Offering memorandum

BRF S.A.

(Incorporated in the Federative Republic of Brazil)

U.S.$750,000,000

4.75% Senior Notes due 2024

Interest payable: May 22 and November 22

Issue price: 98.422%

We are offering U.S.$750.0 million aggregate principal amount of 4.75% senior notes due 2024. The notes will bear interest at the rate of 4.75% per year. Interest on the notes will be payable on May 22 and November 22 of each year, beginning on November 22, 2014. The notes will mature on May 22, 2024.

We may redeem the notes, in whole or in part, at any time after May 22, 2015 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 notes will be structurally subordinated to all existing and future liabilities of our subsidiaries.

For a more detailed description of the notes, see "Description of the Notes" beginning on page 46.

See "Risk Factors" beginning on page 14 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."

There is currently no market for the notes. We applied to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for the purposes of Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended.

Delivery of the notes will be 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 or about May 22, 2014.

Joint Book-Running Managers

BB Securities **BTG Pactual** **Itaú BBA** **Morgan Stanley** **Santander**

The date of this offering memorandum is May 15, 2014.

TABLE OF CONTENTS

	Page
Incorporation by Reference	iii
Available Information	iv
Presentation of Financial and Other Information	iv
Forward-Looking Statements	vi
Service of Process and Enforcement of Judgments	vii
Summary	1
Risk Factors	14
Use of Proceeds	27
Exchange Rates	28
Capitalization	29
Selected Financial Information	30
Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Business and Industry Updates	43
Description of the Notes	46
Form of the Notes	63
Taxation	66
Transfer Restrictions	70
Plan of Distribution	72
Legal Matters	78
Independent Accountants	78
Listing and General Information	79
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., Banco BTG Pactual S.A.—Cayman Branch, Itau BBA USA Securities, Inc., Morgan Stanley & Co. LLC and Santander Investment Securities Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. You are authorized to use this offering memorandum solely for the purpose of considering the purchase 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 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 UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES 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, 2013, which we filed with the SEC on March 31, 2014 (SEC File No. 001-15148), or our “2013 Form 20-F,” including the following sections:

- the information under the caption “Introduction” of our 2013 Form 20-F;
- the information contained in “Item 3: Key Information” of our 2013 Form 20-F;
- the information contained in “Item 4: Information on the Company” of our 2013 Form 20-F;
- the information contained in “Item 5: Operating and Financial Review and Prospects” of our 2013 Form 20-F;
- the information contained in “Item 6: Directors, Senior Management and Employees” of our 2013 Form 20-F;
- the information contained in “Item 7: Major Shareholders and Related Party Transactions” of our 2013 Form 20-F;
- the information contained in “Item 8: Financial Information” of our 2013 Form 20-F;
- the information contained in “Item 11: Quantitative and Qualitative Disclosures About Market Risk” of our 2013 Form 20-F; and
- the audited consolidated financial statements of our company and our subsidiaries, including the report thereon, contained in our 2013 Form 20-F.

We are also incorporating by reference into this offering memorandum our Reports of Foreign Private Issuer on Form 6-K, pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934, as amended, or our “2014 Form 6-Ks,” which we filed with the SEC on April 4, 2014 (SEC File No. 001-15148), including our Bylaws as Exhibit 1, and on April 9, 2014 (SEC File No. 001-15148).

The information below can be found in the indicated sections of our 2013 Form 20-F or 2014 Form 6-Ks:

Information	Section in our 2013 Form 20-F or 2014 Form 6-Ks
Our date of incorporation and length of life	Item 4. Information on the Company—A. History and Development of the Company—Corporate History, of our 2013 Form 20-F
	Exhibit 1 (Bylaws I – Name, Registered Office, Duration and Purpose), Section Four, of our 2014 Form 6-K, filed on April 4, 2014
Legislation under which we operate and our legal form	Exhibit 1 (Bylaws I – Name, Registered Office, Duration and Purpose), Section One, of our 2014 Form 6-K, filed on April 4, 2014
Description of our subsidiaries	Item 4. Information on the Company—A. History and Development of the Company—Corporate Structure, of our 2013 Form 20-F
	Exhibit 8.01 (List of Subsidiaries), of our 2013 Form 20-F

Incorporation by reference of our 2013 Form 20-F and our 2014 Form 6-Ks means that our 2013 Form 20-F and our 2014 Form 6-Ks are considered part of this offering memorandum.

The information in our 2013 Form 20-F and our 2014 Form 6-Ks is an important part of this offering memorandum. Our 2013 Form 20-F contains important information about our company and our results of operations and financial condition.

Any statement contained in our 2013 Form 20-F and 2014 Form 6-Ks 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 2013 Form 20-F, our 2014 Form 6-Ks and 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 2013 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.brf-br.com. In addition, our 2013 Form 20-F is 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 S.A.," "BRF," the "company," the "issuer," "we," "our," "ours," "us" or similar terms are to BRF S.A. (formerly known as BRF – Brasil Foods, S.A.), the issuer of the notes, and its consolidated subsidiaries and jointly controlled companies; and (2) references to "Sadia" are to Sadia S.A., formerly a wholly-owned subsidiary of BRF, which merged with and into BRF on December 31, 2012.

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 (*Banco Central do Brasil*), or the "Central Bank," was R$2.2192 to U.S.$1.00 at May 9, 2014, R$2.2630 to U.S.$1.00 at March 31, 2014, R$2.3426 to U.S.$1.00 at December 31, 2013, R$2.0435 to U.S.$1.00 at December 31, 2012 and R$1.8758 to U.S.$1.00 at December 31, 2011. See "Exchange Rates" for information regarding exchange rates for the Brazilian currency since January 1, 2009. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at May 9, 2014 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 at March 31, 2014. 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 as of and for the years ended December 31, 2013 and December 31, 2012, incorporated by reference in this offering memorandum have been prepared in accordance with International Financial Reporting Standards, or "IFRS," as issued by the International Accounting Standards Board, or "IASB." Our unaudited interim consolidated financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013, 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."

Our audited consolidated financial statements for the year ended December 31, 2011 are incorporated by reference in this offering memorandum and have been audited by KPMG Auditores Independentes, or "KPMG," as stated in their report incorporated by reference in this offering memorandum.

Our audited consolidated financial statements as of and for the years ended December 31, 2013 and December 31, 2012 are incorporated by reference in this offering memorandum and have been audited by Ernst & Young Auditores Independentes S/S., or "EY", as stated in their report incorporated by reference in this offering memorandum. Our unaudited interim consolidated financial statements as of and for the three-month period ended March 31, 2014 are included in this offering memorandum and have been reviewed by EY, as stated in their report included 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 and net debt, which are not financial measures computed under IFRS. The presentations of EBITDA and net debt included in this offering memorandum may not be comparable to those of other companies. For our definitions of EBITDA and net debt and reconciliations to net income of 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 current acquisitions as well as the conclusion of acquisition or joint venture transactions or other 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;
- the cyclicality and volatility of raw materials and selling prices;
- health risks related to the food industry;
- the risk of outbreak of animal diseases;
- more stringent trade barriers, in key export markets and increased regulation of food safety and security;
- strong international and domestic competition;
- 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; 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 is incorporated under the laws of Brazil. All, or substantially all, of its directors and officers reside outside the United States. Substantially all of the assets of BRF 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 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, its 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*), or "STJ." 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 or sufficient evidence of our or these other persons absence is given, in accordance with Brazilian law;
- 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).

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 federal securities laws of the United States.

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 or its 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 creditor to satisfy a judgment by attaching certain assets of BRF or the other persons named above is limited by provisions of Brazilian law, given that assets are located in Brazil.

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 STJ, (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, 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 federal securities laws of the United States with respect to the notes.

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 2013 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 the largest producers of fresh and frozen protein foods in the world, with a portfolio of over five thousand stock keeping units, or "SKUs." We are the holder of brands such as *Sadia, Perdigão, Batavo, Elegê, Qualy, Chester, Perdix* and *Paty*.

We were created from the merger of Perdigão and Sadia, whose consolidation was announced in 2009 and completed in 2012, and operate in the frozen meat (poultry and pork), processed meat, dairy, margarine, pasta, pizza and frozen vegetable markets. We are responsible for 16% of the world trade in poultry.

With 48 plants in all regions of Brazil, we have, among our main assets, a distribution capacity that enables our products to reach consumers in 98% of the Brazilian territory through 500,000 monthly deliveries and 30 distribution centers, 27 in the Brazilian market and 3 in our export markets. In Argentina, we are the leading producer, distributor and seller of margarine (with a market share of approximately 56.6% from December 2012 to December 2013) and hamburgers (with a market share of approximately 54.5% from December 2012 to December 2013) and hold the second market position in sauces (market share of approximately 9.9% from December 2012 to December 2013), according to Concord Consumer Research S.A., or "CCR Argentina."

In the international market, we have a leading brand, *Sadia*, in various categories in Middle Eastern countries and we are building a factory in Abu Dhabi, in the United Arab Emirates, scheduled to start operations in the first half of 2014. We maintain 22 sales offices outside of Brazil serving customers of more than 110 countries on five continents. We have nine industrial units in Argentina and two in Europe (England and Holland, through Plusfood).

We have been a public company since 1980. Our shares have been listed on the *Novo Mercado* of the São Paulo Stock Exchange (*BM&FBOVESPA S.A.—Bolsa de Valores Mercadorias e Futuros*), or "BM&FBOVESPA," as BRFS3 for eight years and we are also traded on the New York Stock Exchange (NYSE — ADR level III). Since 2005, we have been part of BM&FBovespa's Corporate Sustainability Index (ISE) portfolio in acknowledgement of our strong commitment to sustainable development. This commitment has been reinforced and internationally recognized since 2012, upon our entrance into the portfolio of Emerging Markets of Dow Jones Sustainability Index.

A breakdown of our products is as follows:

- Meat products:
  - frozen whole and cut chickens;
  - frozen pork cuts and beef cuts, which we refer to in this offering memorandum, together with frozen whole and cut chickens as *in natura* meat; and
  - processed food products, 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:
  - 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;
  - margarine; and
  - mayonnaise, mustard and ketchup.
- Dairy products:
  - milk (UHT and pasteurized); and
  - dairy products, such as cheeses, powdered milk and yogurts.
- Other:
  - soy meal and refined soy flour, as well as animal feed.

Our net revenue totaled R$30.5 billion and our consolidated net income was R$1.1 billion. Our equity as of December 31, 2013 totaled R$14.7 billion.

In 2013, we generated 32.0% of our net sales from *in natura* poultry, 9.3% from *in natura* pork and *in natura* beef, 41.0% from processed meat and other processed products, 9.2% from dairy products, 5.2% from food service and 3.3% from other products. Our sales in our Brazilian market accounted for 56.2% of our total net sales in 2013 and our export markets accounted for the remaining 43.8%.

In the Brazilian market, we operate 48 manufacturing facilities, with multiple plants within certain facilities, including 35 meat processing plants, 13 dairy products processing plants, three margarine processing plants, three pasta processing plants, one dessert processing plant and three soybean crushing plants, all of them near our raw material suppliers or main consumer centers. We are able to reach substantially all of the Brazilian population through an advanced logistics system in our Brazilian market, with a nationwide network of 30 distribution centers.

In our export markets, we operate 11 manufacturing facilities, including six meat processing plants, one margarine and oil processing plant, one sauce and mayonnaise processing plant, one pasta and pastries processing plant, one frozen vegetables processing plant and one cheese processing plant. We have 15 distribution centers located overseas, as well as commercial offices in the United Kingdom, Italy, Austria, Hungary, Japan, the Netherlands, Russia, Singapore, the United Arab Emirates, Portugal, France, Germany, Turkey, China, the Cayman Islands, South Africa, Venezuela, Uruguay and Chile. We export to more than 110 countries.

In 2012, we completed a transfer of assets to Marfrig , implementing a Performance Commitment Agreement (*Termo de Compromisso e Desempenho*), or "TCD," with the Administrative Council for Economic Defense (*Conselho Administração de Defesa Econômica*), or "CADE," in connection with its approval of the business combination between Sadia and Perdigão. For further detail, see "Item 4: Information on the Company – History and Development of the Company – Agreement with Marfrig" of our 2013 Form 20-F.

In 2013, we implemented several organizational changes to our corporate structure. A new Board of Directors was elected, there was a reorganization of officers and a matrix structure was adopted. We now have a global CEO, a Brazil CEO and an international CEO. The position of Vice President for Marketing and Innovation was also created to support our new operating model, which is consumer, customer and market-oriented, offering new products with the latest technology.

Our new strategic plan, BRF-17, defines our business plan and direction, focused on optimizing decision-making processes and accelerating the realization of synergies.

Moreover, on November 1, 2013 we entered into an agreement to transfer our cattle operations to Minerva S.A., or "Minerva," in exchange for 29 million common shares of Minerva, representing, a 16.8% equity interest in Minerva (subject to unconditional approval by the CADE).

Our Industry

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

Brazilian Market

Brazil is the fifth largest country in the world, both in terms of land mass and population. As of July 2013, Brazil had an estimated population of 201.0 million inhabitants, according to data from the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or "IBGE." The forecasts of the Central Bank estimate that the Brazilian gross domestic product (*produto interno bruto*), or "GDP," for 2013 will show a decrease of 3.0% in real terms compared to 2012.

The inflation rate, as measured by the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or "IPCA," published by the IBGE, was 6.50% in 2011, 5.84% in 2012 and 5.91% in 2013, continuing a trend of relatively high rates of inflation, since the Central Bank's target is approximately 4.5%. The Brazilian government has implemented fiscal and monetary policies in order to keep inflation within its target range by, for example, controlling oil prices, reducing the energy price for consumers and providing fiscal incentives to the automotive and electronics sectors.

Brazil is one of the largest consumers of meat, with per capita meat consumption of 98.6 kilograms in 2013, including beef, broilers, chicken and pork, according to the United States Department of Agriculture, or "USDA." Demand for poultry, pork and beef products in the Brazilian market is directly affected by economic conditions in Brazil. The overall trend towards improving economic conditions and the increased purchasing power of Brazil's fast-growing middle class has generally supported increased demand in recent years for processed food products, as well as fresh and frozen poultry and pork products. Although Brazilian inflation is relatively high, Brazilian consumption of meat is increasing given the low level of unemployment in the country. According to IBGE, unemployment was 5.2% in November 2011, was 4.9% in November 2012 and was 4.6% in November 2013, the lowest on record in Brazil.

According to the USDA, Brazil is the world's sixth largest producer of liquid milk, with 32.4 million tons of milk produced in 2013, and the seventh largest consumer in the world.

Export Markets

Despite market volatility caused by concerns over Europe's sovereign debt crisis and the slow recovery of the U.S. economy, global trade in pork and beef products has improved since 2010. Higher urbanization rates and income levels, combined with population growth, have improved global consumption, primarily in emerging markets.

The volume of Brazilian beef exports increased 19% in 2013 to 1.49 million tons, an increase of 244.4 thousand tons over 2012, according to data from the Brazilian Beef Exporters Association (*Associação Brasileira das Indústrias Exportadoras de Carnes*) or "ABIEC." A major increase was noticed in *in natura* meat. Russia, Hong Kong and Venezuela were the main countries that contributed to the strong performance of beef exports. In terms of net sales (in U.S. dollars), beef exports increased 14% in 2013.

Total Brazilian pork exports decreased 11% in 2013, according to the Brazilian Association of Pork Producers and Exporters (*Associação Brasileira da Indústria Produtora e Exportadora de Carne Suína*) or "ABIPECS." Russia, Hong Kong and Ukraine remained the main destinations of Brazilian exports. In Ukraine, however, there was a 51% decrease in shipments due to import bans imposed throughout the year. The average price of pork exports (in U.S. dollars) increased 2%, but our foreign sales reflecting pork exports decreased 9% in 2013 due to a decrease in volume.

Brazilian chicken exports decreased 0.7% in 2013 to 3.89 million tons, according to the Brazilian Association of Animal Protein (*Associação Brasileira de Proteína Animal*), or "ABPA" (formally known as the Brazilian Poultry Association (*União Brasileira de Avicultura*), or "UBABEF"). Saudi Arabia, Japan and Hong Kong were the major importing countries, and all exhibited increases in import volumes. The decrease was largely due to lower sales to other countries, such as Egypt, China, Iran and Iraq. The average price (in U.S. dollars) was 4% higher than in 2012, which contributed to a corresponding revenue increase of 3.4%.

We believe global meat consumption will increase over time, particularly with respect to pork meat and chicken meat. According to the "OECD – FAO Agricultural Outlook 2013" report, developing countries are expected to be responsible for growth in demand, driven by several factors: a growing population with concentration in large urban centers, increased income and a consequent expansion of the middle classes, as well as a dietary change from basic staples and grains to higher protein foods, including meats and dairy products. The report also forecasts that the leading source of meat production growth will be developing countries, and therefore an increase in the export volumes of these countries is also projected. In this sense, Brazil is expected to maintain its leadership position as one of the largest global meat producers and exporters and over time is expected to access new international markets.

For example, in June 2013 Japan opened its market to Brazilian *in natura* pork meat. Japan is the world's largest pork importer, and we believe access to the Japanese market represents a significant opportunity for Brazilian producers and exporters. Moreover, we believe Japanese acceptance reinforces the quality of Brazilian products and may encourage other countries, such as South Korea and the United States, also to open their markets to Brazilian pork in the future. In addition, after having its poultry industry seriously damaged by avian influenza, Mexico opened its market to Brazilian *in natura* poultry meat. The first exports happened in August 2013. Markets that are already open, like the Chinese market for pork and chicken, are expected to expand the number of production units they authorize for import, which is expected to contribute positively to Brazilian exports. In mid-2013 the European Union suspended the subsidies granted on whole-chicken exports, which should benefit Brazilian exporters, especially to the Middle East region. These expected increases should support Brazilian exports and production as Brazilian companies continue to become established in these markets.

On the other hand, some large chicken meat importers are increasing their local production to minimize import dependency, such as Russia and Ukraine, as well as searching for new suppliers, such as Thailand, which can be a threat for Brazilian exports. After Europe reopened its market for Thai *in natura* chicken meat in 2012, Singapore and Japan did the same in 2013. Other countries may follow, especially South Korea.

Brazil has become a leading participant in export markets for food products on a global basis, due in part to its natural advantages (like soil, water, and climate), competitive input 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 business.

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, although processed food products are gaining new ground in exports. 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, as well as increasing volumes of processed products.

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 2013, we slaughtered approximately 1.8 billion chickens and other poultry and 9.8 million hogs and cattle. We sold nearly 5.9 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 we are expanding our international brand presence in key foreign markets.

- ***Extensive Distribution Network in Brazil and in Export Markets.*** We believe that we are one of few 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 110 countries, and we are improving our own distribution network in Europe, where we sell directly to food processing and food service companies and to local distributors, in Asia through a joint venture and in the Middle East through a partnership with Federal Foods Limited, or "Federal Foods." In Argentina, we are working to optimize all the distributors of Avex, Flora Dánica, Quickfood and Sadia. Our established distribution capabilities and logistics expertise enable us to expand both our Brazilian and export 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 several programs designed to maintain and improve our cost-effectiveness, including our ATP (Available to Promise) program to optimize our supply chain by integrating demand, production, inventory management and client service functions; our shared services center (*Centro Serviços Compartilhados*), or "CSC-Shared Services Center," which centralizes our corporate and administrative functions; our value creation program (*Geração de Valor BRF*), or "GV BRF Value Creation Program," to provide our managers with more efficient use of fixed and working capital; and our Zero-Based Budgeting Project (*Projeto Orçamento Base Zero*), or "OBZ," launched in January 2014, 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 ten 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 guide our production according to market demand and the seasonality of our products. To support the continued innovation of our product portfolio, we invested R$59.5 million since 2012 in a new technology center in Jundiaí, in the state of São Paulo, inaugurated in June of 2013, focusing on innovation, research and development of new products.
- ***Experienced Management Team.*** 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 BM&FBOVESPA, which requires adherence to the highest corporate governance standards of that stock exchange.

Business Strategy

Our overall strategy is to use our competitive advantage as a low-cost and large scale food producer to increase profitability and asset turnover and to maintain sustainable growth. We intend to continue improving our global distribution network and customer base, providing a diversified and innovative product portfolio of market-oriented products, supported by strong international and local brands. 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 2014, 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 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 completed the acquisition of 49% of the capital stock and additional economic rights of Federal Foods, a privately held company headquartered in Abu Dhabi, in the United Arab Emirates, allowing us to expand our distribution network in this region.
- ***Further Develop Our Brazilian and International Customer Base.*** We seek to continue to strengthen our Brazilian and international customer base through product quality and superior delivery service. We intend to focus on efficiency to increase our competitiveness in the global scenario, delivering a new level of service to our clients and elevating the overseas

distribution and logistics to a core position of our business. We believe that there are considerable opportunities to increase penetration in foreign markets, particularly as we expand our manufacturing base to other countries and work to reduce or eliminate existing trade barriers. Our objective is to strengthen our presence among key international markets. Our Brazilian market sales represented 56.2% of our total net sales in 2013, while export market sales represented 43.8%.

- ***Revitalization of Our Core Business Oriented by Customer, Client and Market Preferences.*** We are focused on delivering innovative products that are perceived as creating value for our consumers. We intend to promote the revitalization of core categories and increase our market penetration through a more granular market view (by category, channel, region and segments of consumer/consumption), prioritizing key opportunities. As part of this plan, in 2013 we agreed to sell our beef operations to Minerva (subject to unconditional approval by the CADE) in exchange for an equity stake in Minerva. We also seek to mobilize our company and align our strategy, processes and people to consumer and client needs, consolidating a robust and flexible medium-term value chain plan focused on agility and assertiveness.
- ***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 *in natura* poultry and pork cuts and that can be targeted to specific markets. In 2009, the merger between Perdigão and Sadia brought a wide array of processed food products to our portfolio and created one of the largest exporters of poultry products in the world. 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 *in natura* poultry products, and Flora Dánica produces, among other items, mayonnaise, sauces and margarine. In 2012, we formed a joint venture with the Carbery Group, in Brazil and acquired interests in two companies, 90.05% of Quickfood, in Argentina, and 49% of Federal Foods, in the United Arab Emirates. We recently completed the acquisition of additional economic rights in Federal Foods.
- ***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 using our production capacity efficiently. We are also continuing to implement new technologies to streamline our production and distribution functions. We invested in a new technology center in Jundiaí, in the state of São Paulo, in order to develop new products and lines.
- ***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 Brazilian and export markets that can be integrated with and leveraged from our own operations.
- ***New Businesses Acceleration Program.*** We have created four working fronts, composed of our executives and coordinated by the consultancy Galeazzi & Associados. We have identified opportunities for improvements related to the following processes:
  - *Generation of Demand*: a new go-to-market strategy, an increase in sales productivity, improvements in management related to items with a short shelf life, optimization of product portfolio profitability, changes in governance and pricing intelligence;
  - *Planning*: acceleration in the capture of benefits accruing from projects for operating improvements, logistical optimization, improvements in the production programming process, reduction in the complexity of distribution, reduction in finished products inventory, optimization of investments and focus on strategic assets;
  - *Support*: review of the scope of the administrative areas, review of the administrative, commercial and distribution center sites and analysis of general expenses and overhead; and
  - *Sourcing*: improvements in manufacturing and logistical productivity, review of the manufacturing footprint and consequently of the logistical network, optimization of logistics infrastructure and systems and optimization of procurement processes.

  On the basis of initial data, we believe that the identified opportunities can be gradually seized and positively impact our operating results if achieved. Our expectations are conditioned upon significant investments to be made to achieve the benefits we seek and factors over which we have no control, such as changes in the market and the overall performance of Brazil and our sector, as well as the performance of the international markets in which we operate.
- ***Strategic Management.*** We have adopted a long-term strategic plan, the BRF-17 Strategic Plan, to be one of the largest food companies in the world, admired for our brands, innovation and results, contributing to a better and sustainable world. We intend to ensure full alignment between strategy and execution, ensuring an agile organization that delivers the desired results, focusing on our core business and avoiding distractions by fragmentation of low relevance areas. To support this strategic vision, we intend to build a new, strong and unique culture aligning the organization and decision-making processes

toward value creation and establishing a performance culture in the company that is based on meritocracy. This new culture will reinforce our commitment to attract, develop and retain talent, a key element for the sustainable success of our company.

Recent Developments

Tender Offers

On May 7, 2014, we and our subsidiaries Sadia Overseas Ltd., or "Sadia Overseas," and BFF International Limited, or "BFF," launched cash tender offers for (i) any and all outstanding 6.875% Senior Notes due 2017, or the "2017 Notes," issued by our subsidiary Sadia Overseas, or the "2017 Notes Tender Offer," and (ii) any and all outstanding 7.250% Senior Notes due 2020, or the "2020 Notes" and, together with the 2017 Notes, the "Existing Notes," issued by our subsidiary BFF, or together with the 2017 Notes Tender Offer, the "Tender Offers." As of May 15, 2014, U.S.$220.7 million aggregate principal amount of 2017 Notes and U.S.$629.3 million aggregate principal amount of 2020 Notes were outstanding.

The Tender Offers expired at 8:00 a.m., New York City time, on May 15, 2014, such date and time, the "Expiration Time." The aggregate principal amount of notes accepted for purchase under the Tender Offers was U.S.$60,953,000 under the 2017 Notes and U.S.$409,640,000 under the 2020 Notes. We will pay aggregate cash premium of U.S.$86.4 million for Existing Notes tendered in the Tender Offers. The Tender Offers are expected to settle concurrently with the closing of this offering.

Our obligation to pay for Existing Notes validly tendered in the Tender Offers is conditioned upon the satisfaction, or waiver by us, of certain conditions, including, but not limited to, the receipt of net cash proceeds from a concurrent offering on terms and conditions satisfactory to us. Completion of this offering is expected to satisfy this condition.

We intend to use the net proceeds from this offering of notes to fund the Tender Offers and to pay related fees and expenses. The remainder of the net proceeds from the sale of the notes will be used for general corporate purposes.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offers were made only by and pursuant to the terms of the Offer to Purchase of BRF, dated May 7, 2014, and the related Letter of Transmittal.

Shareholders' Remuneration

At our annual shareholders' meeting on April 3, 2014, our shareholders approved the distribution of remuneration to our shareholders in the amount of R$724.0 million in the form of interest on shareholders' equity for the year ended December 31, 2013. Out of this total, R$359.0 million was paid on August 15, 2013 (corresponding to R$0.41225416 per share based on the free float of 870,822,016 shares as of June 30, 2013) and R$365.0 million was paid on February 14, 2014 (corresponding to 0.41922417 per share based on the free float of 870,687,739 shares as of December 31, 2013), in each case, with due retention of withholding tax pursuant to Brazilian law.

Discontinuation of Joint Venture with DCH in China

On April 30, 2014, we announced the mutual, amicable discontinuation of our joint venture with Dah Chong Hong Limited, or "DCH," named Rising Star Food Company Limited. The discontinuation of the joint venture will involve a net payment of U.S.$460,000 to the joint venture entity. However, BRF and DCH will maintain a non-exclusive commercial partnership in the region with a focus in Hong Kong and Macau market.

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 +55-11-2322-5286/5048/5049. Our internet address is www.brf-br.com/ir. The information on our website is not incorporated by reference into this offering memorandum.

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 S.A.
Notes offered	U.S.$750,000,000 aggregate principal amount of 4.75% senior notes due 2024.
Issue price	98.422%
Issue Date	May 22, 2014
Maturity date	May 22, 2024.
Interest	The notes will bear interest from May 22, 2014 at the rate of 4.75% per year, payable semi-annually in arrears on each interest payment date.
Interest payment dates	May 22 and November 22, beginning on November 22, 2014.
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. As of March 31, 2014, we had consolidated total indebtedness of R$$9,927.7 million (U.S.$4,387.0 million). Of our consolidated total indebtedness, BRF S.A. had (1) R$1,233.9 million (U.S.$545.3 million) of secured indebtedness on an unconsolidated basis to which the notes will be effectively subordinated and (2) R$6,290.1 million (U.S.$2,779.5 million) of unsecured indebtedness on an unconsolidated basis, which will rank equally in right of payment with the notes; and our subsidiaries had R$2,403.7 million (U.S.$1,062.2 million) of total indebtedness (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the notes. As of March 31, 2014, our investments in our subsidiaries amounted to R$3,360.5 million, representing 10.5% of our consolidated total assets and 22.2% of our consolidated shareholders' equity.
Optional redemption	We may redeem the notes, in whole or in part, at any time after May 22, 2015 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.$150.0 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 will pay additional amounts in respect of any payments of interest or principal so that the amount you receive under the notes, 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.$150.0 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.$734.0 million after deducting estimated fees and expenses of the offering. We intend to use the net proceeds of this offering to finance the Tender Offers as described under "Summary—Recent Developments—Tender Offers," to pay fees and expenses associated with the Tender Offers and for general corporate purposes. 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—Principal, Maturity and Interest" 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	We applied to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market.

	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 and the notes 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 information as of December 31, 2013 and 2012 and for the three years ended December 31, 2013 should be read in conjunction with our audited consolidated financial statements incorporated by reference in this offering memorandum. The summary financial information as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 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, as issued by the 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. The results for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2014 or any other period.

The summary financial information 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,			
	2014(1)	2014	2013	2013(1)	2013	2012	2011
	(in millions of U.S.$) (unaudited)	(in millions of *reais*) (unaudited)	(in millions of *reais*) (unaudited)	(in millions of U.S.$) (unaudited)	(in millions of *reais*)	(in millions of *reais*)	(in millions of *reais*)
Summary Statement of Income Information:							
Net sales	3,243.0	7,338.8	7,208.9	13,487.1	30,521.2	28,517.4	25,706.2
Cost of sales	(2,406.6)	(5,446.1)	(5,512.0)	(10,142.8)	(22,953.1)	(22,063.6)	(19,047.0)
Gross profit	**836.4**	**1,892.7**	**1,696.9**	**3,344.3**	**7,568.1**	**6,453.8**	**6,659.2**
Operating income (expenses):							
Selling expenses	(491.3)	(1,111.9)	(1,001.9)	(2,043.4)	(4,624.3)	(4,317.3)	(3,837.5)
General and administrative expenses	(45.0)	(101.9)	(103.0)	(204.2)	(462.1)	(388.9)	(426.9)
Other operating expenses, net	(56.8)	(128.5)	(68.3)	(236.6)	(535.4)	(446.6)	(402.7)
Income from associates and joint ventures	5.0	11.4	7.4	5.9	13.3	22.4	9.0
Operating income	**248.3**	**561.8**	**531.1**	**866.0**	**1,959.6**	**1,323.4**	**2,001.1**
Financial expenses, net	(86.8)	(196.5)	(101.8)	(330.3)	(747.5)	(570.6)	(479.5)
Income before taxes	**161.5**	**365.3**	**429.3**	**535.7**	**1,212.1**	**752.8**	**1,521.6**
Income and social contribution tax expense	(1.4)	(3.2)	(63.7)	(12.9)	(29.3)	(19.0)	(39.9)
Deferred income and social contribution tax	(18.9)	(42.7)	(9.3)	(51.3)	(116.0)	43.6	(116.6)
Net profit	**141.2**	**319.4**	**356.3**	**471.5**	**1,066.8**	**777.4**	**1,365.1**
Attributable to:							
BRF shareholders	139.4	315.4	358.5	469.5	1,062.4	770.0	1,367.4
Non-controlling interest	1.8	4.0	(2.2)	2.0	4.4	7.4	(2.3)

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = U.S.$1.00.

