http://www.oblible.com

Offering memorandum

BRF–Brasil Foods S.A.

(Incorporated in the Federative Republic of Brazil)

U.S.$750,000,000

5.875% Senior Notes due 2022

Unconditionally Guaranteed by

Sadia S.A.

(Incorporated in the Federative Republic of Brazil)

Interest payable: June 6 and December 6

Issue price: 99.070% (initial notes)/102.839%, plus accrued interest from June 6, 2012 (additional notes)

We are offering U.S.$750,000,000 million aggregate principal amount of 5.875% senior notes due 2022. We issued U.S.$500,000,000 principal amount of 5.875% senior notes due 2022 on June 6, 2012 (the "initial notes") and an additional U.S.$250,000,000 aggregate principal amount of 5.875% senior notes due 2022 on June 26, 2012 (the "additional notes" and, together with the initial notes, the "notes"). The notes bear interest at the rate of 5.875% per year and accrue interest from June 6, 2012. Each of the initial notes and the additional notes are issued under the indenture, dated June 6, 2012 (the "indenture") and will be treated as a single series for all purposes under the indenture. Interest on the notes will be payable on June 6 and December 6 of each year, beginning on December 6, 2012. The notes will mature on June 6, 2022.

The notes will be unconditionally guaranteed by our subsidiary, Sadia S.A.

We may redeem the notes, in whole or in part, at any time after June 6, 2017, at a redemption price based on a "make-whole" amount plus accrued and unpaid interest. We may also redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest in the event of specified events relating to applicable tax laws.

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior and unsecured indebtedness. The guarantee will be a senior unsecured obligation of Sadia S.A. and will rank equally with all of its existing and future senior and unsecured indebtedness. The notes will be structurally subordinated to all existing and future liabilities of our subsidiaries (other than Sadia S.A.).

See "Risk Factors" beginning on page 17 for a discussion of certain risks that you should consider in connection with an investment in the notes.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the "Securities Act," or the securities laws of any other jurisdiction. The notes are being offered only to qualified institutional buyers under Rule 144A under the Securities Act, or "Rule 144A," and to persons outside the United States under Regulation S under the Securities Act, or "Regulation S."

Application has been made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. This offering memorandum constitutes a prospectus for the purposes of Luxembourg law dated July 10, 2005 on prospectuses for securities.

Delivery of the notes was made to investors in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, *société anonyme*, and Euroclear S.A./N.V., as operator of the Euroclear System, on June 6, 2012 (initial notes) and June 26, 2012 (additional notes).

Joint Book-Running Managers

BB Securities **HSBC** **Itaú BBA** **Santander**

July 6, 2012

http://www.oblible.com

TABLE OF CONTENTS

	Page
Incorporation by Reference	iv
Available Information	iv
Presentation of Financial and Other Information	v
Forward-Looking Statements	vii
Service of Process and Enforcement of Judgments	viii
Summary	1
Sadia	7
Risk Factors	17
Use of Proceeds	34
Exchange Rates	35
Capitalization	36
Selected Financial Information	37
Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Description of the Notes	52
Form of the Notes	75
Taxation	79
Transfer Restrictions	84
Plan of Distribution	86
Legal Matters	92
Independent Accountants	92
Listing and General Information	93
Index to Financial Statements	F-1

You should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the notes.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. BB Securities Ltd., HSBC Securities (USA) Inc., Itau BBA USA Securities, Inc. and Santander Investment Securities Inc. will act as initial purchasers with respect to the offering of the notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. We have furnished the information contained in this offering memorandum.

None of the U.S. Securities and Exchange Commission, or the "SEC," any state securities commission or any other regulatory authority, has approved or disapproved the notes, nor has any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions."

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the "CVM." The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

The notes may not be offered or sold in or into the United Kingdom except in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995. All applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the notes in, from or otherwise involving the United Kingdom.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We confirm that, after having made all reasonable inquiries, the information contained in this offering memorandum with regards to us is true and accurate in all material respects and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. We accept responsibility accordingly for the information contained in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS WITHIN BRAZIL

THE NOTES (AND RELATED GUARANTEE) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR THE "CVM." THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES (AND RELATED GUARANTEE) ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE GENERAL PUBLIC IN BRAZIL.

INTERNAL REVENUE SERVICE CIRCULAR 230

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF U.S. FEDERAL INCOME TAX MATTERS SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL, STATE OR LOCAL TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

INCORPORATION BY REFERENCE

We are incorporating by reference into this offering memorandum our annual report on Form 20-F for the year ended December 31, 2011, or our "2011 Form 20-F," which we filed with the SEC on April 30, 2012 (SEC File No. 001-15148), including the following sections:

- the information under the caption "Introduction" of our 2011 Form 20-F;
- the information contained in "Item 3: Key Information" of our 2011 Form 20-F;
- the information contained in "Item 4: Information on the Company" of our 2011 Form 20-F;
- the information contained in "Item 5: Operating and Financial Review and Prospects" of our 2011 Form 20-F;
- the information contained in "Item 6: Directors, Senior Management and Employees" of our 2011 Form 20-F;
- the information contained in "Item 7: Major Shareholders and Related Party Transactions" of our 2011 Form 20-F;
- the information contained in "Item 8: Financial Information" of our 2011 Form 20-F;
- the information contained in "Item 11: Quantitative and Qualitative Disclosures About Market Risk" of our 2011 Form 20-F; and
- the audited consolidated financial statements of our company and our subsidiaries, including the reports thereon, contained in our 2011 Form 20-F.

The information below can be found on the indicated sections of our 2011 Form 20-F:

Information	Section in our 2011 Form 20-F
Our date of incorporation and length of life	Item 4. Information on the Company—A. History and Development of the Company-Corporate History. Exhibit 1.01 (Amended and Restated Bylaws), Section Four.
Legislation under which we operate and our legal form.	Exhibit 1.01 (Amended and Restated Bylaws), Section Four.
Description of our subsidiaries.	Item 4. Information on the Company—A. History and Development of the Company-Corporate Structure. Exhibit 8.01 (List of Subsidiaries).

We are also incorporating by reference into this offering memorandum the Form 6-K filed with the SEC on May 29, 2012 that includes the audited consolidated financial statements of Sadia, the guarantor, at December 31, 2011 and 2010 and for the two years ended December 31, 2011, or "Sadia's Financial Statements."

Incorporation by reference of our 2011 Form 20-F and Sadia's Financial Statements means that our 2011 Form 20-F and Sadia's Financial Statements are considered part of this offering memorandum.

The information in our 2011 Form 20-F is an important part of this offering memorandum. Our 2011 Form 20-F contains important information about our company and our results of operations and financial condition. Any statement contained in our 2011 Form 20-F will be deemed to be modified or superseded for purposes of this offering memorandum to the extent that a statement contained herein modifies or supersedes that statement. You should read "Available Information" for information on how to obtain our 2011 Form 20-F or other information relating to our company.

AVAILABLE INFORMATION

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities and Exchange Act of 1934, as amended, or the "Exchange Act," and file periodic reports with the SEC. However, if at any time we

cease to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, or are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will be required to furnish to any holder of a note which is a "restricted security" (within the meaning of Rule 144 under the Securities Act), or to any prospective purchaser thereof designated by such a holder, upon the request of such a holder or prospective purchaser, in connection with a transfer or proposed transfer of any such note pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Our 2011 Form 20-F and our other periodic reports filed with the SEC, including any interim financial reports, are available free of charge from the SEC at its website (www.sec.gov) or from our website, www.brasilfoods.com. In addition, our 2011 Form 20-F will be available free of charge at the office of the Luxembourg listing agent and published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to: (1) "BRF — Brasil Foods," "BRF," the "company," the "issuer," "we," "our," "ours," "us" or similar terms are to BRF — Brasil Foods S.A., the issuer of the notes, and its consolidated subsidiaries and jointly controlled companies; and (2) references to "Sadia" or the "guarantor" are to Sadia S.A., the guarantor of the notes and a wholly-owned subsidiary of BRF, and its consolidated subsidiaries and jointly controlled companies.

All references in this offering memorandum to the "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil. All references to "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars.

The exchange rate for *reais* into U.S. dollars based on the selling rate as reported by the Central Bank of Brazil was R$2.0440 to U.S.$1.00 at June 19, 2012, R$1.8221 to U.S.$1.00 at March 31, 2012, R$1.8758 to U.S.$1.00 at December 31, 2011 and R$1.6662 to U.S.$1.00 at December 31, 2010. See "Exchange Rates" for information regarding exchange rates for the Brazilian currency since January 1, 2007. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at May 30, 2012 or any other date may not be indicative of future exchange rates.

Solely for the convenience of the reader, we have translated certain amounts included in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank of Brazil at March 31, 2012. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. In addition, translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

We maintain our books and records in *reais*.

Our audited consolidated financial statements incorporated by reference in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, or "IFRS," issued by the International Accounting Standards Board, or "IASB". Our unaudited interim consolidated financial statements included in this offering memorandum have been prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 — *Interim Financial Reporting*. IFRS differs in certain significant respects from generally accepted accounting principles in the United States, or "U.S. GAAP."

KPMG Auditores Independentes, or "KPMG," was appointed to act as our independent public accounting firm for a five-year period to audit our consolidated financial statements for the fiscal years ended December 31, 2011, 2010, 2009, 2008 and 2007. Pursuant to CVM regulations, Brazilian public companies are required to rotate their independent public accounting firm every five years. On November 24, 2011, our Board of Directors, as recommended by our Fiscal Council, approved the appointment of Ernst & Young Terco Auditores Independentes S/S, or "EYT," to act as our independent public accounting firm beginning as of January 1, 2012.

Our audited consolidated financial statements at December 31, 2011 and 2010 and for the three years ended December 31, 2011 are incorporated by reference in this offering memorandum and have been audited by KPMG, as stated in their report incorporated by reference in this offering memorandum.

Our unaudited interim consolidated financial statements at and for the three months ended March 31, 2012 are included in this offering memorandum and have been reviewed by EYT, as stated in their report included in this offering memorandum.

We are also incorporating by reference in this offering memorandum the audited consolidated financial statements of Sadia, the guarantor, at December 31, 2011 and 2010 and for the two years ended December 31, 2011, which have been prepared in accordance with IFRS and have been audited by KPMG, as stated in their report incorporated by reference in this offering memorandum. Sadia does not publish interim financial information and, accordingly, this offering memorandum does not include interim financial statements for Sadia for the three months ended March 31, 2012.

Sadia's results of operations have been fully consolidated with our results of operations beginning from July 8, 2009, when the common shareholders of Perdigão S.A., Sadia and HFF Participações S.A., a holding company formed by the controlling shareholders of Sadia for the purposes of the acquisition, approved our business combination with Sadia. Consequently, our results of operations for the year ended December 31, 2009 include the results of operations of Sadia only for the period subsequent to the July 8, 2009 acquisition date and, therefore, are not fully comparable to our results of operations for subsequent periods. For more information on the business combination with Sadia and our other acquisitions in 2009, see Note 6.5 to our audited consolidated financial statements contained in our 2011 Form 20-F, which is incorporated by reference in this offering memorandum.

Some percentages and amounts included in this offering memorandum have been rounded for ease of presentation. As a result, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

Non-IFRS Financial Measures

This offering memorandum includes EBITDA, Adjusted EBITDA and net debt, which are not financial measures computed under IFRS. The presentations of EBITDA, Adjusted EBITDA and net debt included in this offering memorandum may not be comparable to those of other companies. For our definitions of EBITDA, Adjusted EBITDA and net debt and reconciliations to net income of EBITDA and Adjusted EBITDA, see "Summary — Summary Financial and Other Information."

Market and Other Information

Industry and market data included in this offering memorandum is based on industry publications, government publications, reports by market research firms or other published sources. Some industry and market data is also based on our estimates, which are derived from internal analyses as well as third-party sources. Although we believe these sources are reliable, we have not independently verified the information and cannot assure you of its accuracy or completeness. Data regarding our industry and markets is intended to provide general guidance but is inherently imprecise. In addition, although we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

Trademarks

Unless the context otherwise requires, all brand names included in this offering memorandum are registered trademarks of our company.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, including within the meaning of the Securities Act or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks, known and unknown, and uncertainties and are made in light of information currently available to us.

Our forward-looking statements are subject to risks and uncertainties, including as a result of the following factors:

- the implementation of the principal operating strategies of our company, including integration of recent acquisitions as well as acquisition or investment opportunities that may occur in the future;
- general economic, political and business conditions in the markets in which we do business, both in Brazil and abroad, that affect prices of and demand for our products;
- the cyclicality and volatility of raw materials and selling prices;
- health risks related to the food industry;
- the risk of outbreak of animal diseases, in particular avian influenza and swine flu;
- export duties and tariffs, as well as more stringent trade barriers, in key export markets and increased regulation of food safety and security;
- strong international and domestic competition;
- the effects of the global financial markets and economic crises;
- interest rate fluctuations, inflation and exchange rate movements of the *real* in relation to the U.S. dollar and other currencies;
- the declaration or payment of dividends;
- the direction and future operation of our company;
- the implementation of our company's financing strategy and capital expenditure plans;
- the factors or trends affecting our company's financial condition or results of operations;
- changes in environmental, labor and tax policies and legislation;
- the cost and availability of financing and our ability to obtain financing on satisfactory terms;
- compliance with existing and future government regulations; and
- other factors identified or discussed under "Risk Factors."

Because they involve risks and uncertainties, forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. With respect to forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events. In light of such limitations, you should not make any investment decision on the basis of the forward-looking statements contained herein.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

BRF and Sadia are incorporated under the laws of Brazil. All, or substantially all, of their directors and officers reside outside the United States. Substantially all of the assets of BRF and Sadia are located in Brazil. As a result, it may not be possible (or it may be difficult) for you to effect service of process upon us or these other persons within the United States or to enforce judgments obtained in United States courts against us or them, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

In the terms and conditions of the notes, BRF and Sadia will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York. We have been advised by Machado, Meyer, Sendacz e Opice Advogados, our Brazilian counsel, that a judgment of a United States court for the payment of money, including for civil liabilities predicated upon the federal securities laws of the United States, may be enforced in Brazil, subject to certain requirements described below. Such counsel has advised that a judgment against BRF and Sadia, the directors and officers thereof, or certain advisors named herein obtained in the United States would be enforceable in Brazil upon confirmation of that judgment by the Superior Court of Justice (*Superior Tribunal de Justiça*). That confirmation will be available only if the U.S. judgment:

- fulfills all formalities required for its enforceability under the laws of the United States;
- is issued by a court of competent jurisdiction after proper service of process is made in accordance with Brazilian law or after sufficient evidence of our or these other persons absence has been given, as required under the laws of the United States;
- is final and therefore not subject to appeal;
- is for payment of a specified sum of money;
- is authenticated by a Brazilian diplomatic office in the United States and is accompanied by a sworn translation into Portuguese; and
- is not against Brazilian national sovereignty or public policy or equitable principles (as set forth in Brazilian law).

We have been further advised by our Brazilian counsel that (1) original actions may be brought in connection with this offering memorandum predicated solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce liabilities in such actions against BRF and Sadia or the directors and officers thereof and certain advisors named herein, provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, national sovereignty or equitable principles and provided further that Brazilian courts can assert jurisdiction over such actions; and (2) the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain assets of BRF and/or Sadia is limited by provisions of Brazilian law, given that assets are located in Brazil.

The confirmation process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment, including for violation of the securities laws of countries other than Brazil, including the U.S. securities laws.

In addition, a plaintiff (whether Brazilian or non-Brazilian) that resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that could secure payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant attorney's fees, as determined by the Brazilian judge, except in such instances involving (1) enforcement of foreign judgments that have been duly confirmed by the Superior Court of Justice (*Superior Tribunal de Justiça*), (2) collection of claims based on instruments that may be enforced in Brazil without review

of merit (*título executivo extrajudicial*), which does not include the notes or the guarantee, and (3) counterclaims (*reconvenção*). Notwithstanding the foregoing, we cannot assure you that confirmation of any judgment will be obtained, that the process described above can be conducted in a timely manner, or that Brazilian courts will enforce a judgment for violation of the United States securities law with respect to the notes or the guarantee.

We have been advised by our Brazilian counsel that, if the notes or the indenture were to be declared void by a court applying the laws of the State of New York, a judgment obtained outside Brazil seeking to enforce the guarantee of Sadia may not be ratified by the Superior Court of Justice (*Superior Tribunal de Justiça*) in Brazil.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including our 2011 Form 20-F incorporated by reference in this offering memorandum (copies of which may be obtained as indicated under "Available Information"), "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

Our Company

We are one of Brazil's largest food companies, with a focus on the production and sale of poultry, pork, beef cuts, milk, dairy products and processed food products. We are a vertically integrated business that produces more than 3,000 SKUs, which we distribute to customers in Brazil and in more than 140 other countries. In 2011, we recorded net sales of R$25,706.2 million, net income of R$1,365.1 million and Adjusted EBITDA of R$3,244.4 million. For a reconciliation to our net income of Adjusted EBITDA, see "— Summary Financial and Other Information." Our products currently include:

- Meat products:
  - frozen whole and cut chickens;
  - frozen pork cuts and beef cuts (which we refer to, together with frozen whole and cut chickens, as in natura meat); and
  - processed food products, such as:
    - marinated frozen whole and cut chickens, roosters (sold under the Chester brand) and turkeys;
    - specialty meats, such as sausages, ham products, bologna, frankfurters, salami, bacon and other smoked products; and
    - frozen processed meats, such as hamburgers, steaks, breaded meat products, kibes and meatballs, and frozen processed vegetarian foods;
- Other processed products:
  - frozen prepared entrees, such as lasagna and pizzas, as well as other frozen foods, including vegetables, cheese breads and pies;
  - juices, soy milk and soy juices; and
  - margarine;
- Dairy products:
  - milk (UHT and pasteurized); and
  - dairy products, such as cheeses, powdered milk and yogurts; and
- Other:
  - soy meal and refined soy flour, as well as animal feed.

In 2011, we generated approximately 29.9% of our net sales from poultry, 9.1% from pork and beef, 34.6% from processed meat products, 8.6% from other processed products, 9.9% from dairy products, 5.6% from food service (which includes sales of all products, other than dairy products, primarily in fast food chains, restaurants and hotels) and 2.3% from other products.

In the domestic market, which accounted for approximately 60.0% of our total net sales in 2011, we operate under such brand names as *Perdigão, Sadia, Chester, Batavo, Elegê, Miss Daisy, Qualy* and *Becel* (through a

strategic joint venture with Unilever) and *Turma da Mônica* (under a license), which are among the most recognized names in Brazil. In our export markets, which accounted for the remaining 40.0% of our total net sales in 2011, our leading brands are *Perdix, Sadia, Hilal, Halal, Corcovado, Batavo, Fazenda, Borella* and *Confidence*.

We are a leading producer in Brazil of specialty meats (market share of approximately 55.1% from January to December 2011), frozen processed meats (market share of approximately 71.3% from December 2010 to November 2011), dairy processed products (market share of approximately 11.1% from December 2010 to November 2011), frozen pizzas (market share of approximately 69.7% from January to December 2011), frozen pastas (market share of approximately 77.2% from December 2010 to November 2011) and margarine (market share of approximately 60.3% from January to December 2011), in each case based on sales volume, according to A.C. Nielsen do Brasil S.A., or "A.C. Nielsen." We also sell our frozen poultry, pork and beef products in the domestic market. We are able to reach substantially all of the Brazilian population through a nationwide network of 40 distribution centers. As of December 31, 2011, we operated 41 meat processing plants (of which we owned 36; the others are owned by third parties that process meat for us), 25 hatcheries (of which we owned 23), 23 animal feed mills, 15 dairy processing plants (of which we own ten, and five are owned by third parties), two margarine processing plants (one of which is held through a joint venture with Unilever), 30 milk collecting centers, one soybean processing plant and one pizza, pasta, dessert and industrialized processing plant.

We are the largest Brazilian exporter of poultry products and are among the largest such exporters in the world, according to the Brazilian Secretariat for External Commerce (*Secretariado de Comércio Exterior*) or "SECEX," an agency of the Brazilian Ministry of Development, Industry and External Commerce (*Ministério do Desenvolvimento, Indústria e Comércio Exterior*). We are the leading Brazilian exporter of pork products, based on export sales volumes in 2009, according to Brazilian Pork Industry and Exporter Association (*Associação Brasileira da Indústria Produtora e Exportadora de Carne Suína*), or "ABIPECS."

In the milk and dairy product industry, we are a leader in sales of UHT milk in Brazil, with an approximate 11.1% market share, based on volumes of sales from January to December 2011, according to A.C. Nielsen. As of December 31, 2011, we had an approximate 6.3% market share of the Brazilian production of powdered milk, according to the U.S. Department of Agriculture, or "USDA."

We export primarily to distributors, the institutional market (which includes restaurants and food service chains) and food processing companies. We export to more than 5,000 clients, with customers in Europe accounting for approximately 18.3% of our export net sales in 2011; the Far East, 22.4%; Eurasia (including Russia), 7.4%; the Middle East, 30.0%; South America, Africa and other regions, 21.9%.

Our Industry

We manage our business to target both the Brazilian domestic market and the international export markets.

Domestic Market

Brazil is the fifth largest country in the world, both in terms of land mass and population. As of July 2011, Brazil had an estimated population of 194.9 million people, according to data from the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or "IBGE." According to IBGE, Brazil had a gross domestic product, or "GDP," of R$4.1 trillion for 2011, representing an increase of 9.8% over 2010, and GDP per capita of R$21,536 for 2011, representing an increase of 9.4% over 2010, in each case in nominal terms.

The Central Bank of Brazil (*Banco Central do Brasil*), or the "Central Bank," estimates that the Brazilian GDP in 2011 increased 2.7% in real terms compared to 2010. The inflation rate, as measured by the National Extended Consumer Price Index (*Indice Nacional de Preços ao Consumidor Amplo*), or "IPCA," published by the IBGE, was 4.3% in 2009, 5.9% in 2010, 6.5% in 2011 and 1.2% in the three months ended March 31, 2012. The Brazilian government has implemented fiscal and monetary policies to mitigate the impact of the global economic crisis on the Brazilian economy and to endeavor to keep inflation within a target range.

Brazil is one of the largest consumers of meat, with per capita meat consumption of approximately 98.4 kilograms in 2011, including beef, broiler chicken and pork, according to the USDA. Demand for poultry, pork and beef products in the domestic market is directly affected by economic conditions in Brazil. The overall trend towards improved economic conditions and the increased purchasing power of Brazil's fast-growing middle class in Brazil has generally supported increased demand in recent years for processed food products, as well as traditional fresh and frozen poultry and pork products.

According to the USDA, Brazil is the world's sixth largest producer and consumer of milk, with approximately 30.6 million tons of milk produced in 2011.

Export Markets

Global trade in meat products has generally improved since the global economic crisis of 2008 and 2009. Higher consumer confidence, especially in certain emerging economies, as well as higher urbanization rates and income levels, combined with population growth, have stimulated global meat consumption. In 2011, however, the European sovereign debt crisis, the upheaval in several countries in the Middle East and other events led to decreased meat consumption in several regions. In 2012, the meat products industry remains subject to the risks of economic volatility and political disruptions around the world.

However, we believe global meat consumption will continue to increase in the long term, particularly with respect to chicken and pork meat. This expected increase should help Brazilian exports and production, as Brazilian companies continue to become established in these markets. Moreover, new markets, such as the Chinese and U.S. markets for pork, are expected to open, which should have a favorable impact on Brazilian exports.

Brazil has become a leading participant in export markets for food products on a global basis, due in part to its competitive advantages, which include low animal feed and labor costs and increasing efficiencies in animal production. We, like other large Brazilian producers, have built on these advantages to develop the scope and scale of our businesses.

Traditionally, Brazilian producers have emphasized exports of frozen whole and cut poultry as well as frozen pork and beef cuts. These products are considered commodities and continue to account for a substantial portion of export volumes. More recently, Brazilian food companies have begun to expand sales of processed food products. We anticipate that, over the upcoming years, we will sell higher volumes of frozen whole poultry, frozen cut poultry, frozen pork, frozen beef cuts and processed products.

Brazilian chicken exports increased 3.2% in 2011, to approximately 3.9 million tons, according to Brazilian Association of Chicken Exporters (*Associação Brasileira de Exportadores de Frango*, or "ABEF"), although chicken exports have decreased in the beginning of 2012, primarily as a result of declines in shipments to Japan and Iraq, partially offset by increases in shipments to Hong Kong, China and Egypt. In contrast, beef exports decreased approximately 11%, to approximately 1.1 million tons in 2011 from 1.2 million tons in 2010, according to data from the Brazilian Beef Exporters Association (*Associação Brasileira das Indústrias Exportadoras de Carnes*), or "ABIEC." Total pork exports decreased approximately 4.4% in 2011, according to ABIPECS, the second consecutive year that the volume of pork exports decreased, in part due to import restrictions by Russia. Brazil exported 540,418 tons of pork in 2010 and 516,419 tons in 2011. Average prices of pork rose approximately 12% in 2011, despite the lower export volume, although export prices have decreased in the beginning of 2012.

Competitive Strengths

We believe our major competitive strengths are as follows:

- ***Leading Brazilian Food Company with Strong Brands and Global Market Presence.*** We are one of Brazil's largest food industry companies, with a size and scale that enable us to compete both in Brazil and globally. We believe that our leading position allows us to take advantage of market opportunities by enabling us to expand our business, increase our offering of value-added products and increase our share

of international markets. In 2011, we slaughtered approximately 1.8 billion chickens and other poultry and 11.0 million hogs and cattle. We sold nearly 6.2 million tons of poultry, pork, beef, milk and processed food products, including dairy products and other processed products, in the same year. Our own and licensed brands are highly recognized in Brazil, and our export brands are well established in their respective markets.

- ***Extensive Distribution Network in Brazil and in Export Markets.*** We believe that we are one of the only companies with an established distribution network capable of distributing frozen and refrigerated products in virtually any area of Brazil. In addition, we export products to over 140 countries, and we have begun to develop our own distribution network in Europe, where we sell directly to food processing and food service companies and to local distributors, and in Asia through a joint venture. Our established distribution capabilities and logistics expertise enable us to expand both our domestic and foreign businesses, resulting in increased sales volumes and a broader reach of our product lines.
- ***Low-Cost Producer in an Increasingly Global Market.*** We believe that we have a competitive advantage over producers in some of our export markets due to generally lower feed and labor costs and to efficiency gains in animal production in Brazil. We have also achieved a scale and quality of production that enables us to compete effectively with major producers in Brazil and other countries. We have implemented a number of programs designed to maintain and improve our cost-effectiveness, including our ATP-Total Service program to optimize our supply chain by integrating demand, production, inventory management and client service functions; our CSP-Shared Services Center, which centralizes our corporate and administrative functions; our MVP-More Value program to provide our managers with more efficient use of fixed and working capital; and matrix-based budgeting intended to improve the efficiency of cost management.
- ***Diversified and Strategic Geographical Location.*** In the meat business, our slaughterhouses are strategically located in different regions of Brazil (South and Mid-West), which enables us to mitigate the risks arising from export restrictions that may occur in certain regions of the country due to sanitary concerns. The geographical diversity of our plants in 11 Brazilian states also enables us to reduce transportation costs due to the proximity to grain-producing regions, while also being close to the country's main export ports. Our dairy operations are based in the main milk-producing areas of different regions of Brazil, allowing easy access to the consumer market.
- ***Emphasis on Product Quality and Safety and on a Diversified Product Portfolio.*** We focus on quality and food safety in all our operations in order to meet customers' specifications, prevent contamination and minimize the risk of outbreaks of animal diseases. We employ traceability systems that allow us to quickly identify and isolate any farm on which a quality or health concern may arise. We also monitor the health and treatment of the poultry and hogs that we raise at all stages of their lives and throughout the production process. We were the first Brazilian company approved by the European Food Safety Inspection System as qualified to sell processed poultry products to European consumers. We have a diversified product range, which gives us the flexibility to channel our production according to market demand and the seasonality of our products.
- ***Experienced Management Team.*** Our senior management is highly experienced and has transformed our company during the last decade into a global business. Some members of our senior management have worked with us for over ten years, and the members of our senior management who joined our company during that period have seasoned experience in their professional capacities. Our management seeks to emphasize best practices in our operations as well as corporate governance, as demonstrated by the listing of our common shares on the *Novo Mercado* of the São Paulo Stock Exchange (*BM&F BOVESPA S.A. Bolsa de Valores, Mercados e Futuros*), which requires adherence to the highest corporate governance standards of that Exchange.

Business Strategy

Our overall strategy is to use our competitive advantages as a food company with one of the most diversified chilled and frozen food product portfolios to pursue opportunities for long-term growth, diversifying our sales and reducing our costs with the aim of reducing volatility in our results. We will continue to seek balanced growth and consolidation among the business segments and product lines in which we operate,

including with regard to both the domestic and external market, while seeking growth opportunities through food processing activities overseas. The main elements of our strategy are as follows:

- ***Strengthen Our Global Distribution Network.*** We continue to develop our distribution capabilities outside Brazil to enable us to improve our services to existing customers and to expand our foreign customer base. In 2012, we expect to continue executing a long-term international distribution strategy in order to increase our brand awareness globally and expand into countries where we believe we can distribute our products profitably. We are focusing on expanding our distribution network in Europe, the Middle East and Asia so as to broaden our coverage and to support more targeted marketing efforts in these key regions. We are also considering processing some products abroad to allow us to deliver those products directly to customers in those markets. We may consider selective acquisitions as one way to achieve this goal. For example, we recently entered into a joint venture in China with Dah Chong Hong Limited and began exporting pork to this joint venture in March 2012, allowing us access to Dah Chong Hong's distribution network.

- ***Further Develop Our Domestic and International Customer Base.*** We seek to continue to strengthen our domestic and international customer base through superior service and quality as well as increased product offerings. We believe that there are considerable opportunities to increase penetration of export markets, particularly as we broaden our product lines to include beef products, milk and dairy products and additional processed food products. We are also positioning our company to enter new export markets when existing trade barriers are relaxed or eliminated. Our objective is to pursue balanced growth of our domestic and export businesses. Domestic market sales represented approximately 60.0% of our total net sales, while export market sales represented 40.0% in 2011.

- ***Expand Our Core Business.*** We intend to further develop our core business of producing and selling poultry, pork, beef, milk, dairy and processed food products by, among other methods, investing in additional production capacity to increase scale and efficiency. For example, we are expanding our Lucas do Rio Verde Agroindustrial Complex to increase our production capacity for poultry, pork and processed products to meet long-term demand for these segments.

- ***Diversify Our Product Lines, Focusing on Value-Added Processed Food Products.*** We intend to continue diversifying our product lines, focusing on processed food products whose prices tend to fluctuate less than our unprocessed poultry and pork cuts and that can be targeted to specific markets. In 2009, we entered into a business combination with Sadia, which brought a wide array of processed food products to our portfolio and is also one of the largest exporters of poultry products. In 2011, we purchased two Argentine companies, Avex and Flora Dánica, in order to expand our competitive base, leverage our export platform and address the potential of the local Argentine market. Avex produces unprocessed poultry products, and Flora Dánica produces, among other items, mayonnaise, sauces and margarine. We may also pursue other acquisitions and/or build new industrial plants to support these strategic goals.

- ***Continue to Seek Leadership in Low Costs.*** We are continuing to improve our cost structure in order to remain a low-cost producer and enhance the efficiency of our operations. We seek to achieve greater economies of scale by increasing our production capacity, and we are concentrating our expansion efforts primarily in the mid-western region of Brazil because the availability of raw materials, land, labor, favorable weather and other features allows us to minimize our production costs. We are also continuing to implement new technologies to streamline our production and distribution functions.

- ***Synergies.*** Our acquisitions in recent years, including our business combination with Sadia, have created synergies. Our business combination strategy aims to expand our businesses in both the Brazilian and international markets. We believe that we will achieve commercial, operational, financial and production synergies in both the medium and long term from our mergers and acquisitions. We select potential business combination transactions in line with our strategy of bringing to our company a diverse range of processed food, meat and dairy products, distribution networks and customer relationships in both our domestic and export markets which can be integrated with and leveraged from our own operations.

Recent Developments

Agreement with Marfrig

In July 2011, we received Brazilian antitrust approval for our business combination with Sadia from the Brazilian Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica,* the Brazilian government agency with antitrust decision making authority), or "CADE." The approval was subject to a number of conditions set forth in the Performance Commitment Agreement (*Termo de Compromisso de Desempenho*), or "TCD," including, among others, the suspension of the use of certain brands and the divestment of certain trademarks and plants and distribution centers in the domestic market.

In March 2012, we entered into an agreement with Marfrig Alimentos S.A., or "Marfrig," pursuant to which we have agreed to transfer certain assets in compliance with the TCD. In exchange, we will receive from Marfrig R$350.0 million in cash (of which R$100.0 million will be paid between June and October 2012, and the remaining R$250.0 million is expected to be paid in 72 monthly installments, plus interest), Marfrig's total shareholding stake in Quickfood S.A. (equivalent to approximately 90% of its capital stock), a publicly held Argentine food corporation, as well as Marfrig's commercial operations related to the *Paty* and *Barny* brands in Uruguay and Chile. The transaction with Marfrig is subject to conditions precedent, including a pronouncement by the CADE that the agreement fulfills the conditions of the TCD.

On May 23, 2012, our shareholders approved our acquisition of Quickfood S.A., one of the conditions precedent set forth in the Marfrig agreement. On May 28, 2012, we received a version of the opinion of the legal advisors of the CADE (*Procuradoria Federal Especializada junto ao CADE*), or "ProCADE," that was favorable to our agreement with Marfrig, concluding that it fulfills the conditions of the TCD in that respect and recommending that the CADE monitor each stage in the completion of the transaction. It is our current understanding that the CADE has decided to follow the opinion of the ProCADE, and will monitor our compliance with each stage of the transaction with Marfrig and our other obligations under the TCD. The closing of the Marfrig transaction is also subject to certain additional conditions precedent.

On June 1, 2012, in compliance with our agreement with Marfrig, we delivered to Marfrig the industrial units located in Duque de Caxias in the State of Rio de Janeiro and Lajes in the State of Santa Catarina and eight distribution centers. In addition, on May 31, 2012, the shareholders of Quickfood S.A. approved the spin-off from Quickfood S.A. of certain meatpacking assets that are not being transferred to us. On June 1, 2012, we began to manage Quickfood S.A.

On June 11, 2012, the initial closing of our transaction with Marfrig occurred. On that date, we:

- transferred to Marfrig the stock of Athena Alimentos S.A., a company to which we had transferred (1) the trademarks and other intellectual property rights related to such trademarks referred to in the TCD, (2) the assets (including real property, facilities and equipment) related to the plants specified in the TCD and (3) the assets and rights associated with the eight distribution centers specified in the TCD;
- received from Marfrig its 90.05% interest in Quickfood S.A.; and
- executed with Marfrig an agreement setting forth the terms of Marfrig's payment of R$350.0 million to us, which payment is secured by an interest in certain real property.

The transfer by Sadia, directly or indirectly, of its 64.57% interest in Excelsior Alimentos S.A. to Marfrig in accordance with our agreement is expected to occur on July 2, 2012. Physical delivery to Marfrig of the remaining production facilities subject to the agreement is expected to occur in July and August 2012. We will be required to provide CADE evidence of these deliveries and other steps in the implementation of our agreement with Marfrig to enable CADE to monitor our compliance with the TCD.

In addition, beginning from July 2, 2012, we will be required to:

- suspend the use of our *Perdigão* brand in Brazil:
  - for three years for cooked hams, luncheon meat, the pork festive line (frozen seasoned pork loin, smoked pork shoulder, seasoned bone/boneless pork leg, boneless baby tender ham and pork tender), smoked sausage and pork sausage;

- for four years for salamis; and
  - for five years for lasagnas, frozen pizzas, kibes, meatballs and the light line of turkey cold cuts; and
- suspend the use of the *Batavo* brand for four years for the types of products listed above, as well as for margarine, *in natura* turkey, bologna sausage, the poultry festive line, hamburger and breaded products.

In addition, the TCD restricts our ability for five years to create new brands to reenter categories for which we are suspending our use of the *Perdigão* brand as described above. Under the TCD, our use of certain of our other existing brands is limited for five years to specific product categories and, in some cases, a specified percentage of our sales volumes in those product categories. For example, our use of the *Chester*® brand will be limited to seasonal poultry kits and a percentage of our frozen pizza sales volumes. These limitations on existing brands are intended to restrict our ability to use those brands to expand into product categories for which we have suspended our use of brands under the TCD.

For more information on the TCD and our agreement with Marfrig, see "Item 4. Information on the Company — A. History and Development of the Company — Recent Acquisitions and Investments — Business Combination with Sadia" in our 2011 Form 20-F.

Investment Grade Ratings

During the first quarter of 2012, we obtained investment grade ratings from Moody's Investors Service and Standard & Poor's, and Fitch Ratings reiterated its investment grade rating.

Revolving Credit Facility

In order to improve our liquidity management, on April 27, 2012, we and our subsidiaries Perdigão International Ltda. and Perdigão Europe — Sociedade Unipessoal Lda. entered into a U.S.$500 million, 3-year revolving credit facility with two tranches (U.S. dollar and euro), with a syndicate of nineteen banks. Borrowings under this revolving credit facility accrue interest at an annual rate of LIBOR plus a spread ranging from 1.6% to 2.5% depending on our credit ratings. As of the date hereof, we have not made any borrowings under this revolving credit facility.

Election of Alternate Board Member and Fiscal Council Members at our Annual Shareholders' Meeting

We held our annual shareholders' meeting on April 24, 2012, pursuant to which Carlos F. Costa was elected as an alternate member of our board of directors, in replacement of Suzana Hanna Stiphan Jabra. In addition, Suzana Hanna Stiphan Jabra was elected to our Fiscal Council, in replacement of Manuela Cristina Lemos Marçal, and Manuela Cristina Lemos Marçal was elected as an alternate member of our Fiscal Council, in replacement of Paola Rocha Ferreira. See "Item 6. Directors, Senior Management and Employees" in our 2011 Form 20-F.

Our principal executive offices are located at Rua Hungria, 1400, Jd. Europa, 01455-000, São Paulo, SP, Brazil, and our telephone number at this address is +55-11-2322-5052/5050/5061. Our registered office is located at Rua Jorge Tzachel, 475, Bairro Fazenda, 88301-600, Itajaí, SC, Brazil. Our internet address is www.brasilfoods.com. The information on our website is not incorporated by reference into this offering memorandum.

SADIA

Sadia is a Brazilian closed corporation governed by the Brazilian Law no. 6.404 of December 15, 1976 and other applicable laws and regulations. Sadia was incorporated in December 29, 2000, and its term of duration is indefinite. Its principal executive offices are located at Rua Hungria, 1400, Jd. Europa, 01455-000, São Paulo, SP, Brazil, and its registered office is located at Rua Senador Attilio Fontana Street, 86, Concórdia, SC, Brazil. Sadia's principal activities are the production and commercialization of *in natura* meat (poultry, pork and beef), as well as processed, frozen and industrialized meat products and ready-made and processed foods and dishes. Sadia is our wholly-owned subsidiary, with a subscribed and paid-in capital stock represented by 1,673,567,393 shares with no par value, of which 627,446,951 are common shares and 1,046,120,442 are preferred shares, all of them having the same rights.

The Offering

The following summary of the terms and conditions of the notes highlights information presented in greater detail elsewhere in this offering memorandum, including under "Description of the Notes." This summary is not complete and does not contain all the information you should consider before investing in the notes.

Issuer	BRF — Brasil Foods S.A.
Guarantor	Sadia S.A.
Notes offered	U.S.$750,000,000 aggregate principal amount of 5.875% senior notes due 2022.
Issue price	99.070% (initial notes)/102.839%, plus accrued interest from June 6, 2012 (additional notes)
Maturity date	June 6, 2022.
Interest	The notes will bear interest from June 6, 2012 at the rate of 5.875% per year, payable semi-annually in arrears on each interest payment date.
Interest payment dates	June 6 and December 6, beginning on December 6, 2012.

Ranking

The notes will:

- be senior unsecured obligations of BRF;
- be effectively junior in right of payment to any secured indebtedness of BRF to the extent of the value of the assets securing such indebtedness;
- rank equally in right of payment with all of BRF's existing and future unsecured unsubordinated indebtedness;
- be senior in right of payment to any future subordinated indebtedness of BRF; and
- be structurally subordinated to all of the existing and future liability of each of BRF's subsidiaries (other than Sadia).

Guarantee

The notes will be unconditionally and irrevocably guaranteed by Sadia. The guarantee will:

- be a senior unsecured obligation of Sadia;
- be effectively junior in right of payment to the secured debt of Sadia to the extent of the value of the assets securing such indebtedness;
- rank equally in right of payment with all of Sadia's existing and future unsecured unsubordinated indebtedness;
- be senior in right of payment to any future subordinated indebtedness of Sadia; and
- be structurally subordinated to all of the existing and future liability of each of Sadia's subsidiaries.

As of March 31, 2012:

- we had consolidated total indebtedness of R$8,085 million (U.S.$4,437 million);

- of our consolidated total indebtedness, we had R$1,468 million (U.S.$806 million) of secured indebtedness, to which the notes will be effectively subordinated; and
- our non-guarantor subsidiaries had R$3,174 million of indebtedness (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the notes and the guarantee.

As of March 31, 2012, Sadia (on an unconsolidated basis) had approximately R$1,842 million of outstanding debt as a primary obligor (and not as guarantor), of which approximately R$785.2 million was secured.

As of March 31, 2012, our total investments in our non-guarantor subsidiaries amounted to R$2,334.8 million, representing 7.9% of our consolidated total assets and 16.3% of consolidated shareholders' equity.

We have announced that we intend to merge Sadia with and into Brasil Foods. We expect the merger to be effective on December 31, 2012. See "Item 4. Information on the Company —A. History and Development of the Company–Recent Acquisitions and Investments — Business Combination with Sadia" of our 2011 Form 20-F. Upon the completion of the merger, Sadia's guarantee of the notes will be released.

Optional redemption .... We may redeem the notes, in whole or in part, at any time after June 6, 2017, at a redemption price based on a "make-whole" amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, *provided* that no less than U.S.$150 million in aggregate principal amount of notes must remain outstanding immediately following any partial redemption. See "Description of the Notes — Redemption — Optional Redemption."

Tax redemption .... We may redeem the notes, in whole but not in part, at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, upon the occurrence of specified events relating to applicable tax law. See "Description of the Notes — Redemption — Redemption for Tax Reasons."

Additional amounts .... We or Sadia, as the case may be, will pay additional amounts in respect of any payments of interest or principal so that the amount you receive under the notes or the guarantees, after applicable Brazilian withholding tax, if any, will equal the amount that you would have received if no withholding tax had been applicable, subject to certain exceptions as described under "Description of the Notes — Additional Amounts."

Covenants .... The indenture governing the notes will contain covenants that limit future actions to be taken, or transactions to be entered into, by us and our subsidiaries. The indenture will limit our and our subsidiaries' ability to, among other things:

- create certain liens;
- enter into certain sale and leaseback transactions; and

- merge, consolidate or sell substantially all of our assets.

However, these covenants are subject to significant exceptions. See “Description of the Notes — Covenants.”

Events of default	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross-acceleration of other debt in an amount of U.S.$100.0 million or more.
Further issuances	We may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes offered hereby, provided that if the additional notes are not fungible with the notes for United States federal income tax purposes, the additional notes will have a separate CUSIP number.
Use of proceeds	We expect the net proceeds from the sale of the notes to be approximately U.S.$748.1 million after deducting estimated fees and expenses of the offering. We intend to use the net proceeds of this offering to extend our debt maturity profile by refinancing shorter maturity indebtedness. See “Use of Proceeds.”
Form and denomination	The notes will be issued in the form of global notes in fully registered form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive certificated notes in fully registered form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See “Description of the Notes — Form, Denomination and Title” and “Form of the Notes.”
Settlement	The notes will be delivered in book-entry form through the facilities of The Depository Trust Company, or “DTC,” for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or “Euroclear,” and Clearstream Banking, *société anonyme*, or “Clearstream,” and will settle in DTC’s Same-Day Funds Settlement System.
Transfer restrictions	The notes have not been, and will not be, registered under the Securities Act and are subject to limitations on transfer, as described under “Transfer Restrictions.”
Listing of the notes	Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. We cannot assure you, however, that the listing application will be accepted.

If the listing of the notes on the Euro MTF Market would, in the future, require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the notes and, at our option, seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.

Governing law	The indenture, the notes and the guarantees will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, registrar, transfer agent, and paying agent	The Bank of New York Mellon.
Principal paying agent	The Bank of New York Mellon Trust (Japan), Ltd.
Luxembourg paying agent, transfer agent and listing agent	The Bank of New York Mellon (Luxembourg) S.A.
Risk factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors."

Summary Financial and Other Information

The following summary financial data at and for the years ended December 31, 2011 and 2010 should be read in conjunction with our audited consolidated financial statements incorporated by reference in this offering memorandum. The summary financial data at March 31, 2012 and for the three months ended March 31, 2012 and 2011 should be read in conjunction with our unaudited interim consolidated financial statements included in this offering memorandum. Our audited consolidated financial statements incorporated by reference in this offering memorandum have been prepared in accordance with IFRS. Our unaudited interim consolidated financial statements included in this offering memorandum have been prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 — *Interim Financial Reporting*. The results for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2012 or any other period.

For our results of operations for the year ended December 31, 2009, see our audited consolidated financial statements contained in our 2011 Form 20-F, which is incorporated by reference in this offering memorandum.

The summary financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Presentation of Financial and Other Information."

