is to disclose separately the derivative financial instruments which, in the Company's assessment, hedge risk exposure. These financial instruments are grouped according to the risk factor against which they are intended to be a hedge (price risk, exchange rate risk, credit risk etc.).

The scenarios were calculated according to the following assumptions:

1. An upward movement typifies an increase in prices or risk factors as of 30 June 2010;
2. A downward movement typifies an increase in prices or risk factors as of 30 June 2010;
3. Possible scenario: an impact of 6%; Probable scenario: an impact of 12%; Remote scenario: an impact of 18%.

The cash sensitivity statements were prepared in compliance with CVM Resolution No. 550, taking into consideration only the positions in derivative financial instruments and their impacts on cash. This model does not take into consideration the hedging positions.

## Equity Hedging

Transaction	Movement	Risk	Probable scenario	Possible scenario	Remote scenario
Future Cattle	Upward	CATTLE	(7,596)	(15,192)	(22,788)
	Upward	CATTLE	7,253	14,506	21,759
Net income (loss)			(343)	(686)	(1,029)

Future US Dollar Invoices	Upward	US DOLLAR	(13,334)	(26,669)	(40,003)
	Upward	US DOLLAR	10,109	20,218	30,327
Net income (loss)			(3,225)	(6,450)	(9,676)

Options Cattle	Upward	CATTLE	(1,638)	(3,129)	(4,620)
	Upward	CATTLE	2,448	4,896	7,344
Net income (loss)			810	1,767	2,724

Options Invoices	Downward	US DOLLAR	(1,564)	(1,564)	(1,564)
	Downward	US DOLLAR	1,123	2,246	3,370
Net income (loss)			(441)	682	1,806

Swap	Downward	US DOLLAR	(4,584)	(9,168)	(13,752)
Fundraising	Upward	US DOLLAR	(2,038)	(4,077)	(53)
Fundraising	Upward	RATE	4,555	9,111	9,367
Net income (loss)			(2,067)	(4,134)	(4,438)

NDF - Euro	Upward	EURO	(11,300)	(22,600)	(33,900)
Euro Invoices	Upward	EURO	2,989	5,977	8,966
Net income (loss)			(8,311)	(16,623)	(24,934)

NDF - US Dollar	Downward	US DOLLAR	(27,286)	(54,573)	(81,859)
Fundraising	Downward	US DOLLAR	16,916	33,831	50,747
Net income (loss)			(10,371)	(20,741)	(31,112)

## Swaps

Operation	Risk	Possible scenario	Probable scenario	Remote scenario
NCE UNIBANCO	USD Appreciation	(600,000.00)	(1,200,000.00)	(1,800,000.00)
Asset position - swap	USD Appreciation	1,000,000.00	2,500,000.00	5,000,000.00
Liability position - swap	CDI Appreciation	-	-	-
<b>Net effect</b>		<b>400,000.00</b>	<b>1,300,000.00</b>	<b>3,200,000.00</b>

Operation	Risk	Possible scenario	Probable scenario	Remote scenario
NCE SANTANDER	USD Appreciation	(1,200,000.00)	(2,400,000.00)	(3,600,000.00)
Asset position - swap	USD Appreciation	1,200,000.00	2,400,000.00	3,600,000.00
Liability position - swap	CDI Appreciation	-	-	-
<b>Net effect</b>		<b>-</b>	<b>-</b>	<b>-</b>

Operation	Risk	Possible scenario	Probable scenario	Remote scenario
Senior Unsecured Notes	USD Appreciation	(8,623,980.00)	(17,247,960.00)	(25,871,940.00)
Asset position - swap	USD Appreciation	3,750,000.00	9,375,000.00	18,750,000.00
Liability position - swap	CDI Appreciation	-	-	-
<b>Net effect</b>		<b>(4,873,980.00)</b>	<b>(7,872,960.00)</b>	<b>(7,121,940.00)</b>

### f. Guarantee margins

A guarantee margin call is applied to exchange transactions, whereby in order to cover margin calls the Company uses public and private fixed income bonds, such as CDBs (bank deposit certificates) held in its portfolio, thus mitigating impacts on its cash flow.

At 30 June 2010 the amount deposited as a margin was R\$41,139.

## 20. INSURANCE COVER

The Company and its subsidiaries have an insurance policy that mainly takes into consideration the concentration of risks, the significance and the replacement value of the assets. The main information about insurance cover in effect as of 30 June 2010 is as follows:

Assets	Type of cover	Indemnification amount
Buildings	Fire and miscellaneous risks	324,000,000
Facilities, equipment and products in stock	Fire and miscellaneous risks	150,412
Vehicles and aircrafts	Fire and miscellaneous risks	31,735
		<u>324,182,147</u>

The Company and its subsidiaries have cover for all the products transported in Brazil and abroad.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not examined by the Company's independent auditors.

In 2010 the Company took out insurance policies for the plants located in Palmeiras de Goiás (GO), Barretos (SP), José Bonifácio (SP), Bataiporã (MS) and Araguaína (TO).

## 21. SUBSEQUENT EVENT

### Issue of debentures

On 7 July 2010, the Board of Directors approved the first public issuance of single series, non-convertible into shares, unsecured debentures with personal guarantee, with restricted offering efforts amounting to two hundred million Brazilian reais (R\$200,000,000.00) of the Company ("Issuance"), maturing by 10 July 2015.

\* \* \*