	At March 31,		At December 31,		
	2014(1)	2014	2013(1)	2013	2012
	(in millions of U.S.$) (unaudited)	(in millions of *reais)* (unaudited)	(in millions of U.S.$) (unaudited)	(in millions of *reais*)	(in millions of *reais*) Restated
Summary Balance Sheet Information:					
Cash and cash equivalents	1,464.2	3,313.4	1,382.1	3,127.7	1,930.7
Marketable securities	240.1	543.3	203.1	459.6	621.9
Trade accounts receivable, net	1,262.3	2,856.5	1,475.2	3,338.4	3,131.2
Inventories	1,350.6	3,056.3	1,375.0	3,111.6	3,018.6
Biological assets	531.8	1,203.4	532.9	1,205.9	1,371.0
Other current assets	933.8	2,113.2	883.5	1,999.3	1,516.6
Total current assets	**5,782.6**	**13.086.1**	**5,851.8**	**13,242.5**	**11,590.0**
Marketable securities and restricted cash	71.1	161.0	68.6	155.2	167.5
Trade accounts receivable, net	3.4	7.7	3.4	7.8	11.1
Biological assets	250.2	566.3	251.4	569.0	428.2
Other non-current assets	1,128.6	2,554.0	1,198.7	2,712.6	3,109.6
Investments in associates and joint ventures	52.7	119.2	47.7	108.0	36.7
Property, plant and equipment, net	4,758.8	10,769.1	4,782.0	10,821.6	10,670.7
Intangible assets	2,085.4	4,719.3	2,102.5	4,757.9	4,751.7
Total non-current assets	**8,350.2**	**18,896.6**	**8,454.3**	**19,132.1**	**19,175.5**
Total assets	**14,132.9**	**31,982.7**	**14.306.1**	**32,374.6**	**30,765.5**
Short-term debt	1,189.0	2,690.8	1,191.6	2,696.6	2,440.8
Trade accounts payable	1,651.5	3,737.3	1,623.8	3,674.6	3,381.2
Other current liabilities	610.4	1,381.4	912.4	2,064.8	1,659.6
Total current liabilities	**3,450.9**	**7,809.5**	**3,727.8**	**8,436.0**	**7,481.6**
Long-term debt	3,197.9	7,236.9	3,307.4	7,484.6	7,077.5
Other non-current liabilities	783.2	1,772.3	776.8	1,757.8	1,617.2
Total non-current liabilities	**3,981.1**	**9,009.2**	**4,084.2**	**9,242.4**	**8,694.7**
Total current and non-current liabilities	**7,432.0**	**16,818.7**	**7,812.0**	**17,678.4**	**16,176.3**
Capital	5,506.2	12,460.5	5,506.2	12,460.5	12,460.5
Capital reserves	50.4	114.0	50.2	113.8	69.9
Income reserves	1,121.9	2,538.7	1,110.0	2,511.9	2,274.2
Retained earnings	127.5	288.6	—	—	—
Treasury shares	(21.5)	(48.6)	(34.2)	(77.4)	(51.9)
Other comprehensive loss	(102.4)	(231.7)	(156.3)	(353.7)	(201.0)
Equity attributed to interest of controlling shareholders	**6,682.1**	**15,121.5**	**6,475.9**	**14,655.1**	**14,551.7**
Equity attributed to non-controlling interest	18.8	42.5	18.2	41.1	37.5
Total shareholders' equity	**6,700.8**	**15,164.0**	**6,494.1**	**14,696.2**	**14,589.2**
Total liabilities and shareholders' equity	**14,132.9**	**31,982.7**	**14,306.1**	**32,374.6**	**30,765.5**

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = U.S.$1.00.

	At and for the Three Months Ended March 31,			At and for the Year Ended December 31,			
	2014(1)	2014	2013	2013(1)	2013	2012	2011
	(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*)	(in millions of *reais*)
Other Financial information:							
Net debt (at period end)(2)	2,646.7	5,989.6	7,152.1	2,997.9	6,784.3	7,018.4	5,407.9
EBITDA(3)...................................	380.4	860.8	803.8	1,383.7	3,131.3	2,282.6	2,889.8
Net debt/LTM EBITDA(2)(3)(4)...	—	1.9x	2.7x	—	2.2x	3.1x	1.9x
EBITDA margin(5).......................	—	11.7%	11.1%	—	10.3%	8.0%	11.2%

	At and for the Three Months Ended March 31,		At and for the Year Ended December 31,		
	2014	2013	2013	2012	2011
Operating Information:					
Poultry slaughtered (million heads per period).............	408.9	441.9	1,795.9	1,792.4	1,756.4
Pork/beef slaughtered (thousand heads per period)	2,354.5	2,474.7	9,744.1	10,874.1	10,847.9
Total sales of meat, dairy and other processed food products (thousand tons per period).........................	1,237.9	1,325.7	5,486.2	5,871.5	5,712
Employees (at period end)(6)..	108,179	113,986	110,138	113,991	119,167

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = 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 (including restricted cash) 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. However, our presentation of net debt is not meant to suggest that all of our cash, cash equivalents and marketable securities are available to service our debt, particularly as a portion of our cash, cash equivalents and marketable securities are necessary to provide working capital in connection with our business and certain of our cash constitutes restricted cash, as described in the notes to the table below. The following table sets forth our net debt at the dates indicated:

	At March 31,			At December 31,			
	2014(a)	2014	2013	2013(a)	2013	2012	2011
	(in millions of U.S.$) (unaudited)	(in millions of *reais*) (unaudited)	(in millions of *reais*) (unaudited)	(in millions of U.S.$) (unaudited)	(in millions of *reais*)	(in millions of *reais*)	(in millions of *reais*)
Short-term debt..............	1,189.0	2,690.8	2,520.3	1,191.6	2,696.6	2,440.8	3,452.5
(-) Other financial assets and liabilities, net.......	(35.2)	(79.6)	(88.5)	(152.7)	(345.6)	(220.2)	(247.2)
(+) Long-term debt.........	3,197.9	7,236.9	6,613.2	3,307.4	7,484.6	7,077.5	4,601.1
(-) Cash, cash equivalents and marketable securities(b)	1,775.4	4,017.7	2,069.9	1,653.8	3,742.5	2,720.1	2,892.9
Net debt (unaudited)	**2,646.7**	**5,989.6**	**7,152.1**	**2,997.9**	**6,784.3**	**7,018.4**	**5,407.9**

(a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = U.S.$1.00.

(b) This line item includes restricted cash of (i) R$103.6 million for the three-month period ended March 31, 2014; (ii) R$95.9 million for the three-month period ended March 31, 2013, (iii) R$99.2 million for the year ended December 31, 2013; (iv) R$93.0 million for the year ended December 31, 2012, and (v) R$70.0 million for the year ended December 31, 2011.

(3) We calculate EBITDA as net income attributable to BRF shareholders *plus* income and social contribution taxes *plus* financial expenses, net *plus* depreciation and amortization. We use EBITDA as a supplemental measure of our financial performance as well as of our ability to generate cash from operations. We also use EBITDA in making certain management decisions. EBITDA is not a prescribed measure under IFRS and should not be considered as a substitute 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 has material limitations, including, among others, the following:

- EBITDA adds back financial expenses, including interest expense. However, because we borrow money to finance some of our operations and capital expenditures, interest is a necessary and ongoing part of our costs.
- EBITDA adds back income and social contribution taxes, but the payment of these taxes is a necessary and ongoing cost of our operations.
- EBITDA adds back depreciation, amortization or depletion, but because we use property, plant and equipment to generate revenues in our operations, depreciation is a necessary and ongoing component of our costs.
- EBITDA as calculated by us may not be comparable to similarly titled measures of other companies.

The following table reconciles EBITDA to our consolidated net income:

	Three Months Ended March 31,			**Year Ended December 31,**			
	2014(a)	**2014**	**2013**	**2013(a)**	**2013**	**2012**	**2011**
	(in millions of U.S.$) (unaudited)	**(in millions of *reais*) (unaudited)**	**(in millions of *reais*) (unaudited)**	**(in millions of U.S.$) (unaudited)**	**(in millions of *reais*)**	**(in millions of *reais*)**	**(in millions of *reais*)**
Net income attributable to BRF shareholders	139.4	315.4	358.5	469.5	1,062.4	770.0	1,367.4
(+) Income and social contribution taxes(b).........	20.3	45.9	73.0	64.2	145.3	(24.6)	156.5
(+) Financial expenses, net....	86.8	196.5	101.8	330.3	747.5	570.6	479.5
(+) Depreciation and amortization.....................	133.9	303.0	270.5	519.7	1,176.1	966.6	886.4
EBITDA (unaudited)..........	**380.4**	**860.8**	**803.8**	**1,383.7**	**3,131.3**	**2,282.6**	**2,889.8**

(a) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = U.S.$1.00.

(b) Includes deferred income and social contribution tax expense.

(4) Net debt/LTM EBITDA calculations for March 31, 2014 and 2013 are calculated using EBITDA figures for the twelve months ended March 31, 2014 and 2013, respectively.

(5) Represents 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, a particular concern given the recent significant depreciation of the Brazilian *real* against the U.S. dollar. 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. Natural disasters, pandemics or extreme weather, including floods, excessive cold or heat, hurricanes or other storms, as well as fires, such as a recent one we experienced at our plant in Toledo that required the temporary re-allocation of plant functions to other facilities, could impair the health or growth of livestock or interfere with our operations due to power outages, damage to our production and processing facilities or disruption in transportation channels or information systems, among other issues.

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 decreased 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. In 2013, the average corn price in Brazil was 11.2% lower than the average corn price in 2012, and prices were considerably lower throughout the year. For example, corn prices in December 2013 were 23.8% lower than in December 2012. In 2013, the average soybean meal price in Brazil was 3.7% higher than the average price in 2012, and comparing December 2012 to December 2013, soybean meal prices in Brazil were up by 10.6%. The effect of decreases or increases in the price of raw materials on our gross margin is greater for our products that are similar to commodities in nature, rather than our value-added products. They are also affected by political and market conditions in the regions where suppliers are located.

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) but any product contamination could have a material adverse impact on our business, results of operations, financial condition and prospects.

Recent and future 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" of our 2013 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 our internationalization. In 2011, we acquired two Argentine companies, Avex, a poultry producer, and Flora Dánica, a margarine producer and distributor, for R$188.3 million, and we acquired the remaining one-third of Avex in December 2012. 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 Heloísa 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. In June 2012, we acquired a 90.05% interest in Quickfood, an Argentine company, as part of our transaction with Marfrig. We also acquired a 49% stake in Federal Foods, a company headquartered in Abu Dhabi, in the United Arab Emirates, in January 2013 for U.S.$37.1 million, becoming the owner of 60% of the economic rights of that company. In February 2014, we announced that we had signed a binding offer to acquire the remaining economic rights of Federal Foods, and in April 2014, we announced the completion of this acquisition for U.S.$27.8 million. 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.

In addition, on May 7, 2013, we undertook to sell and JBS undertook to acquire our Ana Rech Industrial Unit located in the state of Rio Grande do Sul (pork processing plant and poultry farms), the biological assets (live animals) and the real estate located at Granja André da Rocha, in the municipality of Nova Prata, in the state of Rio Grande do Sul.

On November 1, 2013, we and Minerva entered into an investment agreement that lays out the terms and conditions of an operation through which we will sell our beef slaughtering plants in Várzea Grande and Mirassol to, and our employees involved in these activities will become employees of, a closed capital company that will be incorporated within Minerva, in return for our receiving equity in Minerva. Closing is subject to unconditional approval by the CADE. For more details on these and other transactions, see "Item 4: Information on the Company—A. History and Development of the Company—Other Acquisitions and Investments—2013 Acquisitions, Joint Ventures and Other Investments" of our 2013 Form 20-F.

We may be unable to realize synergies and efficiency gains from our recent acquisitions. In addition, we may be unable to identify, negotiate or finance future acquisitions, particularly as part of our international growth strategy and BRF 17 guidelines, successfully or at favorable valuations, or to effectively integrate these acquisitions with our current businesses. Any future acquisitions of businesses, technologies, services or products might require us to obtain additional equity or debt financing, which may not be available on favorable terms, or at all. Future acquisitions may result in unforeseen operating difficulties and expenditures, as well as strain on our organizational culture.

We may not be able to fully execute our business strategy.

Our ability to implement our business strategy depends on a number of factors, including our ability to:

- maximize operating efficiencies through economies of scale and synergies;
- identify and negotiate favorable terms for future acquisitions, joint ventures and divestitures;
- continue to expand and gain market share in new export markets; and
- implement our BRF 17 business strategy.

Our BRF 17 Strategic Plan is an important pillar of our growth strategy. It is guided by eleven key principles, demonstrating the cycle change and guiding our strategic planning. These include building a strong and unique culture, an orientation towards customers and clients, robust and flexible medium-term value chain planning, and ensuring service levels are a true element of differentiation from competitors, among others.

Deterioration of general economic conditions could negatively impact our business.

Our business may be adversely affected by changes in Brazilian and global economic conditions such as the recent global economic crisis, which resulted in increased volatility in our markets and contributed to net losses in the fourth quarter of 2008 and in the first half of 2009. Although Brazilian and global economic conditions generally improved in 2010, the European sovereign debt crisis led to a significant slowdown in economic activity in Europe in 2011, increasing unemployment rates and decreasing meat consumption. After the challenging scenario in 2012, when exports of Brazilian chicken to Europe and certain areas of the Middle East continued to decline and oversupply in certain other markets undermined our profitability, we saw gradual recovery in 2013, especially in markets such as Japan and the Middle East. 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 can have a material adverse effect on our business and results of operations.

Raising animals and engaging in 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 and Newcastle disease; (2) in the case of hogs, cattle and certain other animals, foot-and-mouth disease and avian influenza (discussed below); and (3) in the case of cattle, foot-and-mouth disease and Bovine Spongiform Encephalopathy, or "BSE," 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. 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, which may result in the destruction of some or all of these animals. Our poultry business in Brazilian and export markets could also 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 648 confirmed human cases of avian influenza and over 384 deaths, according to the World Health Organization, or "WHO," and the Food and Agriculture Organization, or "FAO." Various countries in Asia, the Middle East and Africa reported human cases in the past five years, and several countries in Europe reported cases of avian influenza in birds. More recently, between March 31, 2013 and May 2, 2013, there have been at least 128 laboratory-confirmed cases of human infection with avian influenza A (H7N9), a variation of the avian influenza virus, including 26 human deaths in China and Taiwan, according to the WHO. In addition, in Mexico the H7N3 virus has caused serious damage to the local poultry industry. From January to August 2013, OIE reported 64 outbreaks, with 695.6 thousand cases of bird infections and 550.3 thousand deaths in the country. See "Item 4: Information on the Company—B. Business Overview—Export Markets" of our 2013 Form 20-F for further details.

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.

We may also be subject from time to time to additional outbreaks of animal-related diseases, such as Pork and Epidemic Diarrhea (PED) and foot-and-mouth disease affecting cattle. See "Item 5: Operating and Financial Review and Prospects—A. Operating Results—Effect of Animal Diseases—Other Animal Diseases" of our 2013 Form 20-F for further information.

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. Trade barriers can consist of both tariffs and non-tariff barriers. In our industry, non-tariff barriers are a particular concern, especially sanitary and technical restrictions.

Moreover, the recent global crisis has led to a rise in protectionist measures around the world, as national governments have attempted to alleviate the pressures of global economic conditions on their citizens and local producers.

Some countries, such as Russia, have a history of erecting trade barriers to imports of food products. In 2007, Russia reopened its market to Brazilian pork and beef from certain states, after having imposed restrictions in 2006. Again in June 2011, Russia imposed restrictions on imports of Brazilian poultry, pork and beef from about 100 producing units due to alleged sanitary concerns, including a complete ban on imports from the states of Rio Grande do Sul, Santa Catarina and Mato Grosso. There has been some progress toward the reopening of exports of these units to Russia, but nothing has been agreed upon yet, despite several meetings between technical bodies from the two governments. As of November 2013, exports were authorized for five of our 20 pork producing units, 22 of our 56 beef units, and eight of our 38 poultry units, one of which under enhanced control.

We have been affected by trade barriers imposed by a number of other countries from time to time. In June 2011, South Africa initiated an anti-dumping investigation against Brazilian chicken. 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 interrupted Brazilian exports. The final resolution of the investigation was announced in December 2012 in favor of Brazil, with no application of anti-dumping penalties.

In March 2009, Ukraine initiated an anti-dumping investigation on imports of poultry meat originating in the U.S. and Brazil. In 2010, the investigation on Brazilian exports was halted when no evidence of dumping was found.

In Europe, another of our key markets, the European Union has adopted a quota system for certain chicken products and prohibitive tariffs for certain products that do not have quotas in order to mitigate the effects of Brazil's lower production costs on local producers over European producers. In addition, the European Union has a ban on certain types of Brazilian meat, including pork, fresh cuts and some premium cuts of frozen beef backs.

In addition, between late 2012 and early 2013, several countries (including Japan, South Africa, China, Saudi Arabia, Peru, Lebanon and others) suspended Brazilian beef imports after a possible case of BSE, in the state of Paraná was reported. Throughout 2013, some countries have resumed imports from Brazil, but most embargoes remain.

In addition, many developed countries use direct and indirect subsidies to enhance the competitiveness of their producers in other markets. In addition, local producers in some markets 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 Brazilian market 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 Brazilian 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 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 Alimentos S.A., an affiliate of JBS S.A. 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.

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 40.0% in 2011, 41.6% in 2012, and 43.8% in 2013. Our major export markets include the European Union, the Middle East (particularly Saudi Arabia) and the Far East (particularly Japan, China, Russia and Ukraine), 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 our export markets could be adversely affected by factors beyond our control, such as the following:

- exchange rate fluctuations;
- deterioration in international economic conditions;
- political risks, such as turmoil in the Middle East and North Africa, government policies in Argentina and political instability in Venezuela, particularly since the election of the most recent President, Nicolás Maduro;
- decreases in demand, particularly from large markets such as China;
- 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.

We were party to a 50-50 joint venture in China (for more details, see "Summary—Recent Developments—Discontinuation of Joint Venture with DCH in China"), and we may decide to enter into other joint ventures in the future. To the extent we operate internationally through joint ventures, we will be subject to the risks inherent in joint venture structures, including the risk of disagreements with our joint venture partners, limitations on our ability to manage our business independently under the terms of the applicable joint venture agreements and the risk or encountering difficulty in exiting from joint venture arrangements if we wish to do so.

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, in the states of 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. In August 2011, a strike at the Itajaí port affected exports for approximately two months. More recently, in the middle of 2012, a strike by employees of the Brazilian Sanitary Inspection Agency (*Agência Nacional de Vigilância Sanitária*), or "Anvisa," and other employees of the federal government and a nationwide strike of truckers also hampered our export operations. 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 in the state of Paraná, and São Francisco do Sul, in the state of Santa Catarina. 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.

Our ability to complete construction of a new plant in the Middle East is subject to uncertainties, and our ability to expand our capacity in this region may be limited.

Two important components of our strategy involve strengthening our global distribution network and further developing our international customer base. In line with that strategy, in 2012 we began construction of a new plant in Abu Dhabi, in the United Arab Emirates, in the Middle East, the first time we have undertaken a construction project in the Middle East. In addition to being subject to the general risks of international operations described above under "—Our export sales are subject to a broad range of risks associated with international operations," we are now subject to the specific risks associated with undertaking a major construction project in a region where our activities to date have been limited to sales, marketing and distribution. The production and distribution capacity we hope to achieve through the project could be limited, in each case for a variety of reasons, including (1) governmental inertia, (2) geopolitical risk, (3) potentially stringent localization requirements, (4) imposition of exchange or price controls, (5) impositions of restrictions on exports of our products or imports of raw materials necessary for our production and the construction of our plant, (6) fluctuation of local currencies against the *real*, (7) nationalization of our property, increase in export tax and income tax rates for our products, and (8) unilateral (governmental) institutional and contractual changes, including controls on investments and limitations on new projects. As a result of these factors, the results of operations and financial conditions of our operations in the Middle East may be adversely affected, and we may experience in the future significant variability in our revenue on both an annual and a quarterly basis from those operations. The impact of these changes on our ability to deliver on our planned projects and execute our strategy cannot be ascertained with any degree of certainty, and these changes may, therefore, have an adverse effect on our operations and financial results.

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 nine 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. In June 2012, as part of our transaction with Marfrig, we acquired 90.05% of Quickfood, a leading Argentine processor and packager of meat, especially in the hamburger market with the brand Paty. We estimate that our integrated operations in the Argentine market represent over R$1.0 billion of sales per year. 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 because 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. In April 2012, the Argentine government's effective nationalization of YPF S.A., Argentina's leading energy company, 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.

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 performance depends on favorable labor relations with our employees and our compliance with labor laws. Any deterioration of those relations or increase in labor costs could adversely affect our business.

As of December 31, 2013, we had a total of 110,138 employees worldwide. All of our production employees are represented by labor unions. Upon the expiration of existing collective bargaining agreements or other collective labor agreements, we may not reach new agreements without union action and any such agreements may not be on terms satisfactory to us, which could result in us paying higher wages or benefits to union workers. If we are unable to negotiate acceptable union agreements, we may become subject to work stoppages or strikes.

Labor costs are among our most significant expenditures. In 2013, these costs represented 15.0% of our cost of goods sold, representing an increase of 4.2% compared to 2012.

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 civil liability for remediation or for environmental damage. We cannot operate a plant if the required environmental permit is not valid or updated.

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 ranging between R$500.00 to R$10.0 million 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 underlying 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 within the required legal period.

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 2013 are included in "Item 8. Financial Information—Legal Proceedings" of our 2013 Form 20-F incorporated by reference and Note 25 to our unaudited interim consolidated financial statements included in this offering memorandum. We may face risks arising from tax liabilities and the monetization of tax credits, which can negatively impact our results.

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 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 were 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.

As of December 31, 2013, we had R$48.3 million in provisions for civil contingencies, R$141.5 million in provisions for tax contingencies and R$276.1 million in provisions for labor contingencies. See note 25 to our consolidated financial statements.

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" in our 2013 Form 20-F. If it were to become necessary to revisit this contractual structure, we could incur additional operating expenses.

With regard to tax contingencies, we are currently defendants in tax cases that involves tax credit offsets. These cases have not yet reached a final ruling by the Brazilian courts. We expect the collection of evidence and materials for each lawsuit to take several years.

In addition, our ability to compete effectively depends in part on our rights to trademarks, logos and other intellectual property rights we own or license. We have not sought to register or protect every one of our marks in every country in which they are or may be used, which means that third parties may be able to limit or challenge our trademark rights there. Furthermore, because of the differences in foreign intellectual property or proprietary rights laws, we may not receive the same level of legal protection in every country in which we operate. Litigation may be necessary to enforce our intellectual property rights, and if we do not prevail, we could suffer a material adverse impact on our business, goodwill, financial position, results of operations and cash flows. Further, third parties may allege that our intellectual property and/or business activities infringe their own intellectual property or proprietary rights, and any litigation in this regard would be costly, regardless of the merits. If we are unsuccessful in defending any such third party claims, or to settle such claims, we could be required to pay damages and/or enter into license agreements, which might not be available under favorable terms. We may also be forced to rebrand or redesign our products to avoid the infringement , which could result in significant costs in certain markets. If we are found to infringe any third party's intellectual property, we could suffer a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

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, as well as the expenses associated to these losses can impact our results.

We rely on our positive image and reputation in the marketplace.

We believe we have a strong image associated with solid corporate governance and aligned with values such as trust, ethics and transparency, which we wish to maintain. We have a clear image and reputation risk policy that supports all business segments and its commercial standards cover internal and external market relations. In cases of bad publicity or acts that may negatively affect our image, we have put a Crisis Committee in place to work with BRF stakeholders, but there is no assurance that our image and reputation risk policy or Crisis Committee will adequately protect us against reputational risk. Any negative reflection on our image or the strength of our brand could have a negative impact on our results of operations, as well as our ability to achieve our growth 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 mitigate the loss, such as shifting production to another facility. These costs may not be fully covered by our insurance. For example, in 2011, fires affected a part of the installations of our Nova Mutum, Mato Grosso unit and 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, 2014, our total debt (comprised of short-term and long-term debt) was R$9,927.7 million (U.S.$4,387.0 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;
- increasing our expenditures due to depreciation of the Brazilian *real*, which can lead to an increased amount of capital needed to service indebtedness denominated in U.S. dollars;
- 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, 2014, we had R$1,968.1 million of debt that matures in 2014, R$969.2 million of debt that matures in 2015, R$314.4 million of debt that matures in 2016, R$932.3 million of debt that matures in 2017 and R$5,743.8 million of debt that matures in 2018 and thereafter.

A substantial portion of our outstanding debt is denominated in foreign currencies, primarily U.S. dollars. As of March 31, 2014, we had R$5,905.2 million of foreign currency debt, including R$243.0 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 restrictions on us.

The instruments governing our consolidated indebtedness impose significant 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 the imposition of covenants that are more restrictive, the requirements for additional 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 as well as the market prices of the notes 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 or rationalization;
- liquidity of domestic capital and lending markets;
- changes in environmental regulation; and
- social and political instability, particularly in light of recent protests against public policy and related vandalism in major Brazilian cities.

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 and the market price of the notes.

A presidential election will be held in Brazil in 2014. The President of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses, such as our company. The run-up to the presidential election may result in changes in existing governmental policies, and the post-election administration—even if incumbent Dilma Rouseff is re-elected—may seek to implement new policies. For example, the current administration or the post-election administration may face domestic pressure to retreat from the current macroeconomic policies in an attempt to achieve higher rates of economic growth. We cannot predict what policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance. In addition, uncertainty leading up to and after the election over whether the Brazilian government may implement changes in policy or regulations may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers.

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

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 9.8% in 2008, 1.7% in 2009, 11.3% in 2010, 5.1% in 2011, 7.82% in 2012 and 5.4% in 2013. In addition, according to the IPCA, published by the IBGE, Brazilian consumer price inflation rates were 5.9% in 2010, 6.5% in 2011, 5.8% in 2012 and 5.9% in 2013. In 2010, 2011, 2012 and 2013 the actual inflation rate was significantly higher than the Central Bank's target of 4.5% with a tolerance range of two percentage points above or below. 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 2013 Form 20-F.

Brazil may continue experiencing high levels of inflation in 2014, above the Central Bank's target. Periods of higher inflation like in 2013 slow the growth rate of the Brazilian economy, which may lead to lower growth in consumption of food products. Inflation also is likely to continue to put pressure on industry costs of production and expenses, which will force companies to search for innovative solutions in order to remain competitive. We may not be able to pass this cost onto our customers and, as a result, it 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. In addition, inflation and its effect on domestic interest rates can 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, financial condition and the market prices of the notes.

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 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. In 2012, the *real* depreciated 8.9% against the U.S. dollar. In 2013, the *real* depreciated 15.8% against the U.S. dollar.

Appreciation of Brazilian *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. 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 appreciation could reduce the competitiveness of our exports and adversely affect our net sales and our cash flows from exports. On the other hand, a depreciation of Brazilian *real* against the U.S. dollar may lead to higher exports and revenues, but costs may be higher.

Costs are also directly impacted by the exchange rate. 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$6,108.7 million at December 31, 2013, representing 60.0% of our total consolidated indebtedness at that date. Although we manage a portion of our exchange rate risk through foreign currency derivative instruments and future cash flows from exports in U.S. dollars and other foreign currencies, our foreign currency debt obligations are not completely hedged. A significant devaluation of the *real* in relation to the U.S. dollar or other currencies would increase the amount of *reais* that we would need in order to meet debt service requirements of our foreign currency-denominated obligations.

Fluctuations in interest rates may have an adverse effect on our business, financial condition and the market prices of the notes.

The interest rate is one of the instruments used by the Central Bank to keep inflation under control or to stimulate the economy. In 2013, inflation reached 5.91%, according to IBGE. If interest rates fall much, the population has greater access to credit and consumes more. This increase in demand can push prices if the industry is not prepared to meet higher consumption. On the other hand, if interest rates go up, the monetary authority inhibits consumption and investment once they get more expensive. The Brazilian government used the benchmark interest rate (SELIC), in 2013 to control inflation impacting the credit. Another consequence is the greater return paid by government securities, impacting directly in the investments which became less attractive. Investment in debt absorbs money that would fund the productive sector.

At the end of former president Luiz Inacio 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, 5.8% in 2012, and 5.9% in 2013 leading to the Central Bank's decision to increase interest rates to stabilize the economy.

At December 31, 2013, 21.9% of our total liabilities with respect to indebtedness and derivative instruments of R$10,538.4 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*), 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 the London Interbank Offered Rate, or "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 tax rates 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 Contribution to the Social Integration Program (*Contribuição ao Programa de Integração Social*), or "PIS," and Contribution to Financing Social Security (*Contribuição para o Financiamento da Seguridade Social*), 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 for the future, which could negatively affect our overall financial performance.

On November 11, 2013, Provisional Measure No. 627, or the "Provisional Measure," was published which revokes the Transition Tax Regime, or "RTT," and introduces other measures, among them: (1) amendments in Decree-Law No. 1,598/77 which deals with the corporate income tax as well as amending the legislation relevant to social contribution on net income, (2) provides that with respect to the amendment or adoption of accounting methods and criteria through administrative acts issued based on jurisdiction assigned by business law, which are subsequent to the publication of this Provisional Measure, there is no effect on the calculation of federal taxes until tax law regulates the subject; (3) includes provisions concerning the calculation of interest on shareholders' equity; (4) includes considerations on investments measured by the equity method of accounting; and (5) significant changes regarding taxation of profits earned abroad.