	Three Months Ended March 31,			Year Ended December 31,		
	2012(1)	2012	2011	2011(1)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*) (unaudited)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Statement of Income Data:						
Net sales	3,477.9	6,337.1	6,020.5	14,108.0	25,706.2	22,681.3
Cost of sales	(2,740.6)	(4,993.6)	(4,474.9)	(10,453.3)	(19,047.0)	(16,951.2)
Gross profit	**737.3**	**1,343.5**	**1,545.6**	**3,654.7**	**6,659.2**	**5,730.1**
Operating income (expenses):						
Selling expenses	(523.2)	(953.4)	(855.0)	(2,106.1)	(3,837.5)	(3,523.1)
General and administrative expenses	(47.0)	(85.7)	(84.1)	(234.3)	(426.9)	(332.9)
Other operating expenses	(23.1)	(42.0)	(83.6)	(221.0)	(402.7)	(393.9)
Equity interest in income of affiliates	3.1	5.7	2.1	4.9	9.0	4.4
Operating income	**147.1**	**268.1**	**525.0**	**1,098.2**	**2,001.1**	**1,484.6**
Financial expenses, net	(41.2)	(75.0)	(52.3)	(263.2)	(479.5)	(483.1)
Income before taxes	**106.0**	**193.1**	**472.7**	**835.1**	**1,521.6**	**1,001.5**
Income and social contribution tax expense	(21.0)	(38.2)	(4.8)	(21.9)	(39.9)	(130.6)
Deferred income and social contribution tax expense	(1.1)	(2.0)	(81.2)	(64.0)	(116.6)	(65.9)
Net income	**83.9**	**152.9**	**386.7**	**749.2**	**1,365.1**	**805.0**
Attributable to:						
BRF shareholders	84.1	153.2	383.5	750.5	1,367.4	804.1
Non-controlling interest	(0.2)	(0.3)	3.2	(1.3)	(2.3)	0.9

	At March 31,		At December 31,		
	2012(1)	2012	2011(1)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
	(unaudited)				
Balance Sheet Data:					
Cash and cash equivalents	661.5	1,205.3	750.1	1,366.8	2,310.6
Marketable securities	449.8	819.6	753.4	1,372.7	1,032.4
Trade accounts receivable, net	1,455.3	2,651.7	1,760.5	3,207.8	2,565.0
Inventories	1,678.0	3,057.5	1,470.4	2,679.2	2,135.8
Biological assets	647.7	1,180.2	634.5	1,156.1	900.7
Other current assets	836.1	1,523.5	736.1	1,341.2	1,076.2
Total current assets	**5,728.4**	**10,437.8**	**6,104.9**	**11,123.8**	**10,020.7**
Marketable securities	110.8	201.9	84.2	153.4	209.1
Trade accounts receivable, net	5.7	10.4	1.3	2.4	7.0
Biological assets	219.5	399.9	212.6	387.4	377.7
Other non-current assets	2,208.2	4,023.5	2,256.5	4,111.6	3,805.4
Investments	14.3	26.1	11.2	20.4	17.5
Property, plant and equipment, net	5,564.1	10,138.3	5,377.5	9,798.4	9,066.8
Intangible assets	2,403.9	4,380.1	2,407.2	4,386.1	4,247.3
Total non-current assets	**10,526.4**	**19,180.2**	**10,350.5**	**18,859.7**	**17,730.8**
Total assets	**16,254.9**	**29,618.0**	**16,455.5**	**29,983.5**	**27,751.5**
Short-term debt	1,970.5	3,590.4	1,894.8	3,452.5	2,227.7
Trade accounts payable	1,465.3	2,670.0	1,471.5	2,681.3	2,059.2
Other current liabilities	635.5	1,158.0	1,017.5	1,854.0	1,399.5
Total current liabilities	**4,071.3**	**7,418.4**	**4,383.8**	**7,987.8**	**5,686.4**
Long-term debt	2,466.7	4,494.6	2,525.2	4,601.1	4,975.2
Other non-current liabilities	1,832.6	3,339.1	1,802.6	3,284.6	3,453.4
Total non-current liabilities	**4,299.3**	**7,833.7**	**4,327.8**	**7,885.7**	**8,428.6**
Total liabilities	**8,370.6**	**15,252.1**	**8,711.7**	**15,873.5**	**14,115.0**
Capital	6,838.5	12,460.5	6,838.5	12,460.5	12,460.5
Capital reserves	43.9	79.9	41.9	76.3	69.4
Income reserves	971.8	1,770.8	966.1	1,760.4	1,064.7
Retained earnings	78.4	142.9	—	—	—
Treasury shares	(35.8)	(65.2)	(35.8)	(65.3)	(0.7)
Other comprehensive income (loss)	(36.2)	(66.0)	(88.6)	(161.5)	35.2
Attributed to interest of controlling shareholders	**7,860.7**	**14,322.9**	**7,722.1**	**14,070.4**	**13,629.1**
Non-controlling interest	23.6	43.0	21.7	39.6	7.4
Shareholders' equity	**7,884.3**	**14,365.9**	**7,743.8**	**14,110.0**	**13,636.5**
Total liabilities and shareholders' equity	**16,254.9**	**29,618.0**	**16,455.5**	**29,983.5**	**27,751.5**

	At and for the Three Months ended March 31,			At and for the Year Ended December 31,		
	2012(1)	2012	2011	2011(1)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*) (unaudited)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Other Financial and Operating Data:						
Net debt (at period end)(2)	3,278.6	5,974.0	3,814.2	2,967.9	5,407.9	3,634.4
Adjusted EBITDA(3)	292.0	532.0	816.5	1,780.5	3,244.3	2,635.1
Net debt/Adjusted EBITDA(2)(3)(4)		2.0x	1.3x		1.7x	1.4x
Adjusted EBITDA margin(5)		8.4%	13.6%		12.6%	11.6%
Poultry slaughtered (million heads per period)		457	426		1,756	1,623
Pork/beef slaughtered (thousand heads per period)		2,717	2,640		10,979	10,563
Total sales of meat, dairy and other processed food products (thousand tons per period)		1,442	1,405		5,797	5,571
Employees (at period end)(6)		121,613	115,373		120,096	114,261
Other financial assets and liabilities, net	(63.6)	(115.9)	7.8	(135.7)	(247.2)	16.4

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2012 of R$1.8221 = U.S.$1.00.

(2) We define net debt as short term debt *minus* other financial assets and liabilities, net *plus* long-term debt *minus* cash and cash equivalents and marketable securities. Net debt is a supplemental measure of our financial condition and used in making certain management decisions. It is not a prescribed measure under IFRS. The following table sets forth our net debt at the dates indicated:

	At March 31,			At December 31,		
	2012(a)	2012	2011	2011(a)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Short-term debt	1,970.5	3,590.4	2,246.0	1,894.8	3,452.5	2,227.7
(-) Other financial assets and liabilities, net	(63.6)	(115.9)	7.8	(135.7)	(247.2)	16.4
(+) Long-term debt	2,466.7	4,494.6	5,087.1	2,525.2	4,601.1	4,975.2
(-) Cash, cash equivalents and marketable securities	1,222.1	2,226.8	3,511.1	1,587.7	2,892.9	3,552.1
Net debt	**3,278.6**	**5,974.0**	**3,814.2**	**2,967.9**	**5,407.9**	**3,634.4**

(a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2012 of R$1.8221 = U.S.$1.00.

(3) We calculate EBITDA as net income attributable to BRF shareholders *plus* income and social contribution taxes *plus* financial expenses, net *plus* depreciation, amortization and depletion. We define Adjusted EBITDA as EBITDA *plus* other operating results, *plus* minority interest in income of subsidiaries, *plus* net income attributable to non-controlling interest. We use EBITDA and Adjusted EBITDA as supplemental measures of our financial performance as well as of our ability to generate cash from operations. We also use EBITDA and Adjusted EBITDA in making certain management decisions. Neither EBITDA nor Adjusted EBITDA are prescribed measures under IFRS and should not be considered as substitutes for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. The use of EBITDA and Adjusted EBITDA has material limitations, including, among others, the following:

- EBITDA and Adjusted EBITDA do not include financial expenses, including interest expense. For example, because we borrow money to finance some of our operations and capital expenditures, interest is a necessary and ongoing part of our costs.
- EBITDA and Adjusted EBITDA do not include income and social contribution taxes. The payment of these taxes is a necessary and ongoing cost of our operations.

- EBITDA and Adjusted EBITDA do not include depreciation, amortization or depletion. For example, because we use property, plant and equipment to generate revenues in our operations, depreciation is a necessary and ongoing component of our costs.
- Adjusted EBITDA does not include the other operating expenses set forth in the table below, which are expenses of our operations, and we may incur similar expenses in the future.
- EBITDA and Adjusted EBITDA as calculated by us may not be comparable to similarly titled measures of other companies.

The following table reconciles EBITDA and Adjusted EBITDA to our consolidated net income:

	Three Months Ended March 31,			Year Ended December 31,		
	2012(a)	2012	2011	2011(a)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*) (unaudited)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Net income attributable to BRF shareholders	84.1	153.2	383.5	750.5	1,367.4	804.1
(+) Income and social contribution taxes	22.1	40.2	86.0	85.9	156.5	196.5
(+) Financial expenses, net	41.2	75.0	52.3	263.2	479.5	483.1
(+) Depreciation, amortization and depletion	130.4	237.6	220.2	486.4	886.3	780.0
EBITDA	277.7	506.0	742.0	1,585.9	2,889.7	2,263.7
(+) Other operating results(b)	17.6	32.0	73.3	200.8	365.9	374.8
(+) Equity interest in income of subsidiaries(c)	(3.1)	(5.7)	(2.1)	(4.9)	(9.0)	(4.4)
(+) Non-controlling interest(d)	(0.2)	(0.3)	3.2	(1.3)	(2.3)	0.9
Adjusted EBITDA	292.0	532.0	816.4	1,780.5	3,244.3	2,635.0

(a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2012 of R$1.8221 = U.S.$1.00.

(b) Represents expenses or income that we believe do not reflect the direct costs of our ongoing operations. Certain of these expenses do recur in successive periods, including:

- costs incurred from losses or gains from sales of fixed assets;
- provisions for penalties and contingencies;
- costs incurred from idle facilities, or idling costs; and
- costs related to employee profit sharing and officers' bonuses.

We include provisions for penalties and contingencies in calculating Adjusted EBITDA because the amounts we record in any given period are unpredictable and vary according to the applicable stage of our legal and administrative proceedings. However, we expect to continue to record provisions for penalties and contingencies because we are involved in litigation in the ordinary course of our business. For more information about our litigation, see "Item 8. Financial Information—A. Consolidated Statements and Other Information—Legal Proceedings" in our 2011 Form 20-F.

We include idling costs in calculating Adjusted EBITDA because we do not view these costs as reflective of our production of products for sale and because we do not expect any given facility to remain idle in the long term. However, in the ordinary course of business, we incur idling costs when we find it necessary to strategically reduce production of a given product or for a given market and cannot redirect sales of that product or market to a different market, particularly when we encounter weak demand, low selling prices or other challenges for a given product or market.

We include profit sharing payments in calculating Adjusted EBITDA because we view our employees as stakeholders in our business and do not view these payments as direct costs of our operations. In

addition, these payments vary according to our profits and are controlled by our board of directors. However, to the extent we record profits, we expect to record profit sharing payments in future fiscal periods.

Because costs of these types are an inevitable part of our business, you should not assume that we will be able to eliminate similar costs in future periods. In the periods set forth in the table above, our other operating results mainly include the following:

- in the three months ended March 31, 2012, idling costs of R$20.0 million and employees' profit sharing of R$17.0 million, partially offset by other adjustments in the amount of R$5.0 million;
- in the three months ended March 31, 2011, provisions for contingencies in the amount of R$28.5 million and employees' profit sharing of R$50.3 million, partially offset by other adjustments in the amount of R$5.5 million;
- in the year ended December 31, 2011, provisions for contingencies of R$115.9 million, employees' profit sharing of R$219.5 million and idling costs of R$65.9 million, partially offset by gains on sales of fixed assets of R$23.2 million and other adjustments in the amount of R$12.2 million; and
- in the year ended December 31, 2010, idling costs of R$96.1 million, employees' profit sharing of R$128.7 million, provision for contingencies of R$73.9 million, losses on sales of fixed assets of R$26.3 million and other adjustments in the amount of R$49.8 million.

(c) Represents gains recorded relating to equity pick-up with respect to the portion of the net income of subsidiaries that we do not own.

(d) Represents net income attributable to non-controlling shareholders' interests. We include net income attributable to non-controlling shareholders' interests in calculating Adjusted EBITDA because we are not legally or contractually obligated to distribute this net income to the non-controlling shareholders in any specified period. However, this portion of our net income is not included in calculating our consolidated net income attributable to BRF shareholders in accordance with IFRS.

(4) Net debt/Adjusted EBITDA calculations for March 31, 2012 and 2011 are calculated using Adjusted EBITDA figures for the twelve months ended March 31, 2012 and 2011, respectively.

(5) Represents Adjusted EBITDA divided by net sales.

(6) The number of employees includes permanent and temporary employees.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below, as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and, as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to Our Business and Industry

Our results of operations are subject to cyclicality and volatility affecting both our raw material prices and our selling prices.

Our business is largely dependent on the cost and supply of corn, soy meal, soybeans, hogs, cattle, milk and other raw materials, as well as the selling prices of our poultry, pork, beef and dairy products, all of which are determined by constantly changing market forces of supply and demand, which may fluctuate significantly, and other factors over which we have little or no control.

These other factors include, among others, fluctuations in local and global poultry, hog, cattle and milk production levels, environmental and conservation regulations, economic conditions, weather, animal and crop diseases, cost of international freight and exchange rate fluctuations. Our industry, both in Brazil and abroad, is also characterized by cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability. We are not able to mitigate these risks by entering into long-term contracts with our customers and most of our suppliers because such contracts are not customary in our industry. Our financial performance is also affected by domestic and international freight costs, which are vulnerable to volatility in the price of oil. We may not be successful in addressing the effects of cyclicality and volatility on costs and expenses or the pricing of our products, and our overall financial performance may be adversely affected.

The volatility of prices of our key materials has continued since the global economic crisis of 2008 and 2009. In 2011, the average corn price on the Chicago Board of Trade, or "CBOT," was 58.8% higher than the average corn price in 2010. However, the price of corn on the CBOT in December 2011 was 16.7% lower than the price of corn in June 2011, although prices have increased in the beginning of 2012. CBOT soybean prices decreased by 15.9% in December 2011 compared to June 2011, but have increased significantly in the beginning of 2012. We have found it necessary, at times, to increase our selling prices of products in order to mitigate the impact of the increase in the costs of our raw materials.

Health risks related to the food industry could adversely affect our ability to sell our products.

We are subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of a product recall. Among such risks are those related to raising animals, including disease and adverse weather conditions. Meat is subject to contamination during processing and distribution. Contamination during processing could affect a large number of our products and therefore could have a significant impact on our operations.

Our sales are dependent on consumer preferences, and any actual or perceived health risks associated with our products, including any adverse publicity concerning these risks, could cause customers to lose confidence in the safety and quality of our products, reducing the level of consumption of those products.

Even if our own products are not affected by contamination, our industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for our products in the affected category. We maintain systems designed to monitor food safety risks throughout all stages of the production process (including the production of poultry, hogs, cattle and dairy products).

Our systems for compliance with governmental regulations may not be fully effective in mitigating risks related to food safety. Any product contamination could have a material adverse impact on our business, results of operations, financial condition and prospects.

Deterioration of general economic conditions could negatively impact our business.

Our business may be adversely affected by changes in Brazilian and global economic conditions. In 2008 and 2009, our business was materially affected by the global economic crisis, which resulted in increased volatility in our markets and contributed to the net losses recorded in the fourth quarter of 2008 and in the first half of 2009. For instance, the global economic crisis led to an increase in raw material prices, such as corn and soybeans, which we could not pass on to our customers. In addition, there was a sharp decrease in demand in 2009, which forced us to cut 20% of our meat production for export in the first quarter of 2009. Although Brazilian and global economic conditions generally improved in 2010, in 2011 the European sovereign debt crisis led to a significant slowdown in economic activity in Europe, increasing unemployment rates and decreasing meat consumption. The upheaval in several countries in the Middle East and other events in areas of Latin America also affected meat consumption in those regions. Because of the global nature of our business, we remain subject to the risk of economic volatility worldwide, and economic and political disruptions around the world, which can have a material adverse effect on our business and results of operations.

Raising animals and meat processing involve animal health and disease control risks, which could have an adverse impact on our results of operations and financial condition.

Our operations involve raising poultry and hogs and processing meat from poultry, hogs and cattle, as well as the purchase of milk and the sale of milk and dairy products, which require us to maintain animal health and control disease. We could be required to destroy animals or suspend the sale of some of our products to customers in Brazil and abroad in the event of an outbreak of disease affecting animals, such as the following: (1) in the case of poultry, avian influenza (discussed below) and Newcastle disease; (2) in the case of hogs, cattle and certain other animals, foot-and-mouth disease, classic swine fever "blue ear" disease and A(H1N1) influenza (discussed below); and (3) in the case of cattle, foot-and-mouth disease and bovine spongiform encephalopathy, known as "mad cow disease." Destruction of poultry, hogs or other animals would preclude recovery of costs incurred in raising or purchasing these animals and result in additional expense for the disposal of such animals. In 2005, foot-and-mouth disease cases in the States of Mato Grosso do Sul and Paraná affected only cattle, although hogs can also be contaminated. An outbreak of foot-and-mouth disease could have an effect on livestock we own, the availability of livestock for purchase, consumer perception of certain protein products or our ability to access certain markets, which would adversely impact our results of operations and financial condition. In addition, although Brazilian cattle is generally grass-fed and at less risk of contracting mad cow disease than cattle raised in some other countries, increases in Brazilian cattle production could lead to the use of cattle feed containing animal byproducts that could heighten the risk of an outbreak of mad cow disease.

Outbreaks, or fears of outbreaks, of any of these or other animal diseases may lead to cancellation of orders by our customers and, particularly if the disease has the potential to affect humans, create adverse publicity that may have a material adverse effect on consumer demand for our products. Moreover, outbreaks of animal disease in Brazil may result in foreign governmental action to close export markets to some or all of our products, relating to some or all of our regions. For example, due to foot-and-mouth disease cases affecting cattle in the States of Mato Grosso do Sul and Paraná, certain major export markets, including Russia (which has been the largest importer of Brazilian pork) banned imports of pork from the entire country in November 2005. Russia partially lifted this ban in the second quarter of 2006 for pork products from the State of Rio Grande do Sul, and this ban was completely lifted in December 2008. However, in 2011, Russia prohibited imports from several Brazilian states, citing health and sanitary reasons, and this ban remains in place. Any future outbreaks of animal diseases could have a material adverse effect on our results of operations and financial condition.

Our pork business in our Brazilian and export markets could be negatively affected by concerns about A(H1N1) influenza, also called "swine flu."

In 2009, A(H1N1) influenza, also called "swine flu," spread to many countries. On June 11, 2009, the World Health Organization, or "WHO," declared a flu alert level six, signaling a "global pandemic." Many countries, including Russia and China, prohibited imports of pork from countries reporting a significant number of cases (Mexico, United States and Canada). On August 10, 2010, the WHO terminated the level six influenza pandemic alert and shifted its focus to a post-pandemic period. During this period, localized outbreaks of

different magnitudes may show significant levels of A(H1N1) transmission. In China, for instance, at least 20 people died of A(H1N1) influenza in 2011.

Any further outbreak of A(H1N1) influenza could lead to the imposition of costly preventive controls on pork imports in our export markets and could have a negative impact on the consumption of pork in those markets or in Brazil. In addition, any future significant outbreak of A(H1N1) influenza in Brazil could lead to pressure to destroy our hogs, even though no link between the influenza cases and pork consumption has been shown. Any such destruction of our hogs would result in decreased sales of pork, prevent recovery of costs incurred in raising or purchasing our hogs, and result in additional expense for the disposal of destroyed hogs. Accordingly, any spread of A(H1N1) influenza, or increasing concerns about this disease, may have a material and adverse effect on our company.

Our poultry business in Brazilian and export markets could be negatively affected by avian influenza.

Chicken and other birds in some countries, particularly in Asia but also in Europe and Africa, have become infected by highly pathogenic avian influenza (the H5N1 virus). In a small number of cases, the avian influenza has been transmitted from birds to humans, resulting in illness and, on occasion, death. Accordingly, health authorities in many countries have taken steps to prevent outbreaks of this viral disease, including destruction of afflicted poultry flocks.

Since 2003, there have been over 526 confirmed human cases of avian influenza and over 311 deaths, according to the WHO. Various countries in Asia, the Middle East and Africa reported human cases in the past five years and as recently as 2011, and several countries in Europe reported cases of avian influenza in birds. For example, Indonesia became the focus of international attention when the largest cluster of human H5N1 virus cases so far was identified. The H5N1 virus is considered firmly entrenched in poultry throughout much of Indonesia, and this widespread presence has resulted in a significant number of human cases. In addition, in late 2011, China suspended supplies of live poultry to Hong Kong after a dead chicken tested positive for avian influenza. In 2011, 62 cases were reported worldwide, with 34 deaths, according to the WHO.

To date, Brazil has not had a documented case of avian influenza, although there are concerns that an outbreak of avian influenza may occur in the country in the future. Any outbreak of avian influenza in Brazil could lead to required destruction of our poultry flocks, which would result in decreased sales of poultry by us, prevent recovery of costs incurred in raising or purchasing such poultry, and result in additional expense for the disposal of destroyed poultry. In addition, any outbreak of avian influenza in Brazil would likely lead to immediate restrictions on the export of some of our products to key export markets. Preventive actions adopted by Brazilian authorities, if any, may not be effective in precluding the spread of avian influenza within Brazil.

Whether or not an outbreak of avian influenza occurs in Brazil, further outbreaks of avian influenza anywhere in the world could have a negative impact on the consumption of poultry in our key export markets or in Brazil, and a significant outbreak would negatively affect our net sales and overall financial performance. Any outbreak could lead to the imposition of costly preventive controls on poultry imports in our export markets. Accordingly, any spread of avian influenza, or increasing concerns about this disease, may have a material and adverse effect on our company.

More stringent trade barriers in key export markets may negatively affect our results of operations.

Because of the growing market share of Brazilian poultry, pork and beef products in the international markets, Brazilian exporters are increasingly being affected by measures taken by importing countries to protect local producers. The competitiveness of Brazilian companies has led certain countries to establish trade barriers to limit the access of Brazilian companies to their markets.

Some countries, such as Russia, have a history of erecting trade barriers to imports of food products. In 2006, Russia began to impose quotas on Brazilian pork, beef and poultry products. Over the last two years, the Russian government has changed the allocation criteria for these quotas (particularly for pork and poultry products), which has negatively affected Brazil’s total export volume. Russia is also developing its local production capabilities and increasing quantitative restrictions. In 2011, Russia prohibited imports from several Brazilian states for health and sanitary reasons, which has also decreased Brazil’s total export volume.

We have been affected by trade barriers imposed by a number of other countries from time to time. In 2009, for example, Ukraine initiated an anti-dumping investigation. Although the investigation was eventually halted and Brazil is once again permitted to export poultry and pork to that country, we cannot predict whether Ukraine may take similar measures in the future. In June 2011, South Africa initiated an anti-dumping investigation against Brazilian chicken, specifically whole chicken and boneless cuts. In a preliminary determination, the South African government imposed substantial tariffs on these products (62.9% on whole chicken and 46.5% on boneless cuts), which temporarily halted Brazilian imports. A final decision by the South African government is expected by the end of this year. The Brazilian government is concurrently considering initiating a WTO panel to investigate alleged violations of anti-dumping agreements by other countries, which may lead to retaliatory measures. In addition, at the end of 2011, Iraq introduced some barriers to Brazilian chicken exports, and in the beginning of 2012, Argentina imposed additional restrictions on Brazilian pork.

In Europe, another of our important markets, the European Union has, for some time, charged protective tariffs to mitigate the effects of Brazil's lower production costs on local European producers. In addition, the European Union has a ban on certain types of Brazilian beef that impacts sales of fresh premium cuts and some frozen hindquarter cuts, and imports of Brazilian pork are currently banned.

Developed countries also use direct and indirect subsidies to enhance the competitiveness of their producers in other markets. For example, French producers receive subsidies for their sales of poultry to countries such as Saudi Arabia, a major importer of poultry products. Trade barriers are sometimes applied indirectly to other parties that are crucial to the export of our products. In addition, local producers in a specific market may exert political pressure on their governments to prevent foreign producers from exporting to their market, particularly during unfavorable economic conditions. Any of the above restrictions could substantially affect our export volumes and, consequently, our export sales and financial performance. If new trade barriers arise in our key export markets, we may face difficulties in reallocating our products to other markets on favorable terms, and our business, financial condition and results of operations might be adversely affected.

We face significant competition from Brazilian and foreign producers, which could adversely affect our financial performance.

We face strong competition from other Brazilian producers in our domestic markets and from Brazilian and foreign producers in our export markets. The Brazilian market for whole poultry, poultry cuts and pork cuts is highly fragmented. Small producers can also be important competitors, some of which operate in the informal economy and are able to offer lower prices by meeting lower quality standards. Competition from small producers is a primary reason why we sell most of our frozen (*in natura*) meat products in the export markets and is a barrier to expanding our sales of those products in the domestic market. With respect to exports, we compete with other large, vertically integrated Brazilian producers that have the ability to produce quality products at low cost, as well as with foreign producers.

In addition, the potential growth of the Brazilian domestic market for processed food, poultry, pork and beef and Brazil's low production costs are attractive to international competitors. Although the main barrier to these companies has been the need to build a comprehensive distribution network and a network of outgrowers, international competitors with significant resources could undertake to build these networks or acquire and expand existing networks.

In the Brazilian dairy products markets, our main competitors are Nestlé Brasil Ltda., Danone Ltda., LBR (Lácteos Brasil S.A.) and Vigor. To varying degrees, our competitors may have strengths in specific product lines and regions as well as greater financial resources. In addition, our poultry and pork cuts, in particular, are highly price-competitive and sensitive to product substitution. Even if we remain a low-cost producer, customers may seek to diversify their sources of supply by purchasing a portion of the products they need from producers in other countries, as some of our customers in key export markets have begun to do. We expect that we will continue to face strong competition in all of our markets and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope. Any failure by us to respond to product, pricing and other moves by competitors may negatively affect our financial performance.

Increased regulation of food safety could increase our costs and adversely affect our results of operations.

Our manufacturing facilities and products are subject to regular Brazilian federal, state and local, as well as foreign, governmental inspections and extensive regulation in the food safety area, including governmental food processing controls. Changes in government regulations relating to food safety could require us to make additional investments or incur other costs to meet the necessary specifications for our products. Our products are often inspected by foreign food safety officials, and any failure to pass those inspections can result in our being required to return all or part of a shipment to Brazil, destroy all or part of a shipment or incur costs because of delays in delivering products to our customers. Any tightening of food safety regulations could result in increased costs and could have an adverse effect on our business and results of operations.

Our export sales are subject to a broad range of risks associated with international operations.

Export sales account for a significant portion of our net sales, representing approximately 40.0% of our net sales in both 2010 and 2011. Our major export markets include the European Union, the Middle East (particularly Saudi Arabia) and the Far East (particularly Japan, China and Russia), where we are subject to many of the same risks described below in relation to Brazil. Our future financial performance will depend, to a significant extent, on economic, political and social conditions in our main export markets.

Our future ability to conduct business in export markets could be adversely affected by factors beyond our control, such as the following:

- exchange rate fluctuations;
- deterioration in international economic conditions;
- imposition of increased tariffs, anti-dumping duties or other trade barriers;
- strikes or other events affecting ports and other transport facilities;
- compliance with differing foreign legal and regulatory regimes; and
- sabotage affecting our products.

The market dynamics of our important export markets can change quickly and unpredictably due to these factors, the imposition of trade barriers of the type described above and other factors, which together can significantly affect our export volumes, selling prices and results of operations.

Our export sales are highly dependent on conditions at a small number of ports in southern Brazil. We export our products primarily through ports in southern Brazil (Paraná, Santa Catarina and Rio Grande do Sul). We have been affected from time to time by strikes of port employees or customs agents, sanitary inspection agents and other government agents at the Brazilian ports from which we export our products. For example, in the third quarter of 2007 and in March 2008, Brazilian federal government sanitary inspectors went on strike for approximately one month. More recently, in August 2011, a strike at the Itajaí port affected exports for approximately two months. A widespread or protracted strike in the future could adversely affect our business and our results of operations.

In addition, in the fourth quarter of 2008, flooding and damage at the ports of Itajaí and Navegantes damaged port infrastructure and required us to divert all our exports in the region of Santa Catarina to three other ports: Rio Grande in the State of Rio Grande do Sul, Paranaguá and São Francisco. These events resulted in reduced shipment levels in November 2008 and led to delays in exports that adversely affected our export revenues for the fourth quarter of 2008. Any similar events in the future affecting the infrastructure necessary for the export of our products could adversely affect our revenues and our results of operations.

Political and economic risks in Argentina could limit the profitability of our operations and our ability to execute our strategy in that country.

We have five production facilities in Argentina, and we view growth of our business in Argentina as an important component of our strategy in South America. In the fourth quarter of 2011, we acquired two Argentine

companies, Avex and Flora Dánica, demonstrating our commitment to expanding in Argentina. However, executing our strategy in Argentina is subject to significant political and economic risks. Political and economic conditions have been volatile in that country for more than a decade. An economic crisis in 2001-2002 resulted in significant economic contraction and political and social unrest, as well as a sovereign debt default and a significant currency devaluation and subsequent inflation. After a period of recovery and growth in the following years, Argentina suffered an economic decline in 2009, in part as a result of global conditions. Economic uncertainty, inflation and other factors could lead to lower real salaries, lower consumption and unemployment, which could have an adverse effect on demand for our products. In addition, Argentine government policies may adversely affect our ability to realize a return on our investment in Argentina. For example, the government has imposed restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Argentina. More recently, the Argentine government announced the effective nationalization of YPF S.A., Argentina's leading energy company, through the expropriation of the controlling interest in YPF S.A. held by Repsol YPF S.A., a Spanish company. The Argentine government's action led to a dramatic decline in the prices of Argentine securities and great concern among international investors. Argentine government intervention, investor reactions and economic uncertainty in Argentina could adversely affect the profitability of our operations and our ability to execute our strategy in that country.

Environmental laws and regulations require increasing expenditures for compliance.

We, like other Brazilian food producers, are subject to extensive Brazilian federal, state and local environmental laws, regulations, authorizations and licenses concerning, among other things, the handling and disposal of waste, discharges of pollutants into the air, water and soil, and clean-up of contamination, all of which affect our business. Any failure to comply with these laws and regulations or any lack of authorizations or licenses could result in administrative and criminal penalties, such as fines, cancellation of authorizations or revocation of licenses, in addition to negative publicity and liability for remediation or for environmental damage. We cannot operate a plant if the required environmental permit is not valid or current.

We have incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent in Brazil, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses.

Our plants are subject to environmental licensing, based on their pollution potential and usage of natural resources. If, for example, one of our plants is built or expanded without an environmental license or if our environmental licenses expire, are not renewed or have their solicitation of renewal dismissed by the competent environmental authority, we may incur fines and other administrative penalties, suspension of operations or closing of the facilities in question. Those same penalties may also be applicable in the case of failure to fulfill the conditions of validity foreseen in the environmental licenses already held by us. Currently, some of our environmental licenses are being renewed, and we cannot guarantee that environmental agencies will approve our renewal requests.

Acquisitions may divert management resources or prove to be disruptive to our company.

We regularly review and pursue opportunities for strategic growth through acquisitions and other business ventures. We have completed several acquisitions in recent years, as described under "Item 4. Information on the Company — A. History and Development of the Company — Corporate History" of our 2011 Form 20-F. Acquisitions, especially involving sizeable enterprises, may present financial, managerial and operational challenges, including diversion of management attention from existing businesses, difficulty with integrating personnel and financial and other systems, increased compensation expenses for newly hired employees, assumption of unknown liabilities and potential disputes with the sellers. We could also experience financial or other challenges if any of the businesses that we have acquired or may acquire in the future give rise to liabilities

or problems of which we are not aware. Acquisitions outside of Brazil may present additional difficulties, such as compliance with foreign legal and regulatory systems and integration of personnel to different managerial practices and would increase our exposure to risks associated with international operations.

In recent years, the size of our acquisitions has increased, which has increased the magnitude of the challenges described above. In 2009, we completed our business combination with Sadia, which was approved by the CADE in 2011. Since the Sadia transaction, we have continued to grow through acquisitions, in line with our strategy to increase the internationalization of the company. In 2011, we acquired two Argentine companies, Avex S.A., a poultry producer, and Flora Dánica S.A., a margarine producer and distributor, for R$188.3 million. In September 2011, we announced that we had exercised an option to purchase the industrial unit of Coopercampos located in the city of Campos Novos in the State of Santa Catarina, and we have invested a total amount of R$154.5 million in this project. In November 2011, we also acquired a Brazilian company named Heloisa Indústria e Comércio de Produtos Lácteos Ltda. for cash consideration of R$55.0 million (and total consideration, including assumption of indebtedness, of R$122.5 million), as a part of our strategy to increase our operations in the dairy business. For more information about our recent acquisitions, see "Item 4. Information on the Company—A. History and Development of the Company—Recent Acquisitions and Investments" in our 2011 Form 20-F. We may not realize the benefits of the acquisitions we undertake, in the timeframe we anticipate or at all, because of integration or other challenges.

We may not realize the expected benefits of our business combination with Sadia, whether because of lost revenues from businesses we were required to divest, difficulty in achieving projected synergies or other reasons.

In July 2011, we received Brazilian antitrust approval for our business combination with Sadia from the CADE, but that approval was subject to a number of conditions, including, among others:

- the suspension of our use of the *Perdigão* and *Batavo* brands with respect to several product lines in the Brazilian market for periods ranging from three to five years;
- the divestment of our *Rezende*, *Wilson*, *Texas*, *Tekitos*, *Patitas*, *Escolha Saudável*, *Light Elegant*, *Fiesta*, *Freski*, *Confiança*, *Doriana* and *Delicata* trademarks; and
- the divestment of 10 processed food plants, two hog slaughtering plants, two poultry slaughtering plants, four animal feed plants, 12 chicken breeder stock farms, two poultry hatcheries and eight distribution centers and a related portfolio of contracts with integrated poultry and hog outgrowers.

In March 2012, we entered into an agreement with Marfrig to exchange these assets for assets and cash held by Marfrig. Under the agreement, we agreed to transfer to Marfrig:

- the trademarks, intellectual property, real property, facilities and equipment described in the agreement with the CADE;
- the assets and rights relating to eight distribution centers;
- through a lease, our hog slaughtering plant in Carambeí in the State of Paraná, with an option by Marfrig to purchase the plant for R$188.0 million at the end of the lease term;
- capital stock of certain subsidiaries relating to the assets above;
- contracts with integrated producers to ensure that Marfrig will maintain the same levels of supply as BRF and Sadia did; and
- Sadia's 64.57% interest in the capital stock of Excelsior Alimentos S.A.

In return, Marfrig agreed to transfer to us its 90.05% interest in Quickfood S.A., an Argentine company; and R$350.0 million in cash, of which R$100.0 million must be paid between June and October 2012 and the remaining R$250.0 million is expected to be paid in 72 monthly installments, plus interest at market rates. The transaction with Marfrig is subject to conditions precedent, including an announcement by the CADE that the agreement fulfills the conditions of the TCD. See "Summary — Recent Developments" and the next risk factor

below. For more details on these agreements, see "Item 4. Information on the Company — A. History and Development of the Company — Recent Acquisitions and Investments — Business Combination with Sadia" of our 2011 Form 20-F.

Based on our results of operations for 2010, we estimate that the sale of assets and brands agreed with CADE represent revenues of approximately R$1.7 billion and sales volumes equivalent to approximately 456 thousand tons of *in natura*, marinated and processed products and other products. We estimate that the suspended *Perdigão* and *Sadia* brand categories are equivalent to a further R$1.2 billion in revenues.

Although we expect to achieve synergies from the integration of the Brazilian operations of BRF and Sadia, those synergies may not compensate for the lost revenue from the divested brands and assets or the suspended brands or any unanticipated costs. Our synergy projections are based on historical sales volumes, and if our sales volumes in future periods are lower than those we have assumed, our synergies could also be lower than our projections. In addition, in 2011 we invested approximately R$260 million, and we estimate that we will need to invest an additional approximately R$440 million in 2012 and 2013, to achieve our projected synergies. We may not achieve the full amount of our projected synergies for 2012 to 2013, or it may take us longer to achieve these synergies than we currently anticipate.

The divestment and suspension of these brands will require us to refocus our marketing and sales efforts on our remaining brands in the Brazilian market and adjust our operations accordingly. The transfers of our brands could lead to confusion among consumers and could affect customer loyalty. In addition, we run the risk that any contamination or other health issue that may arise in the future from a product sold using one of our divested or suspended brands may be associated with our company, even if we did not produce the product. Any such issue could have an adverse effect on our business, revenues and results of operations.

In addition, our integration of the Brazilian business of Sadia with our Brazilian business is ongoing, and any failure to effectively integrate those operations may increase our costs, adversely affect our margins or have other negative consequences. The challenges of integration and transition include, among others:

- devising a coherent marketing and branding strategy in our domestic market that takes into account the relative strengths of BRF's and Sadia's marketing and brands, after giving effect to the transfer of brands to Marfrig;
- continuing to integrate two of the largest customer distribution networks in Brazil;
- continuing to integrate the extensive production facilities of BRF and Sadia in several Brazilian states; and
- the potential loss of key customers of BRF or Sadia, or both.

The business combination with Sadia is significantly larger than any other transaction we have undertaken in the past, and the Brazilian antitrust approval raised more complex issues than we have faced in any other acquisition. Any combination of the challenges described above could adversely affect our results of operations and prospects.

Our agreement with Marfrig remains subject to conditions precedent, and any significant delay or failure to close the transaction could adversely affect us.

Our agreement with Marfrig described in the preceding risk factor is subject to conditions precedent. On May 23, 2012, our shareholders approved our acquisition of Quickfood S.A., one of the conditions precedent set forth in the Marfrig agreement. On May 28, 2012, we received a version of the opinion of the ProCADE, the legal advisors of the CADE, that was favorable to our agreement with Marfrig, concluding that it fulfills the conditions of the TCD in that respect and recommending that the CADE monitor each stage in the completion of the transaction. It is our current understanding that the CADE has decided to follow the opinion of the ProCADE, and will monitor our compliance with each stage of the transaction with Marfrig and our other obligations under the TCD. The closing of the Marfrig transaction is also subject to certain additional conditions precedent.

Although we do not anticipate any difficulty in our or Marfrig's ability to fulfill these conditions, the closing is likely to occur after the June 1, 2012 date in order to enable both sides additional time to fulfill the remaining conditions precedent. Although we believe that the closing will occur in June 2012, we cannot guarantee when the transaction will close.

Any significant delay or failure to close the Marfrig transaction could adversely affect our ability to implement the terms of the TCD agreed with the CADE. In addition, we cannot guarantee that the CADE would agree to any further extensions or modifications that we or Marfrig might seek in order to enable completion of the transaction. Any significant delay or failure to close the transaction could adversely affect our business, our ability to implement our strategy and our prospects.

We are influenced by a group of shareholders that control a significant percentage of our common shares.

Currently, five pension funds hold a significant percentage of our common shares and, acting together, have the ability to significantly influence our decisions. Those pension funds owned 27.5% of our total capital as of December 31, 2011. For information on our major shareholders as of March 31, 2012, see the table at the end of our unaudited interim consolidated financial statements included in this offering memorandum. They were parties to a shareholders' voting agreement that expired on October 2011 that set forth voting arrangements with respect to, among other matters, (1) the election of officers and members of our board of directors and of the fiscal council and (2) the matters set forth in Article 136 of the Brazilian Corporation Law, including decisions relating to dividends, corporate restructurings, our corporate purpose and other matters. Although the current shareholders' agreement has expired, the pension funds continue to be guided by its terms and are currently negotiating a new shareholders' voting agreement.

As a result, these shareholders have, and will continue to have, the power to significantly influence the outcome of important corporate decisions or matters submitted to a vote of our shareholders. The interests of these shareholders may conflict with, or differ from, the interests of other holders of our securities, including the notes.

Unfavorable outcomes in legal proceedings may reduce our liquidity and negatively affect us.

We are defendants in civil, labor and tax proceedings and are also subject to consent agreements (*Termo de Ajustamento de Conduta*). Under IFRS, we classify the risk of adverse results in these proceedings as "remote," "possible" or "probable." We disclose the aggregate amounts of these proceedings that we have judged possible or probable, to the extent the amounts are known or reasonably estimable, and we record provisions only for losses that we consider probable. These disclosures for 2011 are included in "Item 8. Financial Information — Legal Proceedings" of our 2011 Form 20-F, in the subsection of this offering memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Additional Information About Contingent Liabilities" and in Note 25 to our unaudited interim consolidated financial statements included in this offering memorandum.

We are not required to disclose or record provisions for proceedings in which our management judges the risk of loss to be remote. However, the amounts involved in certain of the proceedings in which we believe our risk of loss is remote are substantial, and the losses to us could, therefore, be significantly higher than the amounts for which we have recorded provisions. Even for the amounts recorded as provisions for probable losses, a judgment against us would have an effect on our cash flow if we are required to pay those amounts.

Unfavorable decisions in our legal proceedings may, therefore, reduce our liquidity and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will obtain favorable decisions in these proceedings or that our reserves will be sufficient to cover potential liabilities resulting from unfavorable decisions. In the ordinary course of business, we outsource labor to third parties. See "Item 4. Information on the Company — B. Business Overview — Production Process" of our 2011 Form 20-F. If it were to become necessary to revisit this contractual structure, we could incur additional operating expenses.

We depend on members of our senior management and on our ability to recruit and retain qualified professionals to implement our strategy.

We depend on members of our senior management and other qualified professionals to implement our business strategies. Efforts to recruit and retain professionals may result in significant additional expenses, which could adversely affect us. In addition, the loss of key professionals may adversely affect our ability to implement our strategy.

Damages not covered by our insurance might result in losses for us, which could have an adverse effect on our business.

As is typical in our business, our plants, distribution centers, vehicles and our directors and officers, among others, are insured. However, certain kinds of losses cannot be insured against, and our insurance policies are subject to liability limits and exclusions. If an event that cannot be insured occurs, or the damages are higher than our policy limits, we may incur significant costs. In addition, we could be required to pay indemnification to parties affected by such an event.

In addition, even where we incur losses that are ultimately covered by insurance, we may incur additional expenses to mediate the loss, such as shifting production to another facility. These costs may not be fully covered by our insurance. For example, in March 2011, a fire affected a part of the installations of our Nova Mutum, Mato Grosso unit, and on October 2011, another fire affected a part of the installations of our Brasília unit. Although the facilities are covered by fire insurance and the units' production was temporarily absorbed by other BRF plants, we cannot assure you that all of our direct and indirect costs will be covered by our insurance. Any similar event at other facilities in the future could adversely affect our revenues, expenses and our business.

Risks Relating to Our Indebtedness

We have substantial indebtedness, especially since our business combination with Sadia, and our leverage could negatively affect our ability to refinance our indebtedness and grow our business.

At March 31, 2012, our total consolidated debt was R$8,085 million (U.S.$4,437 million). Our substantial indebtedness could have major consequences for us, including:

- requiring that a substantial portion of our cash flows from operations be used for the payment of principal and interest on our debt, reducing the funds available for our operations or other capital needs;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate because our available cash flow after paying principal and interest on our debt might not be sufficient to make the capital and other expenditures necessary to address these changes;
- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flows, we would be required to devote a proportionally greater amount of our cash flows to paying principal and interest on debt;
- limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- making it difficult for us to refinance our indebtedness or to refinance such indebtedness on terms favorable to us, including with respect to existing accounts receivable securitizations;
- placing us at a competitive disadvantage compared to competitors that are relatively less leveraged and that may be better positioned to withstand economic downturns; and
- exposing our current and future borrowings made at floating interest rates to increases in interest rates.

We have substantial debt that matures in each of the next several years.

As of March 31, 2012, we had R$3,590 million of debt that matures in 2012, R$528 million of debt that matures in 2013, R$658 million of debt that matures in 2014, R$269 million of debt that matures in 2015 and R$3,040 million of debt that matures in 2016 and thereafter.

A substantial portion of our outstanding debt is denominated in foreign currencies, primarily U.S. dollars. As of March 31, 2012, we had R$4,893 million of foreign currency debt, including R$1,843 million of short-term foreign currency debt. Our U.S. dollar-denominated debt must be serviced by funds generated from sales by our subsidiaries, the majority of which are not denominated in U.S. dollars. Consequently, when we do not generate sufficient U.S. dollar revenues to cover that debt service, we must use revenues generated in *reais* or other currencies to service our U.S. dollar-denominated debt. Depreciation in the value of the *real* or any of the other currencies of the countries in which we operate, compared to the U.S. dollar, could adversely affect our ability to service our debt. Foreign currency hedge agreements may not be effective in covering these currency-related risks.

The global stock and credit markets experienced extreme disruption in 2008 and 2009, including severely diminished liquidity, constrained credit availability and extreme volatility in securities prices. Any future uncertainty in the stock and credit markets could also negatively impact our ability to access additional short-term and long-term financing, which could negatively impact our liquidity and financial condition. If, in future years:

- the pressures on credit return as a result of disruptions in the global stock and credit markets,
- our operating results worsen significantly,
- we are unable to complete any necessary divestitures of non-core assets and our cash flow or capital resources prove inadequate, or
- we are unable to refinance any of our debt that becomes due,

we could face liquidity problems and may not be able to pay our outstanding debt when due, which could have a material adverse effect on our consolidated business and financial condition.

The terms of our indebtedness impose significant operating and financial restrictions on us.

The instruments governing our consolidated indebtedness impose significant operating and financial restrictions on us. These restrictions may limit, directly or indirectly, our ability, among other things, to undertake the following actions:

- borrow money;
- make investments;
- sell assets, including capital stock of subsidiaries;
- guarantee indebtedness;
- enter into agreements that restrict dividends or other distributions from certain subsidiaries;
- enter into transactions with affiliates;
- create or assume liens; and
- engage in mergers or consolidations.

