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Identification / Capital Stock Breakdown

Number of shares (Units)	Current year 06/30/2012
Paid-in Capital	
Common	872.473.246
Preferred	-
Total	872.473.246
Treasury shares	
Common	2.987.509
Preferred	-
Total	2.987.509

Individual FS / Balance Sheet Assets

(in thousands of Brazilian Reais)

Account Code	Account Description	Current Year 06/30/2012	Previous Year 12/31/2011
1	Total Assets	24,555,415	22,055,908
1.01	Current Assets	6,236,364	4,733,378
1.01.01	Cash and Cash Equivalents	1,182,766	68,755
1.01.02	Marketable Securities	224,851	763,535
1.01.02.01	Financial Investments Evaluated at Fair Value	224,851	763,535
1.01.02.01.01	Held for Trading	223,626	761,850
1.01.02.01.02	Available for Sale	1,225	1,685
1.01.03	Trade Accounts Receivable and Other Receivables	1,883,286	1,452,610
1.01.03.01	Trade Accounts Receivable	1,854,602	1,427,374
1.01.03.02	Notes Receivable	28,684	25,236
1.01.04	Inventories	1,184,818	1,166,150
1.01.05	Biological Assets	648,369	554,483
1.01.06	Recoverable Taxes	761,125	572,720
1.01.06.01	Current Tax Recoverable	761,125	572,720
1.01.08	Other Current Assets	351,149	155,125
1.01.08.01	Non-current Assets Held for Sale	13,592	5,980
1.01.08.03	Other	337,557	149,145
1.01.08.03.01	Equity Interest Receivable	5	5
1.01.08.03.02	Derivatives	11,384	22,944
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	123,664	0
1.01.08.03.05	Other	202,504	126,196
1.02	Non-current Assets	18,319,051	17,322,530
1.02.01	Non-current Assets	2,321,671	1,968,312
1.02.01.03	Trade Accounts Receivable and Other Receivables	78,480	77,966
1.02.01.03.01	Trade Accounts Receivable	11,940	2,419
1.02.01.03.02	Notes Receivable	66,540	75,547
1.02.01.05	Biological Assets	177,025	179,188
1.02.01.06	Deferred Taxes	1,088,246	935,607
1.02.01.06.01	Income Tax and Social Contribution	1,088,246	935,607
1.02.01.08	Receivables from Related Parties	11,767	5,138
1.02.01.08.04	Receivables from related parties	11,767	5,138
1.02.01.09	Other Non-current Assets	966,153	770,413
1.02.01.09.03	Judicial Deposits	164,357	110,582
1.02.01.09.04	Recoverable Taxes	318,549	449,376
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	201,336	0
1.02.01.09.07	Other	281,911	210,455
1.02.02	Investments	10,672,053	10,159,588
1.02.02.01	Investments	10,672,053	10,159,588
1.02.02.01.01	Equity in Affiliates	11,557	8,987
1.02.02.01.02	Interest on wholly-owned subsidiaries	10,217,850	9,719,955
1.02.02.01.04	Other	442,646	430,646
1.02.03	Property, Plant and Equipment, net	3,682,609	3,562,727
1.02.03.01	Property, Plant and Equipment in Operation	3,276,779	3,292,498
1.02.03.02	Property, Plant and Equipment Leased	58,981	39,007
1.02.03.03	Property, Plant and Equipment in Construction	346,849	231,222
1.02.04	Intangible	1,642,718	1,631,903
1.02.04.01	Intangible	1,642,718	1,631,903
1.02.04.01.02	Software	95,125	105,023
1.02.04.01.04	Other	7,243	6,392
1.02.04.01.05	Goodwill	1,520,488	1,520,488
1.02.04.01.06	Leased Software	19,862	0

Individual FS / Balance Sheet Liabilities

(in thousands of Brazilian Reais)