If it is passed into law by the Brazilian President, the provisions of the Provisional Measure will be in force beginning in 2015, but taxpayers will be allowed to adopt such provisions early for 2014 and may be able to eliminate potential tax effects deriving from divergences between their accounting and tax basis, especially related to (i) dividends in connection with the period between 2008 and 2013 assessed out of accounting profits whenever they exceed taxable profits and (ii) interest on shareholders' equity in connection with the period between 2008 and 2014 assessed based on equity values accounted for under new accounting rules as well as under the application of the equity pick-up method. We believe that given the current version of the Provisional Measure approved by the Brazilian Congress and submitted to the analysis of the Brazilian President, whether adopted early or not, would result in non-material adjustments in our consolidated financial statements regarding "RTT" matters. However, the proposed changes regarding profits earned abroad could result in an increase in our income tax burden. Our management awaits the evolution and negotiations of the amendments to the text of the Provisional Measure so that we can evaluate its impact on our business.

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 our 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.

At March 31, 2014, we had total consolidated debt of R$9,927.7 million (U.S.$4,387.0 million), of which R$8,693.8 million (U.S.$3,841.7 million) was unsecured debt and R$1,233.9 million (U.S.$545.3 million) was secured debt. Any right of the holders of the notes 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 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 our subsidiaries, which will not guarantee the notes, including BRF GmbH, Quickfood S.A., Sadia Alimentos, S.A. Sadia International Ltd. 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, 2014, the investments in our subsidiaries amounted to R$3,360.5 million, representing 10.5% of our consolidated total assets and 22.2% of consolidated shareholders' equity.

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.

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.

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 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 would be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce the notes, we would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes 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 federal securities laws of the United States. 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 we intend to apply 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 the notes, 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 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 notes, 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.$734.0 million after deducting estimated fees and expenses of the offering. We intend to use the net proceeds from the sale of the notes to (1) finance the Tender Offers (as described under "Summary—Recent Developments—Tender Offers" of the Offering Memorandum), and (2) pay fees and expenses associated with the Tender Offers. The aggregate principal amount of notes accepted for purchase under the Tender Offers was U.S.$60,953,000 under the 2017 Notes and U.S.$409,640,000 under the 2020 Notes. The Company will pay aggregate cash premiums of US$86.4 million for notes tendered in the Tender Offers. The remainder of the net proceeds from the sale of the notes will be used for general corporate purposes.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offers were made only by and pursuant to the terms of the Offer to Purchase of BRF and the related Letter of Transmittal.

A portion of the Existing Notes to be purchased with the net proceeds from this offering may be held by the initial purchasers or their affiliates. See "Plan of Distribution—Relationships with Initial Purchasers."

Pending their use, 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."

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**
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
2012	2.1121	1.7024	1.9550	2.0435
2013	2.4457	1.9528	2.1605	2.3426

	***Reais* per U.S. Dollar**	
Month	**High**	**Low**
November 2013	2.3362	2.2426
December 2013	2.3817	2.3102
January 2014	2.4397	2.3335
February 2014	2.4238	2.3334
March 2014	2.3649	2.2603
April 2014	2.2811	2.1974
May 2014 (through May 9)	2.2322	2.2107

Source: Central Bank.

The exchange rate on May 9, 2014 was R$2.2192 = U.S.$1.00.

CAPITALIZATION

The following table sets forth our consolidated debt and capitalization at March 31, 2014 derived or calculated from our unaudited interim consolidated financial statements included in this offering memorandum:

- on an actual basis; and
- as adjusted for the sale of the notes, and the use of a portion of the net proceeds thereof to fund the Tender Offers, but before applying the remainder of the net proceeds.

You should read this table in conjunction with "Presentation of Financial and Other Information," "Selected Financial 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, 2014			
	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	136.4	308.7	136.4	308.7
Unsecured	945.3	2,139.1	945.3	2,139.1
Total *real*-denominated debt	1,081.7	2,447.8	1,081.7	2,447.8
Foreign currency-denominated debt:				
Secured	15.4	34.9	15.4	34.9
Unsecured (3)	92.0	208.1	80.5	182.2
Total foreign currency-denominated debt	107.4	243.0	95.9	217.1
Total short-term debt	1,189.0	2,690.8	1,177.6	2,664.9
Long-term debt				
Real-denominated debt:				
Secured	381.4	863.0	381.4	863.0
Unsecured	314.5	711.7	314.5	711.7
Total *real*-denominated debt	695.9	1,574.8	695.9	1,574.8
Foreign currency-denominated debt:				
Secured	12.1	27.3	12.1	27.3
Notes offered hereby	—	—	750.0	1,697.3
Existing Notes to be repurchased	850.0	1,923.6	379.4	858.6
Other unsecured foreign currency-denominated debt	1,640.0	3,711.3	1,640.0	3,711.3
Total foreign currency-denominated debt	2,502.1	5,662.2	2,781.5	6,294.5
Total long-term debt	3,197.9	7,236.9	3,477.4	7,869.3
Total debt				
Secured	545.3	1,233.9	545.3	1,233.9
Unsecured	3,841.7	8,693.8	4,109.7	9,300.2
Total debt	4,387.0	9,927.7	4,655.0	10,534.1
Shareholders' equity	6,700.8	15,164.0	6,700.8	15,164.0
Total capitalization (long-term debt plus shareholders' equity)	9,898.8	22,400.9	10,178.2	23,033.3

(1) The "As Adjusted" columns reflect the effect of the sale of the notes but not the use of proceeds therefrom. See "Use of Proceeds."

(2) Translated for convenience only using the selling rate as reported by the Central Bank at March 31, 2014 for *reais* into U.S. dollars of R$2.2630 to U.S.$1.00.

(3) The "As Adjusted" amount reflects the payment of accrued and unpaid interest through the expected settlement date on the Existing Notes to be repurchased in the Tender Offers.

SELECTED FINANCIAL INFORMATION

The following selected financial information as of December 31, 2013 and 2012 and for the three years ended December 31, 2013 should be read in conjunction with our audited consolidated financial statements incorporated by reference in this offering memorandum. The selected financial information as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 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-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2014 or any other period.

The selected financial information 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,**			
	2014(1)	**2014**	**2013**	**2013(1)**	**2013**	**2012**	**2011**
	(in millions of U.S.$) (unaudited)	**(in millions of *reais*) (unaudited)**	**(in millions of *reais*) (unaudited)**	**(in millions of U.S.$) (unaudited)**	**(in millions of *reais*)**	**(in millions of *reais*)**	**(in millions of *reais*)**
Selected Statement of Income Information:							
Net sales	3,243.0	7,338.8	7,208.9	13,487.1	30,521.2	28,517.4	25,706.2
Cost of sales	(2,406.6)	(5,446.1)	(5,512.0)	(10,142.8)	(22,953.1)	(22,063.6)	(19,047.0)
Gross profit	**836.4**	**1,892.7**	**1,696.9**	**3,344.3**	**7,568.1**	**6,453.8**	**6,659.2**
Operating income (expenses):							
Selling expenses	(491.3)	(1,111.9)	(1,001.9)	(2,043.4)	(4,624.3)	(4,317.3)	(3,837.5)
General and administrative expenses	(45.0)	(101.9)	(103.0)	(204.2)	(462.1)	(388.9)	(426.9)
Other operating expenses, net	(56.8)	(128.5)	(68.3)	(236.6)	(535.4)	(446.6)	(402.7)
Income from associates and joint ventures	5.0	11.4	7.4	5.9	13.3	22.4	9.0
Operating income	**248.3**	**561.8**	**531.1**	**866.0**	**1,959.6**	**1,323.4**	**2,001.1**
Financial expenses, net	(86.8)	(196.5)	(101.8)	(330.3)	(747.5)	(570.6)	(479.5)
Income before taxes	**161.5**	**365.3**	**429.3**	**535.7**	**1,212.1**	**752.8**	**1,521.6**
Income and social contribution tax expense	(1.4)	(3.2)	(63.7)	(12.9)	(29.3)	(19.0)	(39.9)
Deferred income and social contribution tax	(18.9)	(42.7)	(9.3)	(51.3)	(116.0)	43.6	(116.6)
Net profit	**141.2**	**319.4**	**356.3**	**471.5**	**1,066.8**	**777.4**	**1,365.1**
Attributable to:							
BRF shareholders	139.4	315.4	358.5	469.5	1,062.4	770.0	1,367.4
Non-controlling interest	1.8	4.0	(2.2)	2.0	4.4	7.4	(2.3)

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = U.S.$1.00.

	At March 31,		At December 31,		
	2014(1)	2014	2013(1)	2013	2012
	(in millions of U.S.$) (unaudited)	(in millions of *reais*) (unaudited)	(in millions of U.S.$) (unaudited)	(in millions of *reais*)	(in millions of *reais*) Restated
Selected Balance Sheet Information:					
Cash and cash equivalents	1,464.2	3,313.4	1,382.1	3,127.7	1,930.7
Marketable securities	240.1	543.3	203.1	459.6	621.9
Trade accounts receivable, net	1,262.3	2,856.5	1,475.2	3,338.4	3,131.2
Inventories	1,350.6	3,056.3	1,375.0	3,111.6	3,018.6
Biological assets	531.8	1,203.4	532.9	1,205.9	1,371.0
Other current assets	933.8	2,113.2	883.5	1,999.3	1,516.6
Total current assets	**5,782.6**	**13.086.1**	**5,851.8**	**13,242.5**	**11,590.0**
Marketable securities and restricted cash	71.1	161.0	68.6	155.2	167.5
Trade accounts receivable, net	3.4	7.7	3.4	7.8	11.1
Biological assets	250.2	566.3	251.4	569.0	428.2
Other non-current assets	1,128.6	2,554.0	1,198.7	2,712.6	3,109.6
Investments in associates and joint ventures	52.7	119.2	47.7	108.0	36.7
Property, plant and equipment, net	4,758.8	10,769.1	4,782.0	10,821.6	10,670.7
Intangible assets	2,085.4	4,719.3	2,102.5	4,757.9	4,751.7
Total non-current assets	**8,350.2**	**18,896.6**	**8,454.3**	**19,132.1**	**19,175.5**
Total assets	**14,132.9**	**31,982.7**	**14.306.1**	**32,374.6**	**30,765.5**
Short-term debt	1,189.0	2,690.8	1,191.6	2,696.6	2,440.8
Trade accounts payable	1,651.5	3,737.3	1,623.8	3,674.6	3,381.2
Other current liabilities	610.4	1,381.4	912.4	2,064.8	1,659.6
Total current liabilities	**3,450.9**	**7,809.5**	**3,727.8**	**8,436.0**	**7,481.6**
Long-term debt	3,197.9	7,236.9	3,307.4	7,484.6	7,077.5
Other non-current liabilities	783.2	1,772.3	776.8	1,757.8	1,617.2
Total non-current liabilities	**3,981.1**	**9,009.2**	**4,084.2**	**9,242.4**	**8,694.7**
Total current and non-current liabilities	**7,432.0**	**16,818.7**	**7,812.0**	**17,678.4**	**16,176.3**
Capital	5,506.2	12,460.5	5,506.2	12,460.5	12,460.5
Capital reserves	50.4	114.0	50.2	113.8	69.9
Income reserves	1,121.9	2,538.7	1,110.0	2,511.9	2,274.2
Retained earnings	127.5	288.6	—	—	—
Treasury shares	(21.5)	(48.6)	(34.2)	(77.4)	(51.9)
Other comprehensive loss	(102.4)	(231.7)	(156.3)	(353.7)	(201.0)
Equity attributed to interest of controlling shareholders	**6,682.1**	**15,121.5**	**6,475.9**	**14,655.1**	**14,551.7**
Equity attributed to non-controlling interest	18.8	42.5	18.2	41.1	37.5
Total shareholders' equity	**6,700.8**	**15,164.0**	**6,494.1**	**14,696.2**	**14,589.2**
Total liabilities and shareholders' equity	**14,132.9**	**31,982.7**	**14,306.1**	**32,374.6**	**30,765.5**

(1) Translated for convenience only using the selling rate as reported by the Central Bank for *reais* into U.S. dollars at March 31, 2014 of R$2.2630 = 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—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 2013 Form 20-F incorporated by reference in this offering memorandum.

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

We report our results according to the following segments, divided according to the sales channel:

- ***Brazilian 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***, 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 Brazilian 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 Brazilian and export markets and in our food service segment;
- ***Pork and Beef***, consisting of frozen pork cuts and beef cuts sold in both our Brazilian and export markets and in our food service segment;
- ***Processed Products***, sold in both our Brazilian and export markets and in our food service segment, such as the following:
  - marinated, frozen, whole and cut chicken, roosters (sold under the *Chester*® brand) and turkey;
  - 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 Brazilian 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 Brazilian and export markets.

In the three months ended March 31, 2014, we generated 31.8% of our net sales from *in natura* poultry, 8.8% from *in natura* pork and *in natura* beef, 41.7% from processed and other processed meat products, 8.9% from dairy products, 5.5% from food service and 3.3% from other sales. No single customer or economic group represented more than 5% of our total net sales in the three-month period ended March 31, 2014.

In the Brazilian market, which accounted for 57.3% of our net sales in the three months ended March 31, 2014, we operate under such brand names as *Sadia*, *Perdigão*, *Chester*, *Batavo*, *Elegê*, *Miss Daisy*, *Qualy* and *Becel* (through a strategic joint venture with Unilever), which are among the most recognized names in Brazil. In our export markets, which accounted for the remaining 42.7% of our total net sales in the three months ended March 31, 2014, the leading brands were *Perdix, Sadia, Hilal, Halal, Paty, Corcovado, Batavo, Fazenda*, *Borella* and *Confidence*.

We export to more than 110 countries, primarily to distributors, the institutional market (which includes restaurants and food service chains) and food processing companies. In the three months ended March 31, 2014, our exports accounted for 42.7% of our net sales, of which exports (1) 34.7% were to the Middle East, (2) 22.3% were to the Far East, (3) 18.0% were to Europe, (4) 4.7% were to Eurasia (including Russia and Ukraine) and (5) the remaining 20.3% were to the Americas, Africa and other regions.

Results of Operations as a Percentage of Net Sales for the Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013

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, 2014 and 2013.

	Three Months Ended March 31,	
	2014	**2013**
	(unaudited)	
	(%)	(%)
Net sales	100.0	100.0
Cost of sales	(74.2)	(76.5)
Gross profit	25.8	23.5
Operating expenses:		
Selling expenses	(15.2)	(13.9)
General and administrative expenses	(1.4)	(1.4)
Other operating expenses	(1.8)	(0.9)
Equity interest in income of affiliates	0.2	0.1
Operating income	7.7	7.4
Financial income (expenses), net	(2.7)	(1.4)
Income before taxes	5.0	6.0
Income and social contribution taxes	(0.6)	(1.0)
Net income	4.4	4.9
Attributable to:		
BRF shareholders	4.3	5.0
Non-controlling interest	0.1	0.0

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 Brazilian market at a rate that varies by state and product sold. Our average ICMS tax rate for the three months ended March 31, 2014 was 10.8%;
- *PIS and COFINS Taxes* — The PIS and the COFINS taxes are federal social contribution taxes on our gross sales in the Brazilian market at the rates of 1.65% for PIS and 7.60% for COFINS for the three months ended March 31, 2014. However, we currently benefit from a suspension of these taxes for *in natura* pork, poultry and beef cuts as well as a zero tax rate for some dairy products; and
- *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 Brazilian 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, 2014 and 2013:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Change
	(in millions of *reais*) (unaudited)		(%)
Gross sales:			
Brazilian market sales	3,873.8	3,757.5	3.1
Export market sales	3,176.2	3,229.0	(1.6)
Dairy products	774.0	765.0	1.2
Food service	458.2	417.3	9.8
	8,282.2	8,168.8	1.4
Sales deductions			
Brazilian market sales	(658.5)	(654.0)	0.7
Export market sales	(109.2)	(136.2)	(19.8)
Dairy products	(118.1)	(117.4)	0.6
Food service	(57.6)	(52.3)	10.1
	(943.4)	(959.9)	(1.7)
Net sales			
Brazilian market sales	3,215.2	3,103.5	3.6
Export market sales	3,067.0	3,092.8	(0.8)
Dairy products	655.9	647.6	1.3
Food service	400.7	365.0	9.8
	7,338.8	7,208.9	1.8

We report net sales by segment. We report the following four segments: Brazilian market, export markets, dairy products and food services. Within these segments, we report a breakdown of net sales by the following product categories: (1) poultry (*in natura* whole poultry and cuts), (2) pork and beef cuts (*in natura* cuts), (3) processed food products (processed foods, frozen and processed derivatives of poultry, pork and beef), (4) other processed food products (processed foods like margarine and vegetable and soybean-based products), (5) milk (including pasteurized and ultra-high temperature, or "UHT," milk), (6) other dairy products (foods that are milk derivatives, including flavored milk, yogurts, cheeses and desserts) and other beverages (including fruit- and soybean-based beverages) and (7) others (including animal feed, soy meal and refined soy flour).

Three Months Ended March 31, 2014 Compared with Three Months Ended March 31, 2013

The following provides a comparison of our results of operations for the three months ended March 31, 2014 against our results of operations for the three months ended March 31, 2013, based on our interim consolidated financial statements prepared in accordance with IFRS, as issued by the IASB.

As described in more detail below, our consolidated results of operations for the three months ended March 31, 2014 improved in comparison with the three months ended March 31, 2013.

Net Sales

In the three months ended March 31, 2014, our net sales increased 1.8% compared to the same period in 2013, reaching R$7.3 billion, driven by sales to the Brazilian market, primarily due to adjustments in prices and a better sales mix, despite weaker macroeconomic conditions in Brazil.

In the three months ended March 31, 2014, sales to our export markets benefited from an average 18.5% devaluation year-on-year of the *real* against the U.S. dollar, increasing average prices in *reais* by approximately 11.5%. This devaluation was instrumental in offsetting the decline in volume of 11.1% (in line with our strategy of decreasing volumes to regions with low margins) and contributed to maintaining our revenue from sales to our export markets, with a slight decline of 0.8% year-on-year.

Brazilian Market

Net sales in the Brazilian market increased by R$111.7 million, or 3.6%, to R$3,215.2 million in the three months ended March 31, 2014, from R$3,103.5 million in the corresponding period in 2013, primarily due to improved performance of our processed products, with an increase both in sales volumes and average prices.

Sales volumes in the Brazilian market decreased by 15.6 thousand tons, or 2.8%, to 551.2 thousand tons in the three months ended March 31, 2014, from 566.8 thousand tons in the corresponding period in 2013, due to a reduction in volume of *in natura* pork and beef sales and specialty meats, in line with our strategy of decreasing volumes to regions with low margins. However, average selling prices increased 6.4% to R$5.83 per kilogram in the three months ended March 31, 2014 from R$5.48 per kilogram in the corresponding period in 2013, offsetting in part the decrease in sales volumes.

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

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2014	2013	Change	2014	2013	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Brazilian Market						
Meat:						
In natura:						
Poultry	401.7	392.9	2.2	74.9	71.8	4.3
Pork/Beef	208.3	224.4	(6.7)	27.8	30.3	(8.3)
Total meats (*in natura*)	610.0	617.3	(1.2)	102.7	102.1	0.6
Processed meats	2,373.6	2,229.3	6.5	351.8	349.1	0.8
Other(1)	231.6	256.9	(9.8)	96.7	115.6	(16.3)
Total	3,215.2	3,103.5	3.6	551.2	566.8	(2.8)

(1) "Other" includes animal feed sold to the Ana Rech plant (sold in May 2013).

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

	Average Selling Prices		
	Three Months Ended March 31,		
	2014	2013	Change
	(in *reais* per kg)		(%)
Brazilian Market	5.83	5.48	6.4

Export Markets

Net sales to our export markets decreased R$25.8 million, or 0.8%, to R$3,067.0 million in the three months ended March 31, 2014, from R$3,092.8 million in the corresponding period in 2013. Sales volumes also decreased 66.8 thousand tons, or 11.1%, to 535.3 thousand tons in the three months ended March 31, 2014, from 602.1 thousand tons in the corresponding period in 2013 due to decreases in sales volumes both of *in natura* meat and processed meats. However, average prices increased 11.5% in *real* terms, primarily due to the depreciation of the *real* described above, which contributed to maintaining our net sales in line with the net sales registered in the corresponding period in 2013.

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,		
	2014	2013	Change	2014	2013	Change
	(in millions of *reais*, unless otherwise specified) (unaudited)		(%)	(in thousands of tons, unless otherwise specified)		(%)
Export Markets						
In natura meat:						
Poultry	1,930.0	2,039.6	(5.4)	387.7	428.1	(9.4)
Pork/Beef	441.4	436.1	(1.2)	54.0	66.9	(19.3)
Total *in natura* meat	2,371.4	2,475.7	(4.2)	441.7	495.0	(10.8)
Processed meats	685.5	613.7	11.7	93.6	103.0	9.1
Other	10.1	3.4	197.1	-	4.1	–
Total	3,067.0	3,092.8	(0.8)	535.3	602.1	(11.1)

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

	Average Selling Prices		
	Three Months Ended March 31,		
	2014	2013	Change
	(in *reais* per kg)		(%)
Export Markets	5.73	5.14	11.5

We reported the following performance in our main overseas markets:

Middle East/Africa — Our net sales decreased 2.0% to R$1.3 billion in net sales, and our sales volumes decreased 2.6%, to 270.1 thousand tons in the three months ended March 31, 2014 compared to the corresponding period in 2013. In 2014, we adopted two key measures to consolidate our position in the region: (1) the acquisition of the remaining economic rights of Federal Foods, and (2) the announcement of our intention to enter into a strategic acquisition of 40% of Al Khan Foods LLC, or "AKF," our existing distributor in Oman and a leader in the distribution of frozen foods for retail, food services and wholesale clients. Both initiatives are in line with our plan to strengthen brand penetration, distribution and portfolio expansion in the region. Average prices in *reais* per kilogram in this market increased 2.3% when compared to the corresponding period in 2013.

Far East — In Japan, the first quarter of 2014 was marked by a balance between supply and demand and favorable business conditions. We observed strong demand during the Chinese New Year. Despite the outbreak of avian influenza in China and South Korea, we were able to report excellent results in the region as a whole. Our sales volumes increased 2.8% in the three months ended March 31, 2014 compared to the corresponding period in 2013, with 122.4 thousand tons in volume, and our net sales increased 15.0% in the three months ended March 31, 2014 compared to the corresponding period in 2013, with R$699.5 million in net sales. The Chinese government announced the certification of five chicken meat processing plants, including our Videira unit in the State of Santa Catarina, with a total of seven of our units now being authorized to export to China. Average prices in *reais* per kilogram in this market increased 14.9% when compared to the corresponding period in 2013.

Europe/Eurasia — The continued improvement in macroeconomic conditions in Europe led to better prices in the region. In Eurasia, the market experienced a favorable period despite the current suspension of exports to Ukraine and the ongoing political conflict in the region. Our sales volumes decreased 25.6%, to 85.8 thousand tons in exports in the three months ended March 31, 2014 compared to the corresponding period in 2013, and our net sales increased 4.8%, to R$709.8 million, in the three months ended March 31, 2014 compared to the corresponding period in 2013. Average prices in *reais* per kilogram in this market increased 42.1% when compared to the corresponding period in 2013.

Americas — Economic difficulties in Argentina and general adversity in Venezuela affected our export performance to these regions in the first quarter of 2014. Our net sales decreased 19.5%, to R$419.2 million, and our sales volumes decreased 29.2%, to 66.9 thousand tons, in the three months ended March 31, 2014 compared to the corresponding period in 2013. The region demonstrated its potential with the decision of the United States to open its market to Brazilian *in natura* pork exports, which is of major significance to the hog farming sector in Brazil. Average prices in *reais* per kilogram in this market increased 12.8% when compared to the corresponding period in 2013.

Dairy Products

Net sales of dairy products increased by R$8.3 million, or 1.3%, to R$655.9 million in the three months ended March 31, 2014, from R$647.6 million in the corresponding period in 2013, despite a decrease in sales volumes of 14.0%, due to the decline in UHT and pasteurized milk in the three months ended March 31, 2014, compared to the same period in 2013. Average prices increased 18.0% compared to the corresponding period in 2013. During the first quarter of 2014, we had operating losses of R$10.9 million, representing a loss of 6.1% due to higher milk collection costs in the period.

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

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2014	2013	Change	2014	2013	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Dairy Products:						
Dry division	351.8	327.5	7.4	136.4	141.3	(3.5)
Fresh and frozen division	304.1	320.1	0.0	59.4	86.4	(9.0)
Total	655.9	647.6	1.3	195.8	227.7	(14.0)

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

	Average Selling Prices		
	Three Months Ended March 31,		
	2014	2013	Change
	(in *reais* per kg)		(%)
Dairy products	3.35	2.84	18.0

Food Service

Net sales in the food service segment increased by R$35.7 million, or 9.8%, to R$400.7 million in the three months ended March 31, 2014, from R$365.0 million in the corresponding period in 2013. Sales volumes increased seven thousand tons, or 14.3%, to 55.9 thousand tons in the three months ended March 31, 2014, compared to 48.9 thousand tons in the corresponding period in 2013, due to the growth in the elaborated/processed foods, representing 30% of incremental volumes, and other sales (consisting of food ingredients), representing 51% of the change in sales volumes compared to the same period in 2013. Average selling prices in *reais* per kilogram sold decreased 4.1% in comparison to the corresponding period in 2013 due to a change in our methodology of disclosure, including other sales of food ingredients in this segment, which were previously disclosed in the Brazilian market.

	Net Sales			Sales Volumes		
	Three Months Ended March 31,			Three Months Ended March 31,		
	2014	2013	Change	2014	2013	Change
	(in millions of *reais*) (unaudited)		(%)	(in thousands of tons)		(%)
Food service	400.7	365.0	9.8	55.9	48.9	14.3

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

	Average Selling Prices		
	As of March 31,		
	2014	2013	Change
	(in *reais* per kg)		(%)
Food service	7.16	7.47	(4.1)

Cost of Sales

Cost of sales decreased 1.2% to R$5,446.1 million in the three months ended March 31, 2014 from R$5,512.0 million during the corresponding period in 2013, with a decrease in sales volumes by 7.4% in the same period. The costs of labor and milk collection both saw significant increases in the first quarter of 2014, in comparison to the same period in 2013, as well as a higher cost of freight and packaging, both of which were impacted by the devaluation of the *real* during the period. Animal feed in the first quarter of 2014 suffered a small year-on-year unit increase driven by soybean meal prices, which increased 26.3% in the first quarter of 2014, when compared to the corresponding period in 2013, which were influenced by an increase in corn prices in that period. Corn prices decreased 10.5% in the first quarter of 2014, in comparison to the corresponding period in 2013, while soybean meal prices increased 26.3% on the same comparative basis, according to the *Safras & Mercado* report prepared by CMA Consultoria, Métodos, Assessoria e Mercantil S/A. The cost per ton sold increased due to the reduction in sales volumes since the end of 2013, as a result of which our fixed costs at the industrial units were spread across reduced production.

Gross Profit and Gross Margin

Gross profit increased 11.5% to R$1.9 billion in the three months ended March 31, 2014 from R$1.7 billion in the corresponding period in 2013. Our gross margin increased 2.3 percentage points to 25.8% in the three months ended March 31, 2014, compared to 23.5% in the corresponding period in 2013, primarily due to the increase in average prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 9.9% to R$1,213.8 million in the three months ended March 31, 2014 from R$1,104.9 million in the corresponding period in 2013, representing 16.5% of our net sales in the first quarter of 2014, compared to 15.3% in the corresponding period in 2013. Selling expenses increased 11.0%, mainly due to higher marketing expenses, in line with our strategy of placing a greater focus on the consumer and commercial aspects of our business. General and administrative expenses were 1.3% of net sales in the three months ended March 31, 2014, representing a decrease of 0.1% over the first quarter of 2013 due to fees to third party consultants.

Other Operating Expenses, Net

Other operating expenses, net increased 88.1% to R$128.5 million in the three months ended March 31, 2014 from R$68.3 million in the corresponding period in 2013 due to certain non-recurring gains, including a R$8.0 million net gain on the sale of fixed assets and a R$19.4 million net gain following a final ruling of a lawsuit in our favor. On the other hand, there were non-recurring expenses from our restructuring plan in the amount of R$46.0 million, including adjustments in staff and executives and consulting costs, and expenses from an increase in insurance claim costs of R$5.0 million in the three months ended March 31, 2014 compared to the corresponding period in 2013 as a result of the fire at our Toledo plant. A provision was also recorded for employee profit sharing, an increase of R$11.7 million in the three months ended March 31, 2014, compared to the corresponding period in 2013.

Operating Income

Operating income before financial expenses, net, increased 5.8% to R$561.8 million in the three months ended March 31, 2014, from R$531.1 million in the corresponding period in 2013, representing an operating margin of 7.7% of net sales compared to the 7.4% recorded in the same period 2013. The increase of 0.3 percentage points reflects improvement in operating income in our export markets due to improved performance in the markets in which we operate.

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

	Operating Income by Segment		
	Three Months Ended March 31,		
	2014	2013	Change
	(in millions of *reais*) (unaudited)		(%)
Brazilian market	352.6	416.8	(15.4)
Export markets	183.8	34.5	432.8
Dairy products	(10.9)	28.8	(137.8)
Food service	36.3	51.0	(28.8)
Total	561.8	531.1	5.8

In our Brazilian market, our operating results were R$352.6 million, a 15.4% decrease, representing an operating margin of 11.0% compared to 13.4% in the corresponding period in 2013, a loss of 2.4 percentage points. The operating results in our Brazilian market accounted for 62.8% of our consolidated operating results for the three months ended March 31, 2014. In our export markets, our operating income increased R$149.3 million, or 432.8%, to R$183.8 million in the three months ended March 31, 2014, compared to R$34.5 million in the corresponding period in 2013, representing a gain of 4.9 percentage points in our operating margin due to the increase in our average prices. In our dairy segment, we had an operating loss of R$10.9 million, representing a loss of 6.1 percentage points due to the 28.3% higher milk collection costs in the period. In our food services segment, we reported a decrease of R$14.7 million, or 28.8%, to R$36.3 million in the three months ended March 31, 2014, compared to R$51.0 million in the corresponding period in 2013, due to pressures from increased production costs and without a proportional price pass-through.