Although the covenants to which we are subject have exceptions and qualifications, the breach of any of these covenants could result in a default under the terms of other existing debt obligations. Upon the occurrence of such an event of default, all amounts outstanding under the applicable debt instruments and the debt issued under other debt instruments containing cross-default or cross-acceleration provisions, together with accrued and unpaid interest, if any, might become or be declared immediately due and payable. If such indebtedness were to be accelerated, we may have insufficient funds to repay in full any such indebtedness. In addition, in connection with the entry into new financings or amendments to existing financing arrangements, our subsidiaries' financial and operational flexibility may be further reduced as a result of more restrictive covenants, requirements for security and other terms.

Risks Relating to Brazil

Brazilian economic, political and other conditions, and Brazilian government policies or actions in response to these conditions, may negatively affect our business and results of operations.

The Brazilian economy has historically been characterized by interventions by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy. For example, the government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. We have no control over, and cannot predict, what policies or actions the Brazilian government may take in the future.

Our business, results of operations, financial condition and prospects may be adversely affected by, among others, the following factors:

- exchange rate movements;
- exchange control policies;
- expansion or contraction of the Brazilian economy, as measured by rates of growth in GDP;
- inflation;
- tax policies;
- other economic political, diplomatic and social developments in or affecting Brazil;
- interest rates;
- energy shortages;
- liquidity of domestic capital and lending markets;
- changes in environmental regulation; and
- social and political instability.

These factors, as well as uncertainty over whether the Brazilian government may implement changes in policy or regulations relating to these factors, may adversely affect us and our business and financial performance.

Inflation, and government measures to curb inflation, may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations and financial condition.

Brazil experienced high rates of inflation in the past. According to the General Market Price Index (*Índice Geral de Preços do Mercado*) or "IGP-M," a general price inflation index, the inflation rates in Brazil were 7.7% in 2007, 9.8% in 2008, (1.7)% in 2009, 11.3% in 2010 and 5.1% in 2011. In addition, according to the IPCA, published by the IBGE, the Brazilian consumer price inflation rates were 4.5% in 2007, 5.9% in 2008, 4.3% in 2009, 5.9% in 2010 and 6.5% in 2011. In both 2010 and 2011, the actual inflation rate was significantly higher than the Brazilian Central Bank's target of 4.5%. Increases in personal expenses (which include services) were the main reason that consumer inflation did not meet the Central Bank's target in 2011. See "Item 5. Operating and Financial Review and Prospects — A. Operating and Financial Review and Prospects — Principal Factors Affecting Our Results of Operations — Brazilian and Global Economic Conditions" and "— Effects of Exchange Rate Variations and Inflation" of our 2011 Form 20-F.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil in the past and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which could lead to reduced demand for our products in Brazil and decreased net sales. Inflation also is likely to increase some of our costs and expenses, which we may not be able to pass on to our

customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our debt may increase, resulting in lower net income. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets and may have an adverse effect on our business, results of operations and financial condition.

Exchange rate movements may adversely affect our financial condition and results of operations.

From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. In 2006 and 2007 the *real* appreciated 9.5% and 16.3%, respectively, against the U.S. dollar. In 2008, the *real* depreciated 31.9% against the U.S. dollar. In 2009 and 2010 the *real* appreciated 25.5% and 4.3%, respectively, against the U.S. dollar. In 2011, the *real* depreciated 12.6% against the U.S. dollar.

Any appreciation of the *real* against the U.S. dollar may lead to a dampening of export-driven growth. Our production costs are denominated in reais, but our export sales are mostly denominated in U.S. dollars or euros. Financial revenues generated by exports are reduced when translated to *reais* in the periods in which the *real* appreciates in relation to the U.S. dollar. Any such appreciation could reduce the competitiveness of our exports and adversely affect our net sales and our cash flows from exports.

On the other hand, any depreciation of the *real* against the U.S. dollar could create additional inflationary pressures in Brazil by increasing the price of imported products and requiring deflationary government policies. In addition, the prices of soy meal and soybeans, important ingredients of our animal feedstock, are closely linked to the U.S. dollar, and many of the mineral nutrients added to our feedstock must be purchased in U.S. dollars. The price of corn, another important ingredient of our feedstock, is also linked to the U.S. dollar to a lesser degree. In addition to feedstock ingredients, we purchase sausage casings, breeder eggs, packaging and other raw materials, as well as equipment for use in our production facilities, from suppliers located outside Brazil whom we must pay in U.S. dollars or other foreign currencies. When the *real* depreciates against the U.S. dollar, the cost in *reais* of our U.S. dollar-linked raw materials and equipment increases, and these increases could materially adversely affect our results of operations.

We had total foreign currency-denominated debt obligations in an aggregate amount of R$4,892.9 million at March 31, 2012, representing approximately 61.0% of our total consolidated indebtedness at that date. A significant portion of our consolidated debt is denominated in foreign currencies because export credit facilities available in foreign currencies often have attractive financing conditions and costs compared to other financing sources. Foreign-currency denominated credit facilities expose us to a greater degree of foreign exchange risk. We manage a portion of our exchange rate risk through foreign currency swaps and investments, and cash flows from export sales are in U.S. dollars and other foreign currencies, but our foreign currency debt obligations are not completely hedged. At March 31, 2012, our short-term consolidated exchange rate exposure was R$1,842.6 million of the amount described above. A significant devaluation of the *real* in relation to the U.S. dollar or other currencies could increase the debt service requirements of our foreign currency-denominated obligations.

Fluctuations in interest rates may have an adverse effect on our business and financial condition.

The Central Bank establishes the basic interest rate target for the Brazilian financial system by reference to the level of economic growth of the Brazilian economy, the level of inflation and other economic indicators.

At the end of former president Luiz Inácio Lula da Silva's administration, interest rates were lowered to stimulate economic growth. From 2008 to 2010, interest rates decreased from 13.75% to 10.75% and inflation was kept under 5.0%. With the transition to President Dilma Rousseff's administration in January 2011, the Brazilian government has set a goal of cutting public expenditures and stabilizing the economy. The low interest rates from previous years resulted in high inflation rates of 6.5% in 2011, leading to the Central Bank's decision to increase interest rates to stabilize the economy.

At March 31, 2012, approximately 31.0% of our total liabilities from indebtedness of R$8,085 million was either (1) denominated in (or swapped into) *reais* and bears interest based on Brazilian floating interest rates, such as the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or "TJLP," the interest rate used in our

financing agreements with Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social* — BNDES), or "BNDES," and the Interbank Deposit Certificate Rate (*Certificado de Depósito Interbancário*), or "CDI" rate, an interbank certificate of deposit rate that applies to our foreign currency swaps and some of our other *real*-denominated indebtedness, or (2) U.S. dollar-denominated and bears interest based on LIBOR. Any increase in the CDI, TJLP or LIBOR rates may have an adverse impact on our financial expenses and our results of operations.

Changes in tax laws may increase our tax burden and, as a result, negatively affect our profitability.

The Brazilian government regularly implements changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In the past, the Brazilian government has presented certain tax reform proposals, which have been mainly designed to simplify the Brazilian tax system, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposals provide for changes in the rules governing the federal Social Integration Program (*Programa de Integração Social*), or "PIS," the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social — COFINS*), or "COFINS," the state Tax on the Circulation of Merchandise and Services (*Imposto Sobre a Circulação de Mercadorias e Serviços*), or "ICMS," and some other taxes. These proposals may not be approved and passed into law. The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. However, some of these measures, if enacted, may result in increases in our overall tax burden, which could negatively affect our overall financial performance.

Risks Relating to the Notes

Developments and the perception of risks in other countries, especially emerging markets, may adversely affect the market value of the notes.

The market price of the notes may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced, to varying degrees, by economic and market conditions in other emerging market countries, especially those in Latin America. Although economic conditions are different in each country, investors' reaction to developments in one country may cause the capital markets in other countries to fluctuate. Developments or adverse economic conditions in other emerging market countries have at times resulted in significant outflows of funds from, and declines in the amount of foreign currency invested in, Brazil. For example, in 2001, after a prolonged recession, followed by political instability, Argentina announced that it would no longer continue to service its public debt. The economic crisis in Argentina negatively affected, for several years, investors' perceptions of Brazilian securities. Economic or political crises in Latin America or other emerging markets may significantly affect perceptions of the risk inherent in investing in the region, including Brazil.

The Brazilian economy, as well as the market for securities issued by Brazilian companies, is influenced, to a varying degree, by international economic and market conditions generally, especially in the United States. The prices of shares traded on the BM&FBOVESPA have been historically affected by the fluctuation of interest rates and stock exchange indexes in the United States. Developments in other countries and securities markets could adversely affect the market value of the notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Payments on the notes will be junior to our secured debt obligations and effectively junior to debt obligations of non-guarantor subsidiaries.

The notes will constitute our senior unsecured obligations. The notes will rank equal in right of payment with all of our existing and future senior unsecured indebtedness. However, the notes will be effectively subordinated to our secured debt to the extent of the assets and property securing such debt. Payment on the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our subsidiaries that do not guarantee the notes.

At March 31, 2012, we had total consolidated debt of R$8,085 million (U.S.$4,437 million), of which R$6,617 million (U.S.$3,632 million) was unsecured debt and R$1,468 million (U.S.$806 million) was secured debt. Any right of the holders of the notes as a result of the guarantee to participate in our assets and the assets of our subsidiaries upon any liquidation or reorganization will be subject to the prior claims of our secured creditors and the creditors of our subsidiaries. The indenture relating to the notes and the guarantees includes a limitation on our ability and those of our subsidiaries subject to the covenants under the indenture to create or suffer to exist liens, although this limitation is subject to certain significant exceptions.

We conduct a portion of our business operations through subsidiaries that will not guarantee the notes, including Perdigão Europe Ltd., Perdigão International Ltd. and Wellax Food. In making payments on the notes, we will rely, in part, on cash flows from these subsidiaries, mainly dividend payments. The ability of these subsidiaries to make dividend payments to us will be affected by, among other factors, the obligations of these entities to their creditors, requirements of The Brazilian Corporations Law and other applicable law, and restrictions contained in agreements entered into by or relating to these entities. As of March 31, 2012, our total investments in our non-guarantor subsidiaries (*i.e.*, our subsidiaries other than Sadia) amounted to R$2,334.8 million, representing 7.9% of our consolidated total assets and 16.3% of consolidated shareholders' equity. Following the completion of the announced merger of Sadia with BRF expected for December 31, 2012, we expect that none of our subsidiaries will guarantee the notes.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

Sadia's guarantee may not be enforceable.

Sadia's guarantee provides a basis for a direct claim against Sadia; however it is possible that the guarantee may not be enforceable under Brazilian law. While Brazilian law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantee of the notes from being valid, binding and enforceable against Sadia, in the event that Sadia becomes subject to a reorganization proceeding or to bankruptcy, the guarantee, if granted up to two years before the declaration of bankruptcy, may be deemed to have been a fraudulent transfer and declared void, based upon Sadia being deemed not to have received fair consideration in exchange for such guarantee. The validity and enforceability of the guarantee granted by Sadia requires that the guarantee be in the best interest of Sadia and that Sadia receives fair and adequate consideration for the granting of the guarantee. Similar concepts exist under United States law. In addition, under Brazilian law, guarantees are considered accessory to the underlying or principal obligation and the nullity of the principal obligation causes the nullity of the accessory obligations. Therefore, in case our underlying obligation under the notes or the indenture is declared null, the guarantees would, under Brazilian law, be deemed to be null as well.

Sadia's obligation under the guarantee is subordinated to certain statutory preferences.

Under Brazilian law, Sadia's obligation under the guarantee is subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization of Sadia, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantee. In such a scenario, enforcement of the guarantee under the notes may be jeopardized, and noteholders may lose some or all of their investment.

Payments under the notes are subject to our obtaining certain governmental authorizations.

The issuance of the notes is subject to registration with the Brazilian Central Bank, namely (1) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the Information System of the Central Bank, which will be obtained prior to any such issuance and (2) registration of the schedule of payments in connection with any such issuance, which shall occur after the entry of the related proceeds into Brazil. In addition, further authorization from the Central Bank will be required to enable us to remit payments abroad in foreign currency under the notes other than scheduled payments of principal, interest, costs and expenses contemplated by the relevant ROF, such as the redemptions. We cannot assure you that we would be able to obtain further Central Bank authorization on a timely basis or at all.

Restrictions on the movement of currency out of Brazil may impair the ability of holders of the notes to receive interest and other payments on the notes and under the guarantee.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds of their investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance.

The Brazilian government imposed remittance restrictions for approximately six months in 1990. Similar restrictions, if imposed in the future, would impair or prevent the conversion of interest or principal payments on the notes or under the guarantee from *reais* into U.S. dollars and the remittance of U.S. dollars abroad to holders of the notes. The Brazilian government may take similar measures in the future.

Judgments of Brazilian courts enforcing obligations under the notes and the guarantee would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce the notes and/or the guarantee, we would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against us or Sadia in Brazilian courts in respect of any payment obligations under the notes or guarantee will be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are commenced. We cannot assure you that this amount in *reais* will afford you full compensation of the amount invested in the notes.

We cannot assure you that a judgment of a U.S. court for liabilities under U.S. securities laws would be enforceable in Brazil, or that an original action can be brought in Brazil against BRF for liabilities under U.S. securities laws.

BRF is incorporated under the laws of Brazil and substantially all of its assets are located in Brazil. In addition, all or substantially all of BRF's directors and officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon BRF or its directors, officers and advisors or to enforce against them in U.S. courts any judgments predicated upon the civil liability provisions of the U.S. federal securities laws. See "Service of Process and Enforcement of Judgments."

We cannot assure you that an active trading market for the notes will develop.

The notes constitute a new issue of securities. Although application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. The initial purchasers have advised our company that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice.

The notes are subject to transfer restrictions.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions."

Brazilian bankruptcy laws may be less favorable to you than U.S. bankruptcy and insolvency laws.

If we are unable to pay our indebtedness, including our obligations under the guarantees then we may become subject to bankruptcy proceedings in Brazil. Brazilian bankruptcy laws are significantly different from, and may be less favorable to creditors than, those of the United States. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes or guarantees would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the guarantees, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure that this exchange rate and the outcome of any bankruptcy proceedings will afford you full compensation for the amount of the notes.

USE OF PROCEEDS

We expect the net proceeds from the sale of the notes will be approximately U.S.$748.1 million after deducting estimated fees and expenses of the offering. We intend to use the net proceeds from this offering to extend our debt maturity profile by refinancing indebtedness due in 2012, including, without limitation, development bank credit lines and export pre-payment credit facilities. A portion of the indebtedness that we choose to repay with the net proceeds from this offering may be held by the initial purchasers or their affiliates. See "Plan of Distibution — Relationships with Initial Purchasers." Pending any specific application, the net proceeds of this offering may be invested in cash equivalents and short-term marketable securities.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar and/or the euro substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Risk Factors — Risks Relating to Brazil — Exchange rate movements may adversely affect our financial condition and results of operations" and "Risk Factors — Risks Relating to the Notes — Restrictions on the movement of currency out of Brazil may impair the ability of holders of the notes to receive interest and other payments on the notes and under the guarantee."

The following table shows the selling rate for U.S. dollars for the periods and dates indicated. The information in the "Average" column represents the average of the daily exchange rates during the periods presented. The numbers in the "Period End" column are the quotes for the exchange rate as of the last business day of the period in question.

	***Reais* per U.S. Dollar**			
Year	**High**	**Low**	**Average**	**Period End**
2007	2.1556	1.7325	1.9483	1.7713
2008	2.5004	1.5593	1.8375	2.3370
2009	2.4218	1.7024	1.9936	1.7412
2010	1.8811	1.6554	1.7593	1.6662
2011	1.9016	1.5345	1.6746	1.8758

	***Reais* per U.S. Dollar**	
Month	**High**	**Low**
November 2011	1.894	1.727
December 2011	1.876	1.783
January 2012	1.868	1.739
February 2012	1.738	1.702
March 2012	1.833	1.715
April 2012	1.892	1.826
May 2012 (through May 30)	2.082	1.915

Source: Central Bank.

CAPITALIZATION

The following table sets forth our consolidated debt and capitalization at March 31, 2012 derived or calculated from our unaudited interim consolidated financial statements included in this offering memorandum, which are prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 – *Interim Financial Reporting*:

- on an actual basis; and
- as adjusted for the sale of the notes, but without adjusting for the use of proceeds therefrom.

You should read this table in conjunction with "Presentation of Financial and Other Information," "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our audited consolidated financial statements incorporated by reference and our interim consolidated financial statements included in this offering memorandum.

	At March 31, 2012			
	Actual		As Adjusted(1)	
	(in millions of U.S.$)(2)	(in millions of *reais*)	(in millions of U.S.$)(2)	(in millions of *reais*)
	(unaudited)			
Short-term debt (including current portion of long-term debt)				
Real-denominated debt:				
Secured	235	428	235	428
Unsecured	724	1,320	724	1,320
	959	1,748	959	1,748
Foreign currency-denominated debt:				
Secured	32	59	32	59
Unsecured	979	1,784	979	1,784
	1,011	1,843	1,011	1,843
Total short-term debt	1,970	3,590	1,970	3,590
Long-term debt				
Real-denominated debt:				
Secured	494	900	494	900
Unsecured	299	544	299	544
	793	1,444	793	1,444
Foreign currency-denominated debt:				
Secured	44	81	44	81
Unsecured	1,630	2,969	2,380	4,337
	1,674	3,050	2,424	4,417
Total long-term debt	2,467	4,495	3,217	5,861
Total debt				
Secured	806	1,468	806	1,468
Unsecured	3,632	6,617	4,382	7,985
Total debt	4,437	8,085	5,187	9,453
Shareholders' equity	7,884	14,366	7,884	14,366
Total capitalization (long-term debt plus shareholders' equity)	10,351	18,861	11,101	20,227

(1) The "as adjusted" columns reflect the effect of the sale of the notes but not the use of proceeds therefrom. We intend to use the net proceeds from this offering to extend our debt maturity profile by refinancing shorter maturity indebtedness. See "Use of Proceeds."

(2) Translated for convenience only using the selling rate as reported by the Central Bank at March 31, 2012 for *reais* into U.S. dollars of R$1.8221 to U.S.$1.00.

SELECTED FINANCIAL INFORMATION

The following selected financial data at and for the years ended December 31, 2011 and 2010 should be read in conjunction with our audited consolidated financial statements incorporated by reference in this offering memorandum. The selected financial data at March 31, 2012 and for the three months ended March 31, 2012 and 2011 should be read in conjunction with our unaudited interim consolidated financial statements included in this offering memorandum. Our audited consolidated financial statements incorporated by reference in this offering memorandum have been prepared in accordance with IFRS. Our unaudited interim consolidated financial statements included in this offering memorandum have been prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 — *Interim Financial Reporting*. The results for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2012 or any other period.

For our results of operations for the year ended December 31, 2009, see our audited consolidated financial statements contained in our 2011 Form 20-F, which is incorporated by reference in this offering memorandum.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Presentation of Financial and Other Information."

	Three Months Ended March 31,			Year Ended December 31,		
	2012(1)	2012	2011	2011(1)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*) (unaudited)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Statement of Income Data:						
Net sales	3,477.9	6,337.1	6,020.5	14,108.0	25,706.2	22,681.3
Cost of sales	(2,740.6)	(4,993.6)	(4,474.9)	(10,453.3)	(19,047.0)	(16,951.2)
Gross profit	**737.3**	**1,343.5**	**1,545.6**	**3,654.7**	**6,659.2**	**5,730.1**
Operating income (expenses):						
Selling expenses	(523.2)	(953.4)	(855.0)	(2,106.1)	(3,837.5)	(3,523.1)
General and administrative expenses	(47.0)	(85.7)	(84.1)	(234.3)	(426.9)	(332.9)
Other operating expenses	(23.1)	(42.0)	(83.6)	(221.0)	(402.7)	(393.9)
Equity interest in income of affiliates	3.1	5.7	2.1	4.9	9.0	4.4
Operating income	**147.1**	**268.1**	**525.0**	**1,098.2**	**2,001.1**	**1,484.6**
Financial expenses, net	(41.2)	(75.0)	(52.3)	(263.2)	(479.5)	(483.1)
Income before taxes	**106.0**	**193.1**	**472.7**	**835.1**	**1,521.6**	**1,001.5**
Income and social contribution tax expense	(21.0)	(38.2)	(4.8)	(21.9)	(39.9)	(130.6)
Deferred income and social contribution tax expense	(1.1)	(2.0)	(81.2)	(64.0)	(116.6)	(65.9)
Net income	**83.9**	**152.9**	**386.7**	**749.2**	**1,365.1**	**805.0**
Attributed to:						
BRF shareholders	84.1	153.2	383.5	750.5	1,367.4	804.1
Non-controlling interest	(0.2)	(0.3)	3.2	(1.3)	(2.3)	0.9

	At March 31,		At December 31,		
	2012(1)	2012	2011(1)	2011	2010
	(in millions of U.S.$)	(in millions of *reais*)	(in millions of U.S.$)	(in millions of *reais*)	(in millions of *reais*)
Balance Sheet Data:					
Cash and cash equivalents	661.5	1,205.3	750.1	1,366.8	2,310.6
Marketable securities	449.8	819.6	753.4	1,372.7	1,032.4
Trade accounts receivable, net	1,455.3	2,651.7	1,760.5	3,207.8	2,565.0
Inventories	1,678.0	3,057.5	1,470.4	2,679.2	2,135.8
Biological assets	647.7	1,180.2	634.5	1,156.1	900.7
Other current assets	836.1	1,523.5	736.1	1,341.2	1,076.2
Total current assets	**5,728.4**	**10,437.8**	**6,104.9**	**11,123.8**	**10,020.7**
Marketable securities	110.8	201.9	84.2	153.4	209.1
Trade accounts receivable, net	5.7	10.4	1.3	2.4	7.0
Biological assets	219.5	399.9	212.6	387.4	377.7
Other non-current assets	2,208.2	4,023.5	2,256.5	4,111.6	3,805.4
Investments in affiliates	14.3	26.1	11.2	20.4	17.5
Property, plant and equipment, net	5,564.1	10,138.3	5,377.5	9,798.4	9,066.8
Intangible assets	2,403.9	4,380.1	2,407.2	4,386.1	4,247.3
Total non-current assets	**10,526.4**	**19,180.2**	**10,350.5**	**18,859.7**	**17,730.8**
Total assets	**16,254.9**	**29,618.0**	**16,455.5**	**29,983.5**	**27,751.5**
Short-term debt	1,970.5	3,590.4	1,894.8	3,452.5	2,227.7
Trade accounts payable	1,465.3	2,670.0	1,471.5	2,681.3	2,059.2
Other current liabilities	635.5	1,158.0	1,017.5	1,854.0	1,399.5
Total current liabilities	**4,071.3**	**7,418.4**	**4,383.8**	**7,987.8**	**5,686.4**
Long-term debt	2,466.7	4,494.6	2,525.2	4,601.1	4,975.2
Other non-current liabilities	1,832.6	3,339.1	1,802.6	3,284.6	3,453.4
Total non-current liabilities	**4,299.3**	**7,833.7**	**4,327.8**	**7,885.7**	**8,428.6**
Total liabilities	**8,370.6**	**15,252.1**	**8,711.7**	**15,873.5**	**14,115.0**
Capital	6,838.5	12,460.5	6,838.5	12,460.5	12,460.5
Capital reserves	43.9	79.9	41.9	76.3	69.4
Income reserves	971.8	1,770.8	966.1	1,760.4	1,064.7
Retained earnings	78.4	142.9	—	—	—
Treasury shares	(35.8)	(65.2)	(35.8)	(65.3)	(0.7)
Other comprehensive income (loss)	(36.2)	(66.0)	(88.6)	(161.5)	35.2
Attributable to interest of controlling shareholders	**7,860.7**	**14,322.9**	**7,722.1**	**14,070.4**	**13,629.1**
Non-controlling interest	23.6	43.0	21.7	39.6	7.4
Shareholders' equity	**7,884.3**	**14,365.9**	**7,743.8**	**14,110.0**	**13,636.5**
Total liabilities and shareholders' equity	**16,254.9**	**29,618.0**	**16,455.5**	**29,983.5**	**27,751.5**

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2012 of R$1.8221 = U.S.$1.00.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements, our unaudited interim consolidated financial statements and the information presented under "Presentation of Financial and Other Information," "Summary Financial and Other Information" and "Selected Financial Information." This discussion and analysis should also be read in conjunction with "Item 5: Operating and Financial Review and Prospects" in our 2011 Form 20-F.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and "Forward-Looking Statements."

Results of Operations

Business Segments and Product Lines

In order to reflect organizational changes that took place during the last quarter of 2011, we currently report our results according to the following segments, divided according to the sales channel:

- ***Domestic market***, which includes our sales within Brazil, except for dairy products and sales to food services customers;
- ***Export market***, which includes our export sales and sales generated outside Brazil, except for dairy products and sales to food service customers;
- ***Dairy products***, which includes our sales of milk and dairy products, produced both domestically and abroad; and
- ***Food service***, which includes sales of all products in our portfolio, except for dairy products, in the domestic and export markets in the food service category, which includes fast food chains, restaurants, hotels and the institutional market.

Within these segments, we report net sales in important product categories, to the extent relevant to a given segment:

- ***Poultry***, consisting of frozen whole and cut chickens and other poultry sold in both our domestic and export markets and in our food service segment;
- ***Pork and Beef***, consisting of frozen pork cuts and beef cuts sold in both our domestic and export markets and in our food service segment;
- ***Processed Meat Products,*** sold in both our domestic and export markets and in our food service segment, such as the following:
  - marinated frozen whole and cut chickens, roosters (sold under the Chester® brand) and turkeys;
  - specialty meats, such as sausages, ham products, bologna, frankfurters, salami, bacon and other smoked products; and
  - frozen processed meats, such as hamburgers, steaks, breaded meat products, kibes and meatballs, and frozen processed vegetarian foods;
- ***Other Processed Products***, sold in both our domestic and export markets and in our food service segment:
  - frozen prepared entrees, such as lasagna and pizzas, as well as other frozen foods, including vegetables, cheese breads and pies;
  - juices, soy milk and soy juices; and
  - margarine;

- ***Milk***, consisting of both UHT and pasteurized milk sold in Brazil in our dairy products segment;
- ***Other Dairy Products***, such as flavored milk, yogurts, fruit juices, soy-based beverages, cheeses and desserts sold primarily in Brazil but also abroad in our dairy product segment; and
- ***Other***, such as soy meal, refined soy flour and animal feed sold in our domestic and export markets.

In the domestic market, which accounted for 61.8% of our net sales in the three months ended March 31, 2012, we operate under brand names such as *Perdigão, Sadia, Chester, Batavo, Elegê, Miss Daisy, Qualy* and *Becel* (through a strategic joint venture with Unilever) and *Turma da Mônica* (under a license).

We export to more than 5,000 clients, primarily made up of distributors, the institutional market (which includes restaurants and food service chains) and food processing companies. In the three months ended March 31, 2012, our exports accounted for approximately 38.2% of our net sales, of which exports, (1) 17.9% were to Europe, (2) 23.4% were to the Far East, (3) 6.8% were to Eurasia (including Russia), (4) 30.3% were to the Middle East, and (5) 21.6% were to the Americas, Africa and other regions. In export markets, our leading brands are *Perdix, Sadia, Hilal, Halal, Corcovado, Batavo, Fazenda, Borella* and *Confidence*.

In the three months ended March 31, 2012, (1) 30.6% of our net sales were derived from poultry, (2) 9.9% from pork and beef, (3) 34.4% from processed meat products, (4) 12.0% from other processed products, (5) 10.0% from milk and other dairy products, and (6) 3.0% from other products. No single customer represented more than 5% of our net sales in the three months ended March 31, 2012.

Results of Operations as a Percentage of Net Sales for the Three Months Ended March 31, 2012 Compared to the Three Months Ended March 31, 2011

The following table sets forth the components of our results of operations as a percentage of net sales for the three months ended March 31, 2012 and 2011.

	Three Months Ended March 31,	
	2012	2011
	(unaudited)	
	(%)	(%)
Net sales	100.0	100.0
Cost of sales	(78.8)	(74.3)
Gross profit	21.2	25.7
Selling expenses	(15.0)	(14.2)
General and administrative expenses	(1.4)	(1.4)
Other operating expenses	(0.7)	(1.4)
Equity interest in income of affiliates	0.1	0.0
Operating income	4.2	8.7
Financial income (expenses), net	(1.2)	(0.9)
Income before taxes	3.0	7.9
Income and social contribution taxes	(0.6)	(1.3)
Net income	2.4	6.4
Attributable to:		
BRF shareholders	2.4	6.4
Non-controlling interest	0.0	0.1

Presentation of Net Sales Information

We report net sales after deducting taxes on gross sales and discounts and returns. Our total sales deductions can be broken down as follows:

- *ICMS Taxes* — ICMS is a state value-added tax on our gross sales in the domestic market at a rate that varies by state and product sold. Our average ICMS tax rate for the three months ended March 31, 2012 was 10.0%.

- *PIS and COFINS Taxes* — The PIS and the COFINS taxes are federal social contribution taxes on our gross sales in the domestic market at the aggregate rate of 5.4% for PIS and COFINS for the three months ended March 31, 2012. However, we currently benefit from a suspension of these taxes for *in natura* meat of pork, poultry and beef cuts as well as a zero tax rate for some dairy products.
- *Discounts, Returns and Other Deductions* — Discounts, returns and other deductions are unconditional discounts granted to customers, product returns and other deductions from gross sales.

Most of our deductions from gross sales are attributable to the ICMS, PIS and COFINS taxes. As a result, our deductions from gross sales in the domestic market, which are subject to these taxes, are significantly greater than our deductions from gross sales in our export markets.

The table below sets forth our gross sales and deductions for the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31,		
	2012	**2011**	**Change**
	(in millions of *reais*) (unaudited)		**(%)**
Gross sales:			
Domestic sales	3,586.6	3,305.3	8.5
Foreign sales	2,417.5	2,439.8	(0.9)
Dairy products	752.8	737.3	2.1
Food service	399.7	380.2	5.1
	7,156.6	6,862.6	4.3
Sales deductions			
Domestic sales	(595.1)	(614.8)	(3.2)
Foreign sales	(58.4)	(57.3)	2.1
Dairy products	(119.1)	(109.4)	8.7
Food service	(46.9)	(60.6)	(22.6)
	(819.5)	(842.1)	(2.7)
Net sales			
Domestic sales	2,991.5	2,690.5	11.2
Foreign sales	2,359.1	2,382.5	(1.0)
Dairy products	633.7	627.9	1.0
Food service	352.8	319.6	10.4
	6,337.1	6,020.5	5.3

Three Months Ended March 31, 2012 Compared with Three Months Ended March 31, 2011

The following provides a comparison of our results of operations for the three months ended March 31, 2012 as compared to our results of operations for the corresponding period in 2011, based on our unaudited interim consolidated financial statements prepared in conformity with IFRS for interim financial reporting in accordance with IAS 34 — *Interim Financial Reporting*.

As described in more detail below, our results of operations for the three months ended March 31, 2012 reflect the challenging scenario in our export markets, a situation we also observed in the three months ended December 31, 2011. Certain key markets such as Japan and the Middle East continue to suffer a process of adjustment and normalization of inventory levels and merchandise flows. At the same time, the performance of our domestic market and food service segments was good in spite of a weaker than expected first quarter of 2012 in the Brazilian market.

Net Sales

Our net sales increased by R$316.6 million, or 5.3%, to R$6,337.1 million in the three months ended March 31, 2012, from R$6,020.5 million in the corresponding period in 2011, primarily due to increased sales in our domestic market and food service segments, as described below.

Domestic Market

Net sales in the domestic market increased by R$301.0 million, or 11.2%, to R$2,991.5 million in the three months ended March 31, 2012, from R$2,690.5 million in the corresponding period in 2011, primarily due to an 8.4% increase in average selling prices and, to a lesser extent, a 3.0% increase in volume. Net sales increased primarily with respect to processed meat products, and, to a lesser extent, pork and beef and other products, while net sales of poultry decreased. Such increases in net sales are mainly attributable to changes in the mix of products sold, as a result of an increased concentration of higher priced products.

The following table provides a breakdown of changes in net sales and sales volumes in the domestic market.

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2012	2011	Change	2012	2011	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Domestic Market						
Meat:						
In natura:						
Poultry	273	300	(9)	66	63	6
Pork/Beef	208	180	16	33	30	9
Total meats (*in natura*)	481	479	—	99	93	7
Processed meats	2,318	2,078	12	435	420	4
Other	193	133	44	99	105	(6)
Total	2,992	2,690	11	633	617	3

The following table sets forth our average selling prices in the domestic market.

	Average Selling Prices		
	Three Months Ended March 31,		
	2012	2011	Change
	(in *reais* per kg)		(%)
Domestic Market	4.73	4.36	8.4

Export Markets

Net sales to our export markets decreased R$23.4 million, or 1.0%, to R$2,359.1 million in the three months ended March 31, 2012, from R$2,382.5 million in the corresponding period in 2011. Our exports were affected by price and volume pressures in certain key regions, such as the Middle East, as a result of the "Arab Spring," and Japan. This decrease in exports primarily reflected a decrease in net sales of *in natura* poultry, which decrease was partially offset by small increases in net sales of processed meat products, other processed products and *in natura* pork and beef. While export volumes increased by 6.9%, from 541 thousand tons to 578 thousand tons, export net sales decreased due to a reduction in prices resulting from high existing levels of local inventory in important markets. This inventory was built up in 2011 at a time of strong demand from importers in these regions due to production shortfalls in various producing countries, which led to increased demand for Brazilian meat products in earlier periods.

In general, although sales volumes of poultry and pork were higher in the three months ended March 31, 2012 than in the corresponding period in 2011, sales volumes of poultry and pork were lower than in the three months ended December 31, 2011. With respect to beef, we have not seen a recovery in either *in natura* or processed beef export sales volumes, which were lower in the three months ended March 31, 2012 than both the corresponding period in 2011 and the three months ended December 31, 2011.

The following table provides a breakdown of changes in net sales and sales volumes in our export markets.

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2012	2011	Change	2012	2011	Change
	(in millions of *reais*, unless otherwise specified) (unaudited)		(%)	(in thousands of tons, unless otherwise specified)		(%)
Export Markets						
Meat:						
In natura:						
Poultry	1,538	1,621	(5)	437	400	9
Pork/Beef	412	359	15	68	62	9
Total meat (*in natura*)	1,950	1,980	(1)	504	462	9
Processed meats	409	403	1	74	79	(6)
Total	2,359	2,383	(1)	578	541	7

The following table sets forth our average selling prices in our export markets.

	Average Selling Prices		
	Three Months Ended March 31,		
	2012	2011	Change
	(in *reais* per kg)		(%)
Export Markets	4.08	4.40	(7.4)

We reported the following performance in our main overseas markets:

Far East — This market experienced narrower margins during the three months ended March 31, 2012, which are expected to persist until local inventory is fully aligned with supply and demand. Volumes increased by 27.6% and net sales increased by 9.9%. The Japanese market performed well up to the end of the first half of 2011 and then began to experience pricing pressures in the fourth quarter of 2011, which continued during the three months ended March 31, 2012. The negative effects in the Japanese market were offset by increases in net sales in other countries, particularly Hong Kong and Singapore.

Eurasia — Net sales decreased 30.2% and volumes decreased 26.7%, mainly due to the Russian trade ban on imports from a large part of Brazilian exporters. However, Ukraine absorbed a substantial portion of the volumes originally intended for export to the Russian market, partially offsetting the impact of the ban.

Europe — Net sales increased 3.1%, despite a 1.5% decrease in volume, due to our continued strategic focus on higher value-added products, especially with respect to *Plusfood*, which is expanding its portfolio of products based on increased local production capacity. This strategic focus and shift in product mix has helped us mitigate the effects of the economic challenges experienced by some regions in Europe.

Middle East — Volumes increased 6.3%, while net sales decreased 9.9%, mainly as a result of the macroeconomic consequences of the "Arab Spring," which included a reduction in prices of *in natura* products, especially grilled chicken, thereby reducing margins in the market.

South America — Net sales increased 36.6% and volumes increased 26%, supported by the newly acquired businesses of Avex and Dánica, as well as growing demand in the South American markets as a whole. However, the Argentine government has adopted measures making it more difficult to export to Argentina from Brazil, which may impact future exports to the region.

Africa and other countries — Although the African economies continued to grow during the three months ended March 31, 2012 period, imports into Africa, including from Brazil, decreased. Net sales in the region decreased by 0.9%, and volume decreased by 1.4%.

Dairy Products

Net sales of dairy products increased by R$5.8 million, or 0.9%, to R$633.7 million in the three months ended March 31, 2012, from R$627.9 million in the corresponding period in 2011, despite a drop in volume of 10.1%, primarily in the fluid milk business, where volumes were down due to higher production costs. While operating margins for this segment continue to experience pressure, product launches in the cheese line, namely Sadia's *danbo* and *mozzarella* cheeses, are beginning to show favorable results, reporting a 127% increase in net sales and an 86% increase in sales volumes for those products, which are sold into the retail and food service channels.

The following table provides a breakdown of changes in net sales and sales volume of dairy products.

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2012	2011	Change	2012	2011	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Dairy Products:						
Dry division	383	431	(11)	192	222	(13)
Fresh and frozen division	251	197	28	59	58	3
Total dairy products	634	628	1	252	280	(10)

The following table sets forth our average selling prices of dairy products.

	Average Selling Prices		
	Three Months Ended March 31,		
	2012	2011	Change
	(in *reais* per kg)		(%)
Dairy products	2.52	2.24	12.3

Food Service

Net sales in the food service segment increased by R$33.2 million, or 10.4%, to R$352.8 million in the three months ended March 31, 2012, from R$319.6 million in the corresponding period in 2011, primarily resulting from an 8% increase in volumes, especially with respect to processed products, and a 2.2% increase in average prices.

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2012	2011	Change	2012	2011	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Food service	353	320	10	57	53	8

The following table sets forth our average selling prices in our food service segment.

	Average Selling Prices		
	As of March 31,		
	2012	2011	Change
	(in *reais* per kg)		(%)
Food service	6.16	6.03	2.2

Cost of Sales

Cost of sales increased 11.6% to R$4,993.6 million in the three months ended March 31, 2012 from R$4,474.9 million during the corresponding period in 2011, principally due to a 11.8% increase in the cost of corn and a 6.6% increase in the cost of milk, as well as other increases in the costs of raw materials and direct inputs, including breeding stock, which increased 6.7%.

Gross Profit

Gross profit decreased 13.1% to R$1,343.5 million in the three months ended March 31, 2012 from R$1,545.6 million in the corresponding period in 2011. Our gross profit was 21.2% of net sales in the three months ended March 31, 2012, compared to 25.7% in the corresponding period in 2011. This decrease in gross profit reflects our cost of sales having increased at a greater rate than our net sales, due to the reasons described above, namely added costs resulting from raw material and input costs and challenges in our export markets due to political events and an oversupply of inventory in certain key markets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 10.7% to R$1,039.1 million in the three months ended March 31, 2012 from R$939.1 million in the corresponding period in 2011, mainly due to increases in our personnel expenses, freight costs and storage costs. Personnel expenses increased primarily due to the hiring of new employees at our distribution centers that were previously outsourced and to the growth in selling personnel in our food service segment. Freight costs increased primarily due to changes in delivery routes, which, in some cases, resulted in longer routes, as well as due to increases in fuel costs. Storage costs increased due to an increase in our inventory levels during the three months ended March 31, 2012 compared to the corresponding period in 2011. Selling expenses increased by 11.5%, and general and administrative expenses increased by 2%.

Other Operating Expenses

Other operating expenses decreased 49.8% to R$42.0 million in the three months ended March 31, 2012 from R$83.6 million in the corresponding period in 2011, due to income from reversal of provisions, recovery of expenses and pre-operational costs of new industrial units, as well as reversals of provisions for tax and civil claims. In accordance with IFRS, profit sharing is also included under this item.

Operating Income

Operating income before financial expenses (income) decreased 48.9% to R$268.1 million in the three months ended March 31, 2012 from R$525.0 million in the corresponding period in 2011, primarily due to lower gross profit as well as higher selling, general and administrative expenses. As a result, our operating income as a percentage of net sales was 4.2% in the three months ended March 31, 2012, representing a 450 basis point decrease as compared to 8.7% in the corresponding period in 2011.

The table below sets forth our operating income on a segment basis:

	Operating Income by Segment		
	Three Months Ended March 31,		
	2012	**2011**	**Change**
	(in millions of *reais*) (unaudited)		**(%)**
Domestic market	285.0	287.2	(0.8)
Export markets	(54.1)	194.0	(127.9)
Dairy products	(1.6)	(0.8)	(56.3)
Food service	38.8	44.6	(12.0)
Total	268.1	525.0	(49.0)

Financial Income (Expenses), net

Financial income (expenses), net was R$(75.0) million in the three months ended March 31, 2012, representing a 43.4% increase in financial expenses as compared to the corresponding period in 2011, when financial expenses were R$(52.3) million. This increase resulted mainly from an increase in net debt, as well as foreign exchange variation.

Given our high levels of exports, as well as our foreign-currency denominated debt, we use derivative and non-derivative financial instruments for currency hedging purposes, in accordance with hedge accounting standards (CPC 38 and IAS 39), which has the effect of excluding unrealized foreign exchange variations from our results of operations. On March 31, 2012, we had non-financial derivative instruments designated as hedge accounting for purposes of foreign exchange exposure of U.S.$595 million, and financial derivative instruments designated as hedge accounting for purposes of interest rate exposure relating to exports of U.S.$1,385 million, Euro 216 million and GBP 77.1 million. In each case, the unrealized foreign exchange variation is recorded under shareholders' equity instead of under financial income (expenses), net.

Income Tax and Social Contribution

Income tax and social contribution was R$40.2 million in the three months ended March 31, 2012, representing a 53.3% decrease as compared to the corresponding period in 2011, when income tax and social contribution was R$86.0 million. Such variation is related to the decrease in our income before taxes during the three months ended March 31, 2012 compared to the corresponding period in 2011.

Net Income

For the reasons described above, net income attributable to BRF shareholders was R$153.2 million in the three months ended March 31, 2012, representing a 60.1% decrease as compared to R$383.5 million for the corresponding period in 2011. Our net margin for the three months ended March 31, 2012 was 2.4%, representing a 400 basis point decrease as compared to our net margin of 6.4% for the corresponding period of 2011.

Liquidity and Capital Resources

Our main cash requirements are the servicing of our debt, capital expenditures relating to expansion programs, acquisitions and the payment of dividends and interest on shareholders' equity. Our primary cash sources have been cash flow from operating activities, loans and other financings, offerings of our common shares and sales of marketable securities. We believe that these sources of cash will be sufficient to cover our working capital needs in the ordinary course of our business.

For a description of our cash flows for the year ended December 31, 2011, see "Item 5: Operating and financial Review and prospects — Liquidity and Capital Resources" in our 2011 Form 20-F.

Cash Flows from Operating Activities

We recorded net cash flows from operating activities of R$616.6 million in the three months ended March 31, 2012, compared to net cash flows from operating activities of R$62.1 million in the corresponding period in 2011. Our operating cash flow for the three months ended March 31, 2012 reflects net income attributable to BRF shareholders of R$153.2 million, net non-cash adjustments of R$229.3 million and net changes in operating assets and liabilities of R$234.1 million. The net changes in operating assets and liabilities in the three months ended March 31, 2012 included redemptions of trading securities, net of investments in trading securities of R$548.0 million mainly used for capital expenditures and debt payments, decrease in trade accounts receivable of R$524.2 million due to the collection of holiday sales from December 2011, an increase in inventories of R$331.9 million, interest paid in the amount of R$127.1 million and disbursements for payroll and related charges totaling R$328.0 million.

Cash Flows Used in Investing Activities

We recorded R$589.6 million in net cash flows used in investing activities in the three months ended March 31, 2012, compared to R$275.8 million in the corresponding period in 2011. In the three months ended March 31, 2012, our cash used in investing activities consisted primarily of capital expenditures in property, plant and equipment in the amount of R$448.0 million, mainly attributable to (1) construction work, including expansion of industrial units, in the total amount of R$350.7 million, and (2) advances to suppliers of R$53.4 million and the acquisition and formation of breeding stock of R$116.7 million.

Cash Flows Used in Financing Activities

We recorded net cash flows used in financing activities of R$163.6 million in the three months ended March 31, 2012, compared to R$28.2 million provided by financing activities in the corresponding period in 2011. In the three months ended March 31, 2012, we received proceeds from loans and financings in the amount of R$801.4 million, which was more than offset by repayments of debt totaling R$625.1 million and interest payments on shareholders' equity in the amount of R$339.9 million related to the 2011 fiscal year.

Debt

We use the net proceeds of our indebtedness primarily for capital expenditures, liquidity and purchases of raw materials. The following table sets forth our indebtedness (according to the type of debt and currency) net of cash, cash equivalents and marketable securities for the periods indicated.

	At March 31, 2012		At March 31, 2012	At December 31, 2011
	Short-term	Long-term		
	(in millions of *reais*, except where indicated)			
Total debt	3,590.4	4,494.6	8,085.0	8,053.6
(-)Other financial assets and liabilities, net	(115.8)	—	(115.9)	(247.2)
(-)Cash, cash equivalents and marketable securities:				
Local currency	612.4	120.96	733.4	1,203.4
Foreign currency	1,412.5	80.98	1,493.5	1,689.6
Total	2,024.9	201.9	2,226.8	2,892.9
Net debt	1,681.3	4,292.6	5,974.0	5,407.9
Exchange rate exposure (in millions of U.S.$)(1)			U.S.$468.1	U.S.$470.7

(1) See Note 4.3.1 in our unaudited interim consolidated financial statements included in this offering memorandum for a table showing the calculation of our exchange rate exposure on the dates presented.