Account Code	Account Description	Current Year 06/30/2012	Previous Year 12/31/2011
2	Total Liabilities	24,555,415	22,055,908
2.01	Current Liabilities	5,554,253	5,064,892
2.01.01	Social and Labor Obligations	55,717	59,348
2.01.01.01	Social Obligations	8,163	8,583
2.01.01.02	Labor Obligations	47,554	50,765
2.01.02	Trade Accounts Payable	1,344,932	1,270,696
2.01.02.01	Domestic Suppliers	1,297,522	1,214,936
2.01.02.02	Foreign Suppliers	47,410	55,760
2.01.03	Tax Obligations	76,547	91,838
2.01.03.01	Federal Tax Obligations	24,577	47,055
2.01.03.01.02	Other Federal	24,577	47,055
2.01.03.02	State Tax Obligations	51,086	44,261
2.01.03.03	Municipal Tax Obligations	884	522
2.01.04	Short Term Debts	1,356,954	1,445,779
2.01.04.01	Short Term Debts	1,356,954	1,445,779
2.01.04.01.01	Local Currency	744,460	956,077
2.01.04.01.02	Foreign Currency	612,494	489,702
2.01.05	Other Obligations	2,474,978	1,979,796
2.01.05.01	Liabilities with Related Parties	1,994,927	1,200,679
2.01.05.01.04	Other Liabilities with Related Parties	1,994,927	1,200,679
2.01.05.02	Other	480,051	779,117
2.01.05.02.01	Dividends Payable and Interest on Shareholders' Equity	92,746	312,624
2.01.05.02.04	Derivatives	322,339	227,891
2.01.05.02.05	Management and Employees Profit Sharing	12,642	173,402
2.01.05.02.07	Other Obligations	52,324	65,200
2.01.06	Provisions	245,125	217,435
2.01.06.01	Provisions for Tax, Civil and Labor Risks	46,166	68,550
2.01.06.01.01	Tax Provisions	5,663	13,958
2.01.06.01.02	Labor and Social Security Provisions	35,702	46,757
2.01.06.01.04	Provision for Civil Risk	4,801	7,835
2.01.06.02	Other Provisons	198,959	148,885
2.01.06.02.04	Provisions for Vacations & Christmas bonuses	198,959	148,885
2.02	Non-current Liabilities	4,982,175	2,920,676
2.02.01	Long-term Debt	3,026,550	1,597,342
2.02.01.01	Long-term Debt	3,026,550	1,597,342
2.02.01.01.01	Local Currency	772,940	818,214
2.02.01.01.02	Foreign Currency	2,253,610	779,128
2.02.02	Other Obligations	1,294,141	730,122
2.02.02.01	Liabilities with Related Parties	1,078,618	562,740
2.02.02.01.04	Other Liabilities with Related Parties	1,078,618	562,740
2.02.02.02	Other	215,523	167,382
2.02.02.02.06	Other Obligations	215,523	167,382
2.02.03	Deferred Taxes	405,413	340,606
2.02.03.01	Income Tax and Social Contribution	405,413	340,606
2.02.04	Provisions	256,071	252,606
2.02.04.01	Provisions for Tax, Civil and Labor Risks	139,180	139,890
2.02.04.01.01	Tax Provisions	107,190	114,555
2.02.04.01.02	Labor and Social Security Provisions	10,169	6,798
2.02.04.01.04	Provision for Civil Risk	21,821	18,537
2.02.04.02	Other Provisons	116,891	112,716
2.02.04.02.04	Provisions for Employee Benefits	116,891	112,716
2.03	Shareholders' Equity	14,018,987	14,070,340
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	20,501	10,939
2.03.02.01	Costs of Shares Issuance	62,767	62,767
2.03.02.04	Granted Options	31,165	22,430
2.03.02.05	Treasury Shares	-64,629	-65,320
2.03.02.07	Gain on Disposal of Shares	3,422	3,286
2.03.02.08	Goodwill on Acquisition of Non-controlling Entities	-12,224	-12,224
2.03.04	Income Reserves	1,799,589	1,760,446
2.03.04.01	Legal	179,585	179,585
2.03.04.02	Statutory	1,524,319	1,524,319
2.03.04.07	Fiscal Incentive Reserve	95,685	56,542
2.03.05	Accumulated Earning	20,443	0
2.03.08	Other Comprehensive Income	-282,017	-161,516
2.03.08.01	Derivative Financial Intrument	-275,779	-167,293
2.03.08.02	Financial Instrument (Available for Sale)	9,064	5,051
2.03.08.03	Equity on Other Comprehensive Income from subsidiaries	13,007	12,584
2.03.08.04	Actuarial Losses	-28,309	-11,858