Financial Income (Expenses), Net

Financial expenses, net was R$196.5 million in the three months ended March 31, 2014, representing a 93.1% increase from R$101.8 million in the corresponding period in 2013, primarily due to higher interest on loans and losses on derivative transactions, as well as the effect of currency variations on investments abroad.

As of March 31, 2014, our net debt was R$6.0 billion, a decrease of 11.7% from December 31, 2013, resulting in a net debt to EBITDA ratio (for the last twelve-month period) of 1.88 times.

Income Tax and Social Contribution

Income tax and social contribution was R$45.9 million in the three months ended March 31, 2014, representing a 37.1% decrease as compared to R$73.0 million in the corresponding period in 2013. Our income tax and social contribution in the first quarter of 2014 was 12.6% of our pre-tax results for the quarter.

Net Income

For the reasons described above, net income attributable to our shareholders was R$315.4 million in the three months ended March 31, 2014, representing a 12.0% decrease as compared to R$358.5 million for the corresponding period in 2013. Our net margin for the three months ended March 31, 2014 was 4.3%, representing a 0.7 basis point decrease as compared to our net margin of 5.0% for the corresponding period of 2013.

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, 2012, see "Item 5: Operating and Financial Review and Prospects—Liquidity and Capital Resources" in our 2013 Form 20-F.

Cash Flows from Operating Activities

We recorded net cash flows from operating activities of R$946.8 million in the three months ended March 31, 2014, compared to net cash flows from operating activities of R$546.4 million in the corresponding period in 2013. Our operating cash flow for the three months ended March 31, 2014 reflects net income attributable to BRF shareholders of R$315.4 million, net non-cash adjustments of R$394.7 million and net changes in operating assets and liabilities of R$236.7 million. The net changes in operating assets and liabilities in the three months ended March 31, 2014 included a decrease in trade accounts receivable of R$484.1 million due to the collection of holiday sales from December 2013 and investments of trading securities, net of redemptions of trading securities of R$85.6 million, partially offset by an increase in inventories of R$58.6 million, interest paid in the amount of R$122.3 million and an increase in trade accounts payable of R$53.8 million.

Cash Flows Used in Investing Activities

We recorded R$288.9 million in net cash flows used in investing activities in the three months ended March 31, 2014, compared to R$602.7 million in the corresponding period in 2013. In the three months ended March 31, 2014, our cash used in investing activities consisted primarily of (1) capital expenditures on property, plant and equipment in the amount of R$213.6 million, mainly attributable to construction in progress, including expansion of industrial units, in the total amount of R$191.2 million and (2) the acquisition and formation of breeding stock of R$120.1 million.

Cash Flows Used in Financing Activities

We recorded net cash flows used in financing activities of R$405.0 million in the three months ended March 31, 2014, compared to R$474.2 million provided by financing activities in the corresponding period in 2013. In the three months ended March 31, 2014, we received proceeds from loans and financings in the amount of R$1,030.5 million, which was more than offset by repayments of debt totaling R$1,099.3 million and interest payments on shareholders' equity in the amount of R$365.0 million related to the 2013 fiscal year.

Debt

Our principal debt instruments as of December 31, 2013 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 2013 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 2013 Form 20-F and Note 19 to our unaudited interim consolidated financial statements included in this offering memorandum.

	Short-Term Debt as of December 31, 2013	Long-Term Debt as of December 31, 2013	Total Debt as of December 31, 2013	Total Debt as of December 31, 2012
		(in millions of *reais*)		
Development bank credit lines	212.5	653.6	866.1	935.7
Other secured debt	71.3	291.6	362.9	455.0
Export credit facilities	914.1	—	914.1	1,048.1
Bonds	4.1	496.2	500.3	—
Working capital facilities	1,210.3	—	1,210.3	1,243.4
PESA loan facility	2.9	203.2	206.1	195.3
Other	—	12.7	12.7	12.4
Local currency	2,415.2	1,657.3	4,072.5	**3,889.9**
Export credit facilities	4.7	924.9	929.6	1,691.6
Bonds	63.8	4,847.2	4,911.0	3,607.4
Development bank credit lines	36.1	37.3	73.5	105.6
Other secured debt	8.6	12.9	21.4	3.8
ACC /ACE pre-export loans	—	—	—	102.2
Working capital facilities	168.2	5.0	173.2	117.8
Foreign currency	281.4	5,827.3	6,108.7	**5,628.4**
Total	2,696.6	7,484.6	10,181.2	**9,518.3**

Local Currency Debt

Development Bank Credit Lines

BNDES Facilities. We have a number of outstanding obligations to BNDES, including loans in the amount of R$743.9 million as of December 31, 2013. The loans from BNDES were entered into to finance purchases of machinery and equipment and construction and to improve or expand our production facilities. Principal and interest on the loans are generally payable monthly, with maturity dates varying from 2014 through 2018. The principal amount of the loans is denominated in reais, the majority of which bears interest at the TJLP rate plus a margin. These loans are included in the line “Development bank credit lines—Local currency” in the table above.

FINEP Financing. We obtained certain financing from *Financiadora de Estudos e Projetos,* or “FINEP,” a public financing agency under the Ministry of Science, Technology and Innovation, with maturity dates between 2014 and 2019. The outstanding debt under this financing was R$122.2 million at December 31, 2013. The FINEP program allows us to obtain financing at reduced rates for projects relating to research, development and innovation.

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, 2013 was R$334.1 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. These credit lines are included in the line “Export credit facilities—Local currency” in the table above.

Export Credit Notes. We have export credit notes in local currency, totaling R$580.0 million at December 31, 2013. These notes generally bear interest at the CDI rate plus a margin and fixed rates, with maturity dates in 2014. These credit lines are included in the line “Export credit facilities—Local currency” in the table above.

Working Capital Facilities

Rural Credit Financing. We have short-term rural credit loans in the amount of R$1,210.3 million as of December 31, 2013 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. These credit lines are included in the line “Working capital facilities—Local currency” in the table above.

PESA Loan Facility

PESA. We a loan facility obtained through the Special Sanitation Program for Agroindustrial Assets (*Programa Especial de Saneamento de Ativos*), or “PESA,” for an outstanding amount of R$206.1 million as of December 31, 2013, subject to the variation of the IGP-M as of December 31, 2013 plus interest of 4.9% per year, secured by endorsements and pledges of public debt securities.

Other Local Currency Financings

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$1.2 million as of December 31, 2013. 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. These loans are included in the line “Other secured debt—Local currency” in the table above.

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$336.1 million as of December 31, 2013. The notes have maturity dates of up to two years, except that the industrial credit notes with respect to the FNE mature in 2023. These titles are secured by liens on machinery and equipment and real estate mortgages. We guarantee the industrial credit notes with respect to the FNE in an amount in excess of the principal amount of the notes. These loans are included in the line “ Other secured debt — Local currency” in the table above.

Leasing. We lease our fleet of vehicles under finance leases, with the amount of principal and interest payable monthly, with maturities between 2014 and 2015. These loans are included in the line “Other secured debt—Local currency” in the table above.

State Tax Incentive Financing Programs. We also had R$12.7 million outstanding as of December 31, 2013 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. These credit lines are included in the line “Other—Local currency” in the table above.

Foreign Currency Debt

Export Credit Facilities

Export Prepayment Facilities. We had several export prepayment facilities in an aggregate outstanding amount of R$710.2 million as of December 31, 2013. The indebtedness under these facilities is generally denominated in U.S. dollars, with maturity dates on 2017, 2018 and 2019. Interest under these export prepayment facilities accrues with six-month 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 S.A. The covenants under these agreements include limitations on liens and mergers. These credit lines are included in the line “Export credit facilities—Foreign currency” in the table above.

Business Loan Facilities. We had several trade-related business loan facilities in an aggregate outstanding amount of R$234.1 million as of December 31, 2013. The indebtedness under these facilities is denominated in U.S. dollars, and matures in five years. These facilities bear interest at LIBOR plus a margin, payable quarterly. The proceeds from these facilities are used to import raw materials or for other working capital needs. The facilities are generally guaranteed by BRF S.A. The principal covenants under these agreements include limitations on mergers and sales of assets. These credit lines are included in the line “Export credit facilities—Foreign currency” in the table above.

Bonds

BRF Senior Notes due 2023. In May 2013, we issued U.S.$500.0 million principal amount of 3.95% notes due 2023, payable semiannually beginning November 22, 2013, or the “2023 USD Notes,” and (ii) R$500.0 million principal amount of 7.75% notes due 2028, payable semiannually beginning November 22. 2013, or the “2023 BRL Notes.”. The bonds contain certain covenants, including limitations on liens, sale-leaseback transactions and certain mergers and consolidations.

Of the total proceeds from the USD Notes, U.S.$150.0 million was used in an offer to exchange, or the “2013 Exchange Offer,” a portion of the 2017 Notes and a portion of the 2020 Notes for the 2023 USD Notes. In connection with the 2013 Exchange Offer, we paid premiums and accrued interest to the date of closing of the transaction in the amounts of U.S.$5.0 million and U.S.$31.0 million to the holders of the 2017 Notes and 2020 Notes, respectively. We determined that there was no substantial change in the terms of existing bonds, so the exchange transaction was accounted for as a modification of a financial liability. The value of the premium, interest paid and transaction costs is being amortized over the life of the 2023 USD Notes, according to the requirements of CPC 38 (IAS 39).

BRF Senior Notes due 2022. In June 2012, we issued senior notes in the aggregate amount of U.S.$500.0 million. The notes were guaranteed by Sadia (prior to Sadia’s merger into BRF S.A.) and bear interest at a rate of 5.875% per year and mature on June 6, 2022. The bonds contain certain covenants, including limitations on liens, sale-leaseback transactions and certain mergers and consolidations. Later the same month, we issued an additional U.S.$250.0 million of senior notes under the same indenture and with the same terms and conditions.

BFF Notes. In January 2010, we, through our subsidiary BFF, issued the 2020 Notes in the aggregate amount of U.S.$750.0 million, of which U.S.$629.3 million are outstanding on the date of this offering memorandum. The bonds are guaranteed by BRF S.A. and Sadia (prior to Sadia’s merger into BRF S.A.), 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 Overseas issued the 2017 Notes in the aggregate amount of U.S.$250.0 million, of which U.S.$220.7 million are outstanding on the date of this offering memorandum. The bonds are guaranteed by us, 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.

Bonds Quickfood. A subsidiary of BRF in Argentina, Quickfood, issued securities guaranteed by BRF, in the amount of ARS150.0 million with nominal interest rate of 21.8% per year and effective rate of 22.1% per year, with maturity dates between 2015 and 2016. As of December 31, 2013, the principal amount outstanding of such bonds was ARS150.0 million. In March 2014, Quickfood issued securities guaranteed by BRF, in the amount of ARS235.9 million with nominal interest rate of 30.8% per year and effective rate of 34.6 % per year with maturity dates between 2015 and 2017. As of March 31, 2014, the principal amount outstanding of such bonds was ARS235.9 million.

Development Bank Credit Lines

BNDES Facilities. The values set forth in the table above mainly consist of total borrowings of U.S.$73.5 million related to the BNDES Monetary Unit, or “UMBNDES” currency basket, which are the currencies in which BNDES borrows, and are subject to interest at the UMBNDES rate, reflecting fluctuations in daily exchange rates of the currencies of this basket. These loans are guaranteed by BRF S.A. and, in most cases, are secured by assets. The covenants under these agreements include limitations on indebtedness, liens and mergers and sales of assets. These loans are included in the line “Development bank credit lines—foreign currency” in the table above.

Working Capital Facilities

Working capital in foreign currency. These borrowings consist of funds obtained from financial institutions, mainly used for working capital and short-term import financing operations of subsidiaries located in Argentina. These borrowings are denominated in Argentine pesos and U.S. dollars, maturing in substantial part in 2014. These credit lines are included in the line “Working capital facilities—Foreign currency” in the table above.

Other Secured Debt.

Investments Financing. Our subsidiaries in Argentina have obtained financing for investment projects for the acquisition of capital goods and / or construction of necessary facilities for the production and marketing of goods (excluding inventories), in the amount of ARS21.4 million with an interest rate of 15.1% and maturity dates between 2014 and 2016. These loans are included in the line “Other secured debt—Foreign currency” in the table above.

International Credit Facilities

Revolving Credit Facility. In order to improve our liquidity management, on April 26, 2012 we and our subsidiaries Perdigão International Ltda. and Perdigão Europe — Sociedade Unipessoal Lda. entered into a U.S.$500.0 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, commodity and interest rate derivatives under which we had exposure of R$345.6 million as of December 31, 2013. The counterparties include several Brazilian financial institutions. Their maturity dates vary from 2014 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. See “Item 11—Quantitative and Qualitative Disclosures About Market Risk” in our 2013 Form 20-F.

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, 2014, we were in compliance with the covenants contained in our debt instruments.

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.

BUSINESS AND INDUSTRY UPDATES

Industry Update for the Three Months Ended March 31, 2014

Brazilian Market

On April 4, 2014, the Central Bank published a survey that included market expectations for a growth in Brazilian GDP in 2014 of 1.63%. In April 2014, the International Monetary Fund, or "IMF," released its "World Economic Outlook, or "WEO," forecasting growth of 1.8% in Brazilian GDP for 2014. The IMF's current view on Brazil is that the economy is being affected by restrictions on supply in the Brazilian market, notably in infrastructure, and by a continuing lack of growth in private sector investment, reflecting low prevailing levels of competitiveness and confidence. The official inflation rates for the first quarter of 2014 were closer to the higher end of the official expected band for the IPCA of 6.50%. The IMF estimates a 5.9% inflation rate for consumer prices in 2014 in Brazil, below the market outlook as measured by the Central Bank survey, which is currently forecasting a 6.35% inflation rate for 2014, but closer to the Central Bank forecast of 6.10%. The IPCA for March 2014 reported a variation of 0.92% and 0.23 percentage points higher than the variation of 0.69% recorded for the month of February 2014, largely as a reflection of price inflation in the food and beverages and transportation sectors, together representing 79% of the March inflation figure.

The spike in prices for the food and beverages sector is due in large part to climate conditions, showing an atypical pattern in several regions of Brazil during the first quarter of 2014. Rainfall was below the historical average, while temperatures soared, adversely impacting food supplies with respect to grain production and livestock derivatives. Another negative outcome was the reduction in reservoir levels, restricting electricity generation, leading to an increase in energy prices authorized by the Brazilian Electricity Regulatory Agency (*Agência Nacional de Energia Elétrica*), or "ANEEL," which affected the Brazilian economy generally.

Unemployment rates and consumer confidence levels also have an impact on consumption levels in Brazil. The unemployment rate for February was 5.1%, an increase of 0.3 percentage points when compared to the 4.8% increase in January 2014. In addition, real incomes were estimated for the month of February 2014 at R$2,016. This result was 0.8% higher than reported for January 2014 and 3.1% above February 2013 (R$1,955). The month-on-month Consumer Confidence Index (ICC) for March was virtually unchanged at 107.1 versus 107.2 points. This result represents the 14th consecutive month that the index has reported lower than the historical average of 116.3 points.

Based on March 2014 data disclosed by IBGE, LCA Consultores estimates an increase of 14% in sales in the supermarket sector in Brazil for 2014, a two percentage point increase when compared to the 12% increase for 2013. In January 2014, the aggregate revenues from supermarkets and hypermarkets were R$29 billion, an increase of 12% when compared to the same period in 2013. LCA Consultores estimates growth of 12% in the nominal sales in the overall retail sector for 2014, a one percentage point increase when compared to the 11% forecast for January 2014.

Export Markets

The information set forth in this "Export Markets" subsection relates to Brazilian exports as a whole and not only to exports of our company.

Historically, the first quarter of the year is characterized by a seasonal decline in protein exports following peak consumption levels in the months leading up to the end of the year.

Brazilian exports of chicken increased 0.7% in the three months ended March 31, 2014 compared to the corresponding period in 2013 in terms of volume, with a reduction of 11.6% in terms of sales, in U.S. dollars, a reflection of the 12.1% decline in the average prices of exports. Pork exports registered declines of 8.0% in volume and 8.6% in sales, in U.S. dollars, in the three months ended March 31, 2014, compared to the corresponding period in 2013, with the average price of exports falling by 0.7%. Beef exports recorded strong growth of 19.2% in volume and 13.9% in sales, in U.S. dollars, in the three months ended March 31, 2014 compared to the corresponding period in 2013.

Brazilian exports of chicken in the three months ended March 31, 2014 totaled 907.4 million tons on sales of U.S.$1.7 billion. During the first quarter of 2014, leading importers were unchanged with Saudi Arabia (18.0% of total exports from Brazil), Japan (10.0%) and Hong Kong (9.0%) ranking as the most important. In March 2014, China – the fifth largest importer in the quarter – announced the certification of five chicken meat processing units, including our Videira unit in Santa Catarina, in addition to the 24 Brazilian units already certified. Also in March, a delegation from Malaysia visited Brazil to inspect 14 chicken meat production plants, six of them operated by BRF. The delegation's official report is still pending publication.

Pork shipment volume in the three months ended March 31, 2014 amounted to 110.8 thousand tons in sales of U.S.$291.3 million. The leading importers, Russia, Hong Kong and Angola, represented 31%, 26% and 12%, respectively, of total exports from Brazil, while the Ukraine remained closed to Brazilian exports. Two events had a major impact during the first quarter of 2014: (i) the spread of porcine epidemic diarrhea (PED) in the United States and other countries; and (ii) the outbreak of African swine fever in some eastern European countries and the consequent suspension of Russian imports of pork meat originating from Europe – both events having an impact on the world supply.

Beef shipments in the three months ended March 31, 2014 totaled 382.4 thousand tons with sales of U.S.$1.6 billion, with particular importance to the beef exports to Russia, Hong Kong and Egypt. In addition, the European Union announced at the end of March that it was planning an audit with a view to authorize the beginning of exports of deboned and matured beef from the Brazilian states of Tocantins and Roraima and the Federal District. The mission for the evaluation of the Bovine Animals and Water Buffalo Certification and Identification System is scheduled to visit the region in October 2014.

Production

We produced a total volume of 1,234.1 million tons of food in the three months ended March 31, 2014, a volume decline of 7.5% compared to the corresponding period in 2013. The volume of poultry slaughtered declined by 33.0 million heads, or 7.5%, to 408.9 million heads in the three months ended March 31, 2014, from 441.9 million heads in the corresponding period in 2013. The volume of pork/beef slaughtered declined by 120.2 million heads, or 4.9%, to 2,354.5 million heads in the three months ended March 31, 2014, from 2,474.7 million heads in the corresponding period in 2013. The volume of meats, dairy products and other processed products declined by 93.3 thousand tons, 5.5 thousand tons and 1.0 thousand tons, respectively, or 9.6%, 2.5% and 0.9%, respectively, in the three months ended March 31, 2014, from the corresponding period in 2013. The volume of feed and premix declined by 212.2 thousand tons, or 7.7%, to 2,528.1 thousand tons in the three months ended March 31, 2014, from 2,740.3 thousand tons in the corresponding period in 2013.

	For the Three Months Ended March 31,		
	2014	2013	Change (%)
Poultry slaughtered (million heads)	408.9	441.9	(7.5)
Pork/beef slaughtered (thousand heads)	2,354.5	2,474.7	(4.9)
Production (thousand tons)			
Meats	927.9	1,021.2	(9.6)
Dairy products	192.8	198.3	(2.5)
Other processed products	113.4	114.3	(0.9)
Feed and premix (thousand tons per period)	2,528.1	2,740.3	(7.7)

We launched a total of 39 new products during the first quarter of 2014 as part of our efforts to expand our portfolio, reposition our brands and categories and create value-added products. The breakdown of new product launches by segment was as follows: food services — 13; Brazilian market — five; export markets — 17; and four in the dairy product segment.

Marketing and Distribution

Distribution Channels

We distribute our products through various distribution channels, including: retail, wholesale, institutional and supermarkets. In the three months ended March 31, 2014, 42.1% of our products were distributed through retail channels, 13.5% through wholesale channels, 8.5% through institutional channels and 35.9% through supermarket channels. In the three months ended March 31, 2013, 15.5% of our products were distributed through retail channels, 20.3% through wholesale channels, 9.4% through institutional channels and 54.7% through supermarket channels.

Updates to Market Information

Supplemental Information on Primary Markets

The table below and accompanying lead-in paragraph replace the table and lead-in paragraph in "Item 5: Operating and Financial Review and Prospects—A. Operating Results—Year Ended December 31, 2013 Compared with Year Ended December 31, 2012—Net Sales—Foreign Sales" of our 2013 Form 20-F.

We launched 96 products in the international market during the year and additional 24 food services products. In 2013, we recorded the following revenues and volumes in our primary markets.

Primary Markets	Revenues	Volume
	(in thousands U.S.$)	*(in thousands of tons)*
Middle East	1,992,030	869,966
Far East	1,264,510	522,411
Europe	970,692	303,463
Eurasia	426,759	144,916
Americas	1,073,756	404,957
Africa/Other	475,493	312,274

Supplemental Information on Brazilian Market Size

The paragraphs below replace the similar paragraphs in "Item 4: Information on the Company—B. Business Overview—Brazilian Domestic Market" of our 2013 Form 20-F.

We set forth below our estimates of the size of certain of our relevant markets. These are reviewed by A.C. Nielsen and based on data reported by retailers regarding us and certain of our competitors. This data does not include BRF figures for regions or product categories that are not covered by the A.C. Nielsen data.

Based on these estimates, we believe the frozen processed meats market in Brazil accounted for revenues of approximately R$1.9 billion in 2013, compared to R$1.7 billion in 2012. The specialty meat market in Brazil accounted for revenues of approximately R$9.4 billion in 2013, compared to R$8.6 billion in 2012, and the frozen pasta market in Brazil accounted for revenues of approximately R$677 million in 2013, compared to R$639 million in 2012. The frozen pizza market in Brazil accounted for revenues of approximately R$513 million in 2013, compared to R$439 million in 2012.

Updates to Legal Proceedings

The following information supplements and updates the descriptions set forth under "Item 8. Financial Information—A. Consolidated Statements and Other Information—Legal Proceedings" in our 2013 Form 20-F.

PIS/COFINS Assessment

On December 26, 2013, the Brazilian Internal Revenue Service (*Secretaria da Receita Federal*) filed a tax assessment against BRF in the amount of R$166.1 million relating to the use of PIS and COFINS tax credits to offset other federal taxes for the first and second quarters of 2009. We filed an administrative appeal on January 27, 2014. Our legal advisors classified the risk of loss as possible. The claimed amount is included in our total possible contingencies amount as disclosed in Note 25.2 to our unaudited interim consolidated financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014, included in this offering memorandum.

Goiás Environmental Matter

On April 24, 2014, we signed a consent agreement (*Termo de Ajustamento de Conduta*), or "TAC," with the Public Prosecutor's Office for the State of Goiás relating to an inspection by the Environmental Monitoring Agency (*Secretaria Municipal do Meio Ambiente*) of eucalyptus tree growth in the Rio Verde. Under this TAC, we must (1) pay a penalty of R$2.76 million in four installments, (2) build a fence to protect certain areas for permanent preservation in the region, in the total amount of R$7.0 million, (3) pay a fine imposed at the time of the initial inspection, in the amount of R$1.44 million, (4) donate R$1.5 million to the University of Rio Verde to fund the construction of classrooms and the acquisition of equipment for an environmental engineering course, (5) donate R$1.3 million to a local hospital to fund the acquisition of new equipment and (6) donate R$1.0 million to the Municipal Fund for the Rights of Children and Adolescents. In addition, we agreed to prepare and submit by May 16, 2014 a recovery plan for the affected area. If we do not comply with the obligations under this TAC, we could be subject to fines in the amount of R$15.0 million and daily fines of R$1.0 million.

Intellectual Property Matters

We have recently been involved in a disagreement over an alleged breach of a trademark coexistence agreement that concerns our worldwide use and registration of the mark and logo *Perdix*. The other party has asserted that we are contractually obligated not to use or register the *Perdix* word mark standing alone (as opposed to *Perdix* together with a design logo, which use and registration is not in question). We intend to vigorously defend our rights with respect to the *Perdix* word mark. If we are not successful in doing so, we could be required to stop using this mark standing alone, which would cause us to incur costs and/or experience other adverse effects as we undertake the necessary rebranding activities.

Supplemental Information on Tax Proceedings

The two bullet points below replace the two bullet points in "Item 8: Financial Information — A. Consolidated Statements and Other Financial Information—Legal Proceedings—Tax Proceedings—Contingencies for Possible Losses" in our 2013 Form 20-F.

- *IPI*: We are involved in administrative proceedings relating to the failure to permit the use of credits under the sales tax for industrial products (*Imposto sobre Produtos Industrializados*), or "IPI," generated from purchases of goods not taxed, sales to the Manaus Free Zone and purchases of supplies by non-taxpayers to offset PIS and COFINS taxes in the amount of R$299.9 million as of December 31, 2013 (R$239.0 million as of December 31, 2012).
- *IPI premium credits*: We are involved in a judicial dispute related to the alleged undue use of IPI premium credits to offset other federal taxes in the amount of R$401.2 million as of December 31, 2013 (R$422.0 million as of December 31, 2012). We have recorded these credits based on a final judicial decision.

DESCRIPTION OF THE NOTES

BRF S.A. (the "Issuer"), a *sociedade anônima* (corporation) organized under the laws of the Federative Republic of Brazil ("Brazil"), will issue U.S.$750,000,000 aggregate principal amount of 4.75% senior notes due 2024 (the "notes") under an indenture to be dated as of May 22, 2014 (the "indenture"), among the Issuer, 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.

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

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 4.75%;
- mature at 100% of their principal amount on May 22, 2024;
- 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); and
- rank senior in right of payment to all existing and future Indebtedness that is subordinated to the notes.

As of March 31, 2014 the Issuer had total indebtedness of R$9,927.7 million (U.S.$4,387.0 million). Of the Issuer's consolidated total indebtedness, the Issuer had R$1,233.9 million (U.S.$545.3 million) of secured indebtedness on an unconsolidated basis to which the notes will be effectively subordinated and (2) R$6,290.1 million (U.S.$2,779.5 million) of unsecured indebtedness on an unconsolidated basis, which will rank equally in right of payment with the notes; and the Issuer's Subsidiaries had R$2,403.7 million (U.S.$1,062.2 million) of total indebtedness (excluding trade payables and intercompany liabilities), all of which will be structurally senior to the notes. As of March 31, 2014, the investments in the Issuer's Subsidiaries amounted to R$3,360.5 million, representing 10.5% of the Issuer's consolidated total assets and 22.2% of its consolidated shareholders' equity.

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 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.

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 May 22, 2024 (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 May 22, 2014 at the rate of 4.75% per annum and will be due and payable semiannually in arrears in immediately available funds on each May 22 and November 22, commencing on November 22, 2014 to the Persons who are registered holders at the close of business on each May 1 and November 1 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 may redeem the notes, in whole or in part, at any time after May 22, 2015 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 40 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; provided, however, that the selection of notes held in global form shall be in accordance with the applicable procedures of the depositary. 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 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 has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the notes, any Additional Amounts in excess of those attributable to a Brazilian withholding tax rate of 15%, or 25% in the case of a “Non-Resident Holder” of the notes resident or domiciled in a “tax haven jurisdiction” (each as defined and described in “Taxation—Brazilian Taxation”), determined without regard to any interest, fees, penalties or other additions to tax and the Issuer determines in good faith that such obligation cannot be avoided by the use of reasonable measures available to the Issuer (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 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 will deliver to the trustee:

(i) an Officers’ Certificate (A) stating that the Issuer is entitled to effect such redemption, (B) setting forth a statement of facts showing that the conditions precedent to the right of the Issuer 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 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

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the notes.

Open Market Purchases

The Issuer or its 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 under, or with respect to, the notes 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 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 is required to withhold or deduct Taxes by law or by the official interpretation or administration thereof.

If the Issuer 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 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);

(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 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. The Issuer 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 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 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 will be obligated to pay Additional Amounts with respect to such payment, the Issuer 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 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 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 indenture or notes or any other document or instrument in relation thereto following the occurrence and during the continuance of any Default, and the Issuer 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, 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 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) all other Indebtedness of the Issuer or any Subsidiary secured by such Lien and (b) if such Lien secures obligations subordinated to the notes in right of payment, such Lien will be subordinated to a Lien securing the notes in the same Property as that securing such Lien to the same extent as such subordinated obligations are subordinated to the notes. 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

The Issuer will not, 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 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 will be the surviving or continuing corporation or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer, and of the Issuer's Subsidiaries, 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 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) the Issuer 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) the Issuer or the Surviving Entity agrees to indemnify each holder and beneficial owner of the notes against any tax, assessment or governmental charge thereafter imposed on such holder or beneficial owner of the notes 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.

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, the Share Capital of which constitutes all or substantially all of the properties and assets of the Issuer, will be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

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 in accordance with the foregoing, in which the Issuer is not the surviving or the continuing corporation, the successor Person formed by such consolidation or into which the Issuer 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 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 will be released from its obligations under the indenture.

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 with an Affiliate organized solely for the purpose of reincorporating the Issuer 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 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 as provided under "—Notices" 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 actual or 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 (with a copy to the trustee if given by the holder);

(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.$150.0 million or more at any time;

(6) one or more judgments in an aggregate amount in excess of U.S.$150.0 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) in the case of a Significant Subsidiary, a winding-up, dissolution or liquidation for the purpose of and followed by a consolidation, merger, conveyance or transfer whereby the undertaking, business and assets of such Significant Subsidiary are transferred to or otherwise vested in the Issuer or any of its 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 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 to perform any obligation thereunder or the Issuer shall contest the enforceability of or deny its obligations under 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 outstanding 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 outstanding 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 its 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 a responsible officer of the trustee has received written notice thereof, the trustee shall notify each holder as provided herein under "—Notices" of the Default or Event of Default within five days after receiving written notice 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, as such, will have any liability for any obligations of the Issuer under the notes 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

The Issuer may, at its option and at any time, elect to have its 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 in connection therewith; and

(4) the legal defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer 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 with respect to the Issuer) 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 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 written opinion of a nationally recognized firm of independent public accountants delivered to the trustee, 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 will have delivered to the trustee an Opinion of Counsel in the United States confirming that:

(i) the Issuer 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 and beneficial owners of the notes 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 will have delivered to the trustee an Opinion of Counsel in the United States confirming that the holders and beneficial owners of the notes 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;

(e) such legal defeasance or covenant defeasance will not result in a breach of, or constitute a default under, any material agreement or instrument (other than the indenture) 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; and

(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.