The maturity schedule of our indebtedness as of March 31, 2012 is as follows:

Current (through March 31, 2013)	R$3,590.4
2013	527.7
2014	658.2
2015	269.1
2016 and onwards	3,039.6
Total	**R$8,085.0**

Our principal debt instruments as of December 31, 2011 are described below. The descriptions below update and supersede the descriptions set forth in "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Debt" in our 2011 Form 20-F. For more information on these facilities, including information on average interest rates and weighted average maturities, see Note 19 to our audited consolidated financial statements included in our 2011 Form 20-F.

BNDES FINEM, Other Secured Debt and Development Bank Credit Lines

BNDES Facilities. We have a number of outstanding obligations to BNDES, including loans in the amount of R$937.1 million as of December 31, 2011. The loans from BNDES were entered into to finance purchases of machinery and equipment and construction, improvement or expansion of our production facilities. Principal and interest on the loans are generally payable monthly, with maturity dates varying from 2012 through 2017. The principal amount of the loans is denominated in *reais*, the majority of which bears interest at the TJLP rate plus a margin.

The remaining amounts totaling R$158.8 million are linked to the Unidade Monetária BNDES, or "UMBNDES," basket of currencies, which are the currencies in which BNDES borrows, and bear interest at the UMBNDES rate, which reflects the daily exchange rate fluctuations in the currencies in that basket. These loans are guaranteed by BRF and, in most cases, are secured by equipment and facilities. The covenants under these agreements include limitations on indebtedness, liens, and mergers and sales of assets.

FINAME Financing. We and our subsidiaries obtained certain financing through several banks from the Special Agency for Industrial Financing (*Agência Especial de Financiamento Industrial*, or "FINAME") for a total of R$9.6 million as of December 31, 2011. We use the funds from these contracts to purchase machinery and equipment. These contracts are secured, usually by the pledge of the financed assets (which cannot be subject to further liens), and are generally supported by guarantees. Most of the contracts provide for acceleration of the debt in the event of corporate restructuring without prior consent of the creditor.

FINEP Financing. We obtained certain financing from *Financiadora de Estudos e Projetos* ("FINEP"), a public financing company under the Ministry of Science, Technology and Innovation. We entered into this loan to finance a milk extraction project. We will repay this debt in 81 equal monthly installments, from December 2011 to August 2018, together with interest in the amount of 5% per annum.

Industrial Credit Notes. We had outstanding industrial credit notes (*Cédulas de Crédito Industrial*), receiving credits from official funds (the Fund for Worker Support (*Fundo de Amparo ao Trabalhador*), the Constitutional Fund for Financing in the Midwest (*Fundo Constitucional de Financiamento de Centro-Oeste*) and the Constitutional Fund for the Financing of the Northeast (*Fundo Constitucional de Financiamento do Nordeste, or FNE*) in the amount of R$328.0 million as of December 31, 2011. These securities have maturity dates of up to five years, except that the industrial credit notes with respect to the FNE mature in 2023. These securities are secured by liens on machinery and equipment and real estate mortgages. BRF guarantees the industrial credit notes with respect to the FNE in an amount in excess of the principal amount of the notes.

Export Credit Facilities

BNDES Facilities — Exim. We have credit lines from BNDES to finance exports, with several commercial banks acting as intermediaries. The outstanding amount of debt on these credit lines as of December 31, 2011 was R$737.1 million. Such funds are indexed to TJLP plus a margin and mature in 2014. Settlement occurs in local currency without the risk associated with exchange rate variations.

Export Prepayment Facilities. We had several export prepayment facilities in an aggregate outstanding amount of R$1,334.3 million as of December 31, 2011. The indebtedness under these facilities is generally denominated in U.S. dollars, with maturity dates varying from 2012 to 2019. Interest under these export prepayment facilities accrues at the three-month or six-month London Interbank Offered Rate ("LIBOR") plus a spread. Under each of these facilities, we receive a loan from one or more lenders secured by the accounts receivable relating to exports of our products to specific customers. The facilities are generally guaranteed by BRF — Brasil Foods S.A. The covenants under these agreements include limitations on liens and mergers.

Business Loan Facilities. We had several trade-related business loan facilities in an aggregate outstanding amount of R$1,196.0 million as of December 31, 2011. The indebtedness under these facilities is denominated in U.S. dollars, and maturities vary from one year to seven years. These facilities bear interest at LIBOR plus a margin, payable quarterly, semi-annually or annually. The proceeds from these facilities are used to import raw materials or for other working capital needs. The facilities are generally guaranteed by BRF. The principal covenants under these agreements include limitations on mergers and sales of assets.

Working Capital Facilities

Rural Credit Financing. We have short-term rural credit loans in the amount of R$942.1 million as of December 31, 2011, with several commercial banks under a Brazilian federal government program that offers favorable interest rates as an incentive to invest in rural activities. We generally use the proceeds of these loans for working capital.

Other Working Capital Facilities. We have also issued Industrial Credit Notes under the Brazilian Fund for Worker Support (*Fundo de Amparo ao Trabalhador*, or "FAT") and Constitutional Fund for Financing of the Northeast (*Fundo Constitucional de Financiamento do Nordeste*, or "FNE"). These notes have maturity dates of up to five years and are secured by pledges of machinery and equipment and real estate mortgages. We also have a small amount of foreign currency credit lines that are used for working capital and import transactions for our operations in Argentina.

Sadia PESA Loan Facility

PESA. Sadia has a loan facility obtained through the Special Sanitation Program for Agroindustrial Assets (*Programa Especial de Saneamento de Ativos*) for an outstanding amount of R$181.4 million as of December 31, 2011, subject to the variation of the IGP-M as of December 31, 2011 plus interest of 4.93% per year, secured by endorsements and pledges of public debt securities.

Tax Incentive Financing Programs

State Tax Incentive Financing Programs. We also had R$14.9 million outstanding as of December 31, 2011 under credit facilities offered under state tax incentive programs to promote investments in those states. Under these programs, we are granted credit proportional to the payment of ICMS tax generated by investments in the construction or expansion of manufacturing facilities in these states. The credit facilities have a 20-year term and fixed or variable interest rates based on the IGP-M plus a margin.

ACC/ACE Pre-Export Loans

ACCs and ACEs. We obtain short-term pre-export loans known as Advances on Exchange Contracts (*Adiantamentos de Contratos de Câmbio*), or "ACCs," and export loans known as Advances on Exchange Delivered (*Adiantamentos sobre Câmbios Entregues*), or "ACEs." Central Bank regulations permit companies to obtain short-term financing under ACCs due within 360 days from the scheduled shipment date of export goods or short-term financing under ACEs due within 180 days from the actual shipment date of export goods, in each case from Brazilian banks but denominated in U.S. dollars. We had ACCs and ACEs in an aggregate outstanding principal amount of R$150.1 million as of December 31, 2011. Our ACCs and ACEs bore interest at an average rate of 1.2% as of December 31, 2011.

Bonds

BFF Notes. In January 2010, we, through our subsidiary BFF International Limited, issued senior notes in the aggregate amount of U.S.$750.0 million. The bonds are guaranteed by BRF and Sadia, bear interest at a rate of 7.250% per year and mature on January 28, 2020. The bonds contain certain covenants, including limitations on liens, sale-leaseback transactions, certain mergers and consolidations, and transactions with affiliates.

Sadia Bonds. In May 2007, Sadia issued bonds in the aggregate amount of U.S. $250.0 million. The bonds are guaranteed by BRF, bear interest at a rate of 6.875% per year and mature on May 24, 2017. The bonds contain certain covenants, including limitations on liens, sale-leaseback transactions, certain mergers and consolidations, and transactions with affiliates.

New Facilities

Since March 31, 2012, we have entered into the debt agreements described below:

Revolving Credit Facility. In order to improve our liquidity management, on April 27, 2012 we and our subsidiaries Perdigão International Ltda. and Perdigão Europe — Sociedade Unipessoal LDA entered into a U.S.$500 million, 3-year revolving credit facility with two tranches (U.S. dollar and euro), with a syndicate of nineteen banks. Borrowing under this revolving credit facility accrues interest at an annual rate of LIBOR plus a spread ranging from 1.6% to 2.5% depending on our credit ratings. As of the date hereof, we have not made any borrowings under this revolving credit facility.

Derivatives

We enter into foreign currency exchange derivatives under which we had exposure of R$247.2 million as of December 31, 2011. The counterparties include several Brazilian financial institutions and involve interest rate swaps and the purchase and sale of currency. Their maturity dates vary from 2012 through 2019. These transactions do not require any guarantees and follow the rules of the São Paulo Stock Exchange or CETIP S.A., a trading and securities registration company. These derivatives are recorded in our balance sheet as other financial assets and liabilities.

Covenants and Covenant Compliance

Several of the instruments governing our indebtedness contain limitations on liens, and some of the instruments governing our indebtedness contain other covenants, such as limitations on indebtedness, mergers and sales of assets, and transactions with affiliates. At March 31, 2012, we were in compliance with the covenants contained in our debt instruments in all material respects.

Our debt instruments include customary events of default. The instruments governing a substantial portion of our indebtedness contain cross-default or cross-acceleration clauses, such that the occurrence of an event of default under one of those instruments could trigger an event of default under other indebtedness or enable a creditor under another debt instrument to accelerate that indebtedness.

Capital Expenditures

The following discussion supplements the information set forth under "Item 4 — Information on the Company — A. History and Development of the Company — Capital Expenditures" in our 2011 Form 20 F.

Investments were R$565.7 million during the three months ended March 31, 2012, representing a 103.4% increase as compared to the corresponding period in 2011, which amount was R$278.1 million. Expenditures were directed to growth, efficiency and support projects, biological assets (including a R$116.7 million investment in breeder stock) and investments to improve synergies and replace production capacity in the context of the asset sales under the TCD. The increase from 2011 is mainly attributable to the implementation of investments that had been delayed or deferred while anti-trust approval for the Sadia business combination was pending with CADE, in addition to other expenditures contemplated by our growth plan.

Additional Information about Contingent Liabilities

The following information supplements the descriptions set forth under "Item 8. Financial Information — A. Consolidated Statements and Other Information — Legal Proceedings" in our 2011 Form 20-F.

Tax Proceedings

As reported in our 2011 Form 20-F, as of December 31, 2011, we had recorded provisions for probable losses, including legal fees, in tax proceedings of R$231.6 million. In addition, as reported in our 2011 Form 20-F, as of December 31, 2011, we were involved in tax proceedings for which we classified the probability of loss as "possible" in the amount of R$5,295.0 million. Of this "possible" amount, R$566.0 million reflected our estimate of the fair value as of December 31, 2011 of the contingent tax liabilities of Sadia as of the date of the business combination for which the risk of loss is classified as possible. We have recorded a provision for these Sadia pre-business combination "possible" amounts pursuant to paragraph 23 of IFRS 3, *Business Combinations.*

In addition, with respect to the description in our 2011 Form 20-F regarding the total amount of disputes relating to allegedly undue ICMS tax credits generated by tax incentives granted by states of origin (known as the *guerra fiscal* dispute), we wish to clarify that the total amount was R$1,331.6 million as of December 31, 2011 (R$1,057.3 million as of December 31, 2010).

Labor Proceedings

Included in the labor proceedings reported in our 2011 Form 20-F are a number of proceedings initiated by the Brazilian Federal Labor Prosecutor's office (*Ministério Público do Trabalho Federal*) relating to overtime, mandated rest breaks and other employee-related issues. Other companies in the industry have been the subject of similar proceedings, and we do not believe these proceedings will have a material adverse effect on us. Of the approximately 50 outstanding proceedings, some have no assigned value, and the largest has a value of approximately R$5 million, which amount is included in the total amounts reported in our 2011 Form 20-F under "Item 8. Financial Information — A. Consolidated Statements and Other Information — Legal Proceedings — Labor Proceedings." We generally disagree with the arguments presented by the Federal Labor Prosecutor and contest or appeal decisions in these proceedings. Occasionally, we enter into settlements with the Federal Labor Prosecutor's office when we believe it is in our interest.

For example, on June 21, 2011, we entered into a consent decree (*Termo de Ajustamento de Conduta*) with the Federal Labor Prosecutor's office (*Ministerio Público do Trabalho Federal*) for the State of São Paulo to settle a claim that we were not employing the minimum number of disabled workers required under Brazilian law. Under the decree, we agreed to donate R$2.1 million to local charities, and we have five years to reach at least 50% of the required quota of disabled persons. If we reach that goal, we will receive an additional five-year period to come into full compliance. If we are unable to meet this requirement, we face fines of up to R$1.0 million, and we will have to donate an additional amount of R$0.1 million.

Update on Litigation Relating to Sadia's Former Chief Financial Officer

As reported in our 2011 Form 20-F under "Item 8. Financial Information — A. Consolidated Statements and Other Information — Legal Proceedings — Litigation Relating to Sadia's Pre-Business Combination Derivatives Activities," Sadia filed a lawsuit in June 2009 against its former Chief Financial Officer, and the same officer filed a labor lawsuit against Sadia. In the first lawsuit, Sadia has appealed unfavorable lower court decisions at the first and second levels and is awaiting a decision from the Superior Court of Justice (*Superior Tribunal de Justiça*). The unfavorable decisions did not address the merits of the case against the former officer. Sadia has made judicial deposits of approximately R$850,000, and we believe our risk of loss is limited to that amount. The labor lawsuit initiated by the former Chief Financial Officer was resolved in early 2012, and Sadia paid a judgment of less than R$100,000.

Additional Information about Property, Plant and Equipment

On December 28, 2010, we entered into a purchase and sale commitment agreement related to the sale of Sadias's corporate offices located at Vila Anastácio, City of São Paulo, for R$120.0 million. We received a down-payment of R$4.0 million in cash and a further R$8.0 million payment in cash and the remainder will be paid in equal monthly installments from the date when the purchaser takes possession of the property, which we expect to occur later in 2012. The description in this paragraph replaces the description set forth under "Item 4. Information on the Company — D. Property, Plant and Equipment — Distribution" in our 2011 Form 20-F.

On October 16, 2008, we executed a consent agreement (*Termo de Ajustamento de Conduta*) with the environmental agency of the State of Santa Catarina (*Fundação do Meio Ambiente – FATMA*), in order to resolve issues arising from the occurrence of a fire that affected our unit in the Municipality of Videira. Under the agreement, we assumed certain obligations, including relating to contributing to the construction of Permanent Preservation Areas in Santa Catarina. To date, we have paid approximately R$287,750.00. We believe there are no more pending obligations that would represent significant additional costs to us. The description in this paragraph replaces the paragraph in our 2011 Form 20-F referring to a consent agreement relating to our Videira unit set forth in "Item 4. Information on the Company — D. Property, Plant and Equipment — Environment."

DESCRIPTION OF THE NOTES

BRF — Brasil Foods S.A. (the "Issuer" or "Brasil Foods"), a *sociedade anônima* (corporation) organized under the laws of the Federative Republic of Brazil ("Brazil"), will issue U.S.$750,000,000 5.875% senior notes due 2022 (the "notes") under an indenture to be dated as of June 6, 2012 (the "indenture"), among the Issuer, Sadia S.A. ("Sadia" or the "Guarantor"), a *sociedade anônima* (corporation) organized under the laws of the Federative Republic of Brazil, as guarantor, The Bank of New York Mellon, as trustee (the "trustee"), registrar and paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.

Brasil Foods issued U.S.$500,000,000 principal amount of 5.875% senior notes due 2022 on June 6, 2012 (the "initial notes") and an additional U.S.$250,000,000 aggregate principal amount of 5.875% senior notes due 2022 on June 26, 2012 (the "additional notes" and, together with the initial notes, the "notes") under the indenture.

The additional notes were issued as additional notes under the indenture, and have identical terms as the initial notes other than issue price and issue date, and will be treated as a single series with the initial notes for all purposes under the indenture. The additional notes have the same CUSIP, ISIN and Common Code numbers as, and are fungible with, the initial notes, except that the additional notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of the issuance of the additional notes. After such 40-day distribution compliance period, the additional notes offered and sold in compliance with Regulation S will have the same CUSIP, ISIN and Common Code numbers as, and will be fungible with, the initial notes offered and sold in compliance with Regulation S.

The following is a summary of the material provisions of the indenture. It does not include all of the provisions of the indenture. You are urged to read the indenture because it, and not this summary, defines your rights. The terms of the notes include those stated in the indenture. You can obtain a copy of the indenture in the manner described under "Available Information" in this offering memorandum. You can find definitions of certain capitalized terms used in this section of this offering memorandum under "Certain Definitions."

Until the notes have been paid, we will maintain a paying agent, a registrar and a transfer agent in New York City and, if and for so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, we will maintain a paying agent and transfer agent in respect of the notes in Luxembourg. The trustee will initially act as paying agent, registrar and transfer agent for the notes. You may present notes for registration of transfer and exchange at the offices of the registrar, which initially will be the trustee's corporate trust office in New York City. No service fee will be charged for any registration of transfer or exchange or redemption of notes, but we may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. We may change any paying agent, registrar or transfer agent without prior notice to holders. We will promptly provide notice of the termination or appointment of any paying agent, registrar or transfer agent, or of any change in the office of any paying agent, registrar or transfer agent as described under "— Notices." At our option, we may pay interest, Additional Amounts, if any, and principal (and premium, if any) at the trustee's principal corporate trust office in New York City or by check mailed to the registered address of each holder.

Brief Description of the Notes and the Guarantee

The Notes

The notes will:

- be the senior unsecured obligations of the Issuer;
- initially be issued in an aggregate principal amount of U.S.$750.0 million;
- bear interest at an annual rate of 5.875%;
- mature at 100% of their principal amount on June 6, 2022;

- be issued in fully registered form without coupons, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- rank equally in right of payment with all existing and future senior unsecured Indebtedness of the Issuer (other than obligations preferred by statute or by operation of law);
- rank senior in right of payment to all existing and future Indebtedness that is subordinated to the notes; and
- be unconditionally guaranteed on a senior unsecured basis by the Guarantor as described under the "— The Guarantee" below.

The Guarantee

The obligations of the Issuer pursuant to the notes will be guaranteed by the Guarantor (the "guarantee"). The guarantee will:

- be the senior unsecured obligation of the Guarantor;
- rank equally in right of payment with all existing and future senior unsecured obligations of the Guarantor (other than obligations preferred by statute or by operation of law); and
- rank senior in right of payment to all existing and future Indebtedness that is subordinated to the guarantee of the Guarantor.

As of March 31, 2012 the Issuer had consolidated total indebtedness of approximately R$8,085 million (U.S.$4,437 million); of the Issuer's consolidated total indebtedness, the Issuer had approximately R$1,468 million (U.S.$806 million) of secured indebtedness to which the notes will be effectively subordinated; the Issuer's non-guarantor Subsidiaries had over R$3,174 million of indebtedness (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the notes and the guarantees. As of March 31, 2012, the Guarantor (on an unconsolidated basis) had approximately R$1,842 million of outstanding debt as primary obligors (and not as guarantor), of which approximately R$785.2 million was secured. As of March 31, 2012, the investments in the Issuer's non-guarantor subsidiaries amounted to R$2,334.8 million, representing 7.9% of the Issuer's consolidated total assets and 16.3% of its consolidated shareholders' equity.

The full and prompt payment of the Issuer's payment Obligations under the notes and the indenture will be guaranteed by the Guarantor. The Guarantor will fully and unconditionally guarantee on a senior unsecured basis to each holder and the trustee the full and prompt payment by, and performance of, the Issuer's Obligations under the indenture and the notes, including the payment of principal of, interest on, premium, if any, on and Additional Amounts, if any, on the notes and all costs and expenses (including legal fees and expenses) incurred by holders or the trustee to enforce their rights under the guarantee.

On February 10, 2012 we announced that we intend to merge Sadia (the Guarantor) with and into Brasil Foods. Upon consummation of the merger of Sadia with and into Brasil Foods, with Brasil Foods being the surviving entity, the Guarantor's guarantee of the notes will be released and terminated. We expect the merger to be effective by December 31, 2012. In the event the merger is not completed, the guarantee will not be released.

Although the indenture will limit the incurrence of Liens on the assets of the Issuer and its Subsidiaries, these limitations are subject to significant exceptions. In addition, the indenture does not impose any limitation on the incurrence of Indebtedness, the making of investments or restricted payments, including the payment of dividends or distributions in respect of Share Capital, by the Issuer or any Subsidiary of the Issuer.

The Issuer's Subsidiaries will be subject to the restrictive covenants of the indenture. However, under Brazilian law, holders will not have any claim against the non-Guarantor Subsidiaries of the Issuer and, in the event of a bankruptcy, liquidation or reorganization of any Subsidiaries, such Subsidiaries will pay creditors holding their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer. As of March 31, 2012, the Issuer's investments in non-Guarantor Subsidiaries represented 16.3% of the Issuer's consolidated shareholders' equity.

Principal, Maturity and Interest

The Issuer will issue the notes in fully registered form without coupons, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The notes will be unlimited in aggregate principal amount and will be issued in an initial aggregate principal amount of U.S.$750.0 million.

The notes will mature on June 6, 2022 (the "Stated Maturity Date"). On that date, the Issuer will pay the registered holders of the notes the principal amount thereof in U.S. dollars.

Interest on the notes will accrue from June 6, 2012 at the rate of 5.875% per annum and will be due and payable semiannually in arrears in immediately available funds on each June 6 and December 6, commencing on December 6, 2012 to the Persons who are registered holders at the close of business on each May 15 and November 15 immediately preceding the applicable interest payment date (whether or not a Business Day). Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. The Issuer will pay interest on overdue principal at 1.00% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate, in each case to the extent permitted by applicable law. Interest on the notes will be payable in U.S. dollars. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Notes

The Issuer may from time to time and without the consent of holders of the notes issue additional notes ("Additional Notes"). The notes and any Additional Notes will be substantially identical other than the issue price, issuance dates and the dates from which interest will accrue. Unless the context otherwise requires, for all purposes of the indenture and this "Description of the Notes," references to the notes include any Additional Notes that may be issued. If any Additional Notes are not fungible with the notes for U.S. federal income tax purposes, Additional Notes will have a different CUSIP number or numbers and will be represented by a different global note or notes.

Redemption

Optional Redemption

The Issuer or the Guarantor may redeem the notes, in whole or in part, at any time after June 6, 2017 at a redemption price equal to the greater of (1) 100% of principal amount thereof, and (2) the sum of the present values, calculated as of the redemption date, of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the redemption date) due after the redemption date through the Stated Maturity Date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date. Any redemption of notes by the Issuer pursuant to this paragraph will be subject to either (1) there being at least U.S.$150 million in aggregate principal amount of notes (including any Additional Notes) outstanding after such redemption or (2) the Issuer redeeming all the then outstanding principal amount of the notes.

No such redemption shall be effective unless and until the trustee receives the amount payable upon redemption as set forth above.

Any notice of optional redemption will be made not less than 30 days or more than 60 days before the redemption date. All notices will be given in accordance with the provision set out under "— Notices" below.

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption on a *pro rata* basis, by lot or by such method as the trustee deems fair and appropriate. If the notes are to be redeemed in part only, the notice of redemption will state the principal amount of the notes that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of the note upon cancellation of the original note. Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Redemption for Tax Reasons

The Issuer or the Guarantor may redeem the notes, in whole but not in part, upon notice of not less than 30 nor more than 60 days, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and Additional Amounts, if any, to the redemption date, if as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Taxing Jurisdiction (as defined under "— Additional Amounts" below); or

(2) any amendment to or change in an official interpretation or application regarding such laws, treaties, regulations or rulings (including a determination by a court of competent jurisdiction),

which amendment or change becomes effective on or after the Issue Date, the Issuer or the Guarantor, as the case may be, has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the notes (and, in respect of the Obligations of the Guarantor, the Guarantor is making or will be making payments with respect to the notes in lieu of the Issuer), any Additional Amounts in excess of those attributable to a Brazilian withholding tax rate of 15% (see "Taxation — Material Brazilian Tax Considerations"), determined without regard to any interest, fees, penalties or other additions to tax and the Issuer or the Guarantor, as the case may be, determines in good faith that such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor (including, without limitation, by changing the jurisdiction from which or through which payment is made, to the extent such change would be a reasonable measure in light of the circumstances); *provided* that*:*

(a) no such notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obligated to pay such Additional Amounts were a payment in respect of the notes then due and payable, and

(b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

No such redemption shall be effective unless and until the trustee receives the amount payable upon redemption as set forth above.

Immediately prior to the delivery of any notice of redemption to the holders pursuant to this provision, the Issuer or the Guarantor will deliver to the trustee:

(i) an Officers' Certificate (A) stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption, (B) setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor to so redeem have occurred, and (C) stating that all governmental approvals, if any, necessary to effect such redemption have been obtained and are in full force and effect; and

(ii) an Opinion of Counsel in the relevant Taxing Jurisdiction (as such term is defined under "— Additional Amounts" below) to the effect that (A) the Issuer or the Guarantor, as the case may be, has or will become obligated to pay such Additional Amounts as a result of such amendment or change and (B) all governmental approvals, if any, necessary to effect such redemption have been obtained and are in full force and effect.

Any notice of redemption pursuant to this provision will be irrevocable.

The foregoing provisions will apply *mutatis mutandis* to the laws and official interpretations or applications of any jurisdiction in which any successor permitted under "Covenants — Merger, Consolidation and Sale of Assets" is organized, but only with respect to events arising after the date of succession.

No Mandatory Redemption or Sinking Fund

Neither the Issuer nor the Guarantor are required to make any mandatory redemption or sinking fund payments with respect to the notes.

Open Market Purchases

The Issuer, the Guarantor or their respective Affiliates may at any time and from time to time purchase notes in the open market or otherwise. Any such repurchased notes will not be resold other than in compliance with applicable requirements or exemptions under the relevant securities laws.

Additional Amounts

All payments made by the Issuer or the Guarantor under, or with respect to, the notes or the guarantee, as the case may be, will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, "Taxes") imposed or levied by or on behalf of Brazil or any other jurisdiction in which the Issuer or the Guarantor is organized or is a resident for tax purposes or within or through which payment is made or any political subdivision or taxing authority or agency thereof or therein (each, a "Taxing Jurisdiction") unless the Issuer or the Guarantor, as the case may be, is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.

If the Issuer or the Guarantor is so required to withhold or deduct any amount for, or on account of, such Taxes from any payment made under or with respect to the notes, the Issuer or the Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each holder or beneficial owner (including Additional Amounts) after such withholding or deduction will not be less than the amount such holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the relevant Taxing Jurisdiction (other than the mere receipt of such payment or the ownership or holding of or the execution, delivery, registration or enforcement of such note or guarantee);

(2) any estate, inheritance, gift, sales, excise, transfer, personal property tax or similar Taxes;

(3) any Taxes payable otherwise than by deduction or withholding from payments of principal of, premium, if any, or interest on, such note;

(4) any Taxes that would not have been so imposed but for the presentation of such notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the holder or beneficial owner thereof would have been entitled to Additional Amounts had the notes been presented for payment on any date during such 30-day period;

(5) any Taxes that would not have been so imposed if the holder or beneficial owner of the note had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (a) such declaration of non-residence or other claim or filing for exemption is required by the applicable law, regulations or administrative practice of the Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or part of such Taxes and (b) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law, regulations or administrative practice of the Taxing Jurisdiction, the relevant holder or beneficial owner at that time has been notified by the Issuer or Guarantor or any other person through whom payment may be made, that a declaration of non-residence or other claim or filing for exemption is required to be made);

(6) any payment to a holder of a note that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such note;

(7) any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to the European Union Directive on the taxation of savings income (the "Directive") implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting on November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(8) any Taxes imposed in connection with a note presented for payment by or on behalf of a holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant note to another paying agent in a member state of the European Union if the holder is a resident of the European Union for tax purposes.

Such Additional Amounts will also not be payable where, had the beneficial owner of the note been the holder of the note, it would not have been entitled to payment of Additional Amounts by reason of any combination of clauses (1) to (8), inclusive, above.

The foregoing provisions will survive any termination or discharge of the indenture and will apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to the Issuer or the Guarantor, as the case may be. The Issuer or the Guarantor, as applicable, will (i) make such withholding or deduction of applicable Taxes and (ii) remit the full amount deducted or withheld to the relevant Taxing Jurisdiction in accordance with applicable law. The Issuer or the Guarantor, as applicable, will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Taxing Jurisdiction imposing such Taxes and will furnish such certified copies to the trustee within 30 days after the date the payment of any Taxes so deducted or so withheld is due pursuant to applicable law or, if such tax receipts are not reasonably available, furnish such other documentation that provides reasonable evidence of such payment.

At least 30 days prior to each date on which any payment under or with respect to the notes or the guarantee, as the case may be, is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Issuer or the Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Issuer or the Guarantor will deliver to the trustee an Officers' Certificate, among other things, stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the trustee to pay such Additional Amounts to holders of notes on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters.

The Issuer or the Guarantor, as the case may be, will pay any present or future stamp, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which arise in any jurisdiction from the initial execution, delivery or registration of the notes, the indenture or any other document or instrument in relation thereto or the enforcement of the notes or the guarantee following the occurrence and during the continuance of any Default, excluding all such Taxes, charges or similar levies imposed by any jurisdiction other than a Taxing Jurisdiction unless resulting from, or required to be paid in connection with, the enforcement of the notes or the guarantee or any other document or instrument in relation thereto following the occurrence and during the continuance of any Default with respect to the notes or the guarantee, and each of the Issuer and the Guarantor will agree to indemnify the holders and beneficial owners of the notes and the trustee for any such Taxes, charges or similar levies paid by such holders or beneficial owners or the trustee.

Whenever in this offering memorandum, the indenture or the notes there is any reference to the payment of principal, premium, if any, or interest, or any other amount payable under or with respect to the notes by the Issuer or the guarantee by the Guarantor, such reference will be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Covenants

The following covenants will, so long as any of the notes remains outstanding, apply to the Issuer and its Subsidiaries.

Limitation on Liens

The Issuer will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien, other than a Permitted Lien, of any kind against or upon any Property or assets of the Issuer or any of its Subsidiaries whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, or assign or otherwise convey any right to receive income or profits therefrom unless it has made or will make effective provision whereby (a) the notes or the guarantee will be secured by such Lien equally and ratably with (or prior to, in the event such Indebtedness is subordinated in right of payment to the notes or the guarantee) all other Indebtedness of the Issuer or any Subsidiary secured by such Lien and (b) if such Lien secures obligations subordinated to the notes or the guarantee in right of payment, such Lien will be subordinated to a Lien securing the notes or the guarantee in the same Property as that securing such Lien to the same extent as such subordinated obligations are subordinated to the notes and the guarantee. Any Lien created for the benefit of the holders of the notes pursuant to the preceding sentence will provide by its terms that such Lien will be automatically and unconditionally released and discharged upon release and discharge of the initial Lien.

Limitation on Sale and Leaseback Transactions

The Issuer will not, and will not permit any of its Subsidiaries to, enter into any sale and leaseback transaction; *provided, however*, that the Issuer or any Subsidiary may enter into a sale and leaseback transaction if:

(1) the Issuer or that Subsidiary, as applicable, could have incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "— Limitation on Liens;" and

(2) the gross cash proceeds and/or Fair Market Value of any Property received in connection with such sale and leaseback transaction are at least equal to the Fair Market Value, as set forth in an Officers' Certificate delivered to the trustee, of the Property that is the subject of such transaction.

Merger, Consolidation and Sale of Assets

Neither the Issuer nor the Guarantor will, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary of the Issuer or the Guarantor to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of its assets (determined on a consolidated basis) whether as an entirety or substantially as an entirety to any Person unless:

(1) either the Issuer or the Guarantor, as the case may be, will be the surviving or continuing corporation or the Person (if other than the Issuer or the Guarantor) formed by such consolidation or into which either the Issuer or the Guarantor, as the case may be, is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer or the Guarantor, as applicable, and of either the Issuer's or the Guarantor's Subsidiaries, as applicable, substantially as an entirety (the "Surviving Entity"):

(a) will be a Person organized and validly existing under the laws of Brazil, the United States of America, any state thereof or the District of Columbia, or any other country that is a member country of the European Union or of the Organisation for Economic Co-operation and Development (OECD) on the date of the indenture; and

(b) will expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the trustee), executed and delivered to the trustee, the due and punctual performance of every covenant of the notes and the indenture on the part of the Issuer or the Guarantor, as the case may be, to be performed or observed thereunder (including the payment of Additional Amounts, subject to the same exceptions as set forth under "— Additional Amounts," but adding references to the United States or such other country of organization to the existing references in such clause to Brazil);

(2) immediately after giving effect to such transaction and the assumption contemplated by clause (1)(b) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness

incurred or anticipated to be incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default will have occurred or be continuing;

(3) either the Issuer or the Guarantor, as the case may be, or the Surviving Entity will have delivered to the trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the applicable provisions of the indenture and that all conditions precedent in the indenture relating to such transaction have been satisfied; and

(4) either the Issuer or the Guarantor, as the case may be, or the Surviving Entity agrees to indemnify each holder against any tax, assessment or governmental charge thereafter imposed on such holder solely as a consequence of such consolidation, merger, sale, assignment, transfer, lease, conveyance, or other disposition with respect to the payment of principal of, or interest on, the notes.

Notwithstanding the foregoing, Sadia may be merged with and into Brasil Foods, with Brasil Foods being the Surviving Entity, without compliance with the foregoing requirements, *provided* that the Issuer shall certify of the completion of such transaction in an Officers' Certificate delivered to the trustee.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Issuer or the Guarantor, as applicable, the Share Capital of which constitutes all or substantially all of the properties and assets of the Issuer or the Guarantor, as applicable, will be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or the Guarantor, as applicable.

The indenture will provide that upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Issuer or the Guarantor in accordance with the foregoing, in which the Issuer or the Guarantor is not the surviving or the continuing corporation, the successor Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Guarantor, as applicable, under the indenture and the notes with the same effect as if such surviving entity had been named as such. Upon such substitution, the Issuer or the Guarantor, as applicable, will be released from its obligations under the indenture and the guarantee, to the extent applicable.

Notwithstanding anything to the contrary in the foregoing, so long as no event or condition that, with the giving of notice, the lapse of time or failure to satisfy certain specified conditions, or any combination thereof, would constitute an Event of Default under the indenture or the notes or an Event of Default will have occurred and be continuing at the time of such proposed transaction or would result therefrom, any merger or consolidation of the Issuer or the Guarantor with an Affiliate organized solely for the purpose of reincorporating the Issuer or the Guarantor, as applicable in another jurisdiction need only comply with clause (4) of the first paragraph of this covenant.

Reports to Holders

The Issuer will provide or make available to the trustee the following reports (and will also provide the trustee with electronic versions or, in lieu thereof, sufficient copies of the following reports referred to in clauses (1) through (5) below for distribution, at the Issuer's expense, to all holders of the notes):

(1) within 120 days following the end of each fiscal year of the Issuer after the Issue Date, English language versions of the audited annual financial statements (including the notes thereto) that the Issuer or its Subsidiaries file with the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission, or "CVM"), prepared in accordance with GAAP and presented in the English language or, if the Issuer is no longer required to file such financial statements, financial statements meeting the requirements of CVM on the Issue Date and accompanied by an opinion of internationally recognized independent public accountants selected by the Issuer, which opinion shall be in accordance with generally accepted auditing standards in Brazil;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending after the Issue Date, all quarterly financial statements (including the notes

thereto) that the Issuer or its Subsidiaries file with CVM, prepared in accordance with GAAP and presented in the English language and accompanied by a "special review" (*revisão especial*) report of internationally recognized independent public accountants selected by the Issuer or, if the Issuer is no longer required to file such financial statements, financial statements meeting the requirements of the CVM on the Issue Date;

(3) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer with (a) the CVM, (b) the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act);

(4) simultaneously with the delivery of the audited annual financial statements referred to in clause (1) above, an Officers' Certificate from the Issuer stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Issuer is taking or proposes to take with respect thereto; and

(5) for so long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish to any holder or to any prospective purchaser designated by such holder, upon request of such holder, any financial and other information (to the extent not otherwise provided pursuant as set forth above) described in Rule 144A(d)(4) under the Securities Act with respect to the Issuer and its Subsidiaries to the extent required in order to permit such holder to comply with Rule 144A with respect to any resale of its notes unless, during that time, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Issuer is otherwise required pursuant to Rule 144A.

As an alternative to providing the trustee and the holders of the notes with the information described above, the Issuer may post copies of such information on a website maintained by or on behalf of the Issuer or provide substantially comparable public availability of such information. Delivery to the trustee and the holders of notice of the availability of the information described above on a website maintained by or on behalf of the Issuer will constitute delivery of such information to the holders for purposes of the "— Reports to Holders" covenant. Delivery of the above reports (other than paragraph (4) above) to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants in the indenture (as to which the trustee is entitled to rely exclusively on Officers' Certificates).

If, and for so long as, the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the above information will also be made available in Luxembourg through the offices of the paying agent in Luxembourg. See "— Paying Agents, Registrar and Transfer Agents; Listing Agent."

U.S. Dollar Equivalent

For purposes of determining compliance with any covenant in the indenture that is limited or otherwise refers to a specified amount of U.S. dollars, the amount of any item denominated in a currency other than U.S. dollars will be the U.S. Dollar Equivalent of such item.

Additional Covenants

The indenture will contain affirmative covenants with respect to, among other things, the following matters: (1) payment of principal and interest, (2) payment of taxes and other claims, (3) maintenance of properties, (4) maintenance of corporate existence and (5) maintenance of insurance.

Events of Default

The following events will be "Events of Default" under the indenture:

(1) any failure to pay the principal of or premium, if any, on any notes, when such principal becomes due and payable, at maturity, upon redemption or otherwise;

(2) any failure to pay interest and Additional Amounts, if any, on any notes or any other amount (other than principal for the notes) when the same becomes due and payable, and the default continues for a period of 30 days;

(3) any failure to comply with "— Merger, Consolidation and Sale of Assets;"

(4) a default in the observance or performance of any other covenant or agreement contained in the indenture (other than the payment of the principal of or premium, if any, or interest and Additional Amounts, if any, on any note), which default continues for a period of 60 days after the Issuer receives written notice specifying the default (and demanding that such default be remedied) from the trustee or the holders of at least 25% of the outstanding principal amount of the notes;

(5) any failure to pay at final maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness of the Issuer or any of its Subsidiaries, or the acceleration of the final stated maturity of any such Indebtedness if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, aggregates U.S.$100.0 million or more at any time;

(6) one or more judgments in an aggregate amount in excess of U.S.$100.0 million shall have been rendered against the Issuer or any of its Subsidiaries (other than any judgment as to which a reputable and solvent third-party insurer has accepted full coverage) and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and nonappealable;

(7) the Issuer or any Significant Subsidiary shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or similar official for all or any substantial part of the Property of the Issuer or such Significant Subsidiary, (b) make a general assignment for the benefit of the creditors of the Issuer or such Significant Subsidiary, (c) be adjudicated bankrupt (*decretação de falência*) or insolvent, (d) file a voluntary petition in bankruptcy or a petition seeking judicial reorganization (*pedido de recuperação judicial*), seeking extrajudicial reorganization (*pedido de recuperação extrajudicial*), or seeking to take advantage of any applicable insolvency law, (e) file any answer admitting the allegations of a petition filed against the Issuer or such Significant Subsidiary in any bankruptcy, reorganization or insolvency proceeding, or (f) take any corporate action for the purpose of effecting any of the foregoing under Brazilian Law No. 11,101/05 or any other applicable law;

(8) without its application, approval or consent, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of the Issuer or any Significant Subsidiary adjudication in bankruptcy (*decretação de falência*), dissolution, winding-up, liquidation, a composition, arrangement with creditors, readjustment of debt, the appointment of a trustee, receiver, *administrador*, liquidator or similar official for the Issuer or such Significant Subsidiary or other like relief under any applicable bankruptcy or insolvency law; and either (a) such proceeding shall not be actively contested by the Issuer or such Significant Subsidiary in good faith, or (b) such proceedings shall continue undismissed for any period of 90 consecutive days, or (c) any conclusive order, judgment or decree shall be entered by any court of competent jurisdiction to effect any of the foregoing;

(9) the Issuer or any Significant Subsidiary shall cease or threaten to cease to carry out its business except (i) a winding-up, dissolution or liquidation for the purpose of and followed by a consolidation, merger, conveyance or transfer or, in the case of a Significant Subsidiary, whereby the undertaking, business and assets of such Significant Subsidiary are transferred to or otherwise vested in the Issuer, as applicable, or any of their respective subsidiaries or affiliates, or the terms of which shall have been approved by a resolution of a meeting of the holders or (ii) a voluntary winding-up, dissolution or liquidation of a Significant Subsidiary where there are surplus assets in such Significant Subsidiary attributable to the Issuer or any Significant Subsidiary, and such surplus assets are distributed to the Issuer or such Significant Subsidiary, as applicable;

(10) the Issuer or any Significant Subsidiary shall convene a meeting for the purpose of proposing, or otherwise propose or enter into, any composition or arrangement with its creditors or any group or class thereof, or anything analogous to, or, having a substantially similar effect to, any of the events specified in this paragraph (10) or in paragraph (7), (8) or (9) above shall occur in any jurisdiction;

(11) any event occurs that under the laws of Brazil or any political subdivision thereof has substantially the same effect as any of the events referred to in any of paragraphs (7), (8), (9) or (10); or

(12) any of the notes, the indenture or the guarantee or any part thereof, shall cease to be in full force and effect or is declared to be null and void and unenforceable or inadmissible in evidence in the courts of Brazil, or is found to be invalid, or it becomes unlawful for the Issuer or the Guarantor, as the case may be, to perform any obligation thereunder or the Issuer or the Guarantor, as the case may be, shall contest the enforceability of or deny its obligations under its guarantee or the indenture (other than by reason of release in accordance with the terms of the indenture) or the Issuer shall contest the enforceability of or deny its obligations under the notes or the indenture.

If an Event of Default (other than an Event of Default specified in clauses (7), (8), (9), (10) or (11) above) occurs and is continuing and has not been waived, the trustee or the holders of at least 25% in principal amount of outstanding notes may declare the principal of and premium, if any, accrued interest and Additional Amounts, if any, on all the notes to be due and payable by notice in writing to the Issuer and the trustee (if given by the holders) specifying the Event of Default and that it is a "notice of acceleration" (the "Acceleration Notice"), and the same shall become immediately due and payable. All amounts due and payable shall be paid in an amount in U.S. dollars.

If an Event of Default specified in clause (7), (8), (9), (10) or (11) above occurs and is continuing, then all unpaid principal of, and premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all of the outstanding notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The indenture will provide that, at any time after a declaration of acceleration with respect to the notes as described in the preceding paragraphs, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

(a) if the rescission would not conflict with any judgment or decree;

(b) if all existing Events of Default have been cured or waived except nonpayment of principal, premium, if any, interest or Additional Amounts, if any, that has become due solely because of the acceleration;

(c) if the Issuer has paid or deposited with the trustee (to the extent the payment of such interest is lawful) interest on overdue installments of interest and overdue principal and premium, if any, and Additional Amounts, if any, which has become due otherwise than by such declaration of acceleration; and

(d) if the Issuer has paid or deposited with the trustee compensation acceptable to the trustee and reimbursed the documented expenses, disbursements and advances of the trustee, its agents, and counsel under the indenture.

No such rescission will affect any subsequent Default or impair any right consequent thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the indenture, and its consequences, except a default in the payment of the principal of or premium, if any, interest or Additional Amounts, if any, on any notes.

Holders may not enforce the indenture or the notes except as provided in the indenture. The trustee is under no obligation to exercise any of its rights or powers under the indenture at the request, order or direction of any of the holders, unless such holders have offered to the trustee an indemnity acceptable to the trustee. Subject to the provisions of the indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

The Issuer will be required, concurrently with issuance of its audited annual financial statements, to furnish to the trustee at its principal corporate trust office in New York City annual statements as to the performance of their respective obligations under the indenture and as to any default in such performance. Under the indenture, the Issuer will be required to provide an Officers' Certificate to the Trustee at the trustee's principal corporate

trust office in New York City promptly upon (and in any case within ten days of) any Officer obtaining knowledge of any Default or Event of Default provided that such Officers' Certificate shall be provided at least annually whether or not such Officers know of any Default or Event of Default that has occurred and, if applicable, describe such Default or Event of Default and the status thereof.

If a Default or an Event of Default occurs and is continuing, and is known to a responsible officer of the trustee, the trustee shall notify each holder as provided herein under "— Notices" of the Default or Event of Default within five days after obtaining knowledge thereof; *provided* that except in the case of a Default or an Event of Default in payment of principal of, or premium, if any, or interest on any notes, the trustee may withhold the notice to the holders if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders.

No Personal Liability of Directors, Officers, Employees and Shareholders

No past, present or future director, officer, employee, incorporator, or shareholder of the Issuer or the Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantor under the notes, the guarantee or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Brazilian corporate law. It is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

Either the Issuer or the Guarantor may, at their option and at any time, elect to have their obligations discharged with respect to the outstanding notes ("legal defeasance"). Legal defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding notes, except for:

(1) the rights of holders to receive payments in respect of the principal of and premium, if any, interest and Additional Amounts, if any, on the notes when such payments are due;

(2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the trustee and agents and the obligation of the Issuer and the Guarantor in connection therewith; and

(4) the legal defeasance provisions of the indenture.