Individual FS / Statement of Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 04/01/2012 to 06/30/2012	Accumulated Current Year 01/01/2012 to 06/30/2012	Equal Quarter of Previous Year 04/01/2011 to 06/30/2011	Accumulated Previous Year 01/01/2011 to 06/30/2011
3.01	Net Sales	3,423,951	6,702,244	3,093,841	6,026,632
3.02	Cost of Sales	-2,903,760	-5,635,986	-2,488,497	-4,859,978
3.03	Gross Profit	520,191	1,066,258	605,344	1,166,654
3.04	Operating Income (Expenses)	-264,874	-678,663	-148,383	-269,497
3.04.01	Selling	-416,438	-802,245	-367,175	-706,237
3.04.02	General and Administrative	-55,994	-101,862	-62,481	-112,673
3.04.04	Other Operating Income	68,784	131,230	4,974	19,922
3.04.05	Other Operating Expenses	-139,433	-198,772	-103,760	-170,657
3.04.06	Equity interest in income of affiliates	278,207	292,986	380,059	700,148
3.05	Profit before Financial and Tax Results	255,317	387,595	456,961	897,157
3.06	Operating Income	-274,282	-264,041	8,027	-14,859
3.06.01	Financial Income	76,499	164,766	92,574	149,015
3.06.02	Financial Expenses	-350,781	-428,807	-84,547	-163,874
3.07	Income before Taxes	-18,965	123,554	464,988	882,298
3.08	Income and Social Contribution	25,352	36,032	32,930	-912
3.08.02	Deferred	25,352	36,032	32,930	-912
3.09	Net Income	6,387	159,586	497,918	881,386
3.11	Net Income	6,387	159,586	497,918	881,386
3.99	Profit per Share - (Brazilian Reais/Share)				
3.99.01	Earnings per Share - basic	869,469,377	869,469,377	871,621,328	871,621,328
3.99.01.01	ON	0.00735	0.18354	0.57125	1.01120
3.99.02	Earning per Share - diluted	869,685,597	869,685,597	871,624,709	871,624,709
3.99.02.01	ON	0.00734	0.18350	0.57125	1.01120

Individual FS / Statement of Comprehensive Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 04/01/2012 to 06/30/2012	Accumulated Current Year 01/01/2012 to 06/30/2012	Equal Quarter of Previous Year 04/01/2011 to 06/30/2011	Accumulated Previous Year 01/01/2011 to 06/30/2011
4.01	Net income	6,387	159,586	497,918	881,386
4.02	Other comprehensive income	-216,004	-120,501	22,508	19,667
4.02.01	Loss (gain) in foreign currency translation adjustments	456	423	-445	-606
4.02.02	Unrealized gain (loss) in available for sale marketable securities, net of income taxes	2,578	6,591	-1,561	601
4.02.03	Unrealized gains (loss) in cash flow hedge, net Income taxes	-210,812	-111,064	33,070	36,784
4.02.04	Actuarial losses, net income taxes	-8,226	-16,451	-8,556	-17,112
4.03	Comprehensive income	-209,617	39,085	520,426	901,053

Individual FS / Statement of Cash Flows

(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01/01/2012 to 06/30/2012	Accumulated Previous Year 01/01/2011 a 06/30/2011
6.01	Net Cash Provided by Operating Activities	816,583	-29,183
6.01.01	Cash from Operations	356,288	427,861
6.01.01.01	Net Income for the Period	159,586	881,386
6.01.01.03	Depreciation and Amortization	236,683	186,002
6.01.01.04	Gain on PP&E Disposals	-53,236	4,191
6.01.01.05	Deferred Income Tax	-36,032	912
6.01.01.06	Provision/Reversal for Tax, Civil and Labor Risks	20,931	42,335
6.01.01.07	Other Provisions	-31,511	29,805
6.01.01.08	Exchange Rate Variations and Interest	251,270	-16,622
6.01.01.09	Equity Interest in Income of Affiliates	-292,986	-700,148
6.01.01.10	Gain on PP&E Disposals - TCD	101,583	0
6.01.02	Changes in Operating Assets and Liabilities	460,295	-457,044
6.01.02.01	Trade Accounts Receivable	-482,792	23,062
6.01.02.02	Inventories	-136,742	-90,305
6.01.02.03	Trade Accounts Payable	87,242	-58,175
6.01.02.04	Payable of Provisions for Tax, Civil and Labor Risks	-52,920	-27,175
6.01.02.05	Payroll and Related Charges	604,409	301,650
6.01.02.06	Investment in Trading Securities	-1,250,140	-2,015,035
6.01.02.07	Redemption of Trading Securities	1,807,451	1,509,505
6.01.02.10	Other Financial Assets and Liabilities	-46,347	-36,270
6.01.02.11	Interest Paid	-78,855	-69,902
6.01.02.13	Interest on Shareholders' Equity Received	8,989	5,601
6.02	Net Cash Provided by Investing Activities	-563,402	-347,415
6.02.03	Additions to Property, Plant and Equipment	-445,180	-221,379
6.02.04	Proceeds from disposals of property, plant and equipment	6,743	1,245
6.02.06	Additions to Intangible	-1,914	-27,427
6.02.07	Additions to Biological Assets	-112,442	-99,854
6.02.11	Business Combination	-10,609	0
6.03	Net Cash Provided by Financing Activities	853,249	264,512
6.03.01	Proceeds from Debt Issuance	2,069,355	980,266
6.03.02	Repayment of Debt	-864,316	-468,880
6.03.03	Interest on Shareholders' Equity Paid	-339,790	-209,300
6.03.05	Advance for Future Capital Increase	-12,000	0
6.03.06	Treasury Shares Acquisition	0	-37,574
6.04	Effect on Exchange Rate Variation on Cash and Cash Equivalents	7,581	-5,186
6.05	Net (Decrease) Increase in Cash	1,114,011	-117,272
6.05.01	At the Beginning of the Year	68,755	211,159
6.05.02	At the End of the Year	1,182,766	93,887