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 (if amounts are then due and payable) or to the redemption or maturity date 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 and the trustee, without the consent of the holders, may amend, modify or supplement the indenture and/or the notes:

(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 Issuer's obligations under the indenture and the notes in accordance with the covenant described under "Covenants—Merger, Consolidation and Sales of Assets";

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

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

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

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

(8) to conform the text of the indenture or the notes 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 or the notes;

(9) to surrender any right conferred upon the Issuer;

(10) 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

(11) 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 or the notes.

Other amendments of, modifications to and supplements to the indenture and the notes 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 outstanding 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 otherwise affect the ranking of the notes in a manner adverse to the holders;

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

(h) 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

(i) 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 to the indenture pursuant to the preceding paragraph becomes effective, 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 under the notes and the indenture. Any amount received or recovered in a currency other than U.S. dollars in respect of the notes or the indenture (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, any Subsidiary or otherwise) by the trustee or any holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer 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 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, if a holder, will, by accepting a note, and, if the Trustee, by executing the indenture, 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;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any waiver or indulgence granted by the trustee or 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 and the notes 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 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 or the notes. The Issuer will appoint CCS Global Solutions, Inc., located at 54 West 39th Street, 5th floor, New York, NY 10018, 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 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 its Properties in other jurisdictions where jurisdiction is independently established.

To the extent that the Issuer has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, the Issuer 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 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 7 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 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, 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 has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. 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. Notwithstanding any other provision herein, where the indenture provides for notice of any event to any holder of an interest in a global note (whether by mail or otherwise), such notice shall be sufficiently given if given to the depositary for such note (or its designee), according to the applicable procedures of such depositary, if any, prescribed for the giving of such notice.

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 91 days after 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.$25.0 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 May 22 and November 22 of each year, beginning on November 22, 2014.

"**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 May 22, 2014 (being the original issuance date of the 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 in New York, New York, São Paulo, Brazil, or Luxembourg. 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 duly appointed at a meeting of its Board of Directors.

"**Officers' Certificate**" means a certificate signed in the name of the Issuer by two Officers of the Issuer , at least one of whom shall be the principal financial officer of the Issuer 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, 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;

(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 Morgan Stanley & Co. LLC and primary U.S. government securities dealers in New York City (a "**Primary Treasury Dealer**") designated by each of BB Securities Ltd., BTG Pactual US Capital LLC, Itau BBA USA Securities, Inc. and Santander Investment Securities Inc., or their respective 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 this 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, the paying agents, the transfer agents, the registrar or any of their respective 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 at any time and are subject to differing interpretation. Any change could affect the continued accuracy of this summary. Changes in the Brazilian tax regulations may only apply in relation to the future.

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 its own tax advisor concerning the Brazilian tax consequences in connection with 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 (i) the origin of such payments and (ii) the domicile of the beneficiaries thereof.

Interest, fees, commissions (including any original issue discount 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 (it is deemed to be a jurisdiction that 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. 1,455, dated March 6, 2014 , issued by the Brazilian Revenue Service ("RFB")); or (2) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the Non-Resident Holder 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 as 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 Normative Instruction 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 ("Japan Treaty") for the avoidance of double income 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 that the issuer is required to make any payment in connection with the notes to a Non-Resident Holder, the issuer will be allowed under Brazilian law to pay such additional amounts as may be necessary to ensure that the net amounts receivable by the Non-Resident Holder after the assessment of withholding income tax 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 derived from 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.

Considering 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 notes 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 December 5, 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 360 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 360 days in which an early redemption occurs in the first 360 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;
- the potential application of the Medicare tax on net investment income;
- 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

Stated interest on a note (including any Brazilian tax withheld) 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. In addition to stated interest on the notes, you will be required to include in income any Additional Amounts (as described under “Description of the Notes—Additional Amounts”) paid in respect of any Brazilian 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 generally 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.

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 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 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 (1) the closing date and (2) 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 BE DETERMINED BY THE ISSUER] AFTER THE LATER OF (1) THE ORIGINAL ISSUE DATE HEREOF AND (2) 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, (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 agreement among BRF 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.$ 150,000,000
Banco BTG Pactual S.A.—Cayman Islands	150,000,000
Itau BBA USA Securities, Inc.	150,000,000
Morgan Stanley & Co. LLC	150,000,000
Santander Investment Securities Inc.	150,000,000
Total	U.S.$ 750,000,000

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from BRF, are several and not joint. The purchase agreement provides 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 agreement, we have agreed that:

- we 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
- we 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 agreement, 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 this offering, 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 applied to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. 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 notes 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 sales of the notes in the United States, it 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. BB Securities Asia Pte. Ltd. may be involved in the sales of the notes in Asia.

Banco BTG Pactual S.A.—Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A.—Cayman Branch intends to effect sales of the notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Delivery of the notes was made against payment therefor on May 22, 2014, which will be the fifth business day following the date of pricing of the notes (this settlement cycle being referred to as "T+5"). 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 or on the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, 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 or on the next succeeding business day should consult their own advisors.

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.

Chile

Neither we nor the notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*, or the SVS), or subject to the control and supervision of the SVS. This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (Ley de Mercado de Valores) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

La oferta de los valores comienza el 20 de Marzo de 2014 y está acogida a la NCG N° 336, de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (SVS).

La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública, mientras no sean inscritos en el registro de valores correspondiente.

Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*), or the SMV nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

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*).

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.

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, as amended.

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.

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 U.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.

Relationships with Initial Purchasers

Certain of the initial purchasers and their affiliates perform various financial advisory, investment banking, commercial banking and hedging services from time to time for BRF and its affiliates. The initial purchasers or their affiliates hold certain equity positions in our company, which in the aggregate did not exceed 2.0% of our outstanding capital stock as of March 31, 2014. Certain of the initial purchasers have acted as initial purchasers in prior issuances of debt securities, and the initial purchasers are acting as dealer managers in connection with the Tender Offers. Also, we are a debtor of Banco do Brasil S.A. (BB Securities' parent company) or its affiliates in the aggregate amount of R$2.0 billion, a debtor of Banco Santander (Brasil) S.A. (and affiliated companies) in the aggregate amount of R$0.8 billion, a debtor of Morgan Stanley & Co. LLC (or affiliated companies) in an aggregate amount of U.S.$10.0 million, we have over R$2.0 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, 2014. 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., Banco BTG Pactual S.A. and Banco Itaú Unibanco S.A., affiliates of the initial purchasers. In addition, a portion of the Existing Notes to be purchased with the net proceeds from this offering may be held by the initial purchasers or their affiliates.

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, São Paulo, Brazil, 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, 2013 and for each of the two years in the period ended December 31, 2013, incorporated herein by reference in this offering memorandum, have been audited by Ernst & Young Auditores Independentes S/S, with principal executive offices located at Avenida Presidente Juscelino Kubitschek, 1830, Torre II, 10th floor, Itaim-Bibi, 04543-900, São Paulo, SP, Brazil, as stated in their report incorporated by reference herein. Our audited consolidated financial statements for the year ended December 31, 2011, incorporated herein by reference in this offering memorandum, have been audited by KPMG Auditores Independentes, independent accountants, with principal executive offices located at Rua Dr. Renato Paes de Barros, 33, 13th floor, Itaim-Bibi, 04530-904, São Paulo, SP, Brazil, as stated in their report incorporated by reference herein.

Our unaudited interim consolidated financial statements at and for the three-month period ended March 31, 2014 included in this offering memorandum, have been reviewed by Ernst & Young Auditores Independentes S/S in accordance with Brazilian and International Standards on Review Engagements. However, their report dated April 29, 2014 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 these interim consolidated financial statements should be restricted in light of the limited nature of the review procedures performed.

KPMG was appointed 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. as our independent accountant firm beginning as of January 1, 2012. During the last quarter of the year ended December 31, 2013, our independent accountant firm changed its corporate name to Ernst & Young Auditores Independentes S/S.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	10552T AF4	P1905C AE0
ISIN	US10552TAF49	USP1905CAE05
Common Code	107108653	107116451

2. Copies of our latest audited consolidated financial statements and unaudited interim consolidated financial information, if any, may be obtained free of charge at the offices of the Luxembourg paying agent. Copies of our bylaws, the indenture (including forms of notes) and this offering memorandum will be available free of charge at the offices of the Luxembourg paying agent. BRF publishes its consolidated financial statements on an annual and quarterly basis.

3. Our current bylaws (*Estatuto Social*) are filed as Exhibit 1 to our 2014 Form 6-K filed on April 4, 2014.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2013, 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 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 are aware is any such litigation or arbitration pending or threatened.

6. We applied to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market.

7. The issuance of the notes was authorized by our Board of Directors on May 15, 2014.

INDEX TO FINANCIAL STATEMENTS

BRF 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, 2014 and December 31, 2013........ F-4
Interim Consolidated Statements of Income for the Three Months Ended March 31, 2014 and 2013 .... F-6
Interim Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2014 and 2013 .... F-7
Interim Consolidated Statements of Changes in Shareholders’ Equity for the Three Months Ended March 31, 2014 and 2013...... F-8
Interim Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013 .... F-10
Notes to the Interim Consolidated Financial Statements F-11

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, as issued by the International Accounting Standards Board - IASB

Report on review of interim consolidated financial statements

The
Management and shareholders of
BRF S.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of BRF S.A. and its subsidiaries (the "Company") as of March 31, 2014, comprising of the interim consolidated balance sheet as of March 31, 2014 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.

São Paulo, April 29, 2014.

ERNST & YOUNG
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 S.A.
CONSOLIDATED BALANCE SHEETS
March 31, 2014 and December 31, 2013
(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

ASSETS	Note	03.31.14	12.31.13
CURRENT ASSETS			
Cash and cash equivalents	6	**3,313.4**	3,127.7
Marketable securities	7	**543.3**	459.6
Trade accounts receivable, net	8	**2,856.5**	3,338.4
Inventories	9	**3,056.3**	3,111.6
Biological assets	10	**1,203.4**	1,205.9
Recoverable taxes	11	**1,337.6**	1,302.9
Assets held for sale	12	**173.1**	148.9
Other financial assets	21	**50.5**	11.6
Other current assets		**552.0**	535.9
Total current assets		**13,086.1**	13,242.5
NON-CURRENT ASSETS			
Marketable securities	7	**57.4**	56.0
Trade accounts receivable, net	8	**7.7**	7.8
Credit notes	8	**360.7**	353.7
Recoverable taxes	11	**783.2**	800.8
Deferred income and social contribution taxes	13	**532.4**	665.7
Judicial deposits	14	**506.1**	478.7
Biological assets	10	**566.3**	569.0
Restricted cash	15	**103.6**	99.2
Other non-current assets		**371.6**	413.7
Investments in associates and joint ventures	16	**119.2**	108.0
Property, plant and equipment, net	17	**10,769.1**	10,821.6
Intangibles	18	**4,719.3**	4,757.9
Total non-current assets		**18,896.6**	19,132.1
TOTAL ASSETS		**31,982.7**	32,374.6

See accompanying notes to the interim consolidated financial statements.

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF S.A.
CONSOLIDATED BALANCE SHEETS
March 31, 2014 and December 31, 2013
(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	03.31.14	12.31.13
CURRENT LIABILITIES			
Short-term debt	19	**2,690.8**	2,696.6
Trade accounts payable	20	**3,737.3**	3,674.7
Payroll and related charges		**451.4**	433.5
Tax payable		**260.6**	253.7
Interest on shareholders' equity		**4.3**	336.7
Employee and management profit sharing		**83.5**	177.1
Other financial liabilities	21	**130.1**	357.2
Provision for tax, civil and labor risks	25	**234.2**	243.9
Pension and other post-employment plans	24	**49.0**	49.0
Other current liabilities		**168.3**	213.6
Total current liabilities		**7,809.5**	8,436.0
NON-CURRENT LIABILITIES			
Long-term debt	19	**7,236.9**	7,484.6
Tax payable		**14.9**	19.5
Provision for tax, civil and labor risks	25	**781.3**	775.4
Deferred income and social contribution taxes	13	**15.8**	20.6
Pension and other post-employment plans	24	**252.8**	242.2
Other non-current liabilities		**707.5**	700.1
Total non-current liabilities		**9,009.2**	9,242.4
SHAREHOLDERS' EQUITY	26		
Capital		**12,460.5**	12,460.5
Capital reserves		**114.0**	113.8
Income reserves		**2,538.7**	2,511.9
Retained earnings		**288.6**	-
Treasury shares		**(48.6)**	(77.4)
Other comprehensive loss		**(231.7)**	(353.7)
Equity attributable to interest of controlling shareholders		**15,121.5**	14,655.1
Equity attributable to non-controlling interest		**42.5**	41.1
Total shareholders' equity		**15,164.0**	14,696.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,982.7**	32,374.6

See accompanying notes to the interim consolidated financial statements.

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF S.A.
CONSOLIDATED STATEMENTS OF INCOME
Three month periods ended March 31, 2014 and 2013
(Amounts expressed in millions of Brazilian Reais, except earnings per share and share data)

	Note	03.31.14	03.31.13
NET SALES	30	**7,338.8**	7,208.9
Cost of sales	35	**(5,446.1)**	(5,512.0)
GROSS PROFIT		**1,892.7**	1,696.9
OPERATING INCOME (EXPENSES)			
Selling expenses	35	**(1,111.9)**	(1,001.9)
General and administrative expenses	35	**(101.9)**	(103.0)
Other operating expenses, net	33	**(128.5)**	(68.3)
Income from associates and joint ventures		**11.4**	7.4
OPERATING INCOME		**561.8**	531.1
Financial income	34	**330.6**	202.5
Financial expenses	34	**(527.1)**	(304.3)
INCOME BEFORE TAXES		**365.3**	429.3
Current income tax	13	**(3.2)**	(63.7)
Deferred income tax	13	**(42.7)**	(9.3)
NET PROFIT		**319.4**	356.3
Attributable to:			
Controlling shareholders		**315.4**	358.5
Non-controlling interest		**4.0**	(2.2)
Weighted average shares outstanding - basic		**871,018,774**	870,113,882
Earnings per share - basic	27	**0.36675**	0.40952
Weighted average shares outstanding - diluted		**871,385,835**	870,766,134
Earning per share - diluted	27	**0.36660**	0.40921

See accompanying notes to the interim consolidated financial statements.

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF S.A.
CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME
Three month periods ended March 31, 2014 and 2013
(Amounts expressed in millions of Brazilian Reais, except Dividend – Interest on own equity per sha

Net profit
Other comprehensive income
Loss on foreign currency translation adjustment
Gain (loss) on available for sale securities
Taxes on unrealized gain (loss) on available for sale securities
Unrealized gains on cash flow hedge
Taxes on unrealized gains on cash flow hegde
Net other comprehensive income to be reclassified to the statement of income in subsequent periods
Actuarial gain (loss) on pension and post-employment plans
Taxes on unrealized gain (loss) on pension and post-employment plans
Net other comprehensive income with no impact into subsequent statements of income
Total comprehensive income
Attributable to:
Controlling shareholders
Non-controlling interest

See accompanying notes to the interim consolidated financial statements.

BRF S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three month periods ended March 31, 2014

(Amounts expressed in millions of Brazilian Reais, except Dividend – Interest on own equity per s

	Attributed to interest of controlling shareholders										
		Capital reserves		Income reserves				Other comprehensive income (loss)			
	Paid-in capital	Capital reserve	Treasury shares	Legal reserve	Reserve for expansion	Reserve for capital increases	Reserve for tax incentives	Acumulated foreign currency translation adjustments	Available for sale marketable securities	Gains (losses) on cash flow hedge	Actuarial gains (losses)
BALANCES AT JANUARY 01, 2014	**12,460.5**	**113.8**	**(77.4)**	**273.4**	**1,170.7**	**822.7**	**245.2**	**(32.3)**	**(5.3)**	**(341.7)**	**25.7**
Comprehensive income:											
Loss on foreign currency translation adjustments	-	-	-	-	-	-	-	(39.6)	-	-	-
Unrealized gain on available for sale securities	-	-	-	-	-	-	-	-	3.8	-	-
Unrealized loss on cash flow hedge	-	-	-	-	-	-	-	-	-	155.1	-
Actuarial gain on pension and post-employment plans	-	-	-	-	-	-	-	-	-	-	2.7
Net profit	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME								**(39.6)**	**3.8**	**155.1**	**2.7**
Appropriation of income:											
Reserve for tax incentives	-	-	-	-	-	-	26.8	-	-	-	-
Share-based payments	-	4.9	-	-	-	-	-	-	-	-	-
Loss on treasury shares sold	-	(4.7)	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Treasury shares sold	-	-	28.8	-	-	-	-	-	-	-	-
BALANCES AT MARCH 31, 2014	**12,460.5**	**114.0**	**(48.6)**	**273.4**	**1,170.7**	**822.7**	**272.0**	**(71.9)**	**(1.5)**	**(186.6)**	**28.4**

See accompanying notes to the interim consolidated financial statements.

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Three month periods ended March 31, 2013

(Amounts expressed in millions of Brazilian Reais, except Dividend – Interest on own equity per s

	Attributed to interest of controlling shareholders											
		Capital reserves		Income reserves					Other comprehensive income (loss)			
	Paid-in capital	Capital reserve	Treasury shares	Legal reserve	Reserve for expansion	Reserve for capital increases	Reserve for retained profit	Reserve for tax incentives	Acumulated foreign currency translation adjustments	Available for sale marketable securities	Gains (losses) on cash flow hedge	Actuarial gains (losses)
BALANCES AT JANUARY 01, 2013	**12,460.5**	**69.9**	**(51.9)**	**220.2**	**1,216.0**	**700.9**	**13.1**	**124.0**	**9.0**	**18.3**	**(175.9)**	**(52.4)**
Comprehensive income:												
Loss on foreign currency translation adjustments	-	-	-	-	-	-	-	-	(19.1)	-	-	-
Unrealized loss on available for sale securities	-	-	-	-	-	-	-	-	-	(0.9)	-	-
Unrealized gain on cash flow hedge	-	-	-	-	-	-	-	-	-	-	101.5	-
Actuarial loss on pension and post-employment plans	-	-	-	-	-	-	-	-	-	-	-	(6.1)
Net profit	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME									**(19.1)**	**(0.9)**	**101.5**	**(6.1)**
Appropriation of income:												
Interest on shareholders' equity - R$0.5171974 per outstanding share at the end of exercise	-	-	-	-	(45.3)	-	-	-	-	-	-	-
Reserve for expansion	-	-	-	-	45.3	-	-	-	-	-	-	-
Reserve for tax incentives	-	-	-	-	-	-	-	28.0	-	-	-	-
Share-based payments	-	4.2	-	-	-	-	-	-	-	-	-	-
Gains on treasury shares sold	-	2.2	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares sold	-	-	4.5	-	-	-	-	-	-	-	-	-
BALANCES AT MARCH 31, 2013	**12,460.5**	**76.3**	**(47.4)**	**220.2**	**1,216.0**	**700.9**	**13.1**	**152.0**	**(10.1)**	**17.4**	**(74.4)**	**(58.5)**

See accompanying notes to the interim consolidated financial statements.

(A FREE TRANSLATION INTO ENGLISH OF THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

BRF S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three month periods ended March 31, 2014 and 2013
(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	03.31.14	03.31.13
OPERATING ACTIVITIES		
Net profit	**315.4**	358.5
Adjustments to reconcile net profit to net cash provided by operating activities		
Non-controlling interest	**4.0**	(2.2)
Depreciation and amortization	**302.9**	270.5
Income from associates and joint ventures	**(11.4)**	(7.4)
(Gains) losses on disposals of property, plant and equipment	**(8.1)**	15.8
Deferred income tax	**42.7**	9.3
Provision for tax, civil and labor risks	**27.7**	29.9
Other provisions	**(46.4)**	(13.7)
Exchange rate variations and interest	**83.4**	121.8
Changes in operating assets and liabilities		
Investments in held for trading securities	**(175.4)**	-
Redemptions of held for trading securities	**89.8**	68.7
Trade accounts receivable	**484.1**	128.9
Inventories	**58.6**	(169.7)
Biological assets - current assets	**2.5**	52.1
Other financial assets and liabilities	**(28.1)**	18.9
Trade accounts payable	**53.8**	(121.3)
Payment of tax, civil and labor contigencies	**(39.0)**	(23.9)
Interest paid	**(122.3)**	(129.4)
Income tax payments	**(2.8)**	(45.8)
Other operating assets and liabilities	**(84.5)**	(14.6)
Net cash provided by operating activities	**946.8**	546.4
INVESTING ACTIVITIES		
Redemptions of held to maturity securities	**-**	23.5
Investments in available for sale securities	**-**	(1.1)
Redemptions of available for sale securities	**3.1**	10.0
Restricted cash	**(4.3)**	(2.9)
Capital increase in associate	**-**	(10.0)
Additions to property, plant and equipment	**(213.6)**	(419.0)
Additions to biological assets - non-current assets	**(120.1)**	(121.4)
Proceeds from disposals of property, plant and equipment	**48.2**	1.3
Additions to intangible assets	**(0.3)**	(28.4)
Other investments, net	**(1.9)**	(54.7)
Net cash used in investing activities	**(288.9)**	(602.7)
FINANCING ACTIVITIES		
Proceeds from debt issuance	**1,030.5**	298.1
Repayment of debt	**(1,099.3)**	(602.1)
Treasury shares disposal	**28.8**	4.5
Payments of dividends and interest on shareholders' equity	**(365.0)**	(174.7)
Net cash used in financial activities	**(405.0)**	(474.2)
EFFECT ON EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS	**(67.3)**	(18.9)
Net increase (decrease) in cash and cash equivalents	**185.6**	(549.4)
At the beginning of the period	**3,127.7**	1,930.7
At the end of the period	**3,313.4**	1,381.3

See accompanying notes to the interim consolidated financial statements.

1. COMPANY'S OPERATIONS

BRF S.A. ("BRF") and its subsidiaries, associates and joint ventures (collectively the "Company") is one of Brazil's largest companies in the food industry. BRF is a public company, listed on the New Market of Brazilian Securities, Commodities & Futures Exchange ("BM&FBOVESPA"), under the ticker BRFS3, and listed on the New York Stock Exchange ("NYSE"), under the ticker BRFS. It´s headquarter is located at 475, Rua Jorge Tzachel in the City of Itajaí, State of Santa Catarina. The Company is engaged in raising, producing and slaughtering of poultry, pork and beef for processing, production and sale of fresh meat, processed products, milk and dairy products, pasta, frozen vegetables and soybean by-products, among which the following are highlighted:

- Whole chickens and turkey and frozen cuts of chicken, frozen turkey, pork and beef;
- Ham products, bologna, sausages, frankfurters and other smoked products;
- Hamburgers, breaded meat products and meatballs;
- Lasagnas, pizzas, cheese breads, pies and frozen vegetables;
- Milk, dairy products and desserts;
- Juices, milk and soy juices;
- Margarine, sauces and mayonnaise; and
- Soy meal and refined soy flour, as well as animal feed.

The Company has 4 operating segments, being domestic market, foreign market, food service and dairy products, as disclosed in note 5.

In the domestic market, the Company operates 48 manufacturing facilities, being: 35 meat processing plants, 13 dairy products processing plants, 3 margarine processing plants, 3 pasta processing plants, 1 dessert processing plant and 3 soybean crushing plants, which are located close to the Company's raw material suppliers or the main consumer centers.

The Company has an advanced distribution system in the domestic market and uses 30 distribution centers to deliver its products to supermarkets, retail stores, wholesalers, restaurants and other institutional customers in the domestic and foreign markets.

In the foreign market, the Company operates 11 manufacturing facilities, being: 6 meat processing plants, 1 margarine and oil processing plant, 1 sauces and mayonnaise processing plant, 1 pasta and pastries processing plant, 1 frozen vegetables processing plant, 1 cheese processing plant and 15 distribution centers. In addition, the Company has 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 exports to more than 110 countries.

BRF has a number of trademarks among which the most important are: *Batavo, Claybon, Chester®, Elegê, Fazenda, Nabrasa, Perdigão, Perdix, Hot Pocket, Miss Daisy, Nuggets, Qualy, Sadia, Speciale Sadia, Dánica and Paty,* in addition to licensed trademarks such as *Bob Esponja, Trakinas, Smurfs* and *Philadelphia.*

The table below summarizes the direct and indirect ownership interests of the Company, as well as the activities of each subsidiary, associate and joint venture:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

1.1. Interest in subsidiaries

Subsidiary		Main activity	Country	Participation	03.31.14	12.31.13
Avipal Centro-oeste S.A.	(a)	Industrialization and commercializations of milk	Brazil	Direct	**100.00%**	100.00%
Avipal S.A. Construtora e Incorporadora	(a)	Construction and real estate marketing	Brazil	Direct	**100.00%**	100.00%
BRF GmbH		Holding	Austria	Direct	**100.00%**	100.00%
Al-Wafi Food Products Factory LLC	(c)	Industrialization and commercialization of products	United Arab Emirates	Indirect	**49.00%**	49.00%
Badi Ltd.		Import and commercialization of products	United Arab Emirates	Indirect	**100.00%**	100.00%
Al-Wafi Al-Takamol Imp.		Import and commercialization of products	Saudi Arabia	Indirect	**75.00%**	75.00%
BRF Global Company South Africa Proprietary Ltd.		Import and commercialization of products	South Africa	Indirect	**100.00%**	100.00%
BRF Global Company Nigeria Ltd.		Marketing and logistics services	Nigeria	Indirect	**1.00%**	1.00%
BRF Foods GmbH	(g)	Industralization, import and commercialization of products	Austria	Indirect	**100.00%**	-
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	**90.00%**	90.00%
BRF Global Company Nigeria Ltd.		Marketing and logistics services	Nigeria	Indirect	**99.00%**	99.00%
BRF Global GmbH	(b)	Holding and trading	Austria	Indirect	**100.00%**	100.00%
Qualy 5201 B.V.	(b)	Import and commercialization of products	The Netherlands	Indirect	**100.00%**	100.00%
Xamol Consultores Serviços Ltda.	(a)	Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
BRF Japan KK		Marketing and logistics services	Japan	Indirect	**100.00%**	100.00%
BRF Korea LLC		Marketing and logistics services	Korea	Indirect	**100.00%**	100.00%
BRF Singapore PTE Ltd.		Marketing and logistics services	Singapore	Indirect	**100.00%**	100.00%
Federal Foods Ltd.	(d)	Import and commercialization of products	United Arab Emirates	Joint venture	**49.00%**	49.00%
Perdigão Europe Ltd.		Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
Perdigão France SARL		Marketing and logistics services	France	Indirect	**100.00%**	100.00%
Perdigão International Ltd.		Import and commercialization of products	Cayman Island	Indirect	**100.00%**	100.00%
BFF International Ltd.		Financial fundraising	Cayman Island	Indirect	**100.00%**	100.00%
Highline International	(a)	Financial fundraising	Cayman Island	Indirect	**100.00%**	100.00%
Plusfood Germany GmbH		Import and commercialization of products	Germany	Indirect	**100.00%**	100.00%
Plusfood Holland B.V.		Administrative services	The Netherlands	Indirect	**100.00%**	100.00%
Plusfood B.V.		Industrialization, import and commercializations of products	The Netherlands	Indirect	**100.00%**	100.00%
Plusfood Hungary Trade and Service LLC		Import and commercialization of products	Hungary	Indirect	**100.00%**	100.00%
Plusfood Iberia SL		Marketing and logistics services	Spain	Indirect	**100.00%**	100.00%
Plusfood Italy SRL		Import and commercialization of products	Italy	Indirect	**67.00%**	67.00%
Plusfood UK Ltd.		Import and commercialization of products	United Kingdom	Indirect	**100.00%**	100.00%
Plusfood Wrexham		Industrialization, import and commercializations of products	United Kingdom	Indirect	**100.00%**	100.00%
Rising Star Food Company Ltd.		Industralization, import and commercialization of products	China	Joint venture	**50.00%**	50.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	**40.00%**	40.00%
Sadia Foods GmbH	(a)	Import and commercialization of products	Germany	Indirect	**100.00%**	100.00%
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	**10.00%**	10.00%
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
Mato Grosso Bovinos S.A.	(e)	Participation in other companies	Brazil	Direct	**99.00%**	99.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Industrialization and commercializations of dairy products	Argentina	Direct	**98.26%**	98.26%
K&S Alimentos S.A.		Industrialization and commercialization of products	Brazil	Associate	**49.00%**	49.00%
Nutrifont Alimentos S.A.	(c)	Industrialization and commercialization of products	Brazil	Associate	**50.00%**	50.00%
Perdigão Trading S.A.	(a)	Holding	Brazil	Direct	**100.00%**	100.00%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Indirect	**12.00%**	12.00%
PP-BIO Administração de bem próprio S.A.		Management of assets	Brazil	Associate	**33.33%**	33.33%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Direct	**88.00%**	88.00%
Mato Grosso Bovinos S.A.	(f)	Participation in other companies	Brazil	Indirect	**1.00%**	-
Sino dos Alpes Alimentos Ltda.	(a)	Industrialization and commercializations of products	Brazil	Indirect	**100.00%**	100.00%
PR-SAD Administração de bem próprio S.A.	(h)	Management of assets	Brazil	Associate	**33.33%**	-
Quickfood S.A.		Industrialization and commercialization of products	Argentina	Direct	**90.05%**	90.05%
Sadia Alimentos S.A.		Import and export of products	Argentina	Direct	**99.98%**	99.98%
Avex S.A.		Industrialization and commercialization of products	Argentina	Indirect	**99.46%**	99.46%
Flora Dánica S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
GB Dan S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%
Flora San Luis S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
Flora Dánica S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%
GB Dan S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
Flora San Luis S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%
Sadia International Ltd.		Import and commercialization of products	Cayman Island	Direct	**100.00%**	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	**60.00%**	60.00%
Sadia U.K. Ltd.	(a)	Import and commercialization of products	United Kingdom	Indirect	**100.00%**	100.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	Indirect	**100.00%**	100.00%
Sadia Alimentos S.A.		Import and export of products	Argentina	Indirect	**0.02%**	0.02%
Sadia Overseas Ltd.		Financial fundraising	Cayman Island	Direct	**100.00%**	100.00%
UP Alimentos Ltda.		Industrialization and commercializations of products	Brazil	Associate	**50.00%**	50.00%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real state	Brazil	Direct	**100.00%**	100.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Industrialization and commercializations of dairy products	Argentina	Indirect	**1.74%**	1.74%

(a) Dormant subsidiaries.