In addition, either the Issuer or the Guarantor may, at their option and at any time, elect to have the obligations of the Issuer and the Guarantor released with respect to certain covenants that are described in the indenture ("covenant defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes. In the event covenant defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either legal defeasance or covenant defeasance:

(a) the Issuer or the Guarantor must irrevocably deposit with the trustee, in trust, for the benefit of the holders cash in U.S. dollars, non-callable U.S. government obligations, or a combination thereof, in such amounts and at such times as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, interest and Additional Amounts, if any, on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of legal defeasance, the Issuer or the Guarantor will have delivered to the trustee an Opinion of Counsel in the United States confirming that:

(i) the Issuer or the Guarantor has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(ii) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(c) in the case of covenant defeasance, the Issuer or the Guarantor will have delivered to the trustee an Opinion of Counsel in the United States confirming that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(d) no Default or Event of Default will have occurred and be continuing on the date of such deposit pursuant to clause (a) of this paragraph or insofar as Defaults or Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of such deposit;

(e) such legal defeasance or covenant defeasance will not result in a breach of, or constitute a default under, the indenture or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;

(f) the trustee will have received an Officers' Certificate of the Issuer stating that the deposit was not made with the intent of preferring the holders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

(g) the trustee will have received an Officers' Certificate of the Issuer and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the legal defeasance or the covenant defeasance, as the case may be, have been complied with; and

(h) the trustee will have received an Opinion of Counsel (subject to customary qualifications and exclusions) to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect (except as to surviving rights, powers, trust, duties and immunities of the trustee and agents or registration of transfer or exchange of the notes, as expressly provided for in the indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the trustee for cancellation; or

(b) all notes not theretofore delivered to the trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their stated maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the trustee, and the Issuer has irrevocably deposited or caused to be deposited with the trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the trustee for cancellation, for principal of, premium, if any, interest and Additional Amounts, if any, on the notes to the date of deposit together with irrevocable instructions from the Issuer directing the trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer has paid all other sums payable by it under the indenture; and

(3) the trustee will have received an Officers' Certificate of the Issuer and an Opinion of Counsel stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Modification of the Indenture

From time to time, the Issuer, the Guarantor and the trustee, without the consent of the holders, may amend, modify or supplement the indenture, the notes and the guarantee:

(1) to cure any ambiguity, defect or inconsistency contained therein;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of the Guarantor's obligations to holders in accordance with the covenant described under "Covenants — Merger, Consolidation and Sale of Assets;"

(4) to allow any Subsidiary or any other Person to guarantee the notes;

(5) to release the Guarantor of the notes as permitted by the indenture;

(6) to provide for the issuance of Additional Notes in accordance with the indenture;

(7) to evidence the replacement of the trustee as provided for under the indenture;

(8) if necessary, in connection with any addition or release of any security permitted under the indenture;

(9) to conform the text of the indenture, the notes or the guarantee to any provision of this "Description of the Notes" section to the extent that such provision in this section was intended to be a verbatim recitation of a provision of the indenture, the guarantee or the notes;

(10) to surrender any right conferred upon the Issuer or the Guarantor;

(11) to comply with any requirements of the SEC in connection with any qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended; or

(12) to make any other change that would provide any additional rights or benefits to the holders or that does not materially and adversely affect the rights of any such holder or beneficial owner under the indenture, the notes or the guarantee.

Other amendments of, modifications to and supplements to the indenture, the notes and the guarantee may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the indenture, except that, without the consent of each holder affected thereby, no amendment may:

(a) reduce the percentage of the principal amount of the notes whose holders must consent to an amendment, supplement or waiver of any provision of the indenture or the notes;

(b) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, or Additional Amounts, if any, on any notes;

(c) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption or reduce the redemption price therefor;

(d) change the currency in which amounts due in respect of the notes are payable;

(e) make any change in provisions of the indenture (i) protecting the right of each holder to receive payment of principal of, premium, if any, interest and Additional Amounts, if any, on such note on or after the due date thereof, (ii) protecting the right of each holder to bring suit to enforce such payment, or (iii) permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;

(f) subordinate the notes in right of payment to any other Indebtedness of the Issuer or the Guarantor or otherwise affect the ranking of the notes or the guarantee in a manner adverse to the holders;

(g) make any change in the guarantee that would materially and adversely affect the holders otherwise than in accordance with the terms of the indenture;

(h) release any security interest that may have been granted in favor of the holders other than pursuant to the terms of such security interest;

(i) amend or modify the provisions described under "— Additional Amounts" or reduce the price payable pursuant to a redemption made pursuant to "— Redemption — Redemption for Tax Reasons;" or

(j) make any change in the preceding amendment and waiver provisions.

The consent of the holders will not be necessary under the indenture to approve the particular form of any proposed amendment. It will be sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, if and for so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will be required to give notice to the holders as provided under "— Notices," briefly describing such amendment. Any failure to give such notice to all holders, or any defect therein, will not impair or affect the validity of such amendment.

In addition, under certain circumstances the holders of a majority in principal amount of the notes outstanding may waive compliance with certain covenants and provisions of the indenture. See "— Events of Default."

Meetings of Holders

The indenture will contain provisions for convening meetings of holders to consider matters affecting their interest. A meeting of the holders may be called by the trustee, the Issuer or any Affiliate thereof or holders of at least 10% in aggregate principal amount of the outstanding notes. The indenture will provide that notes owned by the Issuer will be deemed not outstanding for, among other purposes, consent to any such modification.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate outstanding principal amount of the notes, and at any adjourned meetings will be persons holding or representing 25% in aggregate principal amount of such outstanding notes. Any instrument given by or on behalf of any holder in connection with any consent to or vote for any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such note. Any modifications, amendments or waivers to the indenture or to the terms and conditions of the notes will be conclusive and binding on all holders, whether or not they have given such consent or were present at any meeting.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer and the Guarantor under the notes, the guarantee and the indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the notes or the guarantee (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer or the Guarantor will constitute a discharge of the Issuer or the Guarantor only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any note, the Issuer and the Guarantor, jointly and severally, will indemnify the recipient against the cost of making any such purchase; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such recipient, such recipient will, by accepting a note, be deemed to have agreed to repay such excess. For purposes of this indemnity, it will be sufficient for the recipient to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

The above indemnity, to the extent permitted by law:

- constitutes a separate and independent obligation from the other obligations of the Issuer and the Guarantor;
- will give rise to a separate and independent cause of action;

- will apply irrespective of any waiver or indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any other judgment.

Governing Law

The indenture, the notes and the guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service of Process; Sovereign Immunity

The Issuer and the Guarantor will irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York for purposes of any suit, action or proceeding instituted in connection with the indenture, the guarantee or the notes. Each of the Issuer and the Guarantor will appoint CT Corporation System, located at 111 8th Avenue, New York, New York 10011, as its authorized agent to accept service of process in any such suit, action or proceeding. Such appointments will be irrevocable so long as any of the notes or the guarantee remain outstanding or until the irrevocable appointment of a successor agent. In addition to the foregoing, the holders of notes may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder or the trustee to bring any action or proceeding against either the Issuer or the Guarantor or their respective Properties in other jurisdictions where jurisdiction is independently established.

To the extent that either the Issuer or the Guarantor has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, the Issuer and the Guarantor will agree to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding its obligations under the notes, the guarantee or the indenture.

The Trustee

The Bank of New York Mellon will be the trustee under the indenture. The address of the trustee's corporate trust office is 101 Barclay Street, Floor 4 East, New York, New York 10286, Attention: Global Finance Americas. Except during the continuance of an Event of Default, the trustee will be required to perform only such duties as are specifically set forth in the indenture. During the existence of an Event of Default, the trustee will exercise such of the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Issuer and the Guarantor, jointly and severally, will indemnify the trustee against any and all loss, liability or expense, including attorneys' fees and expenses incurred by it without gross negligence or willful misconduct on its part arising out of and in connection with its duties under the indenture.

The indenture will contain certain limitations on the rights of the trustee, should it become a creditor of the Issuer or the Guarantor, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; *provided* that if the trustee acquires certain conflicting interests, it must eliminate such conflict or resign.

Luxembourg Listing

Application will be made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market; however, we cannot assure you the notes will be accepted for listing. Following the issuance of the notes, we will use our commercially reasonable efforts to obtain listing of the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. If the European Union's directive (2003/0045(COD), the "Transparency Directive") would require us to publish financial information either more regularly than we would otherwise be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the notes and, at our option, seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system outside the European Union. In such event, we will give notice of the identity of such other listing authority, stock exchange and/or quotation system to the holders of the notes as described under "— Notices."

Paying Agents, Registrar and Transfer Agents; Listing Agent

Until the notes have been paid, we will maintain a paying agent, a registrar and a transfer agent in New York City and, if and for so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, we will maintain a paying agent and transfer agent in respect of the notes in Luxembourg.

The trustee will initially act as paying agent, registrar and transfer agent for the notes in New York. The Bank of New York Mellon (Luxembourg) S.A. is the Luxembourg listing agent and will be the Luxembourg paying agent and Luxembourg transfer agent for the notes. The Bank of New York Mellon Trust (Japan), Ltd. is the principal paying agent for the notes. The addresses of the trustee and Luxembourg paying agent and Luxembourg transfer agent and principal paying agent are set forth on the inside back cover of this offering memorandum.

We may change any paying agent, registrar or transfer agent without prior notice to holders. We will promptly provide notice of the termination or appointment of any paying agent, registrar or transfer agent, or of any change in the office of any paying agent, registrar or transfer agent as described under "— Notices."

Transfer

Holders may present notes for registration of transfer and exchange at the offices of the registrar, which initially will be the trustee's principal corporate trust office. No service fee will be charged for any registration of transfer or exchange or redemption of notes, but we may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Notices

All notices will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders at their registered addresses as recorded in the notes register not later than the latest date, and not earlier than the earliest date, prescribed in the notes for the giving of such notice or if a note is held in global form, all notices to the holders shall be given to the depositary in accordance with its applicable procedures. Any requirement of notice hereunder may be waived by the Person entitled to such notice before or after such notice is required to be given, and such waivers will be filed with the trustee. If, and for so long as, the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and the rules of the Luxembourg Stock Exchange so require, we will also give notices to holders by publication in a daily newspaper of general circulation in Luxembourg. We expect that newspaper will be the *Luxemburger Wort*. If publication in Luxembourg is impracticable, we will make the publication in a widely circulated newspaper in London or elsewhere in Western Europe. We expect that newspaper to be, but it need not be, the *Financial Times*. By "daily newspaper", we mean a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in Luxembourg or, when applicable, elsewhere in Western Europe. All notices to holders may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). If we are unable to give notice as described in this paragraph because the publication of any newspaper or the website of the Luxembourg Stock Exchange is suspended or it is otherwise impractical for us to publish the notice, then we, or the trustee, will give holders notice in another form. That alternate form of notice will be deemed to be sufficient notice to you. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder will affect the sufficiency of any notice given to another holder.

Prescription

Claims against the Issuer for the payment of principal, premium, if any, interest or Additional Amounts, if any, in respect of the notes will be prescribed unless made within six years of the due date for payment of such principal, premium, if any, or interest and Additional Amounts.

Certain Definitions

The following is a summary of certain of the defined terms to be used in the indenture. Reference is made to the indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Subsidiary of the Issuer or at the time it merges or consolidates with or into the Issuer or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Subsidiary of the Issuer or such acquisition, merger or consolidation and which Indebtedness is without recourse to the Issuer or any of its Subsidiaries or to any of their respective properties or assets other than the Person or the assets to which such Indebtedness related prior to the time such Person became a Subsidiary of the Issuer or the time of such acquisition, merger or consolidation.

"Affiliate" means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or executive officer (i) of such specified Person, (ii) of any Subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, "control" of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" means, as to any Person, the board of directors (*conselho de administração*) or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the trustee.

"Business Day" means a day that is not a Legal Holiday.

"Capitalized Lease Obligation" means, as to any Person, the obligations of such Person under any lease that is required to be classified and accounted for as capital lease obligations on a balance sheet prepared in accordance with GAAP and, for purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Commodity Agreement" means any hedging agreement or other similar agreement or arrangement designed to protect the Issuer or any Subsidiary against fluctuations in commodity prices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

"Common Shares" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common shares, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common shares.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Consolidated Net Worth" means, with respect to any Person, the consolidated stockholders' equity of the Person, determined on a consolidated basis in accordance with GAAP, less (without duplication) amounts attributable to Disqualified Share Capital of such Person.

"Currency Agreement" means any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in currency values.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Disqualified Share Capital" means that portion of any Share Capital which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof on or prior to the first anniversary of the final maturity date of the Notes for cash or is convertible into or exchangeable for debt securities of the Issuer or its Subsidiaries at any time prior to such anniversary.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset or Property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined by the Board of Directors of the Issuer acting in good faith and will be evidenced by a Board Resolution of the Board of Directors of the Issuer delivered to the trustee; *provided, however*, that with respect to any price less than U.S.$10.0 million only the good faith determination by the Issuer's senior management will be required.

"GAAP" means (i) International Financial Reporting Standards, (ii) accounting practices generally accepted in the United States or (iii) accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), in each case as in effect from time to time, in the Issuer's discretion.

"holder" means the Person in whose name a note is registered on the registrar's books.

"Indebtedness" means with respect to any Person, without duplication:

(1) all Obligations of such Person for borrowed money;

(2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all Obligations of such Person issued or assumed as the deferred purchase price of Property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 120 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and any deferred purchase price represented by earn-outs consistent with the Issuer's past practice);

(5) all Obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, whether or not then due;

(6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all Obligations of any other Person of the type referred to in clauses (1) through (6) above that are secured by any Lien on any Property or asset of such Person, the amount of any such Obligation being deemed to be the lesser of the Fair Market Value of the Property or asset securing such Obligation or the amount of such Obligation;

(8) to the extent not otherwise included in this definition, net obligations of all Interest Swap Obligations and all Obligations under Currency Agreements and Commodity Agreements (the amount of any obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such person at such time); and

(9) all Disqualified Share Capital issued by such Person with the amount of Indebtedness represented by such Disqualified Share Capital being equal to the greater of its voluntary or involuntary liquidation preference and its "maximum fixed repurchase price," but excluding accrued dividends, if any.

Notwithstanding the foregoing, Indebtedness will not include any Share Capital other than Disqualified Share Capital. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Share Capital which does not have a fixed repurchase price will be calculated in accordance with the terms of such Disqualified Share Capital as if such Disqualified Share Capital were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Share Capital, such Fair Market Value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Share Capital.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Issuer.

"Interest Payment Date" means the stated maturity of an installment of interest on the notes each June 6 and December 6 of each year, beginning on December 6, 2012.

"Interest Swap Obligations" means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and will include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"Issue Date" means June 6, 2012 (being the original issuance date of the initial notes).

"Legal Holiday" means a Saturday, a Sunday or a day on which commercial banks and foreign exchange markets are authorized or required by law to close (i) with respect to the passage of time and the giving of notices, in New York, New York, (ii) with respect to a particular place of payment, in New York, New York, São Paulo, Brazil, Luxembourg or at such place of payment, (iii) solely with respect to Euroclear and Clearstream Luxembourg, in London, England. If a payment date is a Legal Holiday at the place of payment, payment may be made at such place on the next succeeding day that is not a Legal Holiday, and no interest will accrue for the intervening period.

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale, repurchase or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"Obligation" means all payment obligations, whether or not contingent, for principal, premium, interest, additional amounts, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means the Chief Executive Officer, the President, the Chief Financial Officer or any other officer of the Issuer or the Guarantor duly appointed at a meeting of its respective Board of Directors.

"Officers' Certificate" means a certificate signed in the name of the Issuer by two Officers of the Issuer or the Guarantor, as the case may be, at least one of whom shall be the principal financial officer of the Issuer or the Guarantor, as the case may be, and delivered to the trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel to the Issuer or the Guarantor, reasonably acceptable to the trustee.

"Permitted Liens" means the following types of Liens:

(1) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or (b) contested in good faith by appropriate proceedings and as to which the Issuer or its Subsidiaries will have set aside on its books such reserves as may be required pursuant to GAAP;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law or pursuant to customary reservations or retentions of title incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as will be required by GAAP will have been made in respect thereof;

(3) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) any judgment Lien not giving rise to an Event of Default;

(5) easements, rights-of-way, defects, zoning restrictions and other similar charges or encumbrances in respect of real Property not interfering in any material respect with the ordinary course of the business of the Issuer or any of its Subsidiaries;

(6) any interest or title of a lessor under any Capitalized Lease Obligation; *provided* that such Liens do not extend to any Property or assets which is not leased Property subject to such Capitalized Lease Obligation;

(7) Liens securing Purchase Money Indebtedness; *provided, however*, that (a) the Indebtedness will not exceed (but may be less than) the cost (i.e., purchase price) of the Property or assets acquired, together, in the case of real Property, with the cost of the construction thereof and improvements thereto, and will not be secured by a Lien on any Property or assets of the Issuer or any Subsidiary of the Issuer other than such Property or assets so acquired or constructed and improvements thereto and (b) the Lien securing such Indebtedness will be created within 180 days of such acquisition or construction or, in the case of a Refinancing of any Purchase Money Indebtedness, within 180 days of such Refinancing; and *provided, further*, that, to the extent that the property or asset acquired is Share Capital, the Lien also may encumber other property or assets of the Person so acquired;

(8) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(9) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other Property relating to such letters of credit and products and proceeds thereof;

(10) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any of its Subsidiaries, including rights of offset and set-off;

(11) Liens securing Interest Swap Obligations which Interest Swap Obligations relate to Indebtedness that is otherwise permitted under the indenture;

(12) Liens securing Indebtedness under Currency Agreements and Commodity Agreements that are permitted under the indenture;

(13) Liens securing Acquired Indebtedness; *provided* that:

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries and were not granted in connection with, or in anticipation of, the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries; and

(b) such Liens do not extend to or cover any Property or assets of the Issuer or of any of its Subsidiaries other than the Property or assets that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Issuer or any of its Subsidiaries and are no more favorable to the lienholders than those securing the Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Issuer or any of its Subsidiaries;

(14) Liens existing as of the Issue Date, and any extension, renewal or replacement thereof; *provided, however*, that the total amount of Indebtedness so secured, if applicable, is not increased;

(15) Liens securing the notes and all other monetary obligations under the indenture and the guarantee;

(16) Liens securing Indebtedness which is incurred to Refinance any Indebtedness which has been secured by a Lien permitted under this covenant; *provided, however*, that such Liens: (i) are no less favorable to the holders of the notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and (ii) do not extend to or cover any Property or assets of the Issuer or any of its Subsidiaries not securing the Indebtedness so Refinanced;

(17) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(18) Liens on assets that are the subject of a sale and leaseback transaction permitted by the provisions of the indenture;

(19) any rights of set-off of any person with respect to any deposit account of the Issuer or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(20) any Liens granted by the Issuer or any Subsidiary to secure borrowings from, directly or indirectly, (a) *Banco Nacional de Desenvolvimento Econômico e Social — BNDES* or any other Brazilian governmental development bank or credit agency, (b) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer, or (c) Banco do Brasil S.A. or its affiliates under the Fundo do Centro-Oeste incentive program of the Brazilian federal government;

(21) any liens on the inventory of the Issuer or any Subsidiary securing the obligations of the Issuer and its Subsidiaries in the ordinary course of business under the Crédito Rural financing program of the Brazilian government;

(22) any Liens on the receivables of the Issuer or any Subsidiary securing the obligations of such Person under any lines of credit or working capital facility; *provided* that the aggregate amount of receivables securing Indebtedness shall not exceed 80% of the Issuer's aggregate outstanding receivables from time to time;

(23) Liens on carbon credits or certificates of emission reductions or Liens securing clean development mechanisms projects; and

(24) Liens incurred by the Issuer or any of its Subsidiaries with respect to obligations that do not exceed, at the time of incurrence, 12.5% of the Consolidated Net Worth of the Issuer at any one time outstanding.

"Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof, or any other legal entity.

"Preferred Stock" means, with respect to any Person, any Share Capital of such Person that has preferential rights to any other Share Capital of such Person with respect to dividends or redemptions or upon liquidation.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Share Capital in, and other securities of, any other Person. For purposes of any calculation required pursuant to the indenture, the value of any property will be its Fair Market Value.

"Purchase Money Indebtedness" means Indebtedness of the Issuer and its Subsidiaries incurred for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of Property or equipment, *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such Property or such purchase price or cost.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

"Reference Treasury Dealer" means HSBC Securities (USA) Inc. and primary U.S. government securities dealers in New York City (a "Primary Treasury Dealer") designated by each of Santander Investment Securities Inc. and Itau BBA USA Securities, Inc, or their affiliates which are primary United States government securities dealers, and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; *provided, however*, that, if any of the foregoing ceases to be a Primary Treasury Dealer, the Issuer will substitute therefor another Primary Treasury Dealer.

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"R$" means the *real*, being the lawful currency of Brazil.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Share Capital" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person; and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"Significant Subsidiary" means any Subsidiary of the Issuer which, at the time of determination, either (1) had assets which, as of the date of the Issuer's most recent quarterly consolidated balance sheet, constituted at least 10% of the Issuer's total assets on a consolidated basis as of such date, or (2) had revenues for the 12-month period ending on the date of the Issuer's most recent quarterly consolidated statement of income which constituted at least 10% of the Issuer's total revenues on a consolidated basis for such period.

"*Subsidiary*" means, with respect to any Person, (1) any corporation of which the outstanding Share Capital having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances will at the time be owned, directly or indirectly, by such Person, or (2) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"U.S. dollar" or *"U.S.$"* means the U.S. dollar, being the lawful currency of the United States of America.

"U.S. Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time of determination thereof, the amount of U.S. dollars obtained by translating such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable other currency as published in U.S. dollars on the date that is two Business Days prior to the date of such determination. Notwithstanding any other provision of the indenture, no specified amount of U.S. dollars will be deemed to be exceeded due solely to the result of fluctuations in the exchange rates of currencies.

FORM OF THE NOTES

The notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in "Transfer Restrictions". On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a "Restricted Global Note Certificate"). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (a "Regulation S Global Note Certificate"). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "— Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of the Notes — Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' named on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. None of us, the initial purchasers, the trustee or any of their agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest.

Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of the notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee or any of its agents will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes — Events of Default," we will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the trustee, as the case may be, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to the holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in "Transfer Restrictions" (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to the compliance with the provisions of such legend, as provided in "Description of the Notes." Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for

removal of the legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

TAXATION

The following discussion summarizes certain Brazilian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws and regulations now in effect in Brazil and laws, regulations, rulings and decisions now in effect in the United States, any of which may change. Any change could apply retroactively and could affect the continued accuracy of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to a holder of the notes who is an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation ("Non-Resident Holder") and does not purport to be a comprehensive description of all the tax aspects of the notes. Therefore, each Non-Resident Holder should consult his/her/its own tax advisor concerning the Brazilian tax consequences in respect of the notes.

Payments made by the Issuer under the Notes

Generally, Non-Resident Holders are taxed in Brazil when their income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and on the domicile of the beneficiaries thereof.

Interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, is subject to withholding income tax. The rate of withholding income tax is generally 15%, unless: (1) the Non-Resident Holder of the notes is resident or domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents), in which case the applicable rate is 25% (the withholding income tax rate remains 15% in the event of interest income payable by a Brazilian obligor to an individual, company, trust or organization domiciled outside Brazil in respect of debt obligations resulting from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, including commercial paper, as provided for in Section 10 of Normative Instruction no. 252, dated December 3, 2002, issued by the Brazilian Revenue Service); or (2) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

On June 23, 2008, Law 11,727 introduced the concept of "privileged tax regime" in connection with transactions subject to Brazilian transfer pricing rules and also applicable to thin capitalization/cross border interest deductibility rules, which is broader than the concept of a tax haven jurisdiction. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (1) does not tax income or taxes it at a maximum rate lower than 20%; (2) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (3) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (4) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. In addition, on June 4, 2010, the Brazilian tax authorities enacted Ordinance No. 1,037, as amended, listing (i) the countries and jurisdictions considered tax haven jurisdictions, and (ii) the privileged tax regimes. Although we are of the opinion that the most appropriate interpretation of the current Brazilian tax legislation leads to the conclusion that the above mentioned "privileged tax regime" concept should apply solely for purposes of Brazilian transfer pricing and thin

capitalization rules, this is a controversial issue not definitively analyzed by Brazilian courts. In this sense, we are not able to assure that the broader definition of tax haven jurisdiction will not be applied to interest and other payments made to a Non-Resident Holder of the notes.

Brazil and Japan are signatories to a treaty (the "Japan Treaty") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other types of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. We believe and intend to take the position for tax purposes that, as long as such payments are made by the issuer to a Japanese paying agent pursuant to the terms and conditions of the notes and provided further that such Japanese paying agent is a tax resident of Japan and is qualified for the benefits of the Japan Treaty with respect to the notes, interest (including any original issue discount) will likely be subject to Brazilian tax at a rate of 12.5% pursuant to the Japan Treaty. For this purpose, the principal paying agent must be granted discharge powers and be authorized to receive payments on behalf of the holders of the notes, which would release the Brazilian debtor from the payment obligations. If the issuer is not able to rely on the Japan Treaty to make the payments, or the payments are not made by us to the principal paying agent, any such payments will be subject to the Brazilian withholding tax at the rates referred to above.

In the event a Brazilian obligor is required to make any payment in connection with the notes to a Non-Resident Holder, such Brazilian obligor will be allowed under Brazilian law to pay such additional amounts as may be necessary to ensure that the net amounts receivable by the holder after withholding for taxes will equal the amounts that would have been payable in the absence of such withholding, subject to certain exceptions as described under "Description of the Notes — Additional Amounts."

Capital Gains

According to Article 26 of Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil at a rate of 15% or 25%, depending on whether the beneficiary is resident of a tax heaven jurisdiction under Brazilian law.

Based on the fact that the notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of such notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-resident would not be subject to Brazilian taxes. However, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts. If the position mentioned above does not prevail, gains realized by a Non-Resident Holder from the sale or other disposition of the notes could be subject to Brazilian withholding income tax at a rate of 15% or 25%, if the Non-Resident Holder is domiciled in a tax haven jurisdiction.

Other Tax Considerations

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou Relativas a Títulos e Valores Mobiliários*), or IOF/ Exchange, due on the conversion of reais into foreign currency and on the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions, including foreign exchange transactions in connection with payments under the guarantee by the guarantor to Non-Resident Holders, is 0.38%. As a general rule, foreign exchange transactions in connection with cross border loans and financings, for both the inflow and outflow of proceeds into and from Brazil are currently subject to IOF/ Exchange at a zero percent rate. However, for foreign exchange transactions (including simultaneous foreign exchange transactions) entered into from June 14, 2012 onwards in connection with the inflow of proceeds to Brazil deriving from crossborder loans or financings or international bond issuances, subject to registration with the Central Bank and with the minimum average term of 720 days or less, the IOF/Exchange tax rate is 6% (this rate of 6% will be levied with penalties and interest in case of loans or financings or international bonds with minimum average term longer than 720 days in which an early redemption occurs in the first 720 days). The Brazilian government is permitted to increase this rate at any time up to 25%. Any such increase in rates may only apply to future foreign exchange transactions.

Stamp, Transfer and Other Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed by some Brazilian states on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

U.S. Federal Income Taxation

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of U.S. federal income tax matters set forth in this offering memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of notes as of the date hereof. Except where noted, this summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquires the notes upon original issuance at their initial offering price.

A "U.S. holder" means a person that is for United States federal income tax purposes a beneficial owner of the notes and any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not deal with foreign, state, or local or other tax considerations that may be relevant to you in light of your personal circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;

- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the notes whose "functional currency" is not the United States dollar;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

If the principal amount of the notes exceeds their "issue price" (the first price at which a substantial amount of the notes is sold to the public) by an amount equal to or greater than 0.25% of the principal amount of the notes multiplied by the number of complete years to maturity, the notes will be treated as having been issued with original issue discount ("OID") in an amount equal to such difference. The notes are not expected to be, and the following discussion assumes that the notes will not be, issued with OID for United States federal income tax purposes. Accordingly, interest on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. If, however, the notes are issued with OID, you generally must accrue the OID in gross income over the term of the notes on a constant yield basis, regardless of your regular method of tax accounting. As a result, you generally would recognize taxable income in respect of a note in advance of the receipt of corresponding cash payments on the note.

In addition to stated interest on the notes, you will be required to include in income any Brazilian tax withheld from the interest payments and any Additional Amounts (as described under "Description of the Notes — Additional Amounts") paid in respect of such tax withheld. Accordingly, the amount of interest income included by you in gross income for United States federal income tax purposes with respect to a payment of interest will be greater than the amount of cash actually received (or receivable) by you with respect to the payment. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any Additional Amounts) on a note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange and Retirement of Notes

Upon the sale, exchange, retirement or other disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize thereon (less an amount equal to any accrued interest, which will be taxable as interest to the extent not previously included in income) and your adjusted tax basis in the note. Your adjusted tax basis in a note will, in general, be your cost for that note. Any gain or loss you recognize will be capital gain or loss and will be long-term gain or loss if at the time of the sale, exchange, retirement or other disposition the note has been held for more than one year. Such gain or loss will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Brazilian tax imposed upon a disposition of a note unless that credit can be applied (subject to applicable limitations) against the United States federal income tax due on other income treated as derived from foreign sources. Alternatively, you may deduct any Brazilian tax imposed upon a disposition of a note, provided that you do not elect to claim a foreign

tax credit for any foreign income taxes paid or accrued in the taxable year. Long-term capital gains of non-corporate U.S. holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments on the notes and the proceeds from a sale of a note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or, in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Additional United States federal income tax consequences applicable to a U.S. holder who purchases an additional note.

Pre-acquisition Accrued Interest

A portion of the price paid for an additional note will be allocable to interest that accrued prior to the date the additional note is issued (the "pre-acquisition accrued interest"). We intend to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to the pre-acquisition accrued interest will be treated as a return of such portion of the purchase price and not as a payment of interest on the additional notes. Amounts treated as a return of pre-acquisition accrued interest generally should not be taxable when received.

Premium

A U.S. holder who purchases an additional note for the price set forth on the cover of this offering memorandum will be considered to have purchased such additional note at a premium equal to the excess of the amount paid by such U.S. holder to acquire such additional note (other than the portion attributable to pre-acquisition accrued interest) over the stated principal amount of such additional note. A U.S. holder generally may elect to amortize such premium, using a constant yield method, as an offset to interest income over the term of such additional note. However, because the additional notes may be redeemed by us prior to maturity at a premium, special rules may reduce or eliminate the amount of premium that a U.S. holder may amortize with respect to an additional note. A U.S. holder's adjusted tax basis in an additional note will generally be reduced by any bond premium on such additional note that has been used by such U.S. holder to offset interest income on such additional note. An election to amortize premium on a constant yield basis will also apply to all other taxable debt instruments held or subsequently acquired by a U.S. holder on or after the first day of the first taxable year for which the election is made. Such an election may not be revoked without the consent of the Internal Revenue Service. U.S. holders are urged to consult their own tax advisors about this election.

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with BRF, Sadia and the initial purchasers:

(1) You acknowledge that:

- the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the initial purchasers nor any person representing BRF, Sadia or the initial purchasers has made any representation to you with respect to us or the offering of the notes, other than the information contained or incorporated by reference in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.

(4) You represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

(a) to BRF;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales that occur outside the United States in reliance upon Regulation S; or

(e) under any other available exemption from the registration requirements of the Securities Act.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is six months (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the closing date

and the last date that BRF or any of their affiliates was the owner of the notes or any predecessor of the notes (the "resale restriction period"), and will not apply after the applicable resale restriction period ends;

- if a holder of notes proposes to resell or transfer notes under clause (e) above before the applicable resale restriction period ends, the seller must deliver to BRF and the trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the notes not for distribution in violation of the Securities Act;
- BRF and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes under clause (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to BRF; and
- each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [*IN THE CASE OF RULE 144A NOTES: ONE YEAR* (OR SUCH LATER DATE AS MAY BE DETERMINED BY THE ISSUER)] [*IN THE CASE OF REGULATION S NOTES:* 40 DAYS OR SUCH LATER DATE AS MAY DETERMINED BY THE ISSUER] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER OR THE GUARANTOR, (B) UNDER A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN RELIANCE UPON REGULATION S OR (E) UNDER ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR OTHER TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, A CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER.

The resale restriction period may be extended, in our discretion, in the event of one or more issuances of additional notes, as described under "Description of the Notes — Additional Notes". The above legend may be removed at our direction after the resale restriction period (including any such extension thereof).

(5) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreements among BRF, Sadia and the initial purchasers, BRF has agreed to sell to the initial purchasers, and each of the initial purchasers has severally agreed to purchase the principal amount of notes set forth opposite its name in the table below.

Initial Purchasers	Principal Amount
BB Securities Ltd	U.S.$187,500,000
HSBC Securities (USA) Inc.	187,500,000
Itau BBA USA Securities, Inc.	187,500,000
Santander Investment Securities Inc.	187,500,000
Total	U.S.$750,000,000

The obligations of the initial purchasers under the purchase agreements, including their agreement to purchase notes from BRF — Brasil Foods, are several and not joint. The purchase agreements provide that the initial purchasers will purchase all the notes if any of them are purchased.

The initial purchasers initially propose to offer the notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreements, BRF and Sadia have agreed that:

- they will not offer or sell any of our debt securities (other than the notes) for a period of 30 days after the date of this offering memorandum without the prior consent of the initial purchasers; and
- they will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The notes have not been registered under the Securities Act or the securities laws of any other jurisdiction. In the purchase agreements, each initial purchaser has agreed that:

- the notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- during the initial distribution of the notes, it will offer or sell notes only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of the offering of each of the initial notes and the additional notes, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

The notes are a new issue of securities, and they are subject to certain restrictions on resale and transfer as described under “Transfer Restrictions.” We will apply to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. BRF does not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system other than the Euro MTF Market. The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire the notes for their own propriety accounts. Such acquisitions may have an effect on demand for and the price of the notes.

BB Securities Ltd. is not a broker-dealer registered with the SEC and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Ltd. intends to effect any sales of the notes in the United States, BB Securities Ltd. will do so only through Banco do Brasil Securities LLC or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

Delivery of the initial notes and the additional notes was made against payment therefor on June 6, 2012 and June 26, 2012, respectively, which will be the fourth business day following the dates of pricing of the initial notes and the additional notes, respectively (this settlement cycle being referred to as "T+4"). Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the applicable date of pricing will be required, by virtue of the fact that the notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing should consult their own advisor.

Selling Restrictions

The notes are offered for sale only in those jurisdictions where it is lawful to make such offers.

The notes have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, and this offering memorandum or any information incorporated by reference herein or any other offering material relating to the notes, has not been and will not be distributed in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the purchase agreement.

Brazil

The notes have not been, and will not be, registered with the CVM. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

European Economic Area (EEA)

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State (the "relevant implementation date"), an offer to the public of notes described in this offering memorandum may not be made in that Relevant Member State other than:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the joint bookrunners for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

The offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors") that are also (1) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan and the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The notes may not be offered or sold by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (2) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (3) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

The offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the notes may not be offered or be the subject of an invitation for subscription or purchase, nor will this offering memorandum or and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the notes, whether directly or indirectly, be circulated or distributed to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as

defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the notes should note that any subsequent sale of the notes acquired pursuant to an offer in this offering memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (1) institutional investors (as defined in Section 4A of the SFA), (2) relevant persons as defined in Section 275(2) of the SFA, and (3) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Germany

The notes offered by this offering memorandum have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (Verkaufsprospektgesetz) or the German Investment Act (Investmentgesetz). The notes have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) or any other governmental or regulatory authority in Germany. This offering memorandum does not constitute an offer to the public in Germany and it does not serve for public distribution of the notes in Germany. Neither this offering memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

France

The notes are being issued and sold outside the Republic of France and that, in connection with their initial distribution, are not being offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France. This offering memorandum and/or any other offering material relating to the notes may not be distributed to the public in the Republic of France. Any offers, sales or distributions in the Republic of France will be made only to qualified investors (investisseurs qualifiés) in accordance with Article L.411-2 of the Monetary and Financial Code and decrét no. 98-880 dated 1st October, 1998.

The Netherlands

The notes may not be offered, sold, transferred or delivered in or from The Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities

situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "Professional Investors"), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our notes, and this offering memorandum or any other offering material relating to our notes may not be considered an offer or the prospect of an offer to sell or exchange our notes.

Luxembourg

The notes which are the subject of the offering contemplated by this offering memorandum will not be offered to the public in the Grand Duchy of Luxembourg, except that notes may be offered:

- in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of notes to the public in an EEA Member State (including Luxembourg); and/or
- to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or
- to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or
- to certain natural persons or small and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small and medium-sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or
- in any other circumstances for which the Luxembourg Act of July 10, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

This offering memorandum constitutes a prospectus for the purpose of the Luxembourg Act of July 10, 2005 on prospectuses for securities.

Portugal

The notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (Código de Valores Mobiliários as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Switzerland

The notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither this offering memorandum nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the prior written consent of the initial purchasers. This offering memorandum is not a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to the Listing Rules of the SIX Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules.

Italy

The offering of the notes has not been registered pursuant to the Italian securities legislation and, accordingly, no notes will be offered in Italy in an offer to the public, and any sales of the notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. None of the notes will be sold or delivered, nor will any copies of this offering memorandum or any other document relating to the notes in Italy be delivered except to "Qualified Investors", as defined in Article 34 - ter, paragraph 1, (b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("Regulation No. 11971"), pursuant to Article 30.2 and 100.1.a of Legislative Decree No. 58 of February 24, 1998 as amended ("Decree No. 58"), provided that such Qualified Investors will act in their capacity and not as depositaries or nominees for other shareholders, or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 applies, provided, however, that any such offer, sale or delivery of the notes or distribution of copies of the offering memorandum or any other document relating to the notes in Italy must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended ("Decree No. 385") and the relevant implementing instructions of the Bank of Italy (*Istruzioni di Vigilanza per le Banche della Banca d'Italia*), Decree No. 58, CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190") and any other applicable laws and regulations; and
- in compliance with any other applicable laws and regulations including any relevant notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

In any case the notes cannot be offered or sold to any individuals in Italy either in the primary or secondary market.

Mexico

The notes have not been registered in Mexico with the National Securities Registry (Registro Nacional de Valores) maintained by National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). Accordingly, the notes may not be offered or sold in Mexico absent an available exemption under Article 8 of the Mexican Securities Market Law (Ley del Mercado de Valores).

Chile

The notes will not be registered under Law 18,045, as amended, of Chile with the Chilean Securities Commission or SVS (*Superintendencia de Valores y Seguros*), and, accordingly, they may not be offered to persons in Chile except in circumstances that do not constitute a public offering under Chilean law.

Relationships with Initial Purchasers

Certain of the initial purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services from time to time for BRF, Sadia and their affiliates. The initial purchasers or their affiliates hold certain equity positions in our company, which in the aggregate did not exceed 2% of our outstanding capital stock as of March 31, 2012. Also, we are a debtor of Banco do Brasil S.A. (BB Securities' parent company) or its affiliates in the aggregate amount of R$1.3 billion, a debtor of Banco Santander (Brasil) S.A. (and affiliated companies) in the aggregate amount of R$0.7 billion, a debtor of HSBC Bank USA, National Association (or affiliated companies) in an aggregate amount less than R$10.0 million and we have over R$0.8 billion in credit operations with Itau BBA USA Securities, Inc. and Banco Itaú BBA S.A. or their affiliates, in each case as of March 31, 2012. In addition, our outgrowers of poultry and hogs may also obtain federal government-subsidized rural credit financing as well as capital expenditure financing from Banco Santander (Brasil) S.A., Banco do Brasil S.A. and Banco Itaú Unibanco S.A., affiliates of the initial purchasers.

LEGAL MATTERS

The validity of the notes offered and sold in this offering will be passed upon for us, with respect to New York law by Simpson Thacher & Bartlett LLP, New York, New York, and with respect to Brazilian law by Machado, Meyer, Sendacz e Opice Advogados, São Paulo, Brazil. The validity of the notes offered and sold in this offering will be passed upon for the initial purchasers, with respect to New York law by Davis Polk & Wardwell LLP, São Paulo, Brazil, and with respect to Brazilian law by Pinheiro Guimarães — Advogados, São Paulo, Brazil.

INDEPENDENT ACCOUNTANTS

Our audited consolidated financial statements at December 31, 2011 and 2010 and for the three years ended December 31, 2011, incorporated herein by reference in this offering memorandum, have been audited by KPMG Auditores Independentes, independent accountants, as stated in their report incorporated by reference herein.

The audit report covering our aforementioned consolidated financial statements contains an emphasis of a matter paragraph stating that as mentioned in Note 1.2, on July 13, 2011, CADE approved the business combination between BRF-Brasil Foods and Sadia, and revoked the Agreement to Preserve Reversibility and Operation ("APRO") signed on July 8, 2009. This approval is subject to compliance with the obligations assumed by BRF-Brasil Foods with CADE in the TCD entered into on the same date. On March 20, 2012, BRF — Brasil Foods signed the Contract of Exchange of Assets and Other Agreements with Marfrig, whose main objective is to establish the terms and conditions enabling the transaction to occur as mentioned in Notes 1.2 and 38 to our audited consolidated financial statements, which is subject to suspension conditions depending on the CADE manifestation.

With respect to the unaudited interim consolidated financial statements of BRF — Brasil Foods at and for the three months ended March 31, 2012 included in this offering memorandum, Ernst & Young Terco Auditores Independentes S/S conducted a review in accordance with professional standards in Brazil and International Standards on Review Engagements for a review of such information. However, their separate report dated April 27, 2012 appearing herein states that they did not audit and did not express an opinion on these interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The audited consolidated financial statements of Sadia S.A. at and for the years ended December 31, 2011 and 2010 incorporated herein by reference have been audited by KPMG Auditores Independentes, independent accountants, as stated in their report incorporated herein by reference.

The audit report covering the aforementioned Sadia S.A. consolidated financial statements contains an emphasis of a matter paragraph stating that as mentioned in Note 1, on July 13, 2011, the CADE approved the business combination between Sadia S.A. and the Company, and revoked the APRO signed on July 8, 2009. This approval is subject to compliance with the obligations assumed by the Company with the CADE in the TCD entered into on the same date. On March 20, 2012, the Company signed the Contract of Exchange of Assets and Other Agreements with Marfrig Alimentos S.A., whose main objective is to establish the terms and conditions enabling the transaction to occur as mentioned in Notes 1 and 33, which is subject to suspension conditions depending on the CADE manifestation.

LISTING AND GENERAL INFORMATION

1. The initial notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the initial notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	10552T AA5	P1905C AA8
ISIN	US10552TAA51	USP1905CAA82
Common Codes	079132233	079132241

2. The additional notes have been accepted for clearance through DTC, Euroclear and Clearstream. The additional notes will have the same CUSIP, ISIN and Common Code numbers as the initial notes, except that the additional notes offered and sold in compliance with Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on the date of issuance of the additional notes. The CUSIP, ISIN and Common Code numbers for the additional notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	10552TAA5	P1905C AB6 (temporary) / P1905C AA8 (permanent)
ISIN	US10552TAA51	USP1905CAB65 (temporary) / USP1905CAA82 (permanent)
Common Code	079132233	079891614 (temporary) / 079132241 (permanent)

3. Copies of our latest audited consolidated financial statements and unaudited interim consolidated financial information, if any, as well as copies of Sadia's latest audited consolidated financial statements may be obtained at the offices of the Luxembourg paying agent. Copies of our and Sadia's bylaws, as well as the indenture (including forms of notes), will be available at the offices of the Luxembourg paying agent. BRF publishes its consolidated financial statements on an annual and quarterly basis. Sadia only prepares consolidated financial statements on an annual basis and does not prepare interim financial information. In the event that Sadia's merger with BRF is not consummated, Sadia is expected to continue preparing separate annual financial statements in the future.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in our or Sadia's financial position since December 31, 2011, the date of the latest audited consolidated financial statements incorporated by reference into this offering memorandum.

5. Except as disclosed in this offering memorandum, we and Sadia are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we and Sadia are aware is any such litigation or arbitration pending or threatened.

6. Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market.

7. The issuance of the initial notes and the additional notes was authorized by our Board of Directors on May 24, 2012 and June 20, 2012, respectively.

INDEX TO FINANCIAL STATEMENTS

BRF — Brasil Foods S.A.

Unaudited Interim Consolidated Financial Statements

Report on Review of Interim Consolidated Financial Statements F-2
Interim Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011 . . . . . F-3
Interim Consolidated Statements of Income for the Three Months Ended March 31, 2012 and 2011 . . . . . F-5
Interim Consolidated Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2012 and 2011 . . . . . F-6
Interim Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011 . . F-9
Notes to the Interim Consolidated Financial Statements F-10

A free translation from Portuguese into English of Report on review of interim consolidated financial statements prepared in accordance with IAS 34 — *Interim Financial Reporting*, issued by the International Accounting Standards Board — IASB

Report on review of interim consolidated financial statements

The Management and shareholders of

BRF — Brasil Foods S.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of BRF — Brasil Foods S.A. and its subsidiaries (the "Company") as of March 31, 2012, comprising of the interim consolidated balance sheet as of March 31, 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standard on Review Engagements (NBC TR 2410 — *Revisão de Informações Intermediárias Executadas pelo Auditor da Entidade* and ISRE 2410 — *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

Approval of Sadia S.A.'s business combination

As mentioned in Note 1.2, on July 13, 2011, the Administrative Council for Economic Defense ("CADE") approved the merger between the Company and Sadia S.A. At the same date CADE, the Company and Sadia S.A. agreed and signed a Performance Commitment Agreement ("TCD"), in which the Company and Sadia S.A. are committed to be compliant with TCD's requirements. As part of these requirements, on March 20, 2012, the Company and Sadia S.A. agreed and signed with Mafrig Alimentos S.A., an asset exchange and other agreements, which formalizes the principal terms and conditions to complete this transaction, which is pending CADE's approval. Our conclusion does not contain any qualification relating to this matter.

Audit of consolidated balance sheet as of December 31, 2011 and review of interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2011

The consolidated balance sheet as of December 31, 2011 and the interim consolidated statements of income, comprehensive income, changes in equity and, cash flows for the three-month period ended March 31, 2011, presented for comparison purposes, were audited and reviewed, respectively, by other independent auditors, who issued an unmodified audit opinion thereon dated March 22, 2012, and an unmodified review report thereon dated May 13, 2011.

São Paulo, April 27, 2012.