(b) The wholly-owned subsidiary BRF Global GmbH, formerly known as Acheron Beteiligung-sverwaltung GmbH, started its trading operations in the European market as from May 1, 2013. In addition, it owns 101 direct subsidiaries in Madeira Island, Portugal, with an investment as of March 31, 2014 of R$3.8 (R$2.8 as of December 31, 2013). The wholly-owned subsidiary Qualy 5201 B.V. owns 213 subsidiaries in The Netherlands, for which the investment totaled R$13.7 as of March 31, 2014 (R$10.5 as of December 31, 2013). 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 meat import quotas.

(c) Subsidiary and associate in pre-operational phase.

(d) On January 16, 2013, BRF acquired 49% of the equity interest with the rights to 60% of dividends reported by Federal Foods, as permitted by Federal Law Nº 8/1984, in force in the United Arab Emirates and according to the shareholders' agreement. As disclosed in explanatory note 39, on April 09, 2014, the Company announced the completion of the purchase of 100% of the economic rights.

(e) Change the corporate name from BRF Suínos do Sul Ltda. to Mato Grosso Bovinos S.A. on February 11, 2014.

(f) Acquisition of equity interest on February 11, 2014.

(g) Establishment of wholly-owned subsidiary on February 21, 2014.

(h) Acquisition of equity interest on March 14, 2014.

1.2. Seasonality

The Company does not operate with any significant seasonality through the year. In general, during the fourth quarter of each year the demand in the domestic market is slightly stronger than in the other quarters, mainly due to the year-end holiday season such as Christmas and New Year's Eve. Our bestselling 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 accordance with 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$"), as well as the amounts of other currencies disclosed therein.

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. However, the uncertainty inherent to these judgments, assumptions and estimates could result in material adjustments to the carrying amounts of the affected assets and liabilities in future periods.

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 items which are measured at fair value:

- derivative and non-derivative financial instruments, being changes to fair value recognized through the statement of income;
- available for sale financial assets; and
- share-based payments and employee benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared based on the accounting policies and estimates calculation methodology adopted in the preparation of the consolidated financial statements for the year ended December 31, 2013.

There were no changes to such policies and estimates calculation methodology. As allowed by IAS 34, the details of the accounting policies adopted by the Company are not disclosed. Hence, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013, in order to allow the users of this interim financial information to further understand the Company's capacity of profit and future cash flows generation as well as its financial conditions and liquidity.

The preparation of the 2014 interim consolidated financial statements includes the recognition of a present value adjustment related to current trade accounts receivable and current trade accounts payable. This has been recorded in order to reflect the impact of recent efforts made by the Company's management to improve working capital mainly by increasing average payment terms to suppliers.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The exchange rates in Brazilian Reais effective at the balance sheet dates were as follows:

Exchange rate at the balance sheet date	**03.31.14**	12.31.13
U.S. Dollar (US$)	2.2630	2.3426
Euro (€)	3.1175	3.2265
Pound Sterling (£)	3.7733	3.8728
Argentine Peso (AR$)	0.2825	0.3594
Average rates		
U.S. Dollar (US$)	2.3640	2.1576
Euro (€)	3.2395	2.8677
Pound Sterling (£)	3.9121	3.3779
Argentine Peso (AR$)	0.3119	0.3947

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

In the normal course of its business, the Company is exposed to credit, liquidity and market risks, which are actively managed in conformity to the Risk Policy and internal guidelines subject to such policy.

The Risk Policy is under the management of the Financial Risk Management Committee, Board of Executive Officers and Board of Directors, with clear and defined roles and responsibilities, as follows:

- The Board of Directors is responsible for approving the Risk Policy and defining the limits of tolerance of the different risks identified as acceptable for the Company on behalf of its shareholders;

- 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 strategies and monitoring the risk exposure levels to ensure compliance with Risk Policy;

- The Board of Executive Officers is in charge of the evaluation of the Company's exposure for each identified risk, according to the guidelines established by the Board of Directors; and

- The Risk Management area has as a crucial role in monitoring, evaluating and reporting of the financial risks taken by the Company.

The Risk Policy does not authorize the Company's management to contract leveraged derivative transactions and determines that any individual hedge operations (notional amount) must not exceed 2.5% of the total of the Company's shareholders' equity.

The processes of monitoring, evaluation and approval of risk management were properly disclosed in details in the consolidated financial statements for the year ended December 31, 2013 (note 4) and has not changed during the three month period ended March 31, 2014 and for this reason were not disclosed in these interim consolidated financial statements.

a. Credit risk management

The Company is subject to the credit risk related to trade accounts receivable, financial investments and derivative financial instruments, as follows:

- Credit risk associated with trade accounts receivable is actively managed by dedicated team, though specific systems. Furthermore, it should be noted the diversification of the customer portfolio and the concession of credit to customers with good financial and operational conditions. The Company does not usually require collateral for sales to customers, and has a contracted credit insurance policy for specific markets; and

- Credit risk associated with financial investments and derivative financial instruments is mitigated by the Company's policy of working with prime institutions.

On March 31, 2014, the Company had financial investments over R$10.0 at the following financial institutions: Banco Bradesco, Banco do Brasil, Banco do Nordeste, Banco HSBC, Banco Itaú, Banco Safra, Banco Santander and Caixa Econômica Federal.

The Company also held derivative financial instruments with the following financial institutions: Banco Bradesco, Banco do Brasil, Banco Itaú, Banco Santander, Banco Votorantim, Barclays, Citibank, Deutsche Bank, Banco HSBC, JP Morgan, Merrill Lynch, Rabobank and Banco Safra.

b. Liquidity risk management

Liquidity risk management aims to reduce the impacts caused by events which may affect the Company's cash flow. Thus, the Company utilizes the following metrics:

- Cash Flow at Risk ("CFaR"), which aims to statistically estimates the cash flows for the next twelve months and the Company's liquidity exposure. The Company determined that the minimum cash available should be equivalent mainly to the average monthly billing and EBITDA for the last twelve-month period; and

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

- Value at Risk ("VaR") is used for derivative transactions that require payments of periodic adjustments. Currently, the Company holds only BM&F operations with daily adjustments and in order to monitor them, such methodology is utilized, which statistically measures potential maximum adjustments to be paid at intervals of 1 to 21-days.

The Company maintains its leverage levels in order to avoid any impact to its ability to settle commitments and obligations. As a guideline, the majority of the debt should be long-term debt. On March 31, 2014, the long term debt portion represented 72.9% (73.5% as of December 31, 2013) of the total outstanding debt with an average term greater than 4.8 years.

The table below summarizes the commitments and contractual obligations that may impact the Company's liquidity:

								03.31.14
	Book value	Cash flow contracted	Up to 9 months	2015	2016	2017	2018	After 5 years
Non derivative financial liabilities								
Loans and financing	4,598.0	4,996.2	1,972.7	1,058.0	314.5	470.2	716.7	464.2
BRF bonds	3,282.5	4,775.3	183.2	183.2	183.2	183.2	663.8	3,378.9
BFF bonds	1,425.1	2,043.5	51.6	103.2	103.2	103.2	103.2	1,578.9
Sadia bonds	511.5	619.7	34.3	34.3	34.3	516.7	-	-
Quickfood bonds	110.6	174.9	24.2	68.0	71.8	10.8	-	-
Trade accounts payable	3,737.3	3,737.3	3,737.3	-	-	-	-	-
Capital lease (1)	178.0	288.1	50.4	34.1	22.3	19.6	19.6	142.1
Operational lease	-	394.0	56.7	57.1	50.2	48.6	45.0	136.6
Derivative financial liabilities								
Financial instruments designated as cash flow hedge								
Interest rate and exchange rate derivatives	108.9	151.2	0.3	25.8	25.6	25.5	73.6	0.6
Currency derivatives (NDF)	13.5	15.9	15.9	-	-	-	-	-
Fixed exchange rate	2.2	2.1	2.1	-	-	-	-	-
Currency derivatives (options)	0.2	-	-	-	-	-	-	-
Financial instruments not designated as cash flow hedge								
Currency derivatives (NDF)	0.7	(10.3)	(10.3)	-	-	-	-	-
Interest rate and exchange rate derivatives	4.6	3.8	2.7	1.1	-	-	-	-

(1) It does not include the capital leases contracted with financial institutions which are included in loans and financing line above.

c. Interest rate risk management

It is the risk the Company incurs in losses resulting from changes in interest rates, which could affect its assets and liabilities.

The Company's Risk Policy does not restrict exposure to different interest rates, neither establishes limits for fixed or floating rates. However, the Company monitors the market interest rates in order to evaluate any need to enter into hedging transaction to protect from the exposure to fluctuation of such rates and manage the mismatch between its financial investments and debts. In these transactions the Company enters into contracts that exchange floating rate for fixed rate or vice-versa. Such transactions were designated by the Company as cash flow hedge.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The Company's indebtedness is mainly tied to the London Interbank Offered rate ("LIBOR"), fixed coupon ("R$ and USD"), Long Term Interest Rate ("TJLP") and Monetary Unit of the Bank National Economic and Social Development ("UMBNDES") rates. In case of adverse changes in the market resulting 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 applicable to the TJLP and UMBNDES.

With regards to the Company's marketable securities, they are remunerated based on the Interbank Deposit Certificate ("CDI") in the domestic market and fixed coupon ("USD") in the foreign market.

d. Foreign exchange risk management

It is the risk related to variations of foreign exchange rates that may cause the Company to incur in unexpected losses, leading to a reduction of assets or an increase in liabilities.

Assets and liabilities denominated in foreign currency are as follows:

	03.31.14	12.31.13
	Total exposure	
Cash and cash equivalents and marketable securities	**2,913.3**	2,651.9
Trade accounts receivable	**1,376.7**	1,593.5
Accounts receivable from subsidiaries	**160.9**	146.2
Future dollar agreements	**509.2**	480.2
Inventories	**31.9**	50.8
Exchange rate contracts (Swap)	**(15.6)**	(20.2)
Loans and financing	**(5,905.1)**	(6,108.7)
Bonds designated as cash flow hedge	**678.9**	702.8
Exports pre-payment designated as cash flow hedge	**678.9**	702.8
Trade accounts payable	**(622.0)**	(634.2)
Other assets and liabilities, net	**243.9**	231.5
	51.0	(203.4)
Foreign exchange exposure (in US$)	**22.5**	(86.8)
Foreign exchange exposure impacting the income (in US$)	**73.9**	28.7
Foreign exchange exposure impacting the shareholders' equity (in US$)	**(51.4)**	(115.6)
Foreign exchange exposure (in US$)	**22.5**	(86.9)

The Company's net foreign exchange exposure as of March 31, 2014 corresponds to an asset amounting to US$22.5. Due to the impacts of the functional currency, net foreign exchange exposure is composed of: (i) an asset totaling US$73.9, which variations are recorded in the statement of income and (ii) a liability totaling US$51.4, which variation are recognized in comprehensive income. On March 31, 2014, the net foreign exchange exposure is within the limit established by the Company's Risk Policy.

e. Commodity price risk management

In the normal course of its operations, the Company purchases commodities, mainly corn, soymeal and oil and live pork, which are some of the individual components of production cost.

Corn, soymeal and oil 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 pork acquired from third parties are subject to market conditions and are influenced by internal availability and levels of demand in the international market, among 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 three months period ended March 31, 2014, the Company utilized derivative instruments to mitigate the exposure to live cattle price variation. The contracts are recorded at their fair value through the statement of income.

On March 31, 2014, the Company has not held any open position of such derivative instruments.

f. Capital management

The Company's definition of the adequate capital structure is mainly associated with (i) cash strength as a tolerance factor to liquidity volatility, (ii) financial leverage and (iii) maximization of the opportunity cost of capital.

The cash and liquidity strategy takes into consideration the historical scenarios of volatility of results as well as simulations of sectorial and systemic crises. In addition, is based on permitting the resilience in scenarios of restricted access to capital.

Financial leverage aims the balance between the different sources of funding and their conditions of allocation in order to maximize the opportunity cost to BRF in its business expansion initiatives. Moreover, the objective of maintaining the investment grade obtained by the Company disciplines the weighting of using own and third party capital.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The Company monitors debt levels and net debt, which are shown below:

	03.31.14			12.31.13
	Current	**Non-current**	**Total**	Total
Foreign currency debt	**(243.0)**	**(5,662.2)**	**(5,905.2)**	(6,108.7)
Local currency debt	**(2,447.8)**	**(1,574.8)**	**(4,022.6)**	(4,072.5)
Other financial liabilities	**(130.1)**	**-**	**(130.1)**	(357.2)
Gross debt	**(2,820.9)**	**(7,237.0)**	**(10,057.9)**	(10,538.4)
Marketable securities and cash and cash equivalents	**3,856.7**	**57.4**	**3,914.1**	3,643.3
Other financial assets	**50.5**	**-**	**50.5**	11.6
Restricted cash	**-**	**103.6**	**103.6**	99.2
Net debt	**1,086.3**	**(7,076.0)**	**(5,989.7)**	(6,784.3)

4.2. Derivative and non-derivative financial instruments designated as cash flow hedge

As permitted by IAS 39, the Company applies hedge accounting to its derivative instruments classified as cash flow hedge, in accordance with the Risk Policy. The cash flow hedge consists of hedging the exposure to variations of the cash flow which is attributable to a particular risk associated with a recognized asset or liability, or a highly probable transaction that could affect profit and loss.

The Risk Policy has also the purpose of determining parameters of use of financial instruments, including derivative financial instruments, 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 commodity prices. The Risk Management area is responsible for ensuring compliance to the requirements established by the Company's Risk Policy

The Company, within its hedge accounting strategy, utilizes the following financial instruments:

- Non-deliverable forwards – NDF;
- Interest rate and currency swaps;
- Options;
- Deliverable forwards;
- Export prepayments – PPEs; and
- Senior unsecured notes – Bonds

4.2.1 Breakdown of the balances of derivative financial instruments

The outstanding derivative financial instruments as of March 31, 2014 and December

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

31, 2013 are as follows:

			03.31.14		12.31.13	
Instrument	Hedge object	Reference currency (notional)	value (notional)	Fair value (1)	Reference value (notional)	Fair value (1)
Financial instruments designated as cash flow hedge						
NDF - Dólar	Currency	USD	230.4	8.3	190.0	(21.3)
NDF - Euro	Currency	EUR	82.5	3.4	106.8	(25.2)
NDF - Libra	Currency	GBP	24.5	(1.2)	33.0	(12.1)
Currency swap - US$	Currency	BRL	250.0	(48.5)	573.0	(203.9)
interest rate - US$	Interest	USD	200.0	(26.6)	200.0	(33.2)
Fixed exchange rate - US$	Currency	USD	145.0	11.8	160.0	(10.4)
Options (Collar) - US$	Currency	USD	119.0	11.7	120.0	(0.3)
interest rate - US$	Interest	USD	200.0	(33.8)	200.0	(38.8)
Total				(74.9)		(345.2)
Financial instruments not designated as cash flow hedge						
Currency swap - US$	Currency	BRL	11.2	(4.5)	14.0	(6.1)
interest rate - R$	Interest	BRL	267.4	(0.2)	267.4	0.5
interest rate - R$	Interest	BRL	50.0	0.2	50.0	0.1
Options	Live cattle	BRL	-	-	6.7	(0.2)
NDF	Live cattle	BRL	-	-	3.3	(0.5)
Future - BMF	Live cattle	BRL	-	-	4.4	-
Future - BMF	Currency	USD	225.0	0.5	205.0	3.2
NDF - Euro	Currency	EUR	150.0	(0.6)	150.0	2.7
NDF - Libra	Currency	GBP	15.0	(0.1)	15.0	(0.2)
Total				(4.7)		(0.4)
Total				(79.6)		(345.6)

(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.

a. Non-deliverable forwards – NDF

The position of the outstanding non-deliverable forward – NDF by maturity, as well as the weighted average exchange rates and fair value, are presented as follows:

									03.31.14
			R$ x US$			R$ x EUR			R$ x GBP
Maturities	**Notional (US$)**	**Average rate**	**Fair value**	**Notional (EUR)**	**Average rate**	**Fair value**	**Notional (GBP)**	**Average rate**	**Fair value**
Financial instruments designated as cash flow hedge									
April 2014	44.5	2.1396	(5.8)	11.5	2.9577	(1.9)	3.5	3.4718	(1.1)
May 2014	49.9	2.2664	(1.2)	13.0	3.1111	(0.5)	3.5	3.5797	(0.8)
June 2014	28.0	2.4017	2.6	14.0	3.2053	0.3	3.5	3.7152	(0.5)
July 2014	27.0	2.4653	3.7	11.0	3.3257	1.3	3.0	3.8463	(0.1)
August 2014	30.0	2.4770	3.8	9.0	3.3594	1.1	3.0	4.0105	0.3
September 2014	20.0	2.4858	2.3	8.0	3.3920	1.0	2.5	4.0628	0.3
October 2014	31.0	2.4824	2.9	7.0	3.4180	0.9	2.5	4.0946	0.3
November 2014	-	-	-	6.0	3.4759	0.9	2.0	4.1388	0.2
December 2014	-	-	-	3.0	3.4884	0.4	1.0	4.1966	0.1
	230.4	**2.3572**	**8.3**	**82.5**	**3.2549**	**3.5**	**24.5**	**3.8417**	**(1.3)**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

						03.31.14
	EUR x USD					GBP x USD
Maturities	**Notional (EUR)**	**Average rate**	**Fair value**	**Notional (GBP)**	**Average rate**	**Fair value**
Financial instruments not designated as cash flow hedge						
June 2014	150.0	1.3754	(0.6)	15.0	1.6607	(0.1)
	150.0	**1.3754**	**(0.6)**	**15.0**	**1.6607**	**(0.1)**

b. Interest rate and currency swap

The position of interest rate and currency swap is presented as follows:

					03.31.14
Instrument	**Maturity date**	**Assets (Hedged object)**	**Liabilities (Protected risk)**	**Notional**	**Fair value**
Financial instruments designated as cash flow hedge					
Interest rate	01.22.18	LIBOR 6M + 2.82% p.a.	5.86% p.a.	**100.0**	**(14.0)**
Interest rate	06.18.18	LIBOR 3M + 2.60% p.a.	5.47% p.a.	**100.0**	**(12.6)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.90% p.a.	**100.0**	**(17.0)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.88% p.a.	**100.0**	**(16.8)**
					(60.4)
Currency swap	05.22.18	R$ + 7.75%	US$ + 1.60%	**250.0**	**(48.5)**
					(108.9)
Financial instruments not designated as cash flow hedge					
Interest rate	05.22.18	(Fixed rate of 7.75% p.a.)	68.84% CDI	**50.0**	**0.2**
Interest rate	10.21.14	(Fixed rate of 8.10% p.a.)	78.30% CDI	**126.5**	**(0.1)**
Interest rate	10.21.14	(Fixed rate of 8.10% p.a.)	78.30% CDI	**140.8**	**(0.1)**
					-
Currency swap	03.16.15	(Fixed rate of 8.41% p.a.)	US$ - 0.20%	**11.2**	**(4.5)**
					(4.5)

c. Fixed exchange rate

The position of fixed exchange rate designated as cash flow hedge is presented as follows:

			03.31.14
			R$ x US$
Maturities	**Notional US$**	**Average US$**	**Fair value**
April 2014	20.0	2.1652	(2.2)
May 2014	20.0	2.3065	0.3
June 2014	20.0	2.4252	2.2
July 2014	20.0	2.5067	3.4
August 2014	20.0	2.4793	2.5
September 2014	25.0	2.5052	3.3
October 2014	10.0	2.4559	0.6
November 2014	10.0	2.5845	1.7
	145.0	**2.4186**	**11.8**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

d. Options

The Company designates as a cash flow hedge only the variation in the intrinsic value of its options, recognizing the time value of the premium in the financial result. If the hedge is not effective and the option is not exercised due to devaluation of the Brazilian Real, the losses related to the options will be registered as financial expenses in the statement of income.
The Company has designated transactions involving options denominated collar where there is a purchase of a put option ("PUT") and a sale of a call option ("CALL").

When the market price of any of the options is not available in an active market, the fair value is based on an option pricing model (Black-Scholes or Binomial).

				03.31.14
				R$ x US$
Type	Maturities	Notional (US$)	Average US$	Fair value
Put (Purchase)	From 01.2014 to 06.2014	**119.0**	**2.3799**	**11.9**
Call (Sale)	From 01.2014 to 06.2014	**114.0**	**2.5366**	**(0.2)**
				11.7

4.2.2 Breakdown of the balances of non-derivative financial instruments

The position of non-derivative financial instruments is presented as follows:

			03.31.14		12.31.13	
Instrument	Hedge object	Reference currency (notional)	Value (notional)	Fair value (1)	Value (notional)	Fair value (1)
Financial instruments designated as cash flow hedge						
Export pre payment - PPE	Exchange	USD	**300.0**	**678.9**	300.0	702.8
Bonds	Exchange	USD	**300.0**	**678.9**	300.0	702.8
			600	**1,358**	600	1,406

(1) Notional converted by the exchange rate in effect at period-end.

a. Export prepayments – PPEs

The position of PPEs is presented as follows:

					03.31.14
Hedge instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
Export prepayment - PPE	US$ (E.R.)	02.2017 to 02.2019	**300.0**	**1.7796**	**678.9**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

b. Senior unsecured notes – Bonds

The position of bonds designated as cash flow hedge is presented as follows:

Hedge instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
					03.31.14
BRF SA BRFSBZ5	US$ (E.R.)	06.2022	**150.0**	**2.0213**	**339.5**
BRF SA BRFSBZ3	US$ (E.R.)	05.2023	**150.0**	**2.0387**	**339.5**
			300.0	**2.0300**	**679.0**

4.3. Gains and losses of derivative and non-derivative financial instruments

The unrealized gains and losses of derivative and non-derivative financial instruments whether or not designated as cash flow hedge are recorded as a component of other comprehensive income, as detailed below:

	03.31.14	12.31.13
Financial instruments designated as cash flow hedge		
Foreign exchange risks	**7.3**	(172.4)
Interest risks	**(58.3)**	(64.9)
	(51.0)	(237.3)
Financial instruments not designated as cash flow hedge		
Foreign exchange risks	**(214.9)**	(262.7)
	(214.9)	(262.7)
Gross losses	**(265.9)**	(500.0)
Income taxes	**79.3**	158.3
Losses, net of taxes	**(186.6)**	(341.7)
Rollforward of other comprehensive income during the period		
Unrealized gains (losses) on cash flow hedge during the period	**234.1**	(260.1)
Income taxes	**(79.0)**	94.3
Net gains (losses) recognized in other comprehensive income during the period	**155.1**	(165.8)

On March 31, 2014, the realized transactions with derivative and non-derivative financial instruments designated as cash flow hedge resulted in a loss of R$92.8 (loss of R$133.7 as of December 31, 2013), composed by a net loss amounting to R$90.6 (loss of R$132.6 as of December 31, 2013) recorded as gross revenues and a net loss of R$2.2 (gain of R$1.1 as of December 31, 2013) recorded in the financial result gain or losses on derivative transactions.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

4.4. Breakdown of financial instruments by category – except derivatives

	03.31.14					
	Loans and receivables	**Available for sale**	**Trading securities**	**Held to maturity**	**Financial liabilities**	**Total**
Assets						
Amortized cost						
Marketable securities	**-**	**-**	**-**	**57.4**	**-**	**57.4**
Restricted cash	**-**	**-**	**-**	**103.6**	**-**	**103.6**
Trade accounts receivable	**2,864.2**	**-**	**-**	**-**	**-**	**2,864.2**
Other credits	**497.2**	**-**	**-**	**-**	**-**	**497.2**
Other receivables	**273.3**	**-**	**-**	**-**	**-**	**273.3**
Fair value						
Marketable securities	**-**	**272.0**	**271.3**	**-**	**-**	**543.3**
Liabilities						
Amortized cost						
Trade accounts payable	**-**	**-**	**-**	**-**	**(3,737.3)**	**(3,737.3)**
Loans and financing	**-**	**-**	**-**	**-**	**-**	**-**
Local currency	**-**	**-**	**-**	**-**	**(4,022.5)**	**(4,022.5)**
Foreign currency	**-**	**-**	**-**	**-**	**(5,905.1)**	**(5,905.1)**
Capital lease payable	**-**	**-**	**-**	**-**	**(178.0)**	**(178.0)**
	3,634.7	**272.0**	**271.3**	**161.0**	**(13,842.9)**	**(9,503.9)**

	12.31.13					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	56.0	-	56.0
Restricted cash	-	-	-	99.2	-	99.2
Trade accounts receivable	3,346.2	-	-	-	-	3,346.2
Other credits	502.7	-	-	-	-	502.7
Other receivables	284.7	-	-	-	-	284.7
Fair value						
Marketable securities	-	280.4	179.2	-	-	459.6
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(3,674.7)	(3,674.7)
Loans and financing	-	-	-	-	-	-
Local currency	-	-	-	-	(4,072.5)	(4,072.5)
Foreign currency	-	-	-	-	(6,108.7)	(6,108.7)
Capital lease payable	-	-	-	-	(188.8)	(188.8)
	4,133.6	280.4	179.2	155.2	(14,044.7)	(9,296.3)

4.5. Determination of the fair value of financial instruments

The Company discloses its financial assets and liabilities at fair value, based on the appropriate accounting pronouncements, which refers to concepts of valuation and disclosure requirements.

Particularly related to the disclosure, the Company applies the hierarchy requirements set out in IFRS 13, which involves the following aspects:

- The fair value is the price that an asset could be exchanged and a liability could be settled, between knowledgeable willing parties in an arm's length transaction; and

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

- 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 valuation technics. These two types of inputs create the hierarchy of fair value set forth below:

- Level 1 – Prices quoted (unadjusted) for identical instruments in active markets;

- 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

- Level 3 – Instruments whose significant inputs are non-observable.

The table below presents the overall classification of financial assets and liabilities according to the valuation hierarchy.

				03.31.14
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	172.3	-	-	172.3
Brazilian foreign debt securities	99.0	-	-	99.0
Stocks	0.7	-	-	0.7
Held for trading				
Bank deposit certificates	-	78.1	-	78.1
Financial treasury bills	193.2	-	-	193.2
Other financial assets				
Financial instruments designated as cash flow hedge	-	49.9	-	49.9
Financial instruments not designated as cash flow hedge	-	0.7	-	0.7
	465.2	128.7	-	593.9
Liabilities				
Financial liabilities				
Other financial liabilities				
Financial instruments designated as cash flow hedge	-	(124.8)	-	(124.8)
Financial instruments not designated as cash flow hedge	-	(5.3)	-	(5.3)
	-	(130.1)	-	(130.1)

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

				12.31.13
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	174.0	-	-	174.0
Brazilian foreign debt securities	105.3	-	-	105.3
Exclusive investment funds	0.5	-	-	0.5
Stocks	0.6	-	-	0.6
Held for trading				
Bank deposit certificates	-	114.4	-	114.4
Financial treasury bills	64.8	-	-	64.8
Other financial assets				
Financial instruments designated as cash flow hedge	-	5.6	-	5.6
Financial instruments not designated as cash flow hedge	-	6.0	-	6.0
	345.2	126.0	-	471.2
Liabilities				
Financial liabilities				
Other financial liabilities				
Financial instruments designated as cash flow hedge	-	(350.2)	-	(350.2)
Financial instruments not designated as cash flow hedge	-	(7.0)	-	(7.0)
	-	(357.2)	-	(357.2)

The following is a description of the valuation methodologies utilized by the Company for financial instruments measured at fair value:

- Investments in Brazilian foreign debt securities, Financial Treasury Notes ("LFT"), financial investment funds and stocks are classified at Level 1 of the fair value hierarchy, as the market prices are available in an active market;

- Investments in Bank Deposit Certificates ("CDB") 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

- Derivative financial instruments are valued through existing pricing models widely accepted by financial market and described in appendix III 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 in the valuation hierarchy, including interest rates swap and foreign currency derivatives.

4.6. Comparison between book value and fair value of financial instruments

Except for the items presented below, the book value of all other financial instruments approximate fair value.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

		03.31.14		12.31.13	
	Maturity	**Book value**	**Fair value**	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	2022	**(1,722.5)**	**(1,798.4)**	(1,757.6)	(1,754.4)
BRF SA BRFSBZ3	2023	**(1,050.0)**	**(1,031.8)**	(1,076.2)	(915.2)
BRF SA BRFSBZ7	2018	**(510.1)**	**(425.7)**	(500.3)	(416.9)
BFF bonds					
Sadia Overseas BRFSBZ7	2020	**(1,425.1)**	**(1,637.1)**	(1,502.0)	(1,654.9)
Sadia bonds					
Sadia Overseas BRFSBZ6	2017	**(511.5)**	**(566.2)**	(520.6)	(574.9)
		(5,219.2)	**(5,459.2)**	(5,356.7)	(5,316.3)

4.7. Table of sensitivity analysis

The Company has financing, loans and receivables denominated in foreign currency and in order to mitigate the risks resulting from exchange rate exposure, it contracts derivative financial instruments.

The Company understands that the current interest rate fluctuations do not affect significantly its financial results, since it opted to fix the exchange rate of a considerable portion of its floating interest rates debts by using derivative transactions (interest rates swaps). The Company designates such derivatives as cash flow hedge and, therefore, their effectiveness is monitored through prospective and retrospective tests.

In the table presented below, 5 scenarios are considered for the next twelve-month period, considering the percentage variations of the quote of the parity between the Brazilian Reais and U.S. Dollar, Brazilian Reais and Euro and Brazilian Reais and Pounds Sterling, whereas the most likely scenario is the 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 cash flow hedge.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

Parity - Brazilian Reais x U.S. Dollar		2.2630	2.0367	1.6973
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**
		(probable)	(10% appreciation)	(25% appreciation)
NDF and Deliverable forward (cash flow hedge)	Devaluation of R$	44.3	129.2	256.6
Options - currencies	Devaluation of R$	13.9	40.8	81.2
Exports pre payments	Devaluation of R$	(145.0)	(77.1)	24.7
Bonds	Devaluation of R$	(69.9)	(2.0)	99.8
Swaps	Devaluation of R$	(29.0)	(1.1)	40.8
Exports	Appreciation of R$	(58.2)	(170.1)	(337.9)
Net of tax effect		**(243.9)**	**(80.3)**	**165.2**
Statement of income		-	-	-
Shareholders' equity		**(243.9)**	**(80.3)**	**165.2**

Parity - Brazilian Reais x Euro		3.1175	2.8058	2.3381
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**
		(probable)	(10% appreciation)	(25% appreciation)
NDF and Deliverable forward (cash flow hedge)	Devaluation of R$	11.3	37.1	75.6
Exports	Appreciation of R$	(11.3)	(37.1)	(75.6)
Net of tax effect		**-**	**-**	**-**
Statement of income		-	-	-
Shareholders' equity		**-**	**-**	**-**

Parity - Brazilian Reais x Pound Sterling		3.7733	3.3960	2.8300
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**
		(probable)	(10% appreciation)	(25% appreciation)
NDF and Deliverable forward (cash flow hedge)	Devaluation of R$	1.7	10.9	24.8
Exports	Appreciation of R$	(1.7)	(10.9)	(24.8)
Net of tax effect		**-**	**-**	**-**
Statement of income		-	-	-
Shareholders' equity		**-**	**-**	**-**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

5. SEGMENT INFORMATION

The operating segments are reported consistently with the management reports provided to the Board of Directors and Directors for assessing the performance of each segment and allocating resources.

The segment information is prepared considering the following 4 reportable segments: domestic market, foreign market, dairy products and food service. The reportable segments primarily observe division by sales channel and the criteria was detailed in note 5 to the consolidated financial statements for the year ended December 31, 2013.

The net sales for each reportable operating segment are presented below:

Net sales	03.31.14	03.31.13
Domestic market		
Poultry	**401.7**	392.9
Pork and beef	**208.3**	224.4
Processed products	**1,685.2**	1,586.0
Other processed products	**688.5**	643.3
Other sales	**231.6**	256.9
	3,215.2	3,103.5
Foreign market		
Poultry	**1,930.0**	2,039.6
Pork and beef	**441.4**	436.1
Processed products	**637.7**	550.3
Other processed products	**47.8**	63.4
Other sales	**10.1**	3.4
	3,067.0	3,092.8
Dairy products		
Milk	**313.8**	296.0
Dairy products and other beverages	**342.1**	351.6
	655.9	647.6
Food service		
Poultry	**98.8**	84.0
Pork and beef	**61.2**	55.0
Processed products	**203.3**	194.0
Other processed products	**30.6**	32.0
Other sales	**6.7**	-
	400.7	365.0
	7,338.8	7,208.9

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The operating income for each reportable operating segment is presented below:

	03.31.14	03.31.13
Operating income		
Domestic market	**352.6**	416.8
Foreign market	**183.8**	34.5
Dairy products	**(10.9)**	28.8
Food service	**36.3**	51.0
	561.8	531.1

No customer was individually or in aggregate responsible for more than 5% of net sales for the three month period ended March 31, 2014 and 2013.

Net export sales were originated in the segments of the foreign market, dairy products and food service, as set for below:

	03.31.14	03.31.13
Net export sales per market		
Foreign market	**3,067.0**	3,092.7
Dairy products	**2.1**	-
Food service	**61.8**	46.7
	3,130.9	3,139.4

Net export sales by region are presented below:

	03.31.14	03.31.13
Net export sales per region		
Menasa	**1,302.4**	1,332.8
Europe / Eurasia	**709.8**	677.2
Far East	**699.5**	608.5
Americas	**419.2**	520.9
	3,130.9	3,139.4

The goodwill and intangible assets with indefinite useful life (trademarks) arising from business combination were allocated to the reportable operating segments, taking into account the nature of the products manufactured in each segment (cash-generating unit), as demonstrated below:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	Goodwill		Trademarks		Total	
	03.31.14	12.31.13	**03.31.14**	12.31.13	**03.31.14**	12.31.13
Domestic market	**1,070.0**	1,070.0	**982.5**	982.5	**2,052.4**	2,052.4
Foreign market	**1,268.5**	1,278.9	**316.3**	319.8	**1,584.7**	1,598.7
Dairy products	**671.4**	671.4	**-**	-	**671.4**	671.4
Food service	**81.5**	81.5	**-**	-	**81.5**	81.5
	3,091.4	3,101.8	**1,298.8**	1,302.3	**4,390.0**	4,404.0

Information referring to the total assets by reportable segments is not being disclosed as it is not included in the set of information made available to the Company's Management, which take investment decisions and determine allocation of assets on a consolidated basis.

6. CASH AND CASH EQUIVALENTS

	Average rate (p.a.)	03.31.14	12.31.13
Cash and bank accounts			
U.S. Dollar	-	**806.6**	582.9
Brazilian Reais	-	**133.6**	211.9
Euro	-	**117.8**	190.5
Other currencies	-	**51.8**	42.3
		1,109.8	1,027.6
Cash equivalents			
In Brazilian Reais			
Investment funds	8.07%	**12.5**	13.7
Bank deposit certificates	10.68%	**525.3**	530.0
		537.8	543.7
In U.S. Dollar			
Term deposit (1)	0.33%	**1,504.3**	1,277.5
Overnight	0.05%	**98.7**	212.1
In Euro			
Term deposit	0.60%	**62.7**	66.7
Other currencies			
Term deposit	0.19%	**0.1**	0.1
		1,665.8	1,556.4
		3,313.4	3,127.7

(1) Matures with various dates through July 14, 2014.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

7. MARKETABLE SECURITIES

	WATM [1]	Currency	Average interest rate (% p.a.)	03.31.14	12.31.13
Available for sale					
Credit linked note	6.23	US$	3.78%	**172.3**	174.0
Brazilian foreign debt securities	2.13	US$	2.71%	**99.0**	105.3
Stocks	-	R$	-	**0.7**	0.6
Exclusive investment funds	-	ARS	-	**-**	0.5
				272.0	280.4
Held for trading					
Bank deposit certificates ("CDB")	3.70	R$	10.52%	**78.1**	114.4
Financial treasury bills	1.50	R$	10.65%	**193.2**	64.8
				271.3	179.2
Held to maturity					
Financial treasury bills	3.49	R$	10.65%	**57.4**	56.0
				57.4	56.0
				600.7	515.6
Current				**543.3**	459.6
Non-current				**57.4**	56.0

[1] Weighted average maturity in years.

There were no changes in the characteristics of marketable securities disclosed above as compared to the information disclosed in the consolidated financial statements for the year ended December 31, 2013 (note 7).

The unrealized loss by the change in fair value of the available for sale securities, recorded in other comprehensive income, corresponds to the accumulated amount of R$1.6 net of income tax of R$0.3 (loss of R$5.4 net of income tax of R$0.3 as of December 31, 2013).

Additionally, on March 31, 2014, of the total of marketable securities, R$192.7 (R$82.8 as of December 31, 2013) were pledged as collateral for operations with future contracts denominated in U.S. Dollars and live cattle, traded on the Futures and Commodities Exchange (“BM&F”).

On March 31, 2014, the maturities of the non-current marketable securities are as follows:

Maturities	
2017	57.4
	57.4

The Company conducted an analysis of sensitivity to foreign exchange rate as presented in note 4.7.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

8. TRADE ACCOUNTS RECEIVABLE, NET AND OTHER RECEIVABLES

	03.31.14	12.31.13
Domestic third parties	**1,434.1**	1,712.9
Domestic related parties	**5.1**	1.1
Foreign third parties	**1,376.7**	1,593.5
Foreign related parties	**160.9**	146.2
	2,976.8	3,453.7
(-) Adjustment to present value	**(7.2)**	-
(-) Allowance for doubtful accounts	**(105.3)**	(107.5)
	2,864.3	3,346.2
Current	**2,856.5**	3,338.4
Non-current	**7.7**	7.8
Other receivables		
Credit notes	**514.2**	520.2
(-) Adjustment to present value	**(3.0)**	(3.6)
(-) Allowance for doubtful accounts	**(13.9)**	(13.9)
	497.3	502.7
Current	**136.6**	149.0
Non-current [1]	**360.7**	353.7

(1) Weighted average maturity of 3.36 years.

Credit notes are comprised mainly by receivables from the sales of (i) Ana Rech city (RS) assets to JBS, R$185.4, (ii) assets of Vila Anastácio, former headquarters of Sadia, R$82.2 and (iii) various other assets and farms, R$201.9.

The trade accounts receivable from related parties are disclosed in note 29 and refers to transactions with the associates UP! and Nutrifont in the domestic market and with the joint ventures Federal Foods and Rising Star in the foreign market.

The rollforward of allowance for doubtful accounts is presented below:

	03.31.14	12.31.13
Beginning balance	**107.5**	123.0
Additions	**23.0**	93.8
Reversals	**(12.2)**	(67.2)
Write-offs	**(11.4)**	(39.7)
Exchange rate variation	**(1.6)**	(2.4)
Ending balance	**105.3**	107.5

The aging of trade accounts receivable is as follows:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	03.31.14	12.31.13
Current	**2,738.1**	3,143.6
Overdue		
01 to 60 days	**118.3**	169.7
61 to 90 days	**20.4**	36.0
91 to 120 days	**6.7**	4.1
121 to 180 days	**5.0**	8.7
181 to 360 days	**2.9**	4.7
More than 361 days	**85.4**	86.9
(-) Adjustment to present value	**(7.2)**	-
(-) Allowance for doubtful accounts	**(105.3)**	(107.5)
	2,864.3	3,346.2

9. INVENTORIES

	03.31.14	12.31.13
Finished goods	**2,015.9**	1,951.2
Goods for resale	**18.1**	26.0
Work in process	**183.2**	186.9
Raw materials	**348.3**	361.9
Packaging materials	**93.3**	100.2
Secondary materials	**225.3**	223.9
Spare parts	**138.5**	137.5
Goods in transit	**6.3**	104.9
Imports in transit	**67.0**	63.8
Advances to suppliers	**13.0**	11.2
(-) Provision for adjustment to realizable value	**(12.5)**	(31.6)
(-) Provision for deterioration	**(14.9)**	(19.1)
(-) Provision for obsolescense	**(4.8)**	(5.2)
(-) Adjustment to present value	**(20.4)**	-
	3,056.3	3,111.6

The write-offs of products sold from inventories to cost of sales during the three month period ended March 31, 2014 totaled R$5,446.1 (R$5,512.1 as of March 31, 2013). Such amounts include the additions and reversals of inventory provisions presented in the table below:

	12.31.13	**Additions**	**Reversals**	**Write-offs**	**Exchange rate variation**	**03.31.14**
Provision for adjustment to realizable value	(31.6)	(3.0)	35.2	-	(13.1)	**(12.5)**
Provision for deterioration	(19.1)	(2.4)	-	8.3	(1.7)	**(14.9)**
Provision for obsolescence	(5.2)	(0.2)	-	0.6	-	**(4.8)**
	(55.9)	(5.6)	35.2	8.9	(14.8)	**(32.2)**

Management expects inventories to be realized in a period of less than 12 months.
On March 31, 2014, inventory items of R$40.0 (R$50.0 as of December 31, 2013) were pledged as collateral for rural credit operations.

10. BIOLOGICAL ASSETS

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The biological assets of the Company are substantially represented by living animals which are segregated by the categories: poultry, pork and cattle. In addition, these categories are separated into consumable and for production.

In the Management's opinion, the fair value of the biological assets is substantially represented by their cost, mainly due to the short life cycle of the animals and to the fact that a significant portion of the profitability of the Company's 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 in 2013 by an independent appraiser, which shows a non-significant difference between the fair value and the cost of biological assets. Therefore, they were measured at weighted average cost.

During the three month period ended March 31, 2014, Management did not identify any event that could impact the business model or the assumptions utilized in the analysis performed in 2013.

The balance of live animals and forests segregated in current and non-current assets are presented below.

	03.31.14	12.31.13
Live animals	**1,203.4**	1,205.9
Total current	**1,203.4**	1,205.9
Live animals	**444.6**	446.1
Forests	**121.7**	122.9
Total non-current	**566.3**	569.0
	1,769.7	1,774.9

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	03.31.14		12.31.13	
	Quantity (thousand of heads)	Value	Quantity (thousand of heads)	Value
Consumable biological assets				
Immature poultry	**175.3**	**519.4**	187.9	531.7
Immature pork	**3.4**	**616.4**	3.3	586.5
Immature cattle	**0.1**	**67.7**	0.1	87.7
Total current	**178.8**	**1,203.4**	191.3	1,205.9
Production biological assets				
Immature poultry	**6.7**	**91.2**	6.5	87.4
Mature poultry	**10.8**	**148.8**	11.6	156.8
Immature pork	**0.2**	**40.1**	0.2	38.7
Mature pork	**0.4**	**164.2**	0.4	163.0
Immature cattle	**-**	**-**	-	0.1
Mature cattle	**-**	**0.2**	-	0.1
Total non-current	**18.1**	**444.6**	18.7	446.1
	196.9	**1,648.0**	210.0	1,652.0

The rollforward of live animals for the period is presented below:

	Current				Non-current			
	Poultry	Pork	Cattle	Total	Poultry	Pork	Cattle	Total
Balance as of 12.31.13	531.7	586.5	87.7	1,205.9	244.3	201.7	0.1	446.1
Acquisition	33.0	265.7	32.7	331.4	7.5	28.8	-	36.3
Increase due to reproduction, consumption of animal feed, medication and remuneration of outgrowers	268.7	30.8	(2.6)	296.9	81.2	2.5	0.1	83.8
Depreciation	-	-	-	-	(76.5)	(15.6)	-	(92.1)
Transfer between current and non-current	16.5	13.0	-	29.5	(16.5)	(13.0)	-	(29.5)
Reduction due to slaughtering	(328.9)	(279.6)	(50.2)	(658.7)	-	-	-	-
Exchange rate variation	(1.6)	-	-	(1.6)	-	-	-	-
Balance as of 03.31.14	**519.4**	**616.4**	**67.6**	**1,203.4**	**240.0**	**204.4**	**0.2**	**444.6**

The breeding animal costs are depreciated using the straight-line method for a period from 15 to 30 months.

11. RECOVERABLE TAXES

	03.31.14	12.31.13
State ICMS ("VAT")	**1,092.4**	1,017.3
PIS and COFINS ("Federal Taxes to Social Fund Programs")	**451.8**	507.8
Withholding income and social contribution tax	**639.9**	623.5
IPI ("Federal VAT")	**59.9**	60.3
Other	**116.5**	119.3
(-) Allowance for losses	**(239.7)**	(224.5)
	2,120.8	2,103.7
Current	**1,337.6**	1,302.9
Non-current	**783.2**	800.8

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The rollforward of the allowance for losses is presented below:

	12.31.13	Additions	Exchange rate variation	03.31.14
State ICMS ("VAT")	(175.7)	(3.0)	-	**(178.7)**
Withholding income tax and social contribution	(8.6)	(0.1)	-	**(8.7)**
PIS and COFINS ("Federal Taxes to Social Fund Programs")	(17.7)	(13.8)	-	**(31.5)**
IPI ("Federal VAT")	(14.7)	-	-	**(14.7)**
Other	(7.8)	-	1.7	**(6.1)**
	(224.5)	**(16.9)**	**1.7**	**(239.7)**

12. ASSETS HELD FOR SALE

	12.31.13	Transfers from property, plant and equipment	Disposals	03.31.14
Lands	56.1	19.6	(1.1)	**74.6**
Buildings and improvements	1.7	7.7	(0.8)	**8.6**
Machinery and equipment	3.2	0.5	-	**3.7**
Facilities	-	0.2	-	**0.2**
Furniture	-	0.1	-	**0.1**
Vehicles and aircraft	2.1	-	(2.0)	**0.1**
Forests	85.8	-	-	**85.8**
	148.9	**28.1**	**(3.9)**	**173.1**

The gains or losses on disposals of assets classified as held for sale are recorded under other operating income (expenses), net (note 33).

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

13. INCOME AND SOCIAL CONTRIBUTION TAXES

13.1. Deferred income and social contribution taxes

	03.31.14	12.31.13
Assets		
Tax loss carryforwards (corporate income tax)	**759.8**	732.1
Negative calculation basis (social contribution tax)	**294.7**	278.5
Temporary differences		
Provisions for tax, civil and labor risks	**151.5**	150.5
Suspended collection taxes	**74.7**	70.2
Allowance for doubtful accounts	**12.7**	16.1
Provision for property, plant and equipment losses	**6.8**	6.5
Provision for tax credits realization	**77.8**	70.8
Provision for other obligations	**40.9**	55.7
Employees' profit sharing	**24.3**	51.6
Provision for inventories	**8.6**	15.9
Employees' benefits plan	**102.6**	99.0
Business combination - Sadia [1]	**665.1**	695.6
Unrealized losses on derivatives financial instruments	**-**	83.6
Unrealized losses on fair value measurement	**19.0**	20.9
Estimated annual effective tax rate - IAS 34	**5.5**	-
Other temporary differences	**50.6**	59.0
	2,294.6	2,406.0
Liabilities		
Temporary differences		
Business combination - Sadia and Quickfood [1]	**(883.9)**	(894.1)
Difference between tax basis and accounting basis of goodwill amortization	**(348.4)**	(335.9)
Difference between tax basis and accounting basis on leases	**(27.1)**	(26.8)
Difference between tax depreciation rate and accounting depreciation rate	**(490.0)**	(468.4)
Other temporary differences	**(12.8)**	(15.1)
	(1,762.2)	(1,740.3)
Total net deferred tax asset	**532.4**	665.7
Business combination - Dánica and Avex (deferred tax liability)	**(15.8)**	(20.6)
Total deferred tax	**516.6**	645.1

(1) The deferred tax asset on the business combination with Sadia is mainly computed on the difference between the goodwill tax basis and goodwill accounting basis identified in the purchase price allocation. Deferred tax liabilities on business combinations Sadia and Quickfood are substantially represented by the fair value of property, plant and equipment, trademarks and contingent liabilities.

Certain subsidiaries of the Company have tax loss carryforwards and negative basis of social contribution of R$18.5 and R$18.3, respectively, (R$18.5 and R$18.3 as of December 31, 2013), for which no deferred tax asset was recorded. If there was an expectation that such tax credits would be realized the amount recognized in the balance sheet would be R$6.3 (R$6.3 as of December 31, 2013).

On November 11, 2013, a Provisional Measure No. 627 was published which revokes the Transition Tax Regime ("RTT") and introduce other measures, including: (i) amendments in Decree-Law No. 1,598/77 which deals with the corporate income tax as well as amending the relevant legislation to social contribution tax, (ii) provides that the amendment or adoption of accounting methods and criteria through administrative acts issued based on jurisdiction assigned by business law, which are subsequent to the publication of this Provisional Measure, there is no implication in the calculation of federal taxes until tax law regulates the subject; (iii) includes specific treatment on the potential taxation of profits or dividends; (iv) includes provisions concerning the calculation of interest on shareholders' equity and (v) includes considerations on investments measured at equity method.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The requirements of the Provisional Measure are in force from 2015 onwards. Early adoption for 2014 may eliminate potential tax effects, especially related to payment of dividends and interest on shareholders' equity that were effectively paid up to the date of publication of this Provisional Measure. The Company prepared an analysis of the Provisional Measure and concluded that given the legislation published so far, whether early adopted or not, it would not result in any material adjustments to the Company's consolidated financial statements. However, changes to taxation of foreign earnings may result in increased tax burden. Management is awaiting the evolution and negotiations of the amendments to the text of the Provisional Measure in order to decide on its early adoption within the deadlines established by that tax rule.

13.2. Estimated time of realization

Deferred tax arising from temporary differences will be realized as they are settled or realized. The period of the settlement or realization of such differences would not be properly estimated and is tied to several factors that are not under control of the Company's Management.

When assessing the likelihood of the realization of deferred tax assets on income tax loss carryforward and negative calculation bases of social contribution tax, Management considers the Company's budget, strategic plan and projected taxable income. Based on this estimate, Management believes that it is more likely than not that the deferred tax will be realized, as presented below:

2014	**62.2**
2015	**77.5**
2016	**97.3**
2017	**113.1**
2018	**132.3**
2019-2021	**479.0**
2022-2023	**93.1**
	1,054.5

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The rollforward of deferred income tax is as follows:

	03.31.14	12.31.13
Beginning balance	**645.1**	690.4
Deferred income tax recorded in the statement of income	**(42.7)**	(116.0)
Deferred income tax recorded in other comprehensive income	**(80.4)**	60.7
Business combination - Quickfood	**1.3**	9.4
Other	**(6.7)**	0.6
Ending balance	**516.6**	645.1

13.3. Income and social contribution taxes reconciliation

	03.31.14	03.31.13
Income before taxes	**365.3**	429.3
Nominal tax rate	**34%**	34%
Tax expense at nominal rate	**(124.2)**	(146.0)
Reconciling items:		
Income from associates and joint ventures	**3.9**	2.4
Exchange rate variation on foreign investments	**(31.1)**	(21.7)
Difference of tax rates on results of foreign subsidiaries	**94.6**	(4.1)
Investment grant	**9.1**	9.5
Estimated annual effective tax rate	**5.5**	85.9
Other permanent differences	**(3.7)**	1.0
	(45.9)	(73.0)
Current income tax	**(3.2)**	(63.7)
Deferred income tax	**(42.7)**	(9.3)

The taxable income, current and deferred income tax reported by the foreign subsidiaries is presented below:

	03.31.14	03.31.13
Taxable income (loss) from foreign subsidiaries	**267.6**	(42.5)
Current income tax credit (expense) from foreign subsidiaries	**(2.4)**	1.1
Deferred income tax from foreign subsidiaries	**2.6**	4.1

The Company has determined that the earnings reported by the holdings of its wholly-owned subsidiaries located abroad will not be redistributed. Such resources will be used for investments in the subsidiaries, and thus no deferred income tax was recognized. The total of undistributed earnings corresponds to R$1,399.7 as of March 31, 2014 (R$1,158.8 as of December 31, 2013).

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. Subsidiaries located abroad are subject to taxes in their respective jurisdictions, according to local regulations.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

14. JUDICIAL DEPOSITS

The rollforward of the judicial deposits is presented below:

	12.31.13	Additions	Reversals	Write-offs	Price index update	Exchange rate variation	03.31.14
Tax	292.6	16.2	(0.9)	(2.9)	6.5	-	**311.5**
Labor	156.0	18.4	(2.9)	(7.5)	3.3	(0.1)	**167.2**
Civil, commercial and other	30.1	2.9	(4.6)	(0.6)	0.5	(0.9)	**27.4**
	478.7	**37.5**	**(8.4)**	**(11.0)**	**10.3**	**(1.0)**	**506.1**

15. RESTRICTED CASH

	Maturity	Currency	Average interest rate (p.a.)	03.31.14	12.31.13
National treasury certificates	2020	R$	19.31%	**103.6**	99.2
				103.6	99.2

The national treasury certificates are pledged as collateral for the loan obtained through the Special Program Asset Restructuring (“PESA”), see note 19.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

16.1. Investments breakdown

	03.31.14	12.31.13
Investment in associates and joint ventures	**117.3**	105.9
Other investments	**1.9**	2.1
	119.2	108.0

The exchange rate variation result on the investments in foreign subsidiaries, whose functional currency is Brazilian Reais, totaling a loss of R$91.62 on March 31, 2014 (loss of R$63.7 as of March 31, 2013) was recognized as financial income in the statement of income.

On March 31, 2014, these associates and joint ventures do not have any significant restriction to transfer dividends or repay their loans or advances to the Company.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

16.2. Summary of financial information in associates and joint ventures

								Associate		
	K&S		Nutrifont		PP-BIO		PR-SAD	UP!		Fe
	03.31.14	12.31.13	**03.31.14**	12.31.13	**03.31.14**	12.31.13	**03.31.14**	**03.31.14**	12.31.13	**03.31.1**
Current assets	**18.4**	16.3	**1.2**	4.6	**-**	-	**-**	**51.8**	42.9	**135.4**
Non-current assets	**4.8**	4.9	**20.9**	14.4	**1.0**	1.0	**1.9**	**0.1**	-	**3.8**
Current liabilities	**(7.8)**	(7.2)	**(4.1)**	(1.1)	**-**	-	**-**	**(15.6)**	(14.5)	**(89.4**
Non-current liabilities	**(0.4)**	(0.4)	**-**	-	**-**	-	**-**	**-**	-	**(4.8**
	15.0	13.6	**18.0**	17.9	**1.0**	1.0	**1.9**	**36.3**	28.4	**45.0**

	K&S		Nutrifont		PP-BIO		PR-SAD	UP!		Fe
	03.31.14	03.31.13	**03.31.14**	03.31.13	**03.31.14**	03.31.13	**03.31.14**	**03.31.14**	03.31.13	**03.31.1**
Net revenues	**13.4**	10.8	**-**	-	**-**	-	**-**	**23.5**	22.5	**85.3**
Operational expenses	**(2.9)**	(1.9)	**-**	-	**-**	-	**-**	**(4.6)**	(3.6)	**(12.4**
Net income (loss)	**1.4**	1.4	**-**	0.1	**-**	-	**-**	**7.9**	8.2	**2.6**
% of interest	**49%**	49%	**50%**	50%	**33%**	0%	**33%**	**50%**	50%	**49%**

(Amounts expressed in millions of Brazilian Reais, unless otherwise state

17. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment rollforward is presented below:

	Weighted average depreciation rate (% p.a.)	12.31.13	Additions	Disposals	Transfers	Transfers held for sa
Cost						
Land	-	567.1	-	(0.2)	(1.3)	(19.
Buildings and improvements	-	5,414.1	-	(14.2)	87.3	(11.
Machinery and equipment	-	6,538.1	7.7	(38.8)	122.1	(3.
Facilities	-	1,573.3	-	(0.8)	15.9	(0.
Furniture	-	111.6	0.2	(1.5)	2.0	(0.
Vehicles and aircrafts	-	160.5	0.2	(1.7)	0.1	(0.
Construction in progress	-	798.4	191.2	-	(215.9)	-
Advances to suppliers	-	13.8	14.3	-	(16.6)	-
		15,176.9	**213.6**	**(57.2)**	**(6.4)**	**(35.**
Depreciation						
Buildings and improvements	3.05	(1,348.2)	(38.3)	13.8	(2.6)	3.
Machinery and equipment	5.84	(2,427.9)	(98.1)	20.5	(0.3)	2.
Facilities	3.92	(459.2)	(16.1)	0.7	2.8	0.
Furniture	8.03	(53.4)	(2.1)	0.9	-	0.
Vehicles and aircrafts	14.83	(47.6)	(5.8)	0.8	0.1	0.
		(4,336.3)	**(160.4)**	**36.7**	**(0.0)**	**7.**
Provision for losses		**(19.0)**	**-**	**-**	**-**	**-**
		10,821.6	**53.2**	**(20.5)**	**(6.4)**	**(28.**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The Company has fully depreciated items that are still in operation, which are set forth below:

	03.31.14	12.31.13
Cost		
Buildings and improvements	**123.7**	122.9
Machinery and equipment	**642.0**	618.3
Facilities	**75.9**	75.3
Furniture	**16.2**	21.0
Vehicles and aircrafts	**5.4**	5.6
Others	**31.6**	28.2
	894.8	871.3

During the three month period ended March 31, 2014, the Company capitalized interest of R$10.8 (R$11.9 as of March 31, 2013). The weighted average interest rate utilized to determine the capitalized amount was 6.05% (8.08% on March 31, 2013).

On March 31, 2014, the Company had no commitments assumed related to acquisition or construction of property, plant and equipment items.

The property, plant and equipment items that are pledged as collateral for various transactions are presented below:

		03.31.14	12.31.13
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Labor/Tax/Civil	**317.4**	330.8
Buildings and improvements	Financial/Labor/Tax/Civil	**1,657.7**	1,824.7
Machinery and equipment	Financial/Labor/Tax	**2,004.7**	2,054.9
Facilities	Financial/Labor/Tax	**609.1**	660.0
Furniture	Financial/Labor/Tax/Civil	**18.5**	19.9
Vehicles and aircrafts	Financial/Tax	**1.2**	1.6
Others	Financial/Labor/Tax/Civil	**82.7**	100.5
		4,691.3	4,992.4

The Company is not allowed to pledge these assets to other transactions or sell them.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

18. INTANGIBLES

Intangible assets are comprised as follows:

	Weighted average amortization rate (% p.a.)	Cost	Accumulated amortization	03.31.14	12.31.13
Non-compete agreement	2.44	0.3	(0.2)	**0.1**	0.1
Goodwill	-	3,091.4	-	**3,091.4**	3,101.8
Exclusivity agreement	100.00	0.4	(0.4)	**-**	-
Outgrowers relationship	12.50	12.7	(2.7)	**10.0**	10.2
Trademarks	-	1,298.7	-	**1,298.7**	1,302.3
Patents	17.34	4.9	(1.8)	**3.1**	3.4
Customer relationship	7.71	175.9	(13.3)	**162.6**	168.1
Supplier relationship	42.00	9.2	(5.4)	**3.8**	5.6
Software	20.00	324.4	(174.8)	**149.6**	166.4
		4,917.9	**(198.6)**	**4,719.3**	4,757.9

The intangible assets rollforward is set forth below:

	12.31.13	Additions	Disposals	Transfers	Exchange rate variation	03.31.14
Cost:						
Goodwill:	3,101.8	-	-	-	(10.4)	**3,091.4**
Ava	49.4	-	-	-	-	**49.4**
Avex	32.8	-	-	-	(7.0)	**25.8**
Batavia	133.2	-	-	-	-	**133.2**
Cotochés	39.6	-	-	-	-	**39.6**
Dánica	8.4	-	-	-	(1.8)	**6.6**
Eleva Alimentos	1,273.3	-	-	-	-	**1,273.3**
Federal Foods	25.2	-	-	-	(0.9)	**24.3**
Heloísa	33.5	-	-	-	-	**33.5**
Incubatório Paraíso	0.7	-	-	-	-	**0.7**
Paraíso Agroindustrial	16.8	-	-	-	-	**16.8**
Perdigão Mato Grosso	7.6	-	-	-	-	**7.6**
Plusfood	21.1	-	-	-	(0.7)	**20.4**
Quickfood	246.3	-	-	-	-	**246.3**
Sadia	1,214.0	-	-	-	-	**1,214.0**
Non-compete agreement	0.4	-	-	-	(0.1)	**0.3**
Exclusivity agreement	0.5	-	-	-	(0.1)	**0.4**
Outgrowers relationship	12.5	0.2	-	-	-	**12.7**
Trademarks	1,302.3	-	-	-	(3.6)	**1,298.7**
Patents	5.5	-	(0.8)	-	0.1	**4.8**
Customer relationship	179.6	-	-	-	(3.7)	**175.9**
Supplier relationship	146.1	-	(135.0)	-	(2.0)	**9.1**
Software	329.3	-	-	2.9	(7.7)	**324.5**
	5,078.0	**0.2**	**(135.8)**	**2.9**	**(27.5)**	**4,917.8**
Amortization:						
Non-compete agreement	(0.3)	-	-	-	0.1	**(0.2)**
Exclusivity agreement	(0.5)	-	-	-	0.1	**(0.4)**
Outgrowers relationship	(2.3)	(0.4)	-	-	-	**(2.7)**
Patents	(2.1)	(0.2)	0.4	-	-	**(1.9)**
Customer relationship	(11.5)	(2.5)	-	-	0.8	**(13.2)**
Supplier relationship	(140.5)	(0.6)	135.0	-	0.9	**(5.2)**
Software	(162.9)	(12.5)	-	-	0.5	**(174.9)**
	(320.1)	**(16.2)**	**135.4**	**-**	**2.4**	**(198.5)**
	4,757.9	**(16.0)**	**(0.4)**	**2.9**	**(25.1)**	**4,719.3**

During the three month period ended March 31, 2014, Management did not identify any impairment indicator of intangible assets.