/s/ ERNST & YOUNG TERCO
ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

/s/ Antonio Humberto Barros dos Santos
Antonio Humberto Barros dos Santos
Accountant CRC-1SP161745/O-3

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED BALANCE SHEETS
March 31, 2012 and December 31, 2011
(Amounts expressed in millions of Brazilian Reais)

ASSETS	Note	03.31.12	12.31.11
CURRENT ASSETS			
Cash and cash equivalents	7	**1,205.3**	1,366.8
Marketable securities	8	**819.6**	1,372.7
Trade accounts receivable, net	9	**2,651.7**	3,207.8
Inventories	10	**3,057.5**	2,679.2
Biological assets	11	**1,180.2**	1,156.1
Recoverable taxes	12	**1,034.8**	907.9
Assets held for sale	13	**19.8**	19.0
Other financial assets	21	**57.0**	23.5
Other current assets		**411.9**	390.8
Total current assets		**10,437.8**	11,123.8
NON-CURRENT ASSETS			
Marketable securities	8	**201.9**	153.4
Trade accounts receivable, net	9	**10.4**	2.4
Credit notes	9	**152.5**	147.3
Recoverable taxes	12	**664.6**	744.6
Deferred income taxes	14	**2,607.4**	2,628.8
Judicial deposits	15	**237.9**	228.3
Biological assets	11	**399.9**	387.4
Other non-current assets		**361.1**	362.6
Investments	16	**26.1**	20.4
Property, plant and equipment	17	**10,138.3**	9,798.4
Intangible assets	18	**4,380.1**	4,386.1
Total non-current assets		**19,180.2**	18,859.7
TOTAL ASSETS		**29,618.0**	29,983.5

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED BALANCE SHEETS
March 31, 2012 and December 31, 2011
(Amounts expressed in millions of Brazilian Reais)

LIABILITIES	Note	03.31.12	12.31.11
CURRENT LIABILITIES			
Short-term debt	19	**3,590.4**	3,452.5
Trade accounts payable	20	**2,670.0**	2,681.3
Payroll and related charges		**461.5**	434.2
Tax payable		**205.2**	224.8
Interest on shareholders' equity	26	**2.7**	312.6
Employee and management profit sharing		**27.3**	224.5
Other financial liabilities	21	**172.9**	270.7
Provision for tax, civil and labor	25	**79.7**	118.5
Other current liabilities		**208.7**	268.7
Total current liabilities		**7,418.4**	7,987.8
NON-CURRENT LIABILITIES			
Long-term debt	19	**4,494.6**	4,601.1
Social and tax payable		**32.0**	29.5
Provision for tax, civil and labor	25	**826.3**	835.2
Deferred income taxes	14	**1,816.7**	1,791.9
Employee benefit plan	24	**276.1**	266.0
Other non-current liabilities		**388.0**	362.0
Total non-current liabilities		**7,833.7**	7,885.7
SHAREHOLDERS' EQUITY	26		
Capital		**12,460.5**	12,460.5
Capital reserves		**79.9**	76.3
Income reserves		**1,770.8**	1,760.4
Retained earnings		**142.9**	—
Treasury shares		**(65.2)**	(65.3)
Other comprehensive loss		**(66.0)**	(161.5)
Attributed to interest of controlling shareholders		**14,322.9**	14,070.4
Non-controlling interest		**43.0**	39.6
Total shareholders' equity		**14,365.9**	14,110.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**29,618.0**	29,983.5

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED STATEMENTS OF INCOME

Three-month periods ended March 31, 2012 and 2011

(Amounts expressed in millions of Brazilian Reais, except earnings per share and share data)

	Note	03.31.12	03.31.11
NET SALES	30	**6,337.1**	6,020.5
Cost of sales	35	**(4,993.6)**	(4,474.9)
GROSS PROFIT		**1,343.5**	1,545.6
OPERATING INCOME (EXPENSES)			
Selling	35	**(953.4)**	(855.0)
General and administrative	35	**(85.7)**	(84.1)
Other operating expenses	33	**(42.0)**	(83.6)
Equity interest in income of affiliates		**5.7**	2.1
OPERATING INCOME		**268.1**	525.0
Financial income	34	**284.0**	157.7
Financial expenses	34	**(359.0)**	(210.0)
INCOME BEFORE TAXES		**193.1**	472.7
Current	14	**(38.2)**	(4.8)
Deferred	14	**(2.0)**	(81.2)
NET INCOME		**152.9**	386.7
Attributable to:			
BRF shareholders		**153.2**	383.5
Non-controlling interest		**(0.3)**	3.2
Earnings per share — basic		**0.18**	0.44
Weighted average shares outstanding (thousands) — basic	28	**869,453,964**	871,710,398
Earning per share — diluted		**0.18**	0.44
Weighted average shares outstanding (thousands) — diluted	28	**869,703,382**	873,477,792

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three-month period ended March 31, 2012.

(Amounts expressed in millions of Brazilian Reais, except interest on own capital per share data)

	Attributed to interest of controlling shareholders													
		Capital Reserve		Income reserves				Other comprehensive income (loss)						
	Capital	Capital reserve	Treasury shares	Legal reserve	Reserve for expansion	Reserve for capital increases	Reserve of tax incentives	Accumulated foreign currency translation adjustments	Available for sale marketable securities	Actuarial gains (losses)	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
BALANCES AT JANUARY 01, 2012	**12,460.5**	**76.3**	**(65.3)**	**179.6**	**978.6**	**545.9**	**56.4**	**12.6**	**(162.2)**	**(11.9)**	**—**	**14,070.4**	**39.6**	**14,110.0**
Comprehensive income:														
Unrealized gain in available for sale marketable securities	—	—	—	—	—	—	—	—	4.0	—	**—**	**4.0**	**—**	**4.0**
Unrealized loss in cash flow hedge	—	—	—	—	—	—	—	—	99.7	—	**—**	**99.7**	**—**	**99.7**
Actuarial gain (loss)	—	—	—	—	—	—	—	—	—	(8.2)	**—**	**(8.2)**	**—**	**(8.2)**
Net income for the period	—	—	—	—	—	—	—	—	—	—	**153.2**	**153.2**	**(0.3)**	**152.9**
TOTAL COMPREHENSIVE INCOME	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12.6**	**(58.5)**	**(20.1)**	**153.2**	**14,319.1**	**39.3**	**14,358.4**
Appropriation of income (loss):														
Reserve of tax incentives	—	—	—	—	—	—	10.3	—	—	—	(10.3)	**—**	**—**	**—**
Share-based payments	—	3.6	—	—	—	—	—	—	—	—	**—**	**3.6**	3.7	**7.3**
Treasury shares sold	—	—	0.1	—	—	—	—	—	—	—	**—**	**0.1**	**—**	**0.1**
BALANCES AT MARCH 31, 2012	**12,460.5**	**79.9**	**(65.2)**	**179.6**	**978.6**	**545.9**	**66.7**	**12.6**	**(58.5)**	**(20.1)**	**142.9**	**14,322.9**	**43.0**	**14,365.9**

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three-month period ended March 31, 2011.

(Amounts expressed in millions of Brazilian Reais, except interest on own capital per share data)

	Attributed to interest of controlling shareholders													
		Capital Reserve		Income reserves				Other comprehensive income (loss)						
	Capital	Capital reserve	Treasury shares	Legal reserve	Reserve for expansion	Reserve for capital increases	Reserve of tax incentives	Accumulated foreign currency translation adjustments	Available for sale marketable securities	Actuarial gains (losses)	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
BALANCES AT JANUARY 01, 2011	**12,460.5**	**69.3**	**(0.7)**	**111.2**	**673.3**	**280.2**	**—**	**11.5**	**63.6**	**(39.9)**	**—**	**13,629.0**	**7.5**	**13,636.5**
Comprehensive income:														
Gain in foreign currency translation adjustments	—	—	—	—	—	—	—	(0.2)	—	—	**—**	**(0.2)**	**—**	**(0.2)**
Unrealized gain in available for sale marketable securities	—	—	—	—	—	—	—	—	2.2	—	**—**	**2.2**	**—**	**2.2**
Unrealized loss in cash flow hedge	—	—	—	—	—	—	—	—	3.7	—	**—**	**3.7**	**—**	**3.7**
Actuarial gain (loss)	—	—	—	—	—	—	—	—	—	(8.6)	**—**	**(8.6)**	**—**	**(8.6)**
Net income (loss) for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**383.5**	**383.5**	**3.3**	**386.8**
TOTAL COMPREHENSIVE INCOME	—	—	—	—	—	—	—	**11.3**	**69.5**	**(48.5)**	**383.5**	**14,009.6**	**10.8**	**14,020.4**
Appropriation of income (loss):														
Share-based payments	—	—	3.4	—	—	—	—	—	—	—	**—**	**3.4**	(0.2)	**3.2**
BALANCES AT MARCH 31, 2011	**12,460.5**	**69.3**	**2.7**	**111.2**	**673.3**	**280.2**	**—**	**11.3**	**69.5**	**(48.5)**	**383.5**	**14,013.0**	**10.6**	**14,023.6**

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three-month periods ended March 31, 2012 and 2011
(Amounts expressed in millions of Brazilian Reais)

	Note	03.31.12	03.31.11
Net Income		**152.9**	386.7
Loss in foreign currency translation adjustments		**—**	(0.2)
Unrealized gain in available for sale marketable securities, net of income taxes of (R$0.1) in 2012 and (R$0.1) in 2011.	**8**	**4.0**	2.2
Unrealized gains in cash flow hedge, net of income taxes of R$49.4 in 2012 and (R$3.4) in 2011.	**4**	**99.7**	3.7
Actuarial losses, net of income taxes of R$4.2 in 2012 and R$4.4 in 2011.		**(8.2)**	(8.6)
Net income (loss) recorded directly in the shareholders' equity		**95.5**	(2.9)
Comprehensive Income		**248.4**	383.8
Attributable to:			
BRF Shareholders		**248.7**	380.6
Non-controlling interest		**(0.3)**	3.2

See accompanying notes to the interim consolidated financial statements

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF — BRASIL FOODS S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Three-month periods ended March 31, 2012 and 2011
(Amounts expressed in millions of Brazilian Reais)

	03.31.12	03.31.11
OPERATING ACTIVITIES:		
Net income for the period	**153.2**	383.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-controlling interest	**(0.3)**	3.2
Depreciation and amortization	**237.6**	220.2
Equity interest in income of affiliates	**(5.7)**	(2.1)
Gain on disposal of property, plant and equipment	**1.3**	19.2
Deferred income tax	**2.0**	81.2
Provision (reversal) for tax, civil and labor risks	**(8.0)**	13.0
Reversal of other provisions	**6.2**	6.2
Exchange rate variations and interest	**(3.8)**	10.9
Changes in Operating Assets and Liabilities:		
Investment in trading securities	**(1,358.7)**	(684.6)
Redemption of trading securities	**1,906.7**	638.4
Investment in available for sale	**—**	(716.6)
Redemptions of available for sale	**5.1**	612.7
Other financial assets and liabilities	**13.8**	8.6
Trade accounts receivable	**524.2**	235.4
Inventories	**(331.9)**	(280.9)
Trade accounts payable	**0.1**	(27.8)
Payment of tax, civil and labor contingencies	**(50.9)**	(96.5)
Interest paid	**(127.1)**	(121.8)
Payroll and related charges	**(328.0)**	(222.1)
Income tax payments	**(19.2)**	(18.0)
Net cash provided by operating activities	**616.6**	62.1
INVESTING ACTIVITIES:		
Marketable securities	**(48.6)**	—
Redemptions of marketable securities	**21.4**	2.0
Additions to property, plant and equipment	**(448.0)**	(152.2)
Additions to biological assets	**(116.7)**	(109.3)
Proceeds from disposals of property, plant and equipment	**3.3**	0.3
Additions to intangible assets	**(1.0)**	(16.6)
Net cash used in investing activities	**(589.6)**	(275.8)
FINANCING ACTIVITIES:		
Proceeds from debt issuance	**801.4**	610.0
Repayment of debt	**(625.1)**	(372.6)
Payment of interest on shareholders' equity	**(339.9)**	(209.2)
Net cash (used in) provided by financing activities	**(163.6)**	28.2
EFFECT ON EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS	**(24.9)**	(31.3)
Net decrease in cash	**(161.5)**	(216.8)
At the beginning of the period	**1,366.8**	2,310.6
At the end of the period	**1,205.3**	2,093.8

See accompanying notes to the interim consolidated financial statements

1. COMPANY'S OPERATIONS

BRF — Brasil Foods S.A. ("BRF") and its subsidiaries (collectively "Company") is one of Brazil's largest companies in the food industry. The Company is a public company, listed on the Brazilian Securities, Commodities & Futures Exchange ("BM&FBOVESPA"), under the ticker BRFS3, and listed on the New York Stock Exchange ("NYSE"), under the ticker BRFS, with headquarters located at 475, Jorge Tzachel Street in the City of Itajaí, State of Santa Catarina. With a focus on raising, producing and slaughtering of poultry, pork and beef, processing and/or sale of fresh meat, processed products, milk and dairy products, pasta, frozen vegetables and soybean derivatives, among which the following are highlighted:

- Whole chickens and cuts of chicken, turkey, pork and beef cuts;
- Ham products, sausages, bologna, frankfurters and other smoked products;
- Hamburgers, breaded meat products and meatballs;
- Lasagnas, pizzas, vegetables, cheese breads, pies and frozen pastries;
- Milk, dairy products and desserts;
- Juices, soy milk and soy juices;
- Margarine; and
- Soy meal and refined soy flour, as well as animal feed.

During the last quarter of 2011, the Company started to segregate its activities into 4 operating segments: domestic market, foreign market, food service and dairy products, as mentioned in note 5.

In the domestic market, the Company operates 45 meat processing plants, 16 milk and dairy products processing plants, 3 margarine processing plants, 4 pasta processing plants, 1 dessert processing plant and 1 soybean crushing plant, all of them located near the Company's raw material suppliers or the main consumer centers.

In the foreign market, the Company operates 3 meat processing plants, 1 margarine and oil processing plant, 1 sauces and mayonnaise processing plant, 1 pasta and pastries processing plant and 1 cheese processing plant, and subsidiaries or sales offices in the United Kingdom, Italy, Austria, Hungary, Japan, The Netherlands, Russia, Singapore, United Arab Emirates, Portugal, France, Germany, Turkey, China, Cayman Islands, South Africa, Venezuela, Uruguay and Chile.

The Company has an advanced distribution system and uses 38 distribution centers, to deliver its products to supermarkets, retail stores, wholesalers, food service stores and other institutional customers in the domestic market and exports to more than 145 countries.

The name BRF deploys and adds value and reliability to several trademarks among which the most important are: *Batavo, Claybon, Chester®, Confiança, Delicata, Doriana, Elegê, Fazenda, Nabrasa, Perdigão, Perdix, Fiesta, Hot Pocket, Miss Daisy, Nuggets, Qualy, Rezende, Sadia, Speciale Sadia, Texas* and *Wilson,* in addition to licensed brands such as *Turma da Mônica*.

The table below summarizes the direct and indirect ownership interests of the Company, as well as the activities of each:

1.1. Interest in subsidiaries

Subsidiary		Main activity	Country	03.31.12	12.31.11
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	88.00%	88.00%
Sino dos Alpes Alimentos Ltda.		Industrialization and commercializations of products	Brazil	99.99%	99.99%
PDF Participações Ltda.		*Holding*	Brazil	1.00%	1.00%
Sino dos Alpes Alimentos Ltda.		Industrialization and commercializations of products	Brazil	0.01%	0.01%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real state	Brazil	65.49%	65.49%
Establecimiento Levino Zaccardi y Cia. S.A.		Processing of dairy products	Argentina	10.00%	10.00%
Avipal S.A. Construtora e Incorporadora	(a)	Construction and real estate marketing	Brazil	100.00%	100.00%
Avipal Centro-oeste S.A.	(a)	Industrialization and commercializations of milk	Brazil	100.00%	100.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Processing of dairy products	Argentina	90.00%	90.00%
UP! Alimentos Ltda.		Industrialization and commercializations of products	Brazil	50.00%	50.00%
Perdigão Trading S.A.	(a)	*Holding*	Brazil	100.00%	100.00%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	12.00%	12.00%
PDF Participações Ltda.		*Holding*	Brazil	99.00%	99.00%
Heloísa Ind. e Com. de Produtos Lácteos Ltda.		Industrialization and commercializations of milk	Brazil	100.00%	100.00%
Crossban Holdings GmbH		*Holding*	Austria	100.00%	100.00%
Perdigão Europe Ltd.		Import and commercialization of products	Portugal	100.00%	100.00%
Perdigão International Ltd.		Import and commercialization of products	Cayman Island	100.00%	100.00%
BFF International Ltd.		Unrestricted activities	Cayman Island	100.00%	100.00%
Highline International	(a)	Unrestricted activities	Cayman Island	100.00%	100.00%
Plusfood Germany GmbH		Import and commercialization of products	Germany	100.00%	100.00%
Perdigão France SARL		Import and commercialization of products	France	100.00%	100.00%
Plusfood Holland B.V.		Administrative services	The Netherlands	100.00%	100.00%
Plusfood Groep B.V.		*Holding*	The Netherlands	100.00%	100.00%
Plusfood B.V.		Import and commercialization of products	The Netherlands	100.00%	100.00%
Plusfood Wrexham		Import and commercialization of products	United Kingdom	100.00%	100.00%
Plusfood Iberia SL		Marketing and logistics services	Spain	100.00%	100.00%
Plusfood Italy SRL		Import and commercialization of products	Italy	67.00%	67.00%

Subsidiary		Main activity	Country	03.31.12	12.31.11
BRF Brasil Foods Japan KK		Import and commercialization of products	Japan	100.00%	100.00%
BRF Brasil Foods PTE Ltd.		Marketing and logistics services	Singapore	100.00%	100.00%
Plusfood Hungary Trade and Service LLC		Import and commercialization of products	Hungary	100.00%	100.00%
Plusfood UK Ltd.		Marketing and logistics services	United Kingdom	100.00%	100.00%
Acheron Beteiligung-sverwaltung GmbH	(b)	*Holding*	Austria	100.00%	100.00%
Xamol Consultores Serviços Ltda.	(a)	Import and commercialization of products	Portugal	100.00%	100.00%
BRF Brasil Foods África Ltd.		Import and commercialization of products	South Africa	100.00%	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	40.00%	40.00%
Rising Star Food Company Ltd.	(d)	Industralization, import and commercialization of products	China	50.00%	—
Sadia S.A.		Industralization and commercialization of products	Brazil	100.00%	100.00%
Sadia International Ltd.		Import and commercialization of products	Cayman Island	100.00%	100.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	100.00%	100.00%
Sadia Alimentos S.A.	(c)	Import and export of products	Argentina	0.02%	—
Sadia Chile S.A.		Import and commercialization of products	Chile	60.00%	60.00%
Sadia U.K. Ltd.		Import and commercialization of products	United Kingdom	100.00%	100.00%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real estate	Brazil	34.51%	34.51%
Athena Alimentos S.A.		Industrialization and commercialization of commodities	Brazil	99.99%	99.99%
Sadia Overseas Ltd.		Financial fund-raising	Cayman Island	100.00%	100.00%
Sadia GmbH		*Holding*	Austria	100.00%	100.00%
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	100.00%	100.00%
Sadia Foods GmbH		Import and commercialization of products	Germany	100.00%	100.00%
BRF Foods Limited Liability Company		Import and commercialization of products	Russia	10.00%	10.00%
Qualy B.V.	(b)	Import and commercialization of products	The Netherlands	100.00%	100.00%
Sadia Japan KK		Import and commercialization of products	Japan	100.00%	100.00%
Badi Ltd.		Import and commercialization of products	Arab Emirates	100.00%	100.00%

Subsidiary		Main activity	Country	03.31.12	12.31.11
Al-Wafi		Import and commercialization of products	Saudi Arabia	75.00%	75.00%
BRF Foods Limited Liability Company		Import and commercialization of products	Russia	90.00%	90.00%
Baumhardt Comércio e Participações Ltda.		*Holding*	Brazil	73.94%	73.94%
Excelsior Alimentos S.A.		Industralization and commercialization of products	Brazil	25.10%	25.10%
Excelsior Alimentos S.A.		Industralization and commercialization of products	Brazil	46.01%	46.01%
K&S Alimentos S.A.		Industrialization and commercialization of products	Brazil	49.00%	49.00%
Sadia Alimentos S.A.		Import and export of products	Argentina	99.98%	100.00%
Avex S.A.		Industrialization and commercialization of products	Argentina	65.58%	65.58%
Flora Dánica S.A.	(c)	Industrialization and commercialization of products	Argentina	95.00%	100.00%
GB Dan S.A.	(c)	Industrialization and commercialization of products	Argentina	5.00%	—
Flora San Luis S.A.	(c)	Industrialization and commercialization of products	Argentina	95.00%	100.00%
Flora Dánica S.A.	(c)	Industrialization and commercialization of products	Argentina	5.00%	—
GB Dan S.A.	(c)	Industrialization and commercialization of products	Argentina	95.00%	100.00%
Flora San Luis S.A.	(c)	Industrialization and commercialization of products	Argentina	5.00%	—

(a) Dormant subsidiaries.

(b) The wholly-owned subsidiary Acheron Beteiligung-sverwaltung GmbH owns 100 direct subsidiaries in Madeira Island, Portugal, with an investment of R$1.6 (R$1.6 as of December 31, 2011), and the wholly-owned subsidiary Qualy B.V. owns 48 subsidiaries in The Netherlands, and the amount of this investment, as of March 31, 2012 , is represented by a net capital deficiency of R$9,7 (R$9,4 as of December 31, 2011), the purpose of these two subsidiaries is to operate in the European market to increase the Company's market share, which is regulated by a system of poultry and turkey import quotas.

(c) Change in the equity interest.

(d) Establishment of joint venture in China.

1.2. Performance Commitment Agreement

As disclosed to the market on July 13, 2011, the Company, its wholly-owned subsidiary Sadia and the Administrative Council for Economic Defense ("CADE") signed the Performance Commitment Agreement ("TCD") the main purpose of which is to establish measures to accomplish the following:

(i) prevent the merger between the Company and its subsidiary from substantially eliminating competition in the market;

(ii) establish conditions to allow the existence of a strong competitor in the markets affected by the merger;

(iii) enable the fast and efficient entrance of competitors in the affected markets; and

(iv) ensure that the benefits originated from the merger be equally distributed among producers and consumers.

The measures established in the TCD are limited to the national territory, in certain markets and/or products category. The Company and its subsidiary are free to act in the whole foreign market, in the dairy products market and in the food service local market, as long as they do not interfere with the purpose and effectiveness of TCD.

In order to comply with the TCD, the Company and its subsidiary committed to take the following measures:

(i) disposal of the brands: *Rezende*, *Wilson*, *Texas*, *Tekitos*, *Patitas*, *Escolha Saudável*, *Light & Elegant*, *Fiesta*, *Freski*, *Confiança*, *Doriana* and *Delicata*, as well as, the intellectual properties rights related to these brands;

(ii) jointly dispose all the assets and rights related to the production plants:

Processing plant	State	Activity
Carambeí	PR	Pork slaughtering, processing of finished goods, manufacturing of animal feed, pork farms and hatcheries
Três Passos	RS	Pork slaughtering, processing of finished goods, pork farms and hatcheries
Brasília	DF	Poultry slaughtering, processing of finished goods, manufacturing of animal feed, pork farms and hatcheries
São Gonçalo	BA	Poultry slaughtering, processing of finished goods, manufacturing of animal feed, pork farms and hatcheries
Salto Veloso	SC	Processing of finished goods
Bom Retiro do Sul	RS	Processing of finished goods
Lages	SC	Processing of finished goods
Duque de Caxias	RJ	Processing of finished goods
Várzea Grande	MS	Processing of finished goods
Valinhos	SP	Processing of finished goods
Excelsior	RS	Processing of finished goods

The total production capacity of the units to be disposed of must correspond to 730.0 tons per annum (“p.a.”).

(iii) disposal of all the assets and rights related to the following distribution centers:

Location	State
Salvador	BA
Duque de Caxias	RJ
Campinas	SP
Bauru	SP
Brasília	DF
São José dos Pinhais	PR
Ribeirão Preto	SP
Cubatão	SP

(iv) assignment of the entire portfolio of contracts with poultry and pork outgrowers, currently utilized in order to guarantee the supply to the specific processing plants listed in the item (ii) above;

(v) suspension of the use of the *Perdigão* brand, from the signing date of the disposal agreement, in the Brazilian territory, for the following products and periods:

Product	Period
Ham products	3 years
Pork festive line	3 years
Smoked sausage and pork sausage	3 years
Salamis	4 years
Lasagna	5 years
Frozen pizzas	5 years
Kibes and meat balls	5 years
Turkey cold cuts light line	5 years

(vi) suspension of the use of the *Batavo* brand, from the signing date of the disposal agreement, for a period of 4 years, related to the products listed above in item (v).

The CADE has been assessing the Company's compliance with the commitments disclosed herein, as the Company is subject to penalties in case of noncompliance with CADE's provisions, which ultimately, includes the review of the operation.

In order to comply with the TCD, the Company's management set up a plan to sell the above mentioned facilities and related assets, rights and obligations. Additionally, the TCD requires the disposition of the productive capacity of 730,000, which includes: assets transfers, purchase and installation of new product lines and shutdown of existing production lines with the correspondent transfer to other production plants.

On December 8, 2011, the Company and Marfrig Alimentos S.A. ("Marfrig") disclosed to the market that they signed a binding Memorandum of Understanding ("MOU"), which was amended by the Asset Exchange and Other Agreements signed on March 20, 2012, establishing the main terms and conditions aiming to accomplish an exchange of the Company's assets and rights related to the TCD with Marfrig or its subsidiary Quickfood S.A. ("Quickfood") as follows:

(i) the entire equity interest held either directly or indirectly by Marfrig, equivalent to 90.05% of the capital of Quickfood, a company based in Argentina, which owns the rights of *Paty* brand. Additionally, Marfrig is compelled to adopt all necessary actions to segregate and remove from Quickfood, all assets and liabilities related to beef activity that will remain under control of Marfrig, except the San Jorge cold storage, which property will be transferred to the Company;

(ii) additional payment of an amount of R$350.0, of which R$100.0 will be paid between June and October 2012 and the remaining amount of R$250.0 will be paid in 72 monthly installments bears market interest rates; and

(iii) commercial operations related to the *Paty* brand in Uruguay and Chile.

Additionally, it was agreed that risks and benefits regarding the Company's pork manufacturing facility, located in the City of Carambeí, State of Paraná, will be transferred to Marfrig through a lease contract for a period of 3 years, renewable for 1 additional year, with a call option for the amount of R$188.0.

Management's understanding of both companies is that the assets to be exchanged have equivalent values. Such understanding is subject to corroboration through an appraisal report at fair market value of the businesses, which is currently being prepared. The transaction is subject to adjustments resulting from the legal, accounting, financial and operational due diligences, which are in progress and not finalized as of the date of the issuance of this interim consolidated financial statements.

The signing of the definitive agreements and the actual implementation of the transaction are subject to precedent conditions, including the assessment of CADE, in the terms and limits placed on the TCD signed on July 13, 2011.

The Company did not reclassify the set of assets and liabilities to be disposed of as held for sale, because it concluded that on March 31, 2012, the current condition of these assets did not meet the requirements of IFRS 5, paragraph 7 "the assets or group of assets held for sale must be immediately available in its current conditions…". The Company's conclusion is supported by the following factors:

(i) in order to meet the requirements related to the disposal of productive capacity, which correspond to 730.0 tons, the Company prepared a plan comprising of refurbishments and adaptations necessary in these plants, which demand an investment in the amount of R$78.5. Until March 31, 2012, only R$22.3 was effectively invested, hence showing that the plants are not immediately available for sale in the conditions determined by CADE;

(ii) in the MOU signed on December 8, 2011, and in the Asset Exchange and Other Agreements, Marfrig imposed other conditions that also require additional changes in the plants besides those mentioned in the item (i) above, denominated "precedent conditions";

(iii) the buildings and lands related to the plants to be disposed of are pledged as guarantees; and

(iv) as required by CADE, the plants in the scope of TCD must operate until the moment of ownership transfer; therefore, such plants will meet the sales orders of the products currently being manufactured, which are not part of the products portfolio to be sold to Marfrig according to TCD. Thus, the sales orders backlog will not be transferred to Marfrig.

As the Company and Marfrig have not concluded all appraisal reports of fair value assets as of the date of the issuance of this interim consolidated financial statements and also because it has not identified other impairment factors, no adjustments have been recorded for the three-month period ended March 31, 2012.

Based on a preliminary appraisal report, on March 31, 2012 the book value of Company's assets to be exchanged do not exceed their fair value.

The estimated accounting balances of the assets and liabilities to be exchanged with Marfrig according to the MOU and confirmed by the Asset Exchange and Other Agreements as of March 31, 2012 are set forth below:

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	4.6
Trade accounts receivable	12.0
Inventories	125.7
Others	1.6
	143.9
NON-CURRENT ASSETS	
Deferred taxes	6.6
Judicial deposits	1.2
Others assets	1.2
Property, plant and equipment	470.0
	479.0
TOTAL ASSETS	**622.9**
Consolidated current assets	**10,437.8**
Consolidated non-current assets	**19,180.2**
Consolidated total assets	**29,618.0**
% that represents in consolidated current assets	**1.4%**
% that represents in consolidated non-current assets	**2.5%**
% that represents in consolidated total assets	**2.1%**

LIABILITIES	
CURRENT LIABILITIES	
Short term debts	12.1
Trade accounts payable	7.2
Social and labor obligations	16.1
Tax obligations	3.2
Other obligations	1.3
	39.9
NON-CURRENT LIABILITIES	
Long term debts	0.1
Tax obligations	6.0
Other obligations	1.6
	7.7
NON-CONTROLLING INTEREST	**1.4**
NET ASSETS	**573.9**
TOTAL LIABILITIES	**622.9**
Consolidated current liabilities	**7,418.4**
Consolidated non-current liabilities	**7,833.7**
Consolidated shareholders' equity	**14,365.9**
Consolidated total liabilities	**29,618.0**
% that represents in consolidated current liabilities	**0.5%**
% that represents in consolidated non-current liabilities	**0.1%**
% that represents in consolidated shareholders' equity	**4.0%**
% that represents in consolidated total liabilities	**2.1%**

The labor obligations related to the retirement supplementary plan and other benefits presented in note 24 are still being estimated and for this reason were not included in the position above.

The Company does not expect the disposal of these assets to cause significant impacts on the Company's future cash flows.

The Company Management´s and Marfrig expect to fulfill the conditions precedent established by the Asset Exchange and Other Agreements by May 31, 2012, to allow the conclusion of the definitive asset exchange agreement on June 1, 2012.

1.3. Establishment of joint venture in China

On February 14, 2012, the Company disclosed to the market the establishment of *Rising Star Food Company Limited*, a joint venture ("JV") with *Dah Chong Hong Limited* ("DCH"), the purpose of which will be:

(i) access to the distribution market in Continental China, Hong Kong and Macau reach retail and food service channels;

(ii) local processing of products; and

(iii) developing the Sadia brand in these countries.

The Company owns 50% participation in the JV and is committed to make a capital increase amounting to approximately R$2.5, which is proportional to its participation in the JV.

1.4. Seasonality

The Company does not operate with any significant seasonality impact through the fiscal year. In general, during the fourth quarter the demand in the domestic market is slightly stronger than in the other quarters, mainly due to the year-end holidays such as Christmas and New Years Eve. The most sold products are: turkey, *Chester*® and ham.

2. MANAGEMENT'S STATEMENT AND BASIS OF PREPARATION AND PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company's interim consolidated financial statements are prepared in conformity with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for interim financial reporting in accordance with IAS 34 — Interim Financial Reporting.(IAS 34)

The Company's interim consolidated financial statements are expressed in millions of Brazilian Reais ("R$"). The amount of other currencies disclosed therein, when applicable, are also expressed in millions.

The preparation of the Company's interim consolidated financial statements requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as of the reporting date of the interim consolidated financial statements. However, the uncertainty inherent to these judgments, assumptions and estimates could lead to results requiring a material adjustment to carrying amount of the affected asset or liability in future periods.

The settlement of the transactions involving these estimates can result in amounts that are significantly different from those recorded in the interim consolidated financial statements due to the lack of precision inherent to the estimation process. The Company reviews its judgments, estimates and assumptions on a quarterly basis.

The interim consolidated financial statements were prepared based on the historical cost except for the following material items recognized in the balance sheet:

(i) derivative financial instruments measured at fair value;

(ii) derivative financial instruments measured at fair value through the statement of income;

(iii) financial assets available for sale measured at fair value;

(iv) assets and liabilities of acquired companies from January 1, 2009 recorded initially at fair value; and

(v) share-based payments measured at fair value.

3. SUMMARY OF ACCOUNTING PRACTICES

The current interim consolidated financial statements have been prepared based on the accounting policies and estimates calculation methodology adopted in the preparation of the annual financial statements for the year ended December 31, 2011 (note 3), except regarding to the adoption of the requirements stated in paragraph 28

of IAS 34. Thus, during this quarter the Company started to recognize the income tax expense based on the best estimate of the annual weighted effective tax rate for the fiscal year ending December 31, 2012, as disclosed in note 14.

There were no changes of any nature related to such policies and estimates calculation methodology. As allowed by IAS 34, Management decided not to disclose again the details of the accounting policies adopted by the Company, hence, the interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, in order to provide an understanding of the interim consolidated financial statements regarding the Company's capacity for profit and future cash flows generation as well as its financial conditions and liquidity.

The exchange rates in Brazilian Reais effective at the date of the balance sheets were as follows:

Final rate	03.31.12	12.31.11
U.S. Dollar (US$)	**1.8221**	1.8758
Euro (€)	**2.4300**	2.4342
Pound Sterling (£)	**2.9132**	2.9148
Argentine Peso ($)	**0.4164**	0.4360
Average rates		
U.S. Dollar (US$)	**1.7701**	1.6746
Euro (€)	**2.3194**	2.3278
Pound sterling (£)	**2.7798**	2.6835
Argentine Peso ($)	**0.4080**	0.4056

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

In the regular course of its business, the Company is exposed to market risks related mainly to the fluctuation of interest rates, variation of foreign exchange rates and changes in the commodities prices.

The Company utilizes hedging instruments to mitigate its exposure to these risks, based on a Risk Policy under the management of the Financial Risk Management Committee, Board of Executive Officers and Board of Directors. Such policy includes the monitoring of the levels of exposure to each market risk and its measurement is performed based on the accounting exposure and forecast of future cash flows. The policy establishes limits for the decision making and adoption of hedging instruments with the purposes of:

(i) protecting from the exposure to fluctuation of interest rates;

(ii) protecting from the exposure to variation of foreign exchange rates on debt and cash flow; and

(iii) protecting from the exposure to changes in the commodities prices.

The Board of Directors plays a crucial role in the financial risk management structure and is responsible for approving the Risk Policy. Moreover, the Board of Directors defines the limits of tolerance of the different risks acceptable for the Company.

The Board of Directors is in charge of the evaluation of the Company's positioning for each identified risk, according to the guidelines enacted by the Board of Directors as well as approving:

(i) the action plans defined for aligning the risks within the defined limits of tolerance;

(ii) the performance indicators to be used in risk management;

(iii) the overall limits; and

(iv) the evaluation of improvements to the Risk Policy.

The Financial Risk Management Committee is in charge of the execution of the Risk Policy, which comprises the supervision of the risk management process, planning and verification of the impacts of the decisions implemented, as well as the evaluation and approval of hedging alternatives and monitoring the exposure levels to risks in order to ensure the compliance of the Policy.

The Risk Management area is engaged in monitoring, evaluating and reporting of financial risk taken by the Company, and focusing on the following activities:

(i) an ongoing review of the scope of Risk Policy, ensuring that hedging instruments utilized are within the limits of tolerance established by the Policy;

(ii) the preparation of reports;

(iii) the evaluation and presentation of alternatives to mitigate risks; and

(iv) the modeling and assessment of exposure to risks.

The activities mentioned above are performed in order to highlight to Management the magnitude of the risks and the related hedging instruments utilized, by presenting the potential impacts.

The Risk Policy defines the strategies to be adopted, and Management contracts hedging instruments that are approved within the delegation of authority levels. The Board of Directors, Board of Executive Officers and Financial Risk Committee have different levels of authority where each one acts within the limits pre-established in this Policy.

The Policy does not permit the Company to contract leveraged transactions in derivative markets, and requires that individual hedge operations (notional amount) be limited to 2.5% of the Company's shareholders' equity.

The inclusion and updating of transactions are recorded in the Company's operating systems, with proper segregation of duties, and are validated by the back-office and monitored daily by the Risk Management area.

Considering the objective of hedging transactions is to mitigate the risks and the uncertainties to which the Company is exposed, the results obtained for the period met the established objectives.

As permitted by IAS 39 "Financial Instruments-Recognition and Measurement", the Company applies hedge accounting rules to its derivative instruments classified as cash flow hedge, in accordance with its Risk Policy. The cash flow hedge consists of hedging the exposure to variations of the cash flow that:

(i) is attributable to a particular risk associated with a recognized asset or liability;

(ii) is a highly probable transaction; and

(iii) could affect profit and loss.

The Policy also has the purpose of determining parameters of use of financial instruments, including derivatives, which are designed to protect the operating and financial assets and liabilities, which are exposed to the variations of foreign exchange rates, the fluctuation of the interest rates and changes to the commodities prices. The Risk Management area is responsible for ensuring compliance with the requirements established by the Company's Risk Policy.

4.2. Interest rate risk management

The risk of interest rates is that the Company may suffer economic losses, arising from changes in these rates, which can be caused by factors related to economic crises or changes in monetary policy in domestic and foreign markets. This exposure refers primarily to changes in market interest rates, that affect assets and liabilities of the companies, indexed to the London Interbank Offered rate (“LIBOR”), Term Interest Rate (“TJLP”), currency of the Bank National Economic and Social Development (“UMBNDES”) or Interbank Deposit (“CDI”) Certificate, and any transactions with pre-established positions in some of the indices mentioned above, which can lead to losses unrealized or realized through the calculation of fair market value (mark to market).

The Company’s Risk Policy does not restrict exposure to different interest rates nor establish limits for fixed or floating rates.

The Company continually monitors the market interest rates, in order to evaluate any potential need to enter into hedging contracts to protect from the exposure to fluctuation of such rates. These transactions are mainly characterized by contracts that exchange floating rate for fixed rate. Such transactions are designated by the Company as cash flow hedge.

The Company’s indebtedness is essentially tied to the LIBOR, fixed coupon (“R$ and USD”), TJLP and UMBNDES rates. In case of adverse changes in the market that result in LIBOR hikes, the cost of the floating indebtedness rises and on the other hand, the cost of the fixed indebtedness decreases in relative terms. The same consideration is also applicable to the TJLP and UMBNDES.

With regards to the Company’s marketable securities, the main index is the CDI for investments in the domestic market and fixed coupon (“USD”) for investments in the foreign market. If CDI increases, impacts become favorable, while if CDI decreases, results become unfavorable.

4.3. Foreign exchange risk management

Foreign exchange risk is the one related to variations of foreign exchange rates that may cause the Company to incur unexpected losses, leading to a reduction of assets or an increase in liabilities.

The main exposures to which the Company is subject, as regards foreign exchange rates variations, are the fluctuation of U.S. Dollar (“US$” or “USD”) and also of Euro (“EUR”) and British Pound (“GBP”) in relation to Brazilian Real.

The objective of the Company’s Risk Policy is the protection from excessive exposure to the risks of foreign exchange variations by balancing its assets not denominated in Brazilian Reais against its obligations not denominated in Brazilian Reais, thus protecting the Company’s balance sheet, through the use of over-the-counter transactions (“swap”) and transactions on the futures exchange.

4.3.1. Breakdown of the balances of exposure in foreign currency

Foreign currency denominated assets and liabilities are as follows:

	03.31.12	12.31.11
Cash and cash equivalents and marketable securities	**1,493.4**	1,689.5
Trade accounts receivable — third parties	**1,279.8**	1,379.4
Dollar futures agreements	**192.9**	65.8
Inventory	**354.5**	112.4
Forward contracts (NDF)(a)	**5.5**	11.3
Exchange rate contracts (SWAP)	**(356.6)**	(359.4)
Loans and financing	**(4,892.6)**	(4,723.8)
Pre-payment exports designated as hedge accounting	**1,084.3**	1,210.2
Trade accounts payable	**(299.4)**	(340.3)
Other operating assets and liabilities, net	**285.3**	71.9
	(852.9)	(883.0)
Foreign exchange exposure in US$	**(468.1)**	(470.7)

(a) Offshore non-deliverable forwards (“NDFs”) not designated as hedge accounting, impacting financial result and not shareholders’ equity.

The Company’s total net foreign exchange exposure as of March 31, 2012 is a liability of US$468.1 and is within the limit established by the Risk Policy.

The Risk Policy aims to protect the operating revenues and costs that are related to the operations resulting from the commercial activity, such as estimates of exports and purchases of raw materials. For this purpose, the Company utilizes hedge instruments focusing mainly on the protection of its foreign currency denominated projected cash flow.

In order to conduct an active management and as required by the Risk Policy, the Company performs daily monitoring, through reports issued by the Risk Management area, on cash flow needs and foreign exchange exposure.

4.3.2. Breakdown of the balances of derivative financial instruments

The positions of outstanding derivatives are as follows:

			03.31.12			
Instrument	**Subject to hedge**	**Maturity**	**Receivable**	**Payable**	**Reference value (notional)**	**Market value(1)**
Financial instruments designated as hedge accounting						
NDF	Exchange rate	04/2012 to 02/2013	R$ (Pre - of 9.25%)	US$	2,523.6	7.1
NDF	Exchange rate	04/2012 to 02/2013	R$ (Pre - of 7.79%)	EUR	524.9	9.3
NDF	Exchange rate	04/2012 to 02/2013	R$ (Pre - of 7.76%)	GBP	224.6	(4.6)
Swap	Exchange rate	Up to 07/2013	US$ + 7%	R$ (76% from CDI)	56.1	1.4
Swap	Exchange rate	04/2012 to 12/2013	US$ + LIBOR 3M + 3.83%	R$ (97.50% from CDI)	330.8	(11.2)
Swap	Interest rate	08/2012 to 06/2018	US$ + LIBOR 3M + 1.43%	US$ + 3.92%	364.4	(16.1)
Swap	Interest rate	07/2012 to 02/2019	US$ + LIBOR 6M + 1.77%	US$ + 4.86%	984.2	(60.1)
Swap	Interest rate	Up to 11/2012	US$ + LIBOR 12M + 0.71%	US$ + 3.70%	182.2	(3.5)
					5,190.8	**(77.7)**
Financial instruments not designated as hedge accounting						
NDF	Exchange rate	04/2012 to 06/2012	US$	ARS (Pre - of 14.46%)	5.5	(0.0)
NDF	Exchange rate	03/2012	US$ (Pre - of 0.15%)	EUR	121.5	(0.1)
NDF	Exchange rate	04/2012 to 06/2012	R$ (Pre - of 11.14%)	EUR	9.7	0.4
NDF	Exchange rate	04/2012 to 06/2012	EUR	R$ (Pre - of 8.13%)	9.7	(0.0)
Swap	Interest rate	05/2012	US$ + LIBOR 3M + 3.85%	US$ + 5.78%	54.7	(0.2)
Swap	Exchange rate	03/2015	R$ (Pre - of 9.62%)	US$ + 1.40%	356.6	(37.2)
Options	Live cattle	07/2012 to 11/2012	R$	R$	100.1	(0.4)
NDF	Live cattle	09/2012	R$	R$	1.7	0.0
Future contract	Exchange rate	04/2012	US$	R$	192.9	(0.5)
Future contract	Live cattle	12/2012	R$	R$	44.5	(0.1)
					896.8	**(38.1)**
					6,087.6	**(115.8)**

12.31.11

Instrument	Subject to hedge	Maturity	Receivable	Payable	Reference value (notional)	Market value(1)
Financial instruments designated as hedge accounting						
NDF	Exchange rate	01/2012 to 11/2012	R$ (Pre - of 9.25%)	US$	2,551.1	(88.2)
NDF	Exchange rate	01/2012 to 11/2012	R$ (Pre - of 7.72%)	EUR	769.2	6.6
NDF	Exchange rate	01/2012 to 11/2012	R$ (Pre - of 7.59%)	GBP	202.0	(5.3)
Options	Exchange rate	Up to 01/2012	R$	US$	150.1	(1.3)
Swap	Exchange rate	Up to 07/2013	US$ + 7%	R$ (76% from CDI)	56.1	1.0
Swap	Exchange rate	10/2011 to 12/2013	US$ + LIBOR 3M + 3.83%	R$ (97.50% from CDI)	330.8	(16.7)
Swap	Interest rate	08/2012 to 06/2018	US$ + LIBOR 3M + 1.43%	US$ + 3.92%	375.2	(18.1)
Swap	Interest rate	07/2012 to 02/2019	US$ + LIBOR 6M + 1.77%	US$ + 4.80%	1,095.2	(74.2)
Swap	Interest rate	Up to 11/2012	US$ + LIBOR 12M + 0.71%	US$ + 3.70%	187.6	(3.6)
					5,717.2	**(199.6)**
Financial instruments not designated as hedge accounting						
NDF	Exchange rate	01/2012 to 11/2012	US$	ARS (Pre - of 13.45%)	11.3	(0.0)
NDF	Exchange rate	Up to 03/2012	US$ (Pre - of 0.54%)	EUR	60.9	0.5
Swap	Interest rate	Up to 05/2012	US$ + LIBOR 3M + 3.85%	US$ + 5.78%	56.3	(0.4)
Swap	Exchange rate	Up to 03/2015	R$ (Pre - of 9.62%)	US$ + 1.40%	359.4	(47.8)
Options	Live cattle	01/2012 to 10/2012	R$	R$	33.6	0.3
NDF	Live cattle	Up to 09/2012	R$	R$	1.7	0.0
Future contract	Exchange rate	Up to 01/2012	US$	R$	65.8	(0.3)
Future contract	Live cattle	Up to 10/2012	R$	R$	11.0	0.0
					599.8	**(47.6)**
					6,317.0	**(247.2)**

(1) The market value determination method used by the Company consists of calculating the future value based on the contracted conditions and determining the present value based on market curves, obtained from the database of Bloomberg and BM&F.

The Company contracted swap operations, NDF and future contracts with the objective of minimizing the effects of the variations in the foreign exchange rates and for protection from the fluctuations of interest rates.