(Amounts expressed in millions of Brazilian Reais, unless otherwise state

19. LOANS AND FINANCING

	Charges (% p.a.)	Weighted average interest rate (% p.a.)	WAMT [1]	Curren
Local currency				
Working capital	5.50% (5.50% on 12.31.13)	5.50% (5.50% on 12.31.13)	0.5	1,129.5
Export credit facility	98.50% CDI / Fixed rate (98.50% CDI / TJLP + 3.75% / Fixed rate on 12.31.13)	8.47% (8.21% on 12.31.13)	0.7	994.7
Development bank credit lines	Fixed rate / TJLP + 2.55% (Fixed rate / TJLP + 2.56% on 12.31.13)	4.53% (4.68% on 12.31.13)	1.8	248.1
Bonds	7.75% (7.75% on 12.31.13)	7.75% (7.75% on 12.31.13)	4.2	13.7
Other secured debts and financial lease	8.27% (8.37% on 12.31.13)	8.27% (8.37% on 12.31.13)	3.8	61.1
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.13)	12.15% (10.37% on 12.31.13)	6.2	0.7
Fiscal incentives	Fixed rate / 10.00% IGPM + 1.00% (Fixed rate / 10.00% IGPM + 1.00% on 12.31.13)	2.10% (1.70% on 12.31.13)	17.3	-
				2,447.8
Foreign currency				
Bonds	6.47% (6.13% on 12.31.13) + e.r. US$ and ARS	6.47% (6.13% on 12.31.13) + e.r. US$ and ARS	7.1	92.3
Export credit facility	LIBOR + 2.71% (LIBOR + 2.71% on 12.31.13) + e.r. US$	3.01% (3.06% on 12.31.13) + e.r. US$	4.1	-
Working capital	Fixed rate + LIBOR + 4.75% (Fixed rate + LIBOR + 4.75% on 12.31.13) + e.r. US$ and ARS	26.95% (27.12% on 12.31.13) + e.r. US$ and ARS	0.1	109.1
Development bank credit lines	UMBNDES + 2.20% (UMBNDES + 2.20% on 12.31.13) + e.r. US$ and other currencies	6.01% (5.85% on 12.31.13) + e.r. US$ and other currencies	1.2	34.3
Other secured debts and financial lease	15.09% (15.08% on 12.31.13) + e.r. ARS	15.09% (15.08% on 12.31.13) + e.r. ARS	1.2	7.3
				243.0
				2,690.8

[1] Weighted average maturity in years.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The main characteristics of loan and financing agreements entered into by the Company were detailed disclosed in note 19 to the consolidated financial statements for the year ended December 31, 2013.

19.1 Loans and financing maturity schedule

The maturity schedule of the loans and financing is as follow:

	03.31.14
2014	**1,968.1**
2015	**969.2**
2016	**314.4**
2017	**932.3**
2018 onwards	**5,743.7**
	9,927.7

19.2 Guarantees

	03.31.14	12.31.13
Total of loans and financing	**9,927.7**	10,181.2
Mortgage guarantees	**1,217.6**	1,278.4
Related to FINEM-BNDES	**761.1**	817.3
Related to FNE-BNB	**324.9**	335.4
Related to tax incentives and other	**131.6**	125.7
Statutory lien on assets acquired with financing	**16.3**	26.8
Related to FINEM-BNDES	**1.1**	1.2
Related to financial lease	**15.2**	25.6

The Company is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade from the BNDES. The loan was obtained with the purpose of allowing the implementation of biodigesters in the farms of the outgrowers which take part in the Company´s integration system, targeting the reduction of the emission of Greenhouse Gases. The value of these guarantees on March 31, 2014 totaled R$58.3 (R$61.1 as of December 31, 2013).

The Company is the guarantor of loans related to a special program, which aimed the local development of outgrowers in the central region of Brazil. The proceeds of such loans are utilized by the outgrowers to improve farm conditions and will be paid by them in 10 years, taking as collateral the land and equipment acquired by the outgrowers through this program. The guarantee as of March 31, 2014 totaled R$357.6 (R$363.7 as of December 31, 2013).

On March 31, 2014, the Company contracted bank guarantees in the amount of R$1,727.6 (R$1,707.2 as of December 31, 2013). The variation occurred during three month period ended March 31, 2014 is related to bank guarantees offered mainly in tax claims involving the Company´s use of tax credits. These guarantees have an average cost of 0.90% p.a. (0.92% p.a. as of December 31, 2013).

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

19.3 Commitments

In the normal course of the business, the Company enters into agreements with third parties which are mainly related to the purchase of raw materials, such as corn and soymeal, where the agreed prices can be fixed or to be fixed. The Company enters into other agreements, such as electricity, packaging supplies and manufacturing activities. The amounts of the agreements at the balance sheet date are presented below:

	03.31.14
2014	**2,548.0**
2015	**941.4**
2016	**459.8**
2017	**432.4**
2018 onwards	**1,063.6**
	5,445.2

During three month period ended March 31, 2014, the Company has not entered into any built-to-suit agreement.

20. TRADE ACCOUNTS PAYABLE

	03.31.14	12.31.13
Domestic suppliers		
Third parties	**3,123.2**	3,028.5
Related parties	**16.8**	12.0
	3,140.0	3,040.5
Foreign suppliers		
Third parties	**621.8**	634.1
Related parties	**0.1**	0.1
	621.9	634.2
(-) Adjustment to present value	**(24.6)**	-
	3,737.3	3,674.7

During the three month period ended March 31, 2014, the average turnover for trade accounts payable is 59 days.

The information on accounts payable involving related parties is presented in note 29. The trade accounts payable to related parties refer to transactions with associates UP! and Nutrifont in the domestic market and with the joint ventures Federal Foods and Rising Star in the foreign market.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

21. OTHER FINANCIAL ASSETS AND LIABILITIES

	03.31.14	12.31.13
Derivative financial instruments		
Financial instruments designated as cash flow hedge		
Assets		
Non-deliverable forward (NDF)	**24.0**	0.8
Currency option contracts	**11.9**	2.7
Fixed exchange rate contracts	**14.0**	1.5
Exchange rate contracts (Swap)	**-**	0.6
	49.9	5.6
Liabilities		
Non-deliverable forward (NDF)	**(13.5)**	(59.4)
Currency option contracts	**(0.2)**	(3.0)
Fixed exchange rate contracts	**(2.2)**	(11.9)
Exchange rate contracts (Swap)	**(108.9)**	(275.9)
	(124.8)	(350.2)
Financial instruments not designated as cash flow hedge		
Assets		
Non-deliverable forward (NDF)	**-**	2.7
Swap contracts	**0.1**	-
Dollar future contracts - BMF	**0.5**	3.3
	0.6	6.0
Liabilities		
Non-deliverable forward (NDF)	**(0.7)**	(0.2)
Live cattle forward contracts	**-**	(0.5)
Live cattle option contracts	**-**	(0.2)
Exchange rate contracts (Swap)	**(4.6)**	(6.1)
	(5.3)	(7.0)
Current assets	**50.5**	**11.6**
Current liabilities	**(130.1)**	**(357.2)**

The collateral given in the transactions presented above are disclosed in note 7.

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 non-cancellable operating lease are presented below:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	03.31.14
2014	**56.7**
2015	**57.1**
2016	**50.2**
2017	**48.6**
2018 onwards	**181.6**
	394.2

The payments of operating lease agreements recognized as expense in the three months period ended March 31, 2014 amounted to R$65.8 (R$65.6 as of March 31, 2013).

22.2 Finance lease

The Company enters into finance leases mainly for the acquisitions of machinery, equipment, vehicles, software and buildings.

The Company controls the leased assets which are presented below:

	Weighted average interest rate (% p.a.) [(1)]	**03.31.14**	12.31.13
Cost			
Machinery and equipment		**82.3**	86.5
Software		**22.1**	22.1
Vehicles		**137.9**	138.9
Buildings		**110.4**	113.8
		352.7	361.3
Accumulated depreciation			
Machinery and equipment	18.69	**(31.5)**	(27.0)
Software	20.00	**(10.0)**	(8.9)
Vehicles	14.19	**(41.8)**	(37.0)
Buildings	15.43	**(11.3)**	(9.6)
		(94.6)	(82.5)
		258.1	278.8

(1) The period of depreciation of leased assets corresponds to the lowest of term of the contract and the useful life of the asset, as determined by IAS 17.

The minimum future payments required for these finance leases are demonstrated as follows:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

	03.31.14		
	Present value of minimum payments [1]	Interest	Minimum future payments [2]
2014	**50.4**	**15.1**	**65.5**
2015	**24.2**	**10.6**	**34.7**
2016	**14.6**	**7.8**	**22.3**
2017	**11.9**	**7.7**	**19.6**
2018 onwards	**92.2**	**69.4**	**161.7**
	193.3	**110.6**	**303.8**

[1] Comprises the amount of R$15.3 related to financial lease of vehicles which are recorded as loans and financing.

[2] Comprises the amount of R$15.8 related to financial lease of vehicles which are recorded as loans and financing.

The contract terms for both modalities, with respect to renewal, adjustment and purchase option, are according to market practices. In addition, there are no clauses of contingent payments or restrictions on dividends distribution, payments of interest on shareholders' equity or obtaining debt.

23. SHARE BASED PAYMENT

The rules for the stock options plan granted to Company's executive were disclosed in the consolidated financial statements for the year ended December 31, 2013 (note 23) and have not changed since then.

The breakdown of the outstanding granted options is presented as follows:

	Date		Quantity		Grant [1]	Price of converted share [1]	
Grant date	Beginning of the year	End of the year	Options granted	Outstanding options	Fair Value of the option	Granting date	Updated IPCA
05/03/10	05/02/11	05/02/15	1,540,011	381,734	7.77	23.44	29.23
05/02/11	05/01/12	05/01/16	2,463,525	1,064,548	11.36	30.85	36.12
05/02/12	05/01/13	05/01/17	3,708,071	1,670,557	7.82	34.95	38.94
05/02/13	05/01/14	05/01/18	3,490,201	2,141,837	11.88	46.86	49.02
			11,201,808	**5,258,676**			

[1] Values expressed in Brazilian Reais.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The rollforward of the outstanding granted options for the three month period ended March 31, 2014 is presented as follows:

Quantity of outstanding options as of December 31, 2013	**6,932,434**
Exercised - grant of 2012	(381,082)
Exercised - grant of 2011	(168,624)
Exercised - grant of 2010	(114,966)
Cancelled	
Grant of 2013	(610,716)
Grant of 2012	(297,775)
Grant of 2011	(100,595)
Quantity of outstanding options as of March 31, 2014	**5,258,676**

The weighted average exercise prices of the outstanding options is R$41.77 (forty one Brazilian Reais and seventy-seven cents), and the weighted average of the remaining contractual term is 38 months.

The Company records as capital reserve in shareholders' equity the fair value of the options in the amount of R$77.1 (R$72.2 as of December 31, 2013). In the statement of income for the three month period ended March 31, 2014 the amount recognized as expense was R$4.9 (R$4.2 as of March 31, 2013).

During three month period ended March 31, 2014, the Company's executives exercised 664,672 shares, with an average price of R$36.20 (thirty six Brazilian Reais and twenty cents) totaling R$24.1. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$43.34 (forty three Brazilian Reais and thirty four cents), totaling R$28.8, recording a loss in the amount of R$4.7 as capital reserve.

The fair value of the stock options was measured using the Black-Scholes pricing model, as disclosed in the consolidated financial statements for the year ended December 31, 2013 (note 23). There is no change in the methodology adopted during the three month period ended March 31, 2014.

24. PENSION AND OTHER POST-EMPLOYMENT PLANS

The Company offers pension and other post-employment plans to its employees. The characteristics of such benefits were disclosed in the consolidated financial statements for the year ended December 31, 2013 (note 24) and have not been changed since then.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

The actuarial liabilities as of March 31, 2014 and December 31, 2013 are presented below:

	Liabilities	
	03.31.14	12.31.13
Medical assistance	**119.1**	115.5
Penalty F.G.T.S. [(1)]	**116.5**	112.0
Reward for working time	**43.0**	41.4
Other	**23.2**	22.3
	301.8	291.2
Current	**49.0**	49.0
Non-current	**252.8**	242.2

[(1)] F.G.T.S – Government Severance Indemnity Fund for Employees.

25. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company and its subsidiaries are involved in certain legal proceedings arising from the normal course of business, which include civil, administrative, tax, social security and labor claims.

The Company classifies the risk of unfavorable decisions in the legal proceedings as "probable", "possible" or "remote". The provisions recorded relating to such proceedings is determined by the Company's management, based on legal advice and reasonably reflect the estimated probable losses.

The Company's management believes that its provision for tax, civil and labor risks, accounted for in according with IAS 37 is sufficient to cover estimated 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:

	12.31.13	Additions	Reversals	Payments	Price index update	Exchange rate variation	03.31.14
Tax	141.5	4.7	(4.4)	(0.3)	2.5	(0.9)	**143.1**
Labor	276.1	40.6	(15.6)	(30.3)	9.8	(3.2)	**277.3**
Civil, commercial and other	48.3	5.8	(3.4)	(8.4)	1.9	(0.4)	**43.8**
Contingent liabilities	553.4	0.4	(0.4)	-	-	(2.2)	**551.3**
	1,019.3	**51.5**	**(23.8)**	**(39.0)**	**14.2**	**(6.7)**	**1,015.5**
Current	243.9						**234.2**
Non-current	775.4						**781.3**

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

25.2 Contingencies classified as possible loss

The Company is involved in other tax, civil, labor and social security contingencies, for which losses have been assessed as possible by management with the support from legal counsel and therefore no provision was recorded. On March 31, 2014 the total amount of the possible contingencies was R$8,739.0 (R$8,433.8 as of December 31, 2013), from which R$551.3 (R$553.4 as of December 31, 2013) were recorded at the estimated fair value resulting from business combinations with Sadia, Avex and Dánica as determined by paragraph 23 of IFRS 03, as presented in the table above. The main natures of these contingencies were properly disclosed in the consolidated financial statements for the year ended December 31, 2013 (note 25.2).

26. SHAREHOLDERS' EQUITY

26.1. Capital stock

On March 31, 2014, the capital subscribed and paid by the Company is R$12,553.4, which is composed of 872,473,246 book-entry shares of common stock without par value. The value of the capital stock is net of the public offering expenses of R$92.9.

The Company is authorized to increase the capital stock, irrespective of amendment to the bylaws, up to the limit of 1,000,000,000 common shares, in book-entry form without par value.

26.2. Interest on shareholders' equity and dividends

On February 14, 2014, the payment of R$365.0 was made related to the interest on shareholders' equity proposed by the Management on December 20, 2013 and approved in the Shareholders Ordinary Meeting on April 3, 2014.

26.3. Breakdown of capital stock

	03.31.14	12.31.13
Common shares	**872,473,246**	872,473,246
Treasury shares	**(1,120,835)**	(1,785,507)
Outstanding shares	**871,352,411**	870,687,739

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

26.4. Rollforward of outstanding shares

	Quantity of outstanding of shares	
	03.31.14	12.31.13
Shares at the beggining of the period	**870,687,739**	870,073,911
Purchase of treasury shares	**-**	(1,381,946)
Sale of treasury shares	**664,672**	1,995,774
Shares at the end of the period	**871,352,411**	870,687,739

26.5. Treasury shares

The Company has 1,120,835 shares in treasury, with an average cost of R$43.34 (forty three Brazilian Reais and thirty four cents) per share, with a market value of R$50.8.

During three month period ended, the Company sold 664,672 treasury shares due to exercise of the stock options by the Company's executives.

27. EARNINGS PER SHARE

	03.31.14	03.31.13
Basic numerator		
Net profit for the period attributable to controlling shareholders	**319.4**	356.3
Basic denominator		
Common shares	**872,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**871,018,774**	870,113,882
Net earnings per share basic - R$	**0.36675**	0.40952
Diluted numerator		
Net profit for the period attributable to controlling shareholders	**319.4**	356.3
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**871,018,774**	870,113,882
Number of potential shares (stock options)	**367,061**	652,252
Weighted average number of outstanding shares - diluted	**871,385,835**	870,766,134
Net earnings per share diluted - R$	**0.36660**	0.40921

On March 31, 2014, from the total of 5,258,676 stock options outstanding (6,372,427 as of March 31, 2013) granted to executives of the Company, 2,141,837 options (all options were considered in the calculation as of March 31, 2013) were not considered in the calculation of the diluted earnings per share due to the fact that the exercise price until the vesting period (R$57.29 (fifty seven Brazilian Reais and twenty nine cents)) was higher than the average market price of the common shares during the period (R$48.85 (fourth eight Brazilian Reais and eighty five cents)), so that they did not cause any dilution effect.

28. GOVERNMENT GRANTS

The Company has tax benefits related to ICMS for investments granted by the governments of states of Goiás, Pernambuco, Mato Grosso and Bahia. Such incentives are directly associated to the manufacturing facilities operations, job generation and economic and social development in these states.

During three month period ended March 31, 2014, government grants totaled R$26.8 (R$120.8 as of December 31, 2013) which was recorded in the reserve for tax incentives.

29. RELATED PARTIES

As part of the Company's operations, rights and obligations arise between related parties, resulting from transactions of purchase and sale of products, loans agreed on market conditions for similar transactions, based on contracts.

All companies presented in note 1.1 are controlled by BRF, except for UP! Alimentos Ltda, K&S, PP-BIO and Nutrifont, which are associates and Federal Foods and Rising Star which are joint ventures. During three month period ended March 31, 2014, Galeazzi and Associates consulting firm, which BRF has no equity interest, provided advisory services for strategic management and organizational restructuring.

The Company settled the loan agreements with Instituto Perdigão de Sustentabilidade during the three month period ended March 31, 2014.

The Company also recorded a liability in the amount of R$12.6 (R$13.2 as of December 31, 2013) related to the fair value of the guarantees offered to BNDES relating to a loan obtained by the Instituto Sadia de Sustentabilidade.

Due to the acquisition of biodigesters from Instituto Sadia de Sustentabilidade, as of March 31, 2014 the Company recorded a payable to this entity of R$45.7 included in other liabilities (R$47.8 as of December 31, 2013).

The Company entered into loans agreement with its subsidiaries. Below is a summary of the balances and rates charged for the transactions which corresponding balance is above R$10.0 at the balance sheet date:

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

Counterparty				Interest
Creditor	**Debtor**	**Currency**	**03.31.14**	**rate (p.a.)**
BFF International Ltd.	Perdigão International Ltd.	US$	**953.3**	8.0%
BRF GmbH	BRF Global GmbH	US$	**818.7**	1.1%
Sadia Overseas Ltd.	Wellax Food Comércio	US$	**496.3**	7.0%
BFF International Ltd.	Wellax Food Comércio	US$	**301.7**	8.0%
Sadia International Ltd.	Wellax Food Comércio	US$	**137.9**	1.5%
BRF GmbH	Plusfood Holland B.V.	EUR	**113.8**	3.0%
Plusfood Holland B.V.	Plusfood B.V.	EUR	**72.5**	3.0%
BRF GmbH	BRF Foods LLC	US$	**41.1**	2.5%
Quickfood S.A.	Avex S.A.	AR$	**36.1**	26.8%
Wellax Food Comércio	BRF GmbH	EUR	**24.7**	1.5%
Sadia Alimentos S.A.	Avex S.A.	AR$	**14.0**	24.0%
BRF GmbH	BRF Global GmbH	EUR	**12.6**	1.5%
Plusfood Holland B.V.	BRF GmbH	EUR	**12.3**	1.5%

29.1. Other Related Parties

The Company leased properties owned by FAF (pension plan). During the three month period ended March 31, 2014, the rent paid totaled R$1.6 (R$1.6 as of March 31, 2013). The rent is based on market conditions.

29.2. Granted guarantees

All granted guarantees on behalf of related parties were disclosed in note 19.2.

29.3. Management remuneration

The key management personnel include the directors and officers, members of the executive committee and the head of internal audit. On March 31, 2013, there were 22 professionals (24 professionals as of December 31, 2013).

The total remuneration and benefits paid to key management personnel are demonstrated below:

	03.31.14	03.31.13
Salary and profit sharing	**14.9**	3.9
Short term benefits of employees [(1)]	**0.3**	0.3
Private pension	**0.1**	-
Termination benefits	**7.1**	0.6
Stock-based payment	**1.6**	1.9
	24.0	6.7

(1) Comprises: Medical assistance, educational expenses and others.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

30. NET SALES

	03.31.14	03.31.13
Gross sales		
Domestic sales	**3,873.8**	3,757.5
Foreign sales	**3,176.2**	3,229.0
Dairy products	**774.0**	765.0
Food service	**458.2**	417.3
	8,282.2	8,168.8
Sales deductions		
Domestic sales	**(658.5)**	(654.0)
Foreign sales	**(109.2)**	(136.2)
Dairy products	**(118.1)**	(117.4)
Food service	**(57.6)**	(52.3)
	(943.4)	(959.9)
Net sales		
Domestic sales	**3,215.2**	3,103.5
Foreign sales	**3,067.0**	3,092.8
Dairy products	**655.9**	647.6
Food service	**400.7**	365.0
	7,338.8	7,208.9

31. RESEARCH AND DEVELOPMENT COSTS

Consist of expenditures on internal research and development of new products which are recognized when incurred in the statement of income and amounted to R$13.8 for three month period ended March 31, 2014 (R$10.3 as of March 31, 2013).

32. EXPENSES WITH EMPLOYEE REMUNERATION

	03.31.14	03.31.13
Salaries and social charges	**726.5**	719.2
Social security cost	**91.0**	86.6
Government severance indemnity fund for employees, guarantee fund for length of service	**51.5**	49.2
Medical assistance and ambulatory care	**33.8**	28.8
Retirement supplementary plan	**4.1**	3.9
Employees profit sharing	**46.5**	34.7
Others	**149.5**	141.4
Provision for labor risks	**28.8**	28.2
	1,131.7	1,092.0

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

33. OTHER OPERATING INCOME (EXPENSES), NET

	03.31.14	03.31.13
Income		
Net income from the disposal of property, plant and equipment	**8.0**	-
Provision reversal	**6.3**	8.2
Recovery of expenses	**3.8**	5.5
Insurance proceeds	**2.5**	5.7
Employees benefits	**-**	9.2
Other [1]	**30.6**	3.2
	51.2	31.8
Expenses		
Employees profit sharing	**(46.4)**	(34.7)
Restructuring plan [2]	**(46.0)**	-
Other employees benefits	**(14.6)**	(8.6)
Insurance claims costs	**(13.4)**	(8.4)
Idleness costs [3]	**(10.2)**	(19.0)
Stock options plan	**(4.9)**	(4.2)
Provision for tax risks	**(3.4)**	(1.4)
Management profit sharing	**(2.9)**	(3.9)
Provision for civil and labor risks	**(1.9)**	(2.4)
Net losses from the disposal of property, plant and equipment	**-**	(5.6)
Other [4]	**(36.0)**	(11.9)
	(179.7)	(100.1)
	(128.5)	(68.3)

(1) Includes R$24.2 relating to success in the lawsuit of compulsory loan of Eletrobrás.

(2) Includes the amount arising from administrative structure review and acceleration program of new business, based on the Growth Acceleration Plan, approved on August 13, 2013 in the Board of Directors Extraordinary Meeting.

(3) Includes depreciation expense of R$4.4 and R$10.0 for the three month period ended March 31, 2014 and 2013, respectively.

(4) Includes R$4.8 relating to success fee in the lawsuit of compulsory loan of Eletrobrás.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

34. FINANCIAL INCOME (EXPENSES), NET

	03.31.14	03.31.13
Financial income		
Exchange rate variation on liabilities	**84.7**	26.4
Gains on the translation of foreign investments	**79.5**	74.8
Exchange rate variation on loans and financing	**78.5**	19.9
Interest on assets	**52.5**	22.4
Interest on cash and cash equivalents	**16.3**	5.8
Interests on financial assets classified as	**14.1**	12.5
Held for trading	**6.4**	3.9
Held to maturity	**5.7**	5.5
Available for sale	**2.0**	3.1
Financial income on accounts payable	**-**	12.3
Exchange rate variation on assets	**-**	10.7
Exchange rate variation on marketable securities	**-**	6.6
Others	**5.0**	11.1
	330.6	202.5
Financial expenses		
Losses on the translation of foreign investments	**(171.1)**	(138.5)
Interest on loans and financing	**(151.0)**	(128.1)
Exchange rate variation on assets	**(53.9)**	-
Losses on derivative transactions	**(47.5)**	(3.5)
Adjustment to present value	**(32.4)**	-
Interest on liabilities	**(25.5)**	(26.3)
Financial expenses on accounts payable	**(15.8)**	-
Others	**(29.9)**	(7.9)
	(527.1)	(304.3)
	(196.5)	(101.8)

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

35. STATEMENT OF INCOME BY NATURE

The Company has chosen to disclose its statement of income by function and thus presents below the details by nature:

	03.31.14	03.31.13
Costs of sales		
Costs of goods	**3,917.9**	4,022.6
Depreciation	**261.0**	226.9
Amortization	**0.6**	3.2
Salaries and employees benefits	**742.6**	730.0
Others	**524.0**	529.3
	5,446.1	5,512.0
Sales expenses		
Depreciation	**15.6**	12.3
Amortization	**1.3**	0.6
Salaries and employees benefits	**249.2**	237.4
Indirect/Direct logistics expenses	**503.7**	491.4
Others	**342.1**	260.2
	1,111.9	1,001.9
Administrative expenses		
Depreciation	**2.8**	4.6
Amortization	**14.3**	12.9
Salaries and employees benefits	**64.6**	61.8
Fees	**7.1**	5.3
Others	**13.1**	18.4
	101.9	103.0
Other operating expenses (1)		
Depreciation	**7.2**	10.0
Others	**172.5**	90.1
	179.7	100.1

1. The composition of other operating expenses is disclosed in note 33.

(Amounts expressed in millions of Brazilian Reais, unless otherwise stated)

36. INSURANCE COVERAGE

The Company adopts the policy of contracting insurance coverage for assets subject to risks in amounts sufficient to cover any claims, considering the nature of its activity.

		03.31.14	
Assets covered	**Coverage**	**Insured amounts**	**Amount of coverage**
Inventories and property, plant and equipment	Fire, lightning, explosion, windstorm, deterioration of refrigerated products, breakdown of machinery, loss of profit and other	27,296.4	1,910.3
Garantee	Judicial, traditional and customer garantees	1,574.9	1,574.9
National transport	Road risk and civil liability of cargo carrier	20,322.9	208.5
International transport	Transport risk during imports and exports	12,278.6	1,078.3
General civil liability for directors and officers	Third party complaints	32,794.2	3,179.6
Credit	Customer default	294.3	274.1

37. NEW ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Review of IAS 32)

These reviews clarify the meaning of “currently has a legally enforceable right to offset the recognized amounts" and the criteria that would cause the non-simultaneous settlement mechanisms of clearing houses to be qualified for offsetting. The Company analyzed this standard and there is no impact in these interim consolidated financial statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Review of IAS 39)

This review eases the discontinuation of hedge accounting when the novation of a derivative designated as a hedge meets certain criteria. The Company analyzed this standard and there is no impact in these interim consolidated financial statements.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21, which provides guidance on when an entity should recognize a liability for a levy in accordance with laws and/or regulations in its financial statements, except for income taxes. The obligation should only be recognized when the event that triggers such obligation occurs. IFRIC 21 is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IAS 37 establishes criteria for the recognition of a liability, one of which is the requirement that the Company has a present obligation as a result of a past event, known as the obligating event. The Company analyzed this standard and there is no impact in these interim consolidated financial statements.

38. NEW ACCOUNTING PRONOUNCEMENTS NOT ADOPTED

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 replacing IAS 39 – Financial Instruments. The date of application of this standard was extended to January 1, 2015. The Company is evaluating the impacts of adopting this accounting pronouncement in its consolidated financial statements.

39. SUBSEQUENT EVENTS

39.1. Acquisition of share equity of Federal Foods Limited (“Federal Foods”)

On January 16, 2013, the Company announced that it had completed the acquisition of 49% of the share equity of Federal Foods Limited (“Federal Foods”), a privately-held company headquartered in Abu Dhabi, in the United Arab Emirates (“UAE”), becoming the owner of 60% of the economic rights of that company, in accordance with the shareholders’ agreement signed between the parties.

On February 17, 2014, the Company announced that it had signed a binding offer with Al Nowais Investments for, among other provisions, acquiring, through its subsidiary in Austria, the remaining economic rights of Federal Foods, in accordance with the limits stipulated by law and customary practice in the UAE.

On April 09, 2014, the Company announced the completion of this acquisition for a total amount of US$27.8. Nowais Investments will remain acting as the local partner of BRF in Federal Foods and developing other business in the UAE.

Federal Foods is the food distribution leader in the UAE, covering a broad scope of clients from retail, food service and wholesale. It has been the distributor of Sadia products in the UAE for over 20 years.

40. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were approved by the Board of Directors on April 29, 2014.

PRINCIPAL EXECUTIVE OFFICES

BRF 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 7 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 S.A.
as to United States Law

Simpson Thacher & Bartlett LLP
Av. Presidente Juscelino Kubitschek, 1455
12th Floor, Suite 121
São Paulo, SP 04543-011
Brazil

To BRF S.A.
as to Brazilian Law

Machado, Meyer, Sendacz e Opice Advogados
Av. Brigadeiro Faria Lima, 3144
São Paulo, SP 01451-000
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
São Paulo, SP 01310-923
Brazil

brf