Management understands that the results obtained with these derivative operations are in compliance with the Risk Policy adopted by the Company and were satisfactory.

4.3.3. Options

As of March 31, 2012, the Company did not have any currency options designated or not as cash flow hedge accounting.

4.4. Breakdown of the balances of financial instruments designated for cash flow hedge accounting and export revenues

The Company formally designated its operations for hedge accounting treatment for the derivative financial instruments to protect cash flows and export revenues, documenting:

(i) the relationship of the hedge;

(ii) the objective and risk management strategy of the Company in entering into a hedge transaction;

(iii) the identification of the financial instrument;

(iv) the hedge object or transaction;

(v) the nature of the risk to be hedged;

(vi) the description of the hedge relationship;

(vii) the demonstration of the correlation between the hedge transaction and the hedge object, when applicable; and

(viii) the prospective demonstration of the effectiveness of the hedge.

The transactions for which the Company has designated hedge accounting are highly probable to present a variation in cash flow that could affect profit and loss and are highly effective in achieving changes in fair value or cash flows attributable to hedged risk, consistent with the risk originally documented in the Risk Policy.

The Company recorded the unrealized results of the designated derivatives for interest rates and exchange rates risks in shareholders' equity, net of taxes.

4.4.1. Non-deliverable forwards — NDF

	03.31.12											
NDF	**R$ x USD**				**R$ x EUR**				**R$ x GBP**			
Maturities	**Curve**	**MTM**	**Notional**	**Average USD**	**Curve**	**MTM**	**Notional**	**Average EUR**	**Curve**	**MTM**	**Notional**	**Average GBP**
April 2012	(3.9)	(3.5)	206.0	1.8105	3.1	3.0	22.0	2.5758	(0.4)	(0.4)	7.5	2.8702
May 2012	(1.2)	(1.0)	158.0	1.8342	1.1	1.0	22.0	2.5015	(0.6)	(0.7)	8.5	2.8654
June 2012	2.3	2.4	130.0	1.8707	0.9	0.8	18.0	2.5165	(0.5)	(0.6)	8.1	2.8924
July 2012	(2.0)	(1.1)	153.0	1.8544	0.6	0.6	30.0	2.5072	(0.3)	(0.4)	8.5	2.9344
August 2012	0.4	0.6	26.0	1.8984	0.4	0.3	23.0	2.5143	(0.3)	(0.4)	7.5	2.9449
September 2012	7.1	7.3	121.0	1.9486	1.7	1.4	19.0	2.5919	(0.0)	(0.1)	7.0	3.0017
October 2012	3.2	4.6	179.0	1.9225	1.2	1.1	28.0	2.5705	(0.4)	(0.3)	9.0	2.9922
November 2012	4.7	4.9	115.0	1.9510	0.7	0.8	20.0	2.5735	(0.1)	(0.1)	5.5	3.0241
December 2012	1.1	1.2	133.0	1.9260	(0.2)	0.2	14.0	2.5436	(0.4)	(0.4)	5.5	2.9750
January 2013	(4.6)	(4.5)	95.0	1.8760	(0.4)	0.1	13.0	2.5438	(0.6)	(0.6)	6.0	2.9654
February 2013	(4.7)	(3.9)	69.0	1.8758	(0.4)	0.0	7.0	2.5381	(0.6)	(0.5)	4.0	2.9465
	2.4	**7.1**	**1,385.0**	**1.8880**	**8.7**	**9.3**	**216.0**	**2.5433**	**(4.3)**	**(4.6)**	**77.1**	**2.9466**

4.4.2. Interest rate swap

03.31.12					
Assets (Hedged object)	**Liabilities (Protected risk)**	**Notional**	**Maturity date**	**(contract curve)**	**Balance (MTM)**
Libor 6M + 1.75% p.a.	4.22% p.a.	US$13,000	07.25.12	**(0.1)**	**(0.2)**
Libor 6M	4.06% p.a.	US$32,143	07.22.13	**(0.3)**	**(1.8)**
Libor 6M + 0.80% p.a.	4.31% p.a.	US$18,000	08.23.13	**(0.1)**	**(0.9)**
Libor 6M + 0.80% p.a.	4.36% p.a.	US$12,000	07.19.13	**(0.1)**	**(0.6)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$10,000	08.20.12	**(0.1)**	**(0.3)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$20,000	08.15.12	**(0.1)**	**(0.5)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$20,000	08.10.12	**(0.2)**	**(0.5)**
Libor 6M	3.82% p.a.	US$8,000	03.20.13	**(0.0)**	**(0.3)**
Libor 6M	3.79% p.a.	US$12,000	02.13.13	**(0.1)**	**(0.5)**
Libor 6M + 1.65% p.a.	4.15% p.a.	US$15,000	05.10.13	**(0.2)**	**(0.5)**
Libor 6M + 0.60% p.a.	2.98% p.a.	US$50,000	12.19.12	**(0.3)**	**(1.2)**
Libor 6M + 0.60% p.a.	2.99% p.a.	US$50,000	11.26.12	**(0.4)**	**(1.3)**
Libor 6M + 1.55% p.a.	3.55% p.a.	US$30,000	07.02.12	**(0.1)**	**(0.1)**
Libor 12M + 0.71% p.a.	3.57% p.a.	US$50,000	11.19.12	**(0.6)**	**(1.6)**
Libor 12M + 0.71% p.a.	3.82% p.a.	US$50,000	11.26.12	**(0.6)**	**(1.9)**
Libor 3M	0.78% p.a.	US$50,000	08.03.12	**(0.0)**	**(0.1)**
Libor 6M + 2.82% p.a.	5.86% p.a.	US$100,000	01.22.18	**(0.4)**	**(16.6)**
Libor 3M + 2.60% p.a.	5.47% p.a.	US$100,000	06.18.18	**(0.2)**	**(14.7)**
Libor 6M + 2.70% p.a.	5.90% p.a.	US$100,000	02.01.19	**(0.2)**	**(18.3)**
Libor 6M + 2.70% p.a.	5.88% p.a.	US$100,000	02.01.19	**(0.2)**	**(18.0)**
7% p.a.	76% CDI	US$35,000	07.15.13	**0.1**	**1.4**
Libor 3M + 2.50% p.a.	92.5% CDI	US$38,889	10.01.13	**(1.1)**	**(3.6)**
Libor 3M + 4.50% p.a.	100% CDI	US$77,778	12.23.13	**(0.2)**	**(7.5)**
				(5.5)	**(89.6)**

4.4.3. Exports pre-payments — PPEs

As allowed by IAS 39, the Company utilizes the exchange rates variation of export pre-payments contracts ("PPEs") as a hedge instrument in order to mitigate the risk of the variation of exchange rate resulting from the highly probable future sales designated in foreign currency.

In order to test the effectiveness of this hedge category, the Company established a comparison between the exchange rate variation arising from the PPE agreement (variation of the fair value of the hedging instrument) and the variation of the fair value of highly probable future export revenues (Spot-to-Spot rate method).

The position of the PPEs designated as hedge accounting is set forth below:

	03.31.12				
Hedge Instrument	**Subject to hedge**	**Type of risk hedged**	**Maturity**	**Notional (US$)**	**MTM**
PPE	Foreign Market Sales	US$ (E.R.)	From 04.2012 to 02.2019	595.1	1,084.3

The unrealized gains and losses from PPEs designated as hedge accounting, recorded in the shareholders' equity is represented by a loss of R$7.8, net of income tax of R$4.0.

4.5. Gains and losses of derivative financial instruments

The amounts of gains and losses resulting from derivative financial instruments for the three-month period ended March 31, 2012 were recorded in the statements of income as financial income or expenses, while the unrealized gains and losses were recognized in the shareholders' equity, are shown below:

	Shareholders' equity		Statement of income	
	03.31.12	**12.31.11**	**03.31.12**	**12.31.11**
Derivatives intended for protection				
Exchange risks	3.2	(101.1)	(1.2)	(2.3)
Interest rate risk	(75.4)	(85.7)	(4.4)	(4.3)
	(72.2)	(186.8)	(5.6)	(6.6)
Derivatives intended for financial results				
Interest rate risk	—	—	(0.2)	(0.7)
Exchange risks	—	—	(37.4)	5.6
Market risk of live cattle	—	—	(0.5)	(1.8)
	—	—	(38.1)	3.1
	(72.2)	(186.8)	(43.7)	(3.5)

The gains and losses from derivative financial instruments designated as hedge accounting, recorded in the shareholders' equity, are represented by a loss of R$59.8, net of income tax of R$12.4.

4.5.1. Breakdown by category of the balances of financial instruments – except derivatives:

	03.31.12					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	**—**	**—**	**—**	**262.8**	**—**	**262.8**
Trade accounts receivable	**2,662.0**	**—**	**—**	**—**	**—**	**2,662.0**
Credit notes	**201.6**	**—**	**—**	**—**	**—**	**201.6**
Fair value						
Marketable securities	**—**	**230.4**	**528.3**	**—**	**—**	**758.7**
Liabilities						
Amortized cost						
Trade accounts payable	**—**	**—**	**—**	**—**	**(2,670.0)**	**(2,670.0)**
Loans and financing						
Local currency	**—**	**—**	**—**	**—**	**(3,192.1)**	**(3,192.1)**
Foreign currency	**—**	**—**	**—**	**—**	**(4,892.6)**	**(4,892.6)**
	2,863.6	**230.4**	**528.3**	**262.8**	**(10,754.7)**	**(6,869.6)**

	12.31.11					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	—	—	—	236.8	—	236.8
Trade accounts receivable	3,210.2	—	—	—	—	3,210.2
Credit notes	204.2	—	—	—	—	204.2
Fair value						
Marketable securities	—	235.2	1,054.1	—	—	1,289.3
Liabilities						
Amortized cost						
Trade accounts payable	—	—	—	—	(2,681.3)	(2,681.3)
Loans and financing						
Local currency	—	—	—	—	(3,329.7)	(3,329.7)
Foreign currency	—	—	—	—	(4,723.8)	(4,723.8)
	3,414.4	235.2	1,054.1	236.8	(10,734.8)	(5,794.3)

4.6. Determination of the fair value of financial instruments

The Company discloses its financial assets and liabilities at fair value, based on the pertinent accounting pronouncements, which refers to concepts of valuation and practices, and requires certain disclosures on the fair value.

Specifically related to the disclosure, the Company applies the hierarchy requirements set out in IAS 39, which involves the following aspects:

(i) The fair value is the price that an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm´s length transaction; and

(ii) Hierarchy on 3 levels for measurement of the fair value, according to observable inputs for the valuation of an asset or liability on the date of its measurement.

The valuation established on 3 levels of hierarchy for measurement of the fair value is based on observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while non-observable inputs reflect the Company’s market assumptions. These two types of input create the hierarchy of fair value presented below:

(i) Level 1 — Prices quoted for identical instruments in active markets;

(ii) Level 2 — Prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets and evaluation models for which inputs are observable; and

(iii) Level 3 — Instruments whose significant inputs are non-observable.

Management concluded that balances of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value recognition due to the short-term cycle of these operations.

The book value of financing and loans in the financial statements approximates its fair value as the major portion of the total gross debt bears interest based on the variation of TJLP, LIBOR and CDI, except the capital markets transactions (Bond). On March 31, 2012, the fair value adjustment for Bond (“BRFSBZ”) is represented by a negative impact of R$198.2.

4.6.1. Comparison between book value and fair value of financial instruments

The comparison between book value and fair value of financial instruments is set forth below:

	03.31.12		12.31.11	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	**1,205.3**	**1,205.3**	1,366.8	1,366.8
Marketable securities:				
Available for sale	**230.4**	**230.4**	235.2	235.2
Trading securities	**528.3**	**528.4**	1,054.1	1,054.1
Held to maturity	**262.8**	**266.3**	236.8	241.5
Trade accounts receivable, net	**2,662.1**	**2,662.1**	3,210.2	3,210.2
Notes receivable	**201.6**	**201.6**	204.2	204.3
Short and long term debt	**(8,085.0)**	**(8,283.1)**	(8,053.6)	(8,240.2)
Trade accounts payable	**(2,670.0)**	**(2,670.0)**	(2,681.3)	(2,681.3)
Other financial assets	**57.0**	**57.0**	23.5	23.5
Other financial liabilities	**(172.9)**	**(172.9)**	(270.7)	(270.7)
	(5,780.4)	**(5,974.9)**	(4,674.8)	(4,856.6)

4.6.2. Fair value valuation hierarchy

The table below presents the overall classification of financial assets and liabilities according to the valuation hierarchy.

	03.31.12			
	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
Available for sale:				
Credit linked notes	**145.5**	**—**	**—**	**145.5**
Brazilian foreign debt securities	**83.4**	**—**	**—**	**83.4**
Shares	**1.5**	**—**	**—**	**1.5**
Held for trading:				
Bank deposit dertificates	**—**	**433.4**	**—**	**433.4**
Financial treasury bills	**94.9**	**—**	**—**	**94.9**
Other financial assets				
Derivatives designated as hedge	**—**	**56.2**	**—**	**56.2**
Derivatives not designated as hedge	**—**	**0.8**	**—**	**0.8**
	325.3	**490.5**	**—**	**815.8**
Liabilities				
Financial liabilities				
Other financial liabilities:				
Derivatives designated as hedge	**—**	**(133.9)**	**—**	**(133.9)**
Derivatives not designated as hedge	**—**	**(38.9)**	**—**	**(38.9)**
	—	**(172.8)**	**—**	**(172.8)**

	12.31.11			
	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
Available for sale:				
Credit linked notes	147.0	—	—	147.0
Brazilian foreign debt securities	86.5	—	—	86.5
Shares	1.7	—	—	1.7
Held for trading	—	—	—	—
Bank deposit certificates	—	699.0	—	699.0
Financial treasury bills	355.1	—	—	355.1
Other financial assets	—	—	—	—
Derivatives designated as hedge	—	22.4	—	22.4
Derivatives not designated as hedge	—	1.1	—	1.1
	590.3	722.5	—	1,312.8
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge	—	(222.0)	—	(222.0)
Derivatives not designated as hedge	—	(48.7)	—	(48.7)
	—	(270.7)	—	(270.7)

Presented below is the description of the valuation methodologies used by the Company for financial instruments measured at fair value:

(i) The investments in financial assets in the categories of Brazilian foreign debt securities, National Treasury Certificates ("CTN"), Financial Treasury Notes ("LFT") and shares are classified at Level 1 of the fair value hierarchy, as the market prices are available in an active market;

(ii) The investments in financial assets in the categories of Bank Deposit Certificates ("CDB") and the repurchase agreements backed by debentures are classified at Level 2, since the determination of fair value is based on the price quotation of similar financial instruments in non-active markets; and

(iii) The derivatives are valued through existing pricing models widely accepted by financial market and described in appendix 3 of the Risk Policy. Readily observable market inputs are used, such as interest rate forecasts, volatility factors and foreign currency rates. These instruments are classified at Level 2 of the valuation hierarchy, including swaps, NDFs and options.

4.7. Credit management

The Company is potentially subject to the credit risk related to trade accounts receivable, financial investments and derivative contracts. The Company limits its risk associated with these financial instruments, allocating them to financial institutions selected by the criteria of rating and percentage of maximum concentration by counterparties.

The credit risk concentration of accounts receivable is minimized due to the diversification of the customer portfolio and concession of credit to customers with good financial and operational conditions. The Company does not normally require collateral for credit sales, yet it has a contracted credit insurance policy for specific markets.

On March 31, 2012, the Company had financial investments over R$10.0 at the following financial institutions: Banco do Brasil, Banco Santander, Banco Itaú Unibanco, Deutsche Bank, Credit Suisse, Banco Bradesco, BTG Pactual, Citigroup, Erste Bank, Banco do Nordeste, Caixa Econômica Federal and JP Morgan.

The Company also held derivative contracts with the following financial institutions: Banco Santander, Citibank, HSBC, Credit Suisse, Banco do Brasil, Banco Itaú Unibanco, Rabobank, Merrill Lynch, Deutsche Bank, Banco Votorantim, Banco Bradesco, JP Morgan, Morgan Stanley, Standard Bank, Goldman Sachs, Barclays Bank, ING Bank and Banco Safra.

4.8. Liquidity risk management

Liquidity risk management aims to reduce the impacts caused by events which may affect the Company's cash flow performance.

The Company has identified market risk factors which are associated to future cash flow that may jeopardize its liquidity and calculates the Cash Flow at Risk ("CFAR") on a twelve-month basis aiming to verify potential cash flow forecast deviations. The Company determined that the minimum value of its cash availability should consider mainly the average monthly revenue and EBITDA for the last twelve-month period.

Derivatives transactions may demand payments of periodic adjustments. Currently, the Company holds only BM&F operations with daily adjustments. In order to control the adjustments, the Company utilizes Value at Risk methodology ("VaR"), which statistically measures potential maximum adjustments to be paid in a 1 to 21-day interval.

The allocation of financial investments among counterparts is conservative and seek the liquidity and profitability of these assets avoiding concentration.

The Company maintains its leverage levels in a manner to not jeopardize the ability to honor commitments and obligations. On March 31, 2012, the long term debt portion accounted for 56% of the total outstanding debt with an average term greater than 3.3 years.

The table below summarizes the commitments and contractual obligations that may impact the Company's liquidity as of March 31, 2012:

	03.31.12							
	Book value	**Cash flow contracted**	**Up to 9 months**	**2013**	**2014**	**2015**	**2016**	**After 5 years**
Non derivatives financial liabilities								
Loans and financing	6,252.6	6,800.9	3,296.0	987.8	715.4	315.3	118.9	1,367.6
Bonds BRF	1,365.9	2,159.2	49.5	99.1	99.1	99.1	99.1	1,713.3
Bonds Sadia	466.4	627.8	31.3	31.3	31.3	31.3	31.3	471.2
Trade accounts payable	2,670.0	2,670.0	2,670.0	—	—	—	—	—
Capital lease	98.5	110.8	43.6	46.8	9.9	6.3	4.3	—
Operational lease	240.5	240.5	57.9	54.7	40.8	26.3	15.5	45.2
Derivatives financial liabilities								
Designated as hedge accounting								
Interest rate derivatives	90.9	133.5	28.6	26.8	16.4	16.5	16.4	28.9
Currency derivatives (NDF)	43.0	94.2	67.6	26.6	—	—	—	—
Not designated as hedge accounting								
Currency derivatives (NDF)	0.1	3.0	3.0	—	—	—	—	—
Currency derivatives (future)	0.5	0.5	0.5	—	—	—	—	—
Interest rate derivatives	37.4	8.9	(20.9)	29.0	0.7	0.0	—	—
Commodities derivatives	0.9	0.9	0.9	—	—	—	—	—

4.9. Commodity price risk management

In the regular course of its operations, the Company purchases commodities, mainly corn, soymeal and live hog, which are some of the individual components of production cost.

Corn and soymeal prices are subject to volatility resulting from weather conditions, crop yield, transportation and storage costs, government's agricultural policy, foreign exchange rates and the prices of these commodities on the international market, among others factors. The prices of hog acquired from third parties are subject to market conditions and are influenced by internal availability and levels of demand in the international market, and other aspects.

The Risk Policy establishes limits for hedging the corn and soymeal purchase flow, aiming to reduce the impact resulting from a price increase of these raw materials, and may utilize derivative instruments or inventory management for this purpose. Currently, the management of inventory levels is used as a hedging instrument.

During the first quarter of 2012, the Company utilized derivative instruments to mitigate the exposure to live cattle prices variation.

On March 31, 2012, the Company held a short position in the BM&F of 1,305 future contracts (150 contracts as of December 31, 2011) with maturity dates between April and October 2012.

In the over-the-counter market, the Company held a short position of 50 contracts with maturity dates in 2012. Additionally, through the utilization of options, the Company also held a short position of 1,600 allotments (600 allotments as of December 31, 2011), note 4.3.2.

4.10.Table of sensitivity analysis

The Company has financing and loans and receivables denominated in foreign currency and in order to mitigate the risks resulting from exchange rate exposure it contracts and derivative financial instruments.

The Company understands that the current interest rate fluctuations do not significantly affect its financial results since it opted to change to fixed rate a considerable portion of its floating interest rates debts by using derivative transactions (interest rates swaps). The Company designates such derivatives as hedge accounting and, therefore, the effectiveness is monitored through prospective and retrospective tests.

In the table presented below, five scenarios are considered for the next twelve-month period, considering the variations of the quotations of the parity between the Brazilian Reais and U.S. Dollar, Brazilian Reais and Euro and Brazilian Reais and Pounds, whereas the most likely scenario is that one adopted by the Company. The total of export sales analyzed corresponds to the total of derivative financial instruments increased by the amortization flow of PPEs designated as hedge accounting.

Parity — Brazilian Reais x U.S. Dollar		**1.8221**	**1.6399**	**1.3666**	**2.2776**	**2.7332**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% appreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	83.5	335.8	714.4	(547.4)	(1,178.3)
Pre payment export	Devaluation of R$	(11.7)	96.7	259.3	(282.8)	(553.9)
Exports	Appreciation of R$	(84.3)	(378.9)	(820.9)	652.4	1,389.0
Net effect		**(12.5)**	**53.6**	**152.8**	**(177.9)**	**(343.2)**
Statement of income		**—**	**—**	**—**	**—**	**—**
Shareholders' equity		**(12.5)**	**53.6**	**152.8**	**(177.9)**	**(343.2)**

Parity — Brazilian Reais x Euro		2.4300	2.1870	1.8225	3.0375	3.6450
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% appreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	24.3	76.8	155.5	(106.9)	(238.1)
Exports	Appreciation of R$	(24.3)	(76.8)	(155.5)	106.9	238.1
Net effect		**—**	**—**	**—**	**—**	**—**
Statement of income		—	—	—	—	—
Shareholders' equity		—	—	—	—	—

Parity — Brazilian Reais x Pound		**2.9132**	**2.6219**	**2.1849**	**3.6415**	**4.3698**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% appreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	2.2	24.7	58.4	(53.9)	(110.1)
Exports	Appreciation of R$	(2.2)	(24.7)	(58.4)	53.9	110.1
Net effect		**—**	**—**	**—**	**—**	**—**
Statement of income		—	—	—	—	—
Shareholders' equity		—	—	—	—	—

5. SEGMENT INFORMATION

The operating segments are reported consistently with the management reports provided to Board and Directors for assessing the performance of each segment and allocating resources.

In order to reflect the organizational changes in the Company, during the last quarter of 2011, the segment information began to be prepared considering 4 reportable segments, as follows: domestic market, foreign markets, dairy products and food service. Therefore, the information as of March 31, 2011 is being restated to conform with this segment structure. The reportable segments identified primarily observe division by sales channel.

(i) Domestic market: includes the Company´s sales executed in the Brazilian territory, except those relating to products in the dairy and the food service channel.

(ii) Foreign market: includes the Company´s sales for exports and those generated outside the national territory, except those relating to products in the dairy and the food service channel.

(iii) Dairy products: includes the Company´s sales of milk and dairy products produced domestically and abroad.

(iv) Food service: includes the Company's sales of all products in its portfolio, except in the category of dairy products, generated in the domestic and foreign customers for food service category that includes bars, restaurants, kitchens, etc.

Hence, these segments are subdivided according to the nature of the products and characteristics described below:

(i) Poultry: involves the production and trade of whole birds and poultry cuts in natura.

(ii) Pork and beef cuts: involves the production and trade of cuts in natura.

(iii) Processed: involves the production and trade of processed foods, frozen and processed derivatives of poultry, pigs and cattle.

(iv) Others processed: involves the production and trade of processed foods like margarine and vegetable products and soy.

(v) Milk: involves the production and trade of pasteurized and UHT milk.

(vi) Dairy products and other drinks: involves the production and trade of foods milk derivatives, including flavored milk, yogurts, fruit juices, soy-based beverages, cheeses and desserts.

(vii) Others: involves the production and trade of animal feed, soy meal and refined soy flour.

The net sales for each one of the reportable operating segments are presented below:

Net sales	03.31.12	03.31.11
Domestic market:		
Poultry	**273.0**	299.7
Porks/beef and fish	**207.8**	179.8
Processed products	**1,640.1**	1,617.5
Other processed	**677.9**	460.0
Other	**192.7**	133.5
	2,991.5	2,690.5
Foreign market:		
Poultry	**1,538.2**	1,620.9
Porks/beef	**412.2**	358.9
Processed products	**363.3**	390.5
Other processed	**45.4**	12.2
	2,359.1	2,382.5
Dairy products:		
Milk	**337.9**	431.6
Dairy products	**295.8**	196.3
	633.7	627.9
Food service:		
Poultry	**84.7**	73.7
Porks/beef and fish	**53.4**	35.2
Processed products	**176.6**	199.5
Other processed	**38.1**	11.2
	352.8	319.6
	6,337.1	6,020.5

The operating results before financial income (expenses) and others for each reportable operating segments are presented below:

	03.31.12	03.31.11
Operating income:		
Domestic market	**285.0**	287.2
Foreign market	**(54.1)**	194.0
Dairy products	**(1.6)**	(0.8)
Food service	**38.8**	44.6
	268.1	525.0

No customer was individually responsible for more than 5% of the total revenue earned in the three-month period ended March 31, 2012.

Net revenues from exports originate in the segments of the foreign market, dairy products and food service, as shown below:

	03.31.12	03.31.11
Export net revenues per market:		
Foreign market	**2,359.1**	2,382.5
Dairy products	**0.1**	0.1
Food service	**58.9**	45.9
	2,418.1	2,428.5

Export net revenues by region is presented below:

	03.31.12	03.31.11
Export net revenues per region:		
Europe	**432.4**	419.0
Far East	**565.7**	514.5
Middle East	**735.1**	816.0
Eurasia (including Russia)	**164.6**	235.0
America / Africa / Other	**520.3**	444.0
	2,418.1	2,428.5

The goodwill originated from the expectation of future profitability, as well as the intangible assets with indefinite useful life (trademarks and patents), were allocated to the reportable operating segments, taking into account the nature of the products manufactured in each segment (cash-generating unit). The allocation of intangible assets is presented below:

	Goodwill		Trademarks		Total	
	03.31.12	12.31.11	03.31.12	12.31.11	03.31.12	12.31.11
Domestic market	**1,153.8**	1,153.8	**1,065.5**	1,065.5	**2,219.3**	2,219.3
Foreign market	**1,075.8**	1,074.4	**190.5**	190.5	**1,266.3**	1,264.9
Dairy products	**664.1**	664.1	**—**	—	**664.1**	664.1
Food service	**81.4**	81.5	**—**	—	**81.4**	81.5
	2,975.1	2,973.8	**1,256.0**	1,256.0	**4,231.1**	4,229.8

Information referring to the total assets by reportable segments is not being presented, as it is not comprised in the set of information made available to the Company's Management, which take investment decisions on a consolidated basis.

6. BUSINESS COMBINATION AND OTHER ACQUISITIONS

During the first quarter of 2012, there were no changes deriving from the goodwill allocation of the acquisition of the subsidiaries Avex, Dánica group and Heloísa.

6.1 Acquisition of assets related to integration, production and slaughter of porks

With the purpose of acquiring assets related to integration, production and slaughter of porks, the Company made advanced payments in the amount of R$180.0.

CADE decided that this transaction could cause an adverse impact to the competitive market and rejected the acquisition. Thus, the Company and the seller dedicated their best efforts in order to identify another buyer for these assets and such negotiations are in an advanced stage. Management expects that the transaction will be concluded by the first semester of 2012.

The advanced payments are secured by statutory liens that corresponds to R$205.0.

Management does not expect any loss resulting from this operation.

7. CASH AND CASH EQUIVALENTS

	Average rate p.a.	03.31.12	12.31.11
Cash and bank accounts:			
U.S. Dollar	—	**2.9**	17.2
Brazilian Reais	—	**69.9**	65.2
Euro	—	**0.2**	43.7
Other currencies	—	**18.5**	3.9
		91.5	130.0
Highly liquid investments:			
In Brazilian Reais			
Investment funds	10.27%	**12.7**	12.4
		12.7	12.4
In U.S. Dollar			
Interest bearing account	0.04%	**55.3**	42.1
Fixed term deposit	1.13%	**296.4**	371.3
Overnight	0.10%	**485.3**	458.2
In Euro			
Interest bearing account	0.10%	**82.9**	235.2
Fixed term deposit	0.53%	**128.4**	82.4
Overnight	0.13%	**7.3**	17.8
Other Currencies			
Interest bearing account	0.01%	**45.5**	17.4
		1,101.1	1,224.4
		1,205.3	1,366.8

8. MARKETABLE SECURITIES

	WATM (*)	Currency	Average interest rate p.a.	03.31.12	12.31.11
Available for sale					
Credit linked notes	4.60	US$	3.98%	**145.5**	147.0
Brazilian foreign debt securities	2.21	US$	9.28%	**83.4**	86.5
Shares	—	R$	—	**1.5**	1.7
				230.4	235.2
Held for trading					
Bank deposit certificates	1.91	R$	9.96%	**433.4**	699.0
Financial treasury bills	1.83	R$	9.65%	**94.9**	355.1
				528.3	1,054.1
Held to maturity					
Credit linked notes	1.01	US$	4.97%	**141.8**	166.8
National treasury certificates	8.03	R$	15.20%	**72.1**	70.0
Financial treasury bills	5.52	R$	9.65%	**48.9**	—
				262.8	236.8
				1,021.5	1,526.1
Current				**819.6**	1,372.7
Non-current				**201.9**	153.4

(*) Weighted average maturity in years.

There were no changes in the characteristics of the modalities of marketable securities presented above, when compared to the information disclosed in the annual financial statements as of December 31, 2011 (note 8).

The national treasury certificates classified in subgroup held to maturity are pledged as collateral for the loan obtained through the Special Program Asset Restructuring ("PESA"), see note 19 of this interim consolidated financial statements.

The unrealized gain by the change in fair value of the marketable securities available for sale, recorded in equity as of March 31, 2012 is R$9.1, net of income tax of R$0,6.

Additionally, on March 31, 2012, of the total of marketable securities, R$41.8 (R$88.2 as of December 31, 2011) were pledged as collateral for futures contract operations in U.S. Dollars and live cattle, traded on the Futures and Commodities Exchange ("BM&F").

On March 31, 2012, the maturities of the non-current marketable securities is as follows:

Maturities	
2013	80.9
2015 onwards	121.0
	201.9

The Company conducted an analysis of sensitivity to foreign exchange rate as presented in note 4.10.

9. TRADE ACCOUNTS RECEIVABLE AND OTHER

	03.31.12	12.31.11
Current		
Domestic third parties	**1,414.5**	1,864.0
Foreign third parties	**1,279.2**	1,375.5
(-) Estimated losses on doubtful accounts	**(42.0)**	(31.7)
	2,651.7	3,207.8
Credit notes	**49.1**	56.9
	2,700.8	**3,264.7**
Non-current		
Domestic third parties	**85.7**	53.1
Foreign third parties	**0.6**	3.9
(-) Adjustment to present value	**(0.7)**	(0.7)
(-) Estimated losses on doubtful accounts	**(75.3)**	(53.9)
	10.4	2.4
Credit notes	**152.5**	147.3
	162.9	149.7

The rollforward of estimated losses from doubtful accounts is presented below:

	03.31.12	12.31.11
Beginning balance	**85.6**	62.8
Additions	**57.9**	112.4
Reversals	**(19.6)**	(65.3)
Write-offs	**(6.4)**	(24.6)
Exchange rate variation	**(0.1)**	0.2
Ending balance	**117.3**	85.6

The expense of the estimated losses on doubtful accounts was recorded as selling expenses in the statement of income. When efforts to recover accounts receivable prove unsuccessful, the amounts credited to estimated losses on doubtful accounts are generally reversed against the permanent write-off of the invoice.

Breakdown by maturity of overdue amounts that are not included in estimated losses on doubtful accounts:

	03.31.12	12.31.11
60 to 90 days	**—**	14.9
91 to 120 days	**4.1**	3.5
121 to 180 days	**5.4**	1.3
181 to 360 days	**0.9**	1.5
More than 360 days	**0.6**	15.5
	11.0	36.7

The receivables excluded from allowance for estimated losses on doubtful accounts are secured by letters of credit issued by financial institutions and by credit insurance contracted with insurance companies.

The breakdown of accounts receivable by maturity is as follows:

	03.31.12	12.31.11
Current	**2,477.6**	2,924.5
Overdue:		
From 01 to 60 days	**152.5**	251.2
From 61 to 120 days	**37.2**	30.3
From 121 to 180 days	**13.7**	13.1
From 181 to 360 days	**9.1**	8.5
More than 360 days	**90.0**	68.9
(-) Adjustment to present value	**(0.7)**	(0.7)
(-) Estimated losses on doubtful accounts	**(117.3)**	(85.6)
	2,662.1	3,210.2

10. INVENTORIES

	03.31.12	12.31.11
Finished goods	**1,864.0**	1,633.5
Goods for resale	**14.5**	8.6
Work in process	**150.7**	316.9
Raw materials	**502.9**	214.6
Packaging materials	**72.3**	99.9
Secondary materials	**191.1**	153.9
Warehouse	**115.1**	112.0
Goods in transit	**38.4**	26.2
Imports in transit	**81.4**	83.6
Advances to suppliers	**27.1**	30.0
	3,057.5	2,679.2

The write-offs of products sold from inventories to cost of sales during the three-month period ended March 31, 2012, totaled R$4,993.6 (on March 31, 2011, R$4,474.9). Such amounts include the additions and reversals of inventory provisions presented in the table below:

	12.31.11	Additions	Reversals	Exchange rate variation	03.31.12
Provision for losses to the disposable value	(42.0)	(28.3)	37.7	0.2	**(32.4)**
Provision for deterioration	(12.8)	(7.1)	5.1	—	**(14.8)**
Provision for obsolescence	(3.2)	(2.6)	1.5	—	**(4.3)**
	(58.0)	(38.0)	44.3	0.2	**(51.5)**

The additions in the provision for inventory losses are mainly related to the decrease in the foreign market sales price of grilled chicken which occurred in January 2012. The reversals recorded during the quarter are related to the decrease in the critical inventory of grilled chicken and to the recovery of the foreign market sales price as from March 2012.

Additionally, during the three-month period ended March 31, 2012, there were write-offs of inventories in the amount of R$13.7 (R$ 10.1 as of March 31, 2011), referring to items suffering deterioration, which have been charged to income statement.

Management expects inventories to be recovered in a period of less than 12 months.

11. BIOLOGICAL ASSETS

The group of biological assets of the Company comprises living animals which are segregated by the categories: poultry, pork and cattle. In addition, these categories were separated into consumable and for production.

In Management's opinion, the fair value of the biological assets is substantially represented by the cost of breeding, mainly due to the short life cycle of the animals and the fact that a significant portion of the profitability of our products derives from the manufacturing process and not from obtaining in natura meat (raw materials at slaughtering point). This opinion is supported by a fair value appraisal report prepared by an independent expert, which presented an immaterial difference between the two methodologies. Therefore, Management maintained the biological assets at breeding cost.

During the three-month period ended March 31, 2012, Management did not identify any event that could impact the business model or the assumptions utilized in the analysis performed as of December 31, 2011, and considering this, did not update the independent appraisal report that supports the accounting practice adopted by the Company.

The quantities and accounting balances per category of biological assets are presented below:

	03.31.12		12.31.11	
	Quantity	Value	Quantity	Value
Consumable biological assets				
Immature poultry	**196.8**	**503.4**	209.7	485.4
Immature pork	**3.8**	**591.9**	3.8	581.5
Immature cattle	**0.1**	**84.9**	0.1	89.2
Total current	**200.7**	**1,180.2**	213.6	1,156.1
Production biological assets				
Immature poultry	**7.8**	**101.9**	7.6	97.5
Mature poultry	**11.5**	**135.3**	12.0	132.0
Immature pork	**0.1**	**18.4**	0.1	18.4
Mature pork	**0.4**	**144.3**	0.4	139.5
Total non-current	**19.8**	**399.9**	20.1	387.4
	220.5	**1,580.1**	233.7	1,543.5

The rollforward of biological assets for the period is presented below:

	Current				Non-current		
	Poultry	Pork	Cattle	Total	Poultry	Pork	Total
Balance as of 12.31.11	485.4	581.5	89.2	1,156.1	229.5	157.9	387.4
Increase due to acquisition	61.9	254.0	61.2	377.1	12.9	15.6	28.5
Increase due to reproduction, consumption of ration, medication and remuneration of partnership	1,356.0	428.4	11.7	1,796.1	78.1	10.1	88.2
Accumulated amortization	—	—	—	—	(72.7)	(9.9)	(82.6)
Transfer between current and non-current	10.6	11.0	—	21.6	(10.6)	(11.0)	(21.6)
Reduction due to slaughtering	(1,410.5)	(683.0)	(77.2)	(2,170.7)	—	—	—
Balance as of 03.31.12	**503.4**	**591.9**	**84.9**	**1,180.2**	**237.2**	**162.7**	**399.9**

The costs of the breeding animals are amortized using the straight-line method for a period from 15 to 30 months.

12. RECOVERABLE TAXES

	03.31.12	12.31.11
State ICMS (VAT)	**813.3**	754.3
PIS and COFINS (Federal Taxes to Social Fund Programs)	**765.9**	755.3
Withholding income and social contribution taxes	**192.7**	211.0
IPI (Federal VAT)	**58.1**	57.2
IOF (Tax on Financial Transactions)	**15.8**	—
Import duty	**13.0**	12.1
Other	**2.1**	14.3
(-) Allowance for losses	**(161.5)**	(151.7)
	1,699.4	1,652.5
Current	**1,034.8**	907.9
Non-current	**664.6**	744.6

The rollforward of the allowance for losses is presented below:

	12.31.11	Additions	Reversals	03.31.12
Allowance for losses — State ICMS (VAT)	(126.8)	(9.3)	1.6	(134.5)
Allowance for losses — Withholding income tax and social contribution	—	(0.3)	—	(0.3)
Allowance for losses — PIS and COFINS	(12.9)	(4.0)	6.5	(10.4)
Allowance for losses — IPI (Federal VAT)	(12.0)	(2.6)	—	(14.6)
Allowance for losses other	—	(1.7)	—	(1.7)
	(151.7)	**(17.9)**	**8.1**	**(161.5)**

The increase in the balance during the quarter is mainly due to the tax credits arising from exports occurred through the States of Paraná and Santa Catarina, and the related allowances deemed necessary by Management were recorded.

12.1 Tax on Financial Transactions — ("IOF")

On January 2012, the Company paid IOF over derivative transactions as imposed by PM No. 539 of July 26, 2011 (converted into Law No. 12,543/11), for the period between September 16, 2011 and December 31, 2011, totaling R$15.8. On March 2012, based on regulation issued by Brazilian Federal Revenue it was determined that the derivative transactions taken by the Company were deemed to be hedging so that it recorded a tax credit to be offset against other federal taxes.

13. NON-CURRENT ASSETS HELD FOR SALE

The rollforward of assets held for sale is set forth below:

	12.31.11	Transfers from property, plant and equipment	Disposals	03.31.12
Lands	8.7	0.1	(0.1)	8.7
Buildings and improvements	8.2	—	—	8.2
Machinery and equipment	1.6	0.8	—	2.4
Others	0.5	—	—	0.5
	19.0	**0.9**	**(0.1)**	**19.8**

14. INCOME TAX AND SOCIAL CONTRIBUTION

14.1. Deferred income tax and social contribution composition

	03.31.12	12.31.11
Assets:		
Tax loss carryforwards (corporate income tax)	**779.5**	765.1
Valuation allowance for tax losses	**(166.8)**	(166.8)
Negative calculation basis (social contribution tax)	**304.4**	297.1
Valuation allowance for negative calculation basis	**(48.4)**	(48.4)
Estimated annual effective tax rate	**89.5**	—
Temporary differences:		
Provisions for tax, civil and labor risk	**144.7**	158.3
Provision for estimated losses with doubtful accounts	**13.9**	12.7
Provision for attorney's fees	**—**	4.7
Provision for property, plant and equipment losses	**5.5**	11.7
Provision for tax credits realization	**50.5**	47.6
Provision for other obligations	**23.9**	46.2
Employees' profit sharing	**8.3**	72.4
Provision for inventories	**14.0**	12.2
Employees' benefits plan	**93.9**	90.5
Amortization on fair value of business combination	**8.1**	8.8
Business combination — Sadia	**1,138.8**	1,139.7
Unrealized losses on derivatives	**14.4**	62.6
Unrealized losses on inventories	**2.9**	4.2
Adjustments relating to the transition tax regime	**67.3**	76.2
Provision for losses	**22.0**	10.6
Other temporary differences	**41.0**	23.8
	2,607.4	2,628.8
Liabilities:		
Temporary differences:		
Provision for recovery BFPP — Brasil Foods Previdência Privada	**1.8**	1.8
Revaluation reserve	**0.2**	0.3
Depreciation on rural activities	**60.1**	68.8
Adjustments relating to the transition tax regime	**576.3**	531.1
Business combination — Sadia	**1,181.1**	1,181.6
Other temporary differences	**(2.8)**	8.3
	1,816.7	1,791.9

Certain subsidiaries of the Company in Brazil have tax loss carry forwards and negative basis of social contribution of R$34.5 and R$34.3, respectively, (R$31.7 and R$31.5 as of December 31, 2011), for which the

Company has not recorded a related deferred tax asset. If there was any expectation that such tax credits would be realized the amount to be recognized in the balance would be R$11.7 (R$10.7 as of December 31, 2011).

As disclosed to the market on February 9, 2012, the Company´s Board of Directors approved the merger of the wholly-owned subsidiary Sadia with BRF, which will be implemented on December 31, 2012. The main purpose of this merger is to maximize synergies and to rationalize activities, with consequent reductions in administrative and operating costs and increased productivity.

The decision to merge Sadia into BRF resulted in the recognition of a loss in fiscal year 2011 of R$215.2 on the valuation allowance for tax loss carryforwards, which will not be recovered after the merger. The value of the loss reflects Management's best estimate at March 31, 2012, considering the available information. The final value of the impact of the merger of Sadia into BRF will be known on December 31, 2012.

As per the requirements of paragraph 28 of IAS 34, during this quarter the Company started to disclose the income tax expense based on the best estimate of the annual weighted effective tax rate for the fiscal year ending December 31, 2012. As a consequence, the income tax expense for the three-month period ended March 31, 2012 was adjusted by a credit in the amount of R$89.5, as disclosed in note 14.3. For the same period of year 2011 this adjustment was not booked because the effective rate approximated the estimated effective tax rate for that year.

14.2. Estimated time of realization

Management considers that deferred tax assets related to temporary differences will be realized as the lawsuits are resolved. The deferred tax assets resulting from temporary differences of employee benefits will be realized at the payment of the projected obligations.

Management estimates that the deferred tax assets originated from tax losses carry forwards and negative basis of social contribution are expected to be realized as set forth below:

Year	Value
2012	292.2
2013	32.9
2014	54.0
2015	57.6
2016	70.7
2017-2019	311.0
2020-2021	50.3
	868.7

When assessing the likelihood of the realization of deferred tax assets, Management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected taxable income and tax-planning strategies when performing this assessment. Based on the level of historical taxable income and projections for future taxable income, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the deferred tax asset is considered realizable, however, could be impacted in the short term if estimates of future taxable income during the carryforward period are reduced.

14.3. Income and social contribution taxes reconciliation

	03.31.12	03.31.11
Income before taxes	**193.1**	472.7
Nominal tax rate	**34%**	34%
Tax expense at nominal rate	**(65.7)**	(160.7)
Adjustments of taxes and contributions on:		
Equity interest in income of affiliates	**1.9**	0.7
Exchange rate variation on foreign investments	**(15.1)**	3.3
Difference of tax rates on earnings from foreign subsidiaries	**(47.2)**	74.0
Results from foreign subsidiaries	**(0.4)**	(2.1)
Profit sharing	**(0.7)**	(1.3)
Donations	**(0.5)**	(1.0)
Penalties	**(4.1)**	(0.1)
Investment grant	**3.5**	1.5
Estimated annual effective tax rate	**89.5**	—
Other adjustments	**(1.4)**	(0.3)
	(40.2)	(86.0)
Current income tax	**(38.2)**	(4.8)
Deferred income tax	**(2.0)**	(81.2)

The taxable income, current and deferred income tax from foreign subsidiaries is presented below:

	03.31.12	03.31.11
Taxable income from foreign subsidiaries	**(153.8)**	86.8
Current income taxes expense from foreign subsidiaries	**3.3**	(3.0)
Deferred income taxes benefit from foreign subsidiaries	**(0.1)**	0.4

The Company determined that the total profit accounted for by holdings of their foreign wholly-owned subsidiaries will not be redistributed. Such resources will be utilized for investments in the subsidiaries, and thus no deferred income taxes were recognized. The total of undistributed earnings correspond to R$1,853.4 as of March 31, 2012 (R$2,057.7 as of December 31, 2011).

The Brazilian income taxes are subject to review for a 5-year period, during which the tax authorities might audit and assess the Company for additional taxes and penalties, in case inconsistencies are found. Subsidiaries located abroad are taxed in their respective jurisdictions, according to the tax legislation of each country.

15. JUDICIAL DEPOSITS

The Company's judicial deposits are restricted assets until the final settlement of the disputes to which they are related. The rollforward of the judicial deposits is presented below:

	12.31.11	Additions	Reversals	Write-offs	03.31.12
Tax	93.0	35.9	(7.5)	(0.4)	**121.0**
Labor	115.9	14.0	(26.3)	(0.2)	**103.4**
Civil, commercial and other	19.4	1.6	—	(7.5)	**13.5**
	228.3	**51.5**	**(33.8)**	**(7.9)**	**237.9**

16. INVESTMENTS

16.1. Investments breakdown

	03.31.12	12.31.11
Investment in associates	**25.2**	19.5
Other investiments	**0.9**	0.9
	26.1	20.4

The gains resulting from foreign exchange rate variation on the investments in subsidiaries abroad, whose functional currency is Brazilian Reais, totaling a loss of R$44.6 on March 31, 2012 (gain of R$9.7 on March 31, 2011), are recognized in financial income/expenses groups in the statement of income of the period.

The exchange rate variation resulting from the investment in the subsidiary Plusfood Groep B.V. and its controlled companies, whose functional currency is the Euro, was recorded in the equity pickup adjustments, in the subgroup of shareholders' equity.

On March 31, 2012, the subsidiaries do not have any significant restriction to transfer dividends or repay their loans or advances to the parent company.

As of March 31, 2012, the market cap of Excelsior Alimentos S.A., a subsidiary of Sadia, corresponded to R$16.1 (R$16.1 as of December 31, 2011).

16.2. Summary financial information of joint ventures and affiliates

	UP!		K&S	
	03.31.12	12.31.11	03.31.12	12.31.11
Current assets	**21.2**	13.0	**8.1**	7.7
Non-current assets	**—**	—	**8.5**	8.4
Current liabilities	**(6.4)**	(4.0)	**(5.8)**	(5.2)
Non-current liabilities	**—**	—	**(0.4)**	(0.4)
	14.8	9.0	**10.4**	10.5

	UP!		K&S	
	03.31.12	03.31.11	03.31.12	03.31.11
Net revenues	**17.6**	13.8	**7.9**	7.5
Operational expenses	**(3.2)**	3.6	**(2.2)**	(2.3)
Net income (loss)	**5.9**	2.4	**(0.2)**	(0.3)
Participation		50%		49%

For the three-month period ended March 31, 2012, there were no increases in capital or commitments by the companies for contributions in joint ventures and affiliates.

17. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment rollforward is set forth below:

	Depreciation Rate p.a. %	12.31.11	Additions	Disposal	Reversal	Transfers	Transfer to held for sale	Exchange rate variation	03.31.12
Cost									
Land		634.7	—	(0.5)	—	1.0	(0.1)	(0.3)	**634.8**
Buildings and improvements	—	4,980.6	11.1	(2.7)	—	79.2	(1.6)	(1.0)	**5,065.6**
Machinery and equipment	—	5,603.3	31.1	(24.9)	—	99.6	(4.8)	3.3	**5,707.6**
Facilities	—	1,315.0	0.1	(2.1)	—	28.8	—	—	**1,341.8**
Furniture	—	87.5	1.3	(1.6)	—	4.8	(0.2)	(0.4)	**91.4**
Vehicles and aircrafts	—	78.3	0.3	(2.1)	—	28.1	—	(0.3)	**104.3**
Others	—	191.3	—	(0.2)	—	6.1	—	—	**197.2**
Construction in progress	—	620.2	350.7	—	—	(213.9)	—	(0.3)	**756.7**
Advance to suppliers	—	32.9	53.4	—	—	(38.7)	—	—	**47.6**
		13,543.8	**448.0**	**(34.1)**	**—**	**(5.0)**(1)	**(6.7)**	**1.0**	**13,947.0**
Depreciation									
Buildings and improvements	3.42	(1,168.3)	(30.2)	4.0	—	(0.4)	1.6	6.8	**(1,186.5)**
Machinery and equipment	5.89	(2,077.5)	(68.2)	22.9	—	0.5	4.0	(3.9)	**(2,122.2)**
Facilities	3.57	(376.1)	(10.3)	1.4	—	(0.1)	—	—	**(385.1)**
Furniture	6.25	(40.7)	(4.4)	1.0	—	(0.1)	0.2	—	**(44.0)**
Vehicles and aircrafts	14.29	(16.9)	(2.1)	1.7	—	—	—	—	**(17.3)**
Others	3.03	(31.6)	(6.0)	—	—	—	—	—	**(37.6)**
		(3,711.1)	**(121.2)**	**31.0**	**—**	**(0.1)**(1)	**5.8**	**2.9**	**(3,792.7)**
Provision for losses(2)		**(34.3)**	**(3.0)**	**—**	**21.3**	**—**	**—**	**—**	**(16.0)**
		9,798.4	**323.8**	**(3.1)**	**21.3**	**(5.1)**(1)	**(0.9)**	**3.9**	**10,138.3**

(1) Net transfer to intangible assets (note 18).

(2) Refers to the reversal of provision for losses on assets lost on a fire in Nova Mutum plant occurred in March 2011. The actual loss was determined to be lower than the previous estimated amount.

The acquisitions during the three-month period ended March 31, 2012 are substantially represented by construction in progress in the total amount of R$350.7 and advances to suppliers of R$53.4 which comprise mainly:

Description	03.31.12
Expansion projects of industrial units	100.3
Transformation of turkey's plant into chicken' plant in Carambeí (PR)	35.4
Improvements in productive units and poultry farm	31.9
Car fleet renewal	22.6
Regularization of corporate licenses	13.6
Implementation of cooked pasta for lasagna in Ponta Grossa (PR)	10.6
New pizza production line in Embu das Artes (SP)	10.4
Construction of a new sausage factory in Lucas do Rio Verde (MT)	8.6

The disposals are mainly related to obsolete items in the total amount of R$3.5 and assets that were damaged in a fire amounting to R$1.5, recorded within other operating results.

The Company has fully depreciated items still in operation, which are presented below:

	03.31.12	12.31.11
Cost		
Buildings and improvements	**115.6**	116.7
Machinery and equipment	**626.4**	613.8
Facilities	**78.9**	83.1
Furniture	**15.4**	16.7
Vehicles and aircrafts	**4.4**	3.2
Others	**2.1**	1.3
	842.8	834.8

As of March 31, 2012, the Company had capitalized interest in the amount of R$10.7 (R$3.3 as of March 31, 2011). The weighted interest rate utilized to determine the amount of capitalized interest was 6.89% p.a..

On March 31, 2012, the Company had no commitments assumed related to acquisition and/or construction of property, plant and equipment items, except those disclosed in note 22, item 22.2.

The property, plant and equipment items that are held as collateral for transactions of different natures are set forth below:

	Type of collateral	03.31.12 Book value of the collateral	12.31.11 Book value of the collateral
Land	Financial/Labor/Tax/Civil	**232.1**	160.4
Buildings and improvements	Financial/Labor/Tax/Civil	**2,338.8**	1,966.2
Machinery and equipment	Financial/Labor/Tax	**2,522.8**	2,304.5
Facilities	Financial/Labor/Tax	**792.6**	687.5
Furniture	Financial/Labor/Tax/Civil	**24.7**	299.3
Vehicles and aircrafts	Financial/Tax	**18.2**	19.4
Others	Financial/Labor/Tax/Civil	**442.0**	307.5
		6,371.2	5,774.8

The Company is not allowed to assign these assets as security for other transactions or to sell them.

18. INTANGIBLE ASSETS

Intangible assets are comprised of the following items:

	Rate p.a. %	Cost	Accumulated amortization	03.31.12	12.31.10
Goodwill	—	2,975.1	—	**2,975.1**	2,973.8
Trademarks	—	1,256.0	—	**1,256.0**	1,256.0
Software	20.00	290.3	(156.9)	**133.4**	138.2
Relationship with suppliers	42.00	135.0	(128.1)	**6.9**	9.6
Patents	16.92	5.1	(0.8)	**4.3**	4.9
Outgrowers loyalty	12.50	5.0	(0.6)	**4.4**	3.6
		4,666.5	**(286.4)**	**4,380.1**	**4,386.1**

The intangible assets rollforward is presented below:

	12.31.11	Additions	Disposal	Business combination(*)	Transfers	Exchange rate variation	03.31.12
Cost:							
Software	289.3	—	(4.1)	—	5.0	0.1	**290.3**
Relationship with suppliers	135.0	—	—	—	—	—	**135.0**
Patents	5.7	—	(0.6)	—	—	—	**5.1**
Trademarks	1,256.0	—	—	—	—	—	**1,256.0**
Outgrowers fidelization	4.0	1.0	—	—	—	—	**5.0**
Goodwill:	2,973.8	—	—	6.4	—	(5.1)	**2,975.1**
Sadia	1,293.8	—	—	—	—	—	**1,293.8**
Eleva Alimentos	1,273.3	—	—	—	—	—	**1,273.3**
Batavia	133.2	—	—	—	—	—	**133.2**
Ava	49.4	—	—	—	—	—	**49.4**
Cotochés	39.6	—	—	—	—	—	**39.6**
Paraiso Agroindustrial	16.8	—	—	—	—	—	**16.8**
Plusfood	15.9	—	—	—	—	—	**15.9**
Perdigão Mato Grosso	7.6	—	—	—	—	—	**7.6**
Sino dos Alpes	4.1	—	—	—	—	—	**4.1**
Incubatório Paraiso	0.6	—	—	—	—	—	**0.6**
Heloísa	26.2	—	—	—	—	—	**26.2**
Avex	63.1	—	—	6.4	—	(2.8)	**66.7**
Danica	50.2	—	—	—	—	(2.3)	**47.9**
	4,663.8	**1.0**	**(4.7)**	**6.4**	**5.0**	**(5.0)**	**4,666.5**
Amortization:							
Software	(151.2)	(9.0)	3.2	—	—	—	**(157.0)**
Relationship with suppliers	(125.3)	(2.7)	—	—	—	—	**(128.0)**
Patents	(0.8)	(0.1)	0.1	—	—	—	**(0.8)**
Outgrowers fidelization	(0.4)	(0.2)	—	—	—	—	**(0.6)**
	(277.7)	**(12.0)**	**3.3**	**—**	**—**	**—**	**(286.4)**
	4,386.1	**(11.0)**	**(1.4)**	**6.4**	**5.0**	**(5.0)**	**4,380.1**

(*) Refers to the preliminary adjustment in the goodwill generated by the acquisition of Avex S.A.

The Company performed the impairment tests of the intangible assets based on the fair value, that was determined based on a discounted cash flow model, in accordance with the allocation level of goodwill and intangible assets to the groups of cash generating units during the last quarter of 2011. For the three-month period ended March 31, 2012, Management did not identify any event that could indicate an impairment of such assets and, therefore, the test was not performed during the current quarter.

19. LOANS AND FINANCING

	Charges (% p.a.)	Average interest rate (% p.a.)	WAMT (*)	Current	Non-current	Balance 03.31.12	Balance 12.31.11
Local currency							
Working capital	6.82% (6.82% on 12.31.11)	6.82% (6.82% on 12.31.11)	0.5	946.1	1.5	**947.6**	954.9
BNDES, FINEM, development bank credit lines and other secured debts	Fixed rate / TJLP + 4.63% (TJLP + 4.65% on 12.31.11)	8.19% (8.42% on 12.31.11)	2.5	446.2	911.9	**1,358.1**	1,441.4
Export credit facility	TJLP + 4.24% (TJLP / CDI + 4.23% on 12.31.11)	10.24% (10.23% on 12.31.11)	1.1	353.9	332.9	**686.8**	737.1
Financing programs	Fixed rate / IGPM + 1.62% (IGPM + 1.20% on 12.31.11)	1.90% (1.08% on 12.31.11)	16.2	0.9	19.3	**20.2**	14.9
PESA	IGPM + 4.90% (IGPM + 4.93% on 12.31.11)	8.10% (9.92% on 12.31.11)	8.0	0.7	178.7	**179.4**	181.4
				1,747.8	**1,444.3**	**3,192.1**	**3,329.7**
Foreign currency							
Advances on export contracts	1.69% (1.18% on 12.31.11)	1.69% (1.18% on 12.31.11)	0.5	463.3	—	**463.3**	150.1
Bonds	7.15% (7.25% on 12.31.11)	7.15% (7.25% on 12.31.11)	7.2	28.1	1,804.3	**1,832.4**	1,903.7
Export credit facility	LIBOR / Fixed rate / CDI + 1.65% (LIBOR / CDI + 2.26% on 12.31.11) e.r. (US$ and other currencies)	2.95% (2.81% on 12.31.11) e.r. (US$ and other currencies)	2.5	1,288.3	1,164.7	**2,453.0**	2,506.1
Working capital	9.72% (8.25% on 12.31.11)	9.72% (8.25% on 12.31.11)	0.6	3.3	0.4	**3.7**	3.9
BNDES, FINEM, development bank credit lines and other secured debts	UMBNDES + 2.28% (UMBNDES+2.35% on 12.31.11) e.r. (US$ and other currencies)	5.97% (5.93% on 12.31.11) v.c. (US$ and other currencies)	1.6	59.6	80.9	**140.5**	160.1
				1,842.6	**3,050.3**	**4,892.9**	**4,723.9**
				3,590.4	**4,494.6**	**8,085.0**	**8,053.6**

(*) Weighted average maturity term (in years).

19.1. Working capital

Rural credit: The Company and its subsidiaries entered into short term rural credit loans with several commercial banks, under a Brazilian Federal government program that offers an incentive to investments in rural activities.

Industrial credit notes: The Company issued Industrial Credit Notes, receiving credits from official funds, such as: Fund for Worker Support ("FAT"), Constitutional Fund for Financing the Midwest ("FCO") and Constitutional Fund for Financing the Northwest ("FNE"). The notes are paid on a monthly basis and have maturity dates between 2012 and 2023. These notes are secured by a pledge of machinery and equipment and real estate mortgages.

Working capital in foreign currency: Refers to credit lines taken from financial institutions and utilized primarily for short term working capital and import operations of subsidiaries located in Argentina. The loans are denominated in Argentine Pesos and U.S. Dollars, maturing in 2012.

19.2. BNDES, FINEM, development bank credit lines and other secured debts

The Company and its subsidiaries have several outstanding obligations with National Bank for Economic and Social Development ("BNDES"). The loans were entered into for the acquisition of machinery, equipment and expansion of productive facilities.

FINEM: The Company has credit lines of Loans Financing Projects ("FINEM") which are subject to the variations of UMBNDES currency basket, which is composed of the currencies in which BNDES obtains its resources. The impact of interest reflects the daily fluctuation of the currencies in the basket. The values of principal and interest are paid in monthly installments, with maturities between 2012 and 2019 and are secured by pledge of equipment, facilities and mortgage on properties owned by the Company.

PESA: The wholly-owned subsidiary Sadia entered into a loan obtained through PESA subject to the variations of the IGPM plus interest of 4.90% p.a., secured by endorsements and pledge of public debt securities, presented in note 8.

19.3. Fiscal incentives

State Tax Incentive Financing Programs: Under the terms of these programs, the Company was granted with credits proportional to the payment of ICMS generated by investments in the construction or expansion of industrial facilities. The credit facilities have a term of 20 years and fixed or variable interest rates based on the IGPM plus a spread.

19.4. Export credits facilities

Pre-export facilities: Generally are denominated in U.S. Dollars, maturing between 2012 and 2019. The export prepayment credit facilities are indexed by the LIBOR of three to twelve months plus a spread. Under the terms of each one of these credit facilities, the Company enters into loans guaranteed by accounts receivable related to the export of its products.

Trade-related facilities: Denominated in U.S. Dollars and maturities ranging from one to seven years. The commercial credit lines are indexed by the LIBOR plus a spread with quarterly, semi-annual or annual payments. The funds obtained from these lines are utilized for purchase of imported raw materials and other working capital needs.

BNDES facilities — EXIM: These funds are used to finance exports and are subject to the variations of TJLP, maturing in 2014. Settlement occurs in local currency without the risk associated with foreign currencies variations.

Advances on for foreign exchange rate contracts: The advances on foreign exchange rate contracts ("ACCs") are liabilities with commercial banks, where the principal is settled through exports of products as they are shipped. Interests are paid in the settlement of the foreign exchange rate contracts and such contracts are guaranteed by the actual exported goods. When the export documents are presented to the financing banks, these obligations start to be called advances for delivered foreign exchange rate contracts ("ACEs") and are written off only upon the final payment by the overseas customer. The regulation of the Brazilian Central Bank allows companies to obtain short-term financing under the terms of the ACCs with maturity within 360 days from the date of shipment of the exports, or short-term financing under the terms of the ACEs with maturity within 180 days from the date of the shipment of the exports. These loans are denominated in U.S. Dollars.

19.5. Bonds

BFF notes: On January 28, 2010, BFF International Limited issued senior notes in the total value of US$750.0, which are guaranteed by BRF and Sadia, with a nominal interest rate of 7.25% p.a. and an effective rate of 7.31% p.a. maturing on January 28, 2020.

Sadia Bonds: In the total value of US$250.0, such bonds are guaranteed by BRF and by Sadia, with an interest rate of 6.88% p.a. and maturing on May 24, 2017.

19.6. Loans and financing maturity schedule

The maturity schedule of the loans and financing balances is as follow:

	03.31.12
2012	**3,590.4**
2013	**527.7**
2014	**658.2**
2015	**269.1**
2016 onwards	**3,039.6**
	8,085.0

19.7. Guarantees

	03.31.12	12.31.11
Total of loans and financing	**8,085.0**	8,053.6
Mortgage guarantees	**1,427.5**	1,584.5
Related to FINEM-BNDES	**978.4**	1,134.8
Related to FNE-BNB	**322.3**	324.1
Related to tax incentives and other	**126.8**	125.6
Statutory lien on assets purchased with financing	**40.3**	38.5
Related to FINEM-BNDES	**8.4**	9.5
Related to FINAME-BNDES	**—**	0.1
Related to leasing	**31.9**	28.9

The wholly-owned subsidiary Sadia is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade at the BNDES. The loan was obtained with the purpose of allowing the implementation of biodigesters in the properties of the outgrowers which take part in the Sadia's integration system, targeting the reduction of the emission of carbon gas. The value of these guarantees on March 31, 2012, totaled R$80.5 (R$79.9 as of December 31, 2011).

Sadia is guarantor of loans related to a special program, which aimed the local development of local outgrowers in the central region of Brazil. The proceeds of such loans shall be utilized to improve farm conditions and will be paid in 10 years, taking as collateral the land and equipment acquired by the outgrowers though this program. The total of guarantee as of March 31, 2012 amounted to R$511.3 (R$509.6 as of December 31, 2011).

On March 31, 2012, the Company contracted bank guarantees in the amount of R$642.8 (R$646.5 as of December 31, 2011) offered mainly in litigation involving the Company´s use of tax credits. These guarantees have an average cost of 1.09% p.a. (1.10% p.a. as of December 31, 2011).

19.8. Commitments

In the normal course of the business, the Company enters into agreements with third parties such as purchase of raw materials, mainly corn, soymeal and hog, where the agreed prices can be fixed or to be fixed. The agreements consider the market value of the commodities at the interim consolidated financial statements date and are set forth below:

	03.31.12
2012	**608.8**
2013	**382.4**
2014	**340.4**
2015	**334.3**
2016	**227.4**
2017 onwards	**1,036.7**
	2,930.0

The Company entered into leasing agreements denominated "built to suit" in which office facilities will be built by third parties. The agreements terms are 10 years from the signing date as well as the charge of rent expenses. If the Company defaults on its obligations, it will be subject to fines and/or acceleration of rents, according to each contract.

The estimated schedule of future payments related to the "built to suit" agreement is set forth below:

	03.31.12
2012	**7.9**
2013	**18.1**
2014	**18.1**
2015	**17.2**
2016	**17.2**
2017 onwards	**95.9**
	174.4

20. TRADE ACCOUNTS PAYABLE

	03.31.12	12.31.11
Domestic Suppliers		
Third parties	**2,363.0**	2,335.1
Related parties	**7.6**	5.9
	2,370.6	2,341.0
Foreign Suppliers		
Third parties	**299.4**	340.3
	299.4	340.3
	2,670.0	2,681.3

Accounts payable to suppliers are not subject to interest charges and are generally settled, on average, within 38 days.

The information on accounts payable to related parties is presented in note 29. The related parties refer to transactions with the affiliated UP!.

21. OTHER FINANCIAL ASSETS AND LIABILITIES

	03.31.12	12.31.10
Derivative financial instruments		
Cash flow hedge		
Assets		
Non-deliverable forward (NDF)	**54.9**	21.0
Currency option contracts	**—**	0.3
Exchange rate contracts (Swap)	**1.4**	1.0
	56.2	22.4
Liabilities		
Non-deliverable forward (NDF)	**(43.0)**	(107.8)
Currency option contracts	**—**	(1.6)
Exchange rate contracts (Swap)	**(90.9)**	(112.6)
	(133.9)	(222.0)
Derivatives not designated as hedge accounting		
Assets		
Non-deliverable forward (NDF)	**0.4**	0.5
Live cattle option contracts	**0.4**	0.6
	0.8	1.1
Liabilities		
Non-deliverable forward (NDF)	**(0.1)**	—
Live cattle option contracts	**(0.8)**	(0.2)
Exchange rate contracts (Swap)	**(37.4)**	(48.2)
Dollars future contracts	**(0.5)**	(0.3)
Live cattle future contracts	**(0.1)**	—
	(38.9)	(48.7)
Current assets	**57.0**	23.5
Current liabilities	**(172.9)**	(270.7)

The collateral given in the transactions presented above are disclosed in note 8.

22. LEASES

The Company is lessee in several contracts, which can be classified as operating or finance lease.

22.1. Operating lease

The minimum future payments of irrevocable operating lease agreements for each of the following years, are presented below:

	03.31.12
2012	**57.9**
2013	**54.7**
2014	**40.8**
2015	**26.3**
2016	**15.5**
2017 onwards	**45.3**
	240.5

The payments of lease agreements recognized as expenses in the current period amounted to R$20.1 on March 31, 2012 (R$65.8 as of March 31, 2011).

22.2. Financial lease

The Company contracts finance leases for acquisitions mainly of machinery, equipment, vehicles and software.

During the first quarter of 2012, the Company contracted several finance leasing transactions in order to renew its cars fleet. As a consequence, the Company recorded a financial debt of R$70.4.

The Company controls the leased assets which are presented below:

	Average annual interest rate %	03.31.12	12.31.11
Cost			
Machinery and equipment		**29.6**	25.0
Software		**18.4**	—
Vehicles		**79.7**	51.5
		127.7	76.5
Accumulated depreciation			
Machinery and equipment	25.53	**(18.7)**	(16.0)
Software	20.00	**(1.0)**	—
Vehicles	13.60	**(4.6)**	(2.1)
		(24.3)	(18.1)
		103.4	58.4

(*) The period of depreciation of leased assets corresponds to the lowest between term of the contract and the life of the asset, as determined by IAS 17 “Leases”.

The future minimum payments required are segregated as follows, and were recorded as current and non-current liabilities:

			03.31.12
	Present value of minimum payments	Interest	Minimum future payments
2012	39.4	4.2	43.6
2013	41.9	4.9	46.8
2014	8.5	1.4	9.9
2015	5.2	1.0	6.2
2016 onwards	3.5	0.8	4.3
	98.5	12.3	110.8

The terms used in contracts for both modalities, with respect to renewal, adjustment and option to purchase, are in according to market practices. In addition, there are no clauses or contingent payments relating to restrictions on dividends, interest payments on equity or additional debt funding.

23. SHARE BASED PAYMENT

The rules for the stock options plan granted to executives, were disclosed in the annual financial statements for the year ended December 31, 2011 (see note 23) and have not changed during this period.

The breakdown of the outstanding granted options is presented as follow:

Date			Quantity		Price of converted share		Share price
Grant date	Beginning of the year	End of the year	Options granted	Outstanding options	Granting date	Updated IPCA	at 03.31.12
09/27/07(*)	09/27/10	09/27/12	1,329,980	442,890	37.70	48.23	36.00
05/03/10	02/05/11	02/05/15	1,540,011	1,288,900	21.35	26.02	36.00
07/01/10	06/30/11	06/30/15	36,900	36,900	24.75	26.02	36.00
05/02/11	05/01/12	05/01/16	2,463,525	2,428,125	30.85	32.15	36.00
			5,370,416	**4,196,815**			

(*) Sadia's stock options plan converted to BRF

The rollforward of the outstanding granted options for the three-month period ended March 31, 2012, is presented as follows:

Quantity outstanding options as of December 31, 2011	**4,277,946**
Exercised	(7,300)
Canceled	(73,831)
Quantity outstanding options as of March 31, 2012	**4,196,815**

The weighted average strike prices of the outstanding options is R$31.91 (thirty one Brazilian Reais and ninety one cents), and the weighted average of the remaining contractual term is 40 months. As of March 31, 2012, all of the outstanding options granted on September 27, 2007, corresponding to 442,890 options are exercisable.

The Company presented in shareholders' equity the fair value of the options in the amount of R$26.0 (R$22.4 as of December 31, 2011). In the statement of income for the three-month period ended March 31, 2012 the amount recognized as expense was R$3.6 (expense of R$1.8 as of March 31, 2011).

During the three-month period ended March 31, 2012, the Company's executives exercised 7,300 shares, with an average price of R$26.02 (twenty six Brazilian Reais and two cents) totaling R$0.2. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$21.63 (twenty one Brazilian Reais and sixty three cents), recording a gain in the amount of R$0.03 as capital reserve.

The fair value of the stock options was measured using the Black-Scholes pricing model, as disclosed in the annual financial statements for the year ended December 31, 2011 (note 23).

24. SUPPLEMENTARY RETIREMENT PLAN AND OTHER BENEFITS TO EMPLOYEES

The Company offers supplementary retirement plans and other benefits to its employees. The characteristics of the supplementary retirement plans, as well as the other employee benefits offered by the Company, were disclosed in the annual financial statements for the year ended December 31, 2011 (note 24) and has not changed during this period.

The actuarial liabilities and the related effects in the statement of income are presented below:

	Liabilities		Statement of income	
	03.31.12	**12.31.11**	**03.31.12**	**03.31.11**
Retirement supplementary plan — PSPP	**—**	—	**—**	(2.0)
Retirement supplementary plan — FAF	**—**	—	**12.5**	13.0
Medical assistance	**88.3**	85.2	**(3.2)**	(2.3)
Penalty F.G.T.S. (Government Severance indemnity fund for employees, guarantee fund for lengh of service)	**117.8**	113.4	**(4.5)**	(6.5)
Reward for working time	**34.3**	33.1	**(1.2)**	(2.4)
Other	**35.6**	34.3	**(1.2)**	(0.9)
	276.0	266.0	**2.4**	(1.1)

25. PROVISION FOR TAX, CIVIL AND LABOR RISK

The Company and its subsidiaries are involved in certain legal proceedings arising from the regular course of business, which include civil, administrative, tax, social security and labor lawsuits.

The Company classifies the risk of adverse decisions in the legal suits as "probable", "possible" or "remote". The provisions recorded relating to such proceedings fairly reflect the probable losses as determined by the Company's Management, based on legal advice and reasonably reflect the estimated and probable losses.

In case the Company is involved in judicial proceedings for which the amount is not known or cannot be reasonably estimated, but the probability of losses is probable, the amount will not be recorded, however, its nature will be disclosed.

The Company's Management believes that its provisions for tax, civil and labor contingencies, accounted for according to IAS 37, is sufficient to cover eventual losses related to its legal proceedings, as presented below:

25.1. Contingencies for probable losses

The rollforward of the provisions for tax, civil and labor risks is summarized below:

	12.31.11	Additions	Reversals	Transfers	Payments	Price index update	03.31.12
Tax	231.6	4.1	(5.6)	(25.1)	(2.4)	6.3	**208.9**
Labor	105.2	25.8	—	—	(45.1)	3.4	**89.3**
Civil, commercial and other	45.2	2.0	—	—	(3.4)	1.6	**45.4**
Contingent liabilities	571.7	—	(9.3)	—	—	—	**562.4**
	953.7	31.9	(14.9)	(25.1)	(50.9)	11.3	**906.0**
Current	118.5						79.7
Non-current	835.2						826.3

During the three-month period ended March 31, 2012, the Company, for better presentation of the amounts related to tax contingencies, considered some reclassifications of items that were not under litigation from tax provisions to other obligations, as well as certain lawyers' fees. In addition, based on labor judicial decisions occurred during the quarter, the Company settled several labor lawsuits that were being discussed.

25.2. Contingencies classified as a risk of possible loss

The Company has other contingencies of labor and social security, civil and tax nature, which expected loss evaluated by management and supported by legal advice is classified as possible, and therefore no provision has been recognized. Tax lawsuits totaled R$5,623.2 (R$5,295.0 as of December 31, 2011), from which R$556.5 (R$565.9 as of December 31, 2011) were recorded at the estimated fair value resulting from business combinations with Sadia, as determined by paragraph 23 of IFRS 3 "Business Combination", presented in the table of item 25.1. The main natures of these contingencies are properly disclosed in the annual financial statements for the period ended December 31, 2011 (note 25.2).

26. SHAREHOLDERS' EQUITY

26.1. Capital stock

On March 31, 2012 and December 31, 2011, the capital subscribed and paid by the Company was R$12,553,417,953.36 (twelve billion, five hundred and fifty three million, four hundred and seventeen thousand, nine hundred and fifty three Brazilian Reais and thirty six cents), composed of 872,473,246 book-entry shares of common stock without par value. The realized value of the capital stock in the balance sheet is net of the expenses with public offering in the amount of R$92.9.

The Company is authorized to increase the capital stock, irrespective of amendments to the bylaws, up to the limit of 1,000,000,000 common shares, in book-entry form, and without par value.

26.2. Breakdown of capital stock by nature

	03.31.12	12.31.10
Common shares	**872,473,246**	872,473,246
Treasury shares	**(3,012,142)**	(3,019,442)
Outstanding shares	**869,461,104**	869,453,804

26.3. Rollforward of outstanding shares

	Quantity outstanding of shares	
	03.31.12	12.31.10
Shares at the beginning of the year	**869,453,804**	871,692,074
Purchase of share (treasury)	**—**	(2,630,100)
Sale of shares (share based payment)	**7,300**	391,830
Shares at the end of the period	**869,461,104**	869,453,804

26.4. Treasury shares

The Company has 3,012,142 shares in treasury, with an average cost of R$21.63 (twenty one Brazilian Reais and sixty three cents) per share, with a market value corresponding to R$108.4. The decrease of the numbers of shares is due to the exercise of the options of the executives of the Company.

27. GOVERNMENT GRANTS

27.1 Grants related to income through tax benefits

As of March 31, 2012, the amount related to grants for investment in the Company totaled R$10.3 (R$49.1 as of December 31, 2011), which is recorded as a reserve for tax incentives in the shareholders' equity.

28. EARNING PER SHARE

	12.31.11	12.31.10
Basic numerator:		
Net income for the period attributable to BRF shareholders	**153.2**	383.5
Basic denominator:		
Shares of common stock	**872,473,246**	872,473,246
Weighted average number of outstanding shares basic (except treasury shares)	**869,453,964**	871,710,398
Net earnings (loss) per share — basic — R$	**0.1762**	0.4399

	12.31.11	12.31.10
Diluted numerator:		
Net income for the period attributable to BRF shareholders	**153.2**	383.5
Diluted denominator:		
Weighted average number of outstanding shares — basic (except treasury shares)	**869,453,964**	871,710,398
Number of potential shares (stock options)	**249,418**	1,767,394
Weighted average number of outstanding shares — diluted	**869,703,382**	873,477,792
Net earnings per share — diluted — R$	**0.1762**	0.4390

On March 31, 2012, from the total of 4,196,815 outstanding options granted to the Company's executives, 2,871,015 (2,928,905 as of December 31, 2011) were not considered in the calculation of the diluted earnings per share due to the fact that the strike price was higher than the average market price of the common shares during the period and, therefore, the effect was anti-dilutive.

29. RELATED PARTIES

During its operations, rights and obligations are contracted between related parties, resulting from purchase and sale of products transactions, as well as, loans agreed on normal market conditions for similar transactions.

The Company entered into loan agreements with Instituto Perdigão de Sustentabilidade. On March 31, 2012, the total receivable is R$6.8 (R$6.6 as of December 31, 2011), being interest bearing at 12% p.a.

On March 28, 2012, the wholly-owned subsidiary Sadia granted a loan to Instituto Sadia de Sustentabilidade in the amount of R$2.5.

29.1. Other related parties

The Company entered into an operating lease agreement with FAF. As of the three-month period ended March 31, 2012, the amount of rent paid was R$2.6 (R$2.7 as of March 31, 2011). The amount of rent is set using market rates.

29.2. Management remuneration

The key management personnel includes the directors and officers, members of the executive committee and the head of internal audit. On March 31, 2012, there were 26 professionals (27 professionals as of December 31, 2011).

The total remuneration and benefits paid to these professionals are demonstrated below:

	03.31.12	03.31.11
Salary and profit sharing	**20.0**	18.2
Short term benefits of employees(a)	**0.3**	0.4
Stock-based payment	**1.7**	0.5
	22.0	19.1

(a) Includes medical plan, educational expenses and others.

The value of the profit sharing in the results paid to each officer in any period is related mainly to the net income of the Company and to the assessment of the performance of each officer during the fiscal year by the Board of Directors.

The alternate members of the Board of Directors and of the Fiscal Council are compensated for each meeting that they attend. The members of the Board of Directors and Fiscal Council have no employment connection with the Company and do not provide services of any kind.

When the management and employees attain the age of 61 years, retirement is mandatory.

30. NET SALES

	03.31.12	03.31.11
Gross sales		
Domestic sales	**3,586.6**	3,305.3
Foreign sales	**2,417.5**	2,439.8
Dairy products	**752.8**	737.3
Food service	**399.7**	380.2
	7,156.6	6,862.6
Sales deductions		
Domestic sales	**(595.1)**	(614.8)
Foreign sales	**(58.4)**	(57.3)
Dairy products	**(119.1)**	(109.4)
Food service	**(46.9)**	(60.6)
	(819.5)	(842.1)
Net sales		
Domestic sales	**2,991.5**	2,690.5
Foreign sales	**2,359.1**	2,382.5
Dairy products	**633.7**	627.9
Food service	**352.8**	319.6
	6,337.1	6,020.5

31. RESEARCH AND DEVELOPMENT COSTS

Consists of expenditures on internal research and development of new products, recognized when incurred in the statement of income. The total expenditure on research and development for the three-month period ended March 31, 2012, is R$7.5 (R$5.4 as of March 31, 2011).

32. EXPENSES WITH EMPLOYEE'S REMUNERATION

	03.31.12	03.31.11
Salaries and social charges	**639.8**	577.1
Social security cost	**164.6**	131.1
Government severance indemnity fund for employees, guarantee fund for length of service	**46.2**	36.3
Medical assistance and outpacient care	**25.9**	24.1
Retirement supplementary plan	**3.6**	3.0
Employees profit sharing	**22.4**	50.3
Other benefits	**123.4**	112.8
Provision for contingencies	**32.0**	13.0
	1,057.9	947.7

33. OTHER OPERATING INCOME (EXPENSES), NET

	03.31.12	03.31.11
Income		
Insurance indemnity	**5.5**	5.8
Employees benefits	**12.5**	13.0
Recovery of expenses	**3.2**	30.8
Provision reversal(a)	**81.2**	—
Scrap sales	**—**	2.6
Other	**8.2**	5.1
	110.6	57.3
Expenses		
Loss from the disposal of property, plant and equipment	**(4.2)**	(2.3)
Idling costs	**(30.0)**	(26.1)
Insurance claims costs	**(10.3)**	(6.9)
Employees profit sharing	**(74.3)**	(50.3)
Stock options plan	**(3.6)**	(1.8)
Management profit sharing	**(4.9)**	(1.9)
Other employees benefits	**(10.0)**	(12.1)
Provision for tax and labor risks	**(8.2)**	(28.5)
Other operating expenses	**(7.1)**	(11.0)
	(152.6)	(140.9)
	(42.0)	(83.6)

(a) Refers to the reversal of the provision for the employees profit sharing for the fiscal year 2011 net of R$17.0 of expenses from the current period.

34. FINANCIAL INCOME (EXPENSES), NET

	03.31.12	03.31.11
Financial income		
Interest on marketable securities	**7.0**	6.8
Interests on other assets	**6.8**	13.3
Exchange rate variation on other assets	**—**	3.7
Monetary variation on assets	**—**	2.8
Interests on financial assets classified as:	**23.9**	30.8
Available for sale	**3.6**	13.5
Held for trading	**17.8**	13.6
Held to maturity	**2.4**	3.8
Gains from derivative transactions	**10.1**	2.0
Interest income on loans to related parties	**4.8**	2.5
Gains from the translation of foreign investments	**144.0**	9.7
Adjustment to present value	**—**	2.1
Exchange rate variation on loans and financing	**—**	59.8
Exchange rate variation on other liabilities	**80.8**	13.9
Other	**6.6**	10.3
	284.0	157.7
Financial expenses		
Interest on loans and financing	**(107.8)**	(107.8)
Exchange rate variation on loans and financing	**(9.9)**	(0.6)
Interest on liabilities	**(17.5)**	(2.7)
Exchange rate variation on liabilities	**—**	(6.3)
Monetary variation on liabilities	**—**	(6.1)
Financial expenses from the acquisition of raw materials	**(2.8)**	(6.6)
Losses from derivative transactions	**—**	(19.9)
Losses from the translation of foreign investments	**(188.6)**	—
Interest expenses on loans to related parties	**(0.6)**	(0.9)
Adjustment to present value	**(4.4)**	(0.8)
Exchange rate variation on marketable securities	**(5.4)**	(49.3)
Exchange rate variation on other assets	**(16.6)**	(3.6)
Other	**(5.4)**	(5.4)
	(359.0)	(210.0)
	(75.0)	(52.3)

35. STATEMENT OF INCOME BY NATURE

The Company has opted to disclose its statement of income by function and thus presents below the details by nature:

	03.31.12	03.31.11
Costs of sales		
Costs of goods	**3,572.7**	3,289.3
Depreciation	**193.7**	171.2
Amortization	**0.5**	3.1
Salaries and employees benefits	**763.5**	604.7
Other	**463.2**	406.6
	4,993.6	4,474.9
Sales expenses		
Depreciation	**7.8**	5.3
Amortization	**0.3**	3.6
Salaries and employees benefits	**230.8**	203.2
Other	**714.5**	642.9
	953.4	855.0
Administrative expenses		
Depreciation	**1.7**	0.8
Amortization	**8.5**	1.9
Salaries and employees benefits	**66.6**	47.4
Other	**8.9**	34.0
	85.7	84.1

36. INSURANCE COVERAGE

The Company adopts the policy of contracting insurance coverage for assets subject to risks in amounts sufficient to cover certain claims, considering the nature of its activity.

		03.31.12	
		Not reviewed	
Assets covered	Coverage	Insured amounts	Amount of coverage
Inventories and property, plant and equipments	Fire, lightning, explosion, windstorm, deterioration of refrigerated products, breakdown of machinery, loss of profit and other	22,371.4	692.7
National transport	Road risk and civil liability of cargo carrier	16,820.0	236.1
International transport	Transport risk during imports and exports	8,869.4	54.7
General civil liability for directors and officers	Third party claims	27,003.7	35.5

37. NEW RULES AND PRONOUNCEMENTS NOT ADOPTED

The interpretations and amendments set forth below, applicable to the following accounting periods, were published by IASB and apply to the financial statements of the Company to be filed with CVM (the Brazilian Securities Commission) only if there is a Deliberation by that agency, therefore, there was no anticipated adoption of these rules.

IAS 1 — Presentation of Items of Other Comprehensive Income

In June 2011, the IASB revised IAS 1. The change in IAS 1 deals with aspects related to disclosure of other comprehensive income items and establishes the need to separate items which will not be further reclassified to net income (for example: realization of deemed cost) and items that can be further reclassified to net income, such as gains and losses deferred cash flow hedge. The revised standard is effective for annual reporting periods beginning on or after July 1, 2012. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IAS 19 — Employee Benefits

In June 2011, the IASB revised IAS 19. The change addresses issues related to accounting and disclosure of employee benefits. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IAS 27 — Consolidated and Separate Financial Statements

In May 2011, the IASB revised IAS 27. The change addresses issues related to investments in subsidiaries, jointly-controlled entities and associate companies, when an entity prepares separate financial statements. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company understands that this change will not impact its consolidated financial statements.

IAS 28 — Investments in associates and joint ventures

In May 2011, the IASB revised IAS 28. The change addresses issues related to investments in associate companies and establishes the rules for using the equity accounting method for investments in associate companies and jointly-controlled entities. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 7 — Financial Instruments — Disclosures: Offsetting of Financial Assets and Liabilities

In December 2011, the IASB issued a revision of the rule establishing requirements for disclosure of compensation arrangements of financial assets and liabilities. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 9 — Financial Instruments

In October 2010, the IASB revised IFRS 9. The change of this standard addresses the first stage of the project of replacement of IAS 39. The date of application of this standard was extended to January 1, 2015. The Company is evaluating the impact of adopting this standard and any differences from IAS 39 in its consolidated financial statements.

IFRS 10 — Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10. This standard provides the principles for the presentation and preparation of financial statements of the Consolidated Financial Statement when the entity controls one or more entities. The standard provides additional guidance to assist in determining control when there is doubt in the assessment. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is evaluating the impact of the adoption of this amendment in its consolidated financial statements.

IFRS 11 — Joint Arrangements

In May 2011, the IASB issued IFRS 11. This standard deals with aspects related to the accounting treatment for jointly-controlled entities and joint operations. This standard also limit the use of proportional consolidation just for joint operations, and also establish the equity accounting method as the only method acceptable for joint ventures. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 12 — Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12. This standard deals with aspects related to the disclosure of nature and risks related to interests owned in subsidiaries, jointly-controlled entities and associate companies. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

In May 2011, the IASB issued IFRS 13. This standard establishes fair value and consolidates in a single standard the aspects of fair value measurement and establishes the requirements of disclosure related to fair value. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

38. SUBSEQUENT EVENTS

As disclosed through the “Announcement to the Market” issued on April 27, 2012, with the purpose of improving financial liquidity, the Company and its wholly-owned subsidiaries Perdigão International Ltda. and Perdigão Europe have entered into a Revolving Credit Facility (“RFC”), in the amount of US$500.0, with a 3 years term in two tranches (USD and EUR), from a syndicate comprised of 19 global banks, lead by Santander, Morgan Stanley and HSBC. In different levels the following financial institutions also part of the syndicate: Banco Bradesco, Banco do Brasil, Bank of China, The Bank of Nova Scotia, The Bank of Tokyo-Mitsubishi, BNP Paribas, Mizuho Corporate Bank, Standard Chartered Bank, Sumitomo Mitsui Banking, ING Bank, Rabobank Curaçao, Bank of Taiwan, Deutsche Bank, Mega International Commercial Bank, United Taiwan Bank, Credit Agricole Corporate and Investment Bank.

The transaction was structured to allow the Company to utilize the credit line at anytime, throughout the 3 years and will yield interest indexed to LIBOR plus a spread which may range from 1.6% p.a. to 2.5% p.a. considering the credit rating classification of the Company’s long term debt.

39. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were approved and their disclosure authorized by the Board of Directors on April 27, 2012.

BREAKDOWN OF CAPITAL BY OWNER

The shareholding position of the largest shareholders, management, members of the Board of Directors and Audit Committee of the Company is presented below (not reviewed):

	March 31, 2012		December 31, 2011	
Shareholders	Quantity	%	Quantity	%
Main shareholders				
Shareholders' that take part of voting agreement	**232,893,626**	**26.69**	240,061,726	27.52
Tarpon	**69,988,490**	**8.02**	69,988,490	8.02
Management				
Board of directors	**9,721,600**	**1.11**	9,721,600	1.11
Executives	**116,910**	**0.01**	100,932	0.01
Treasury shares	**3,012,142**	**0.35**	3,019,442	0.35
Other	**556,740,478**	**63.82**	549,581,056	62.99
	872,473,246	**100.00**	872,473,246	100.00

The shareholding position of the controlling shareholders that belong to the voting agreement and/or holders of more than 5% of the voting stock is presented below (not reviewed):

	March 31, 2012		December 31, 2011	
Shareholders	Quantity	%	Quantity	%
Caixa de Previdenciário dos Func. Do Banco do Brasil(1)	**111,519,618**	**12.78**	111,364,918	12.76
Fundação Petrobrás de Seguridade Social—Petros(1)	**89,500,982**	**10.26**	89,866,382	10.30
Fundação Sistel de Seguridade Social(1)	**11,726,232**	**1.34**	11,725,832	1.34
Fundação Vale do Rio Doce de Seguridade Social—Valia(1)	**16,671,890**	**1.91**	23,629,690	2.71
FPRV1 Sabiá FIM Previdenciário(2)	**3,474,904**	**0.40**	3,474,904	0.41
Tarpon	**69,988,490**	**8.02**	69,988,490	8.02
	302,882,116	**34.71**	310,050,216	35.54
Other	**569,591,130**	**65.29**	562,423,030	64.46
	872,473,246	**100.00**	872,473,246	100.00

(1) The pension funds are controlled by employees that participate in the respective companies.

(2) Investment fund held solely by the *Fundação de Assistência e Previdência Social* of BNDES-FAPES. The shares of common stock currently held by this fund are tied to the voting agreement signed by the Pension Funds.

PRINCIPAL EXECUTIVE OFFICES

BRF — BRASIL FOODS S.A.
Rua Hungria, 1400,
01455-000, São Paulo — SP
Brazil

TRUSTEE, REGISTRAR, PAYING AGENT AND TRANSFER AGENT
The Bank of New York Mellon
Global Corporate Trust — Global Americas
101 Barclay Street 4 East
New York, New York, 10286
USA

PRINCIPAL PAYING AGENT
The Bank of New York
Mellon Trust (Japan), Ltd.
Marunouchi Trust Tower Main 1-8-3,
Marunouchi, Chiyoda-Ku, Tokyo 100-8580
Japan

LUXEMBOURG PAYING AGENT AND TRANSFER AGENT
LUXEMBOURG LISTING AGENT
The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg

LEGAL ADVISORS

To BRF — Brasil Foods S.A.
as to United States Law

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
USA

To BRF — Brasil Foods S.A.
as to Brazilian Law

Machado, Meyer, Sendacz e Opice Advogados
Av. Brigadeiro Faria Lima, 3144
01451-000 São Paulo — SP
Brazil

To the Initial Purchasers
as to United States Law

Davis Polk & Wardwell LLP
Av. Brigadeiro Faria Lima, 3900
São Paulo, SP 04538-132
Brazil

To the Initial Purchasers
as to Brazilian Law

Pinheiro Guimarães - Advogados
Av. Paulista 1842, 24° andar — Torre Norte
01310-923 São Paulo — SP
Brazil

BRF
BRASIL FOODS