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2012 to 06/30/2012

(in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Income Reserves	Retained earnings (losses)	Other Comprehensive Income	Shareholders' Equity
5.01	Balance at January 1, 2012	12,460,471	10,939	1,760,446	0	-161,516	14,070,340
5.03	Opening Balance Adjustment	12,460,471	10,939	1,760,446	0	-161,516	14,070,340
5.04	Share-based Payments	0	9,562	0	-100,000	0	-90,438
5.04.03	Options Granted	0	8,735	0	0	0	8,735
5.04.05	Treasury Shares Sold	0	691	0	0	0	691
5.04.07	Interest on Shareholders' Equity	0	0	0	-100,000	0	-100,000
5.04.08	Gain on Disposal of Shares	0	136	0	0	0	136
5.04.10	Participation of Non-controlling shareholders	0	0	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	159,586	-120,501	39,085
5.05.01	Net Income for the Period	0	0	0	159,586	0	159,586
5.05.02	Other Comprehensive Income	0	0	0	0	-120,501	-120,501
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	-162,864	-162,864
5.05.02.02	Tax Adjustments on Financial Instruments	0	0	0	0	51,800	51,800
5.05.02.06	Unrealized Gain (Loss) on Marketable Securities in Available for Sale	0	0	0	0	6,591	6,591
5.05.02.07	Actuarial Loss	0	0	0	0	-16,451	-16,451
5.05.02.08	Cumulative foreign currency translation adjustments	0	0	0	0	423	423
5.06	Appropriation of Income (loss)	0	0	39,143	-39,143	0	0
5.06.08	Reserve of Tax Incentives	0	0	39,143	-39,143	0	0
5.07	Balance at June 30, 2012	12,460,471	20,501	1,799,589	20,443	-282,017	14,018,987

Individual FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2011 to 06/30/2011

(in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Income Reserves	Retained earnings (losses)	Other Comprehensive Income	Shareholders' Equity
5.01	Balance at January 1, 2011	12,460,471	68,614	1,064,688	0	35,194	13,628,967
5.03	Opening Balance Adjustment	12,460,471	68,614	1,064,688	0	35,194	13,628,967
5.04	Share-based Payments	0	-31,194	0	-292,344	0	-323,538
5.04.03	Options Granted	0	4,823	0	0	0	4,823
5.04.04	Treasury Shares Acquired	0	-37,574	0	0	0	-37,574
5.04.05	Treasury Shares Sold	0	51	0	0	0	51
5.04.07	Interest on Shareholders' Equity	0	0	0	-292,344	0	-292,344
5.04.08	Gain on Disposal of Shares	0	1,506	0	0	0	1,506
5.04.10	Participation of Non-controlling shareholders	0	0	0	0	0	0
5.05	Total Comprehensive Income	0	0	0	881,386	19,667	901,053
5.05.01	Net Income for the Period	0	0	0	881,386	0	881,386
5.05.02	Other Comprehensive Income	0	0	0	0	19,667	19,667
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	61,191	61,191
5.05.02.02	Tax Adjustments on Financial Instruments	0	0	0	0	-24,407	-24,407
5.05.02.06	Unrealized Gain (Loss) on Marketable Securities in Available for Sale	0	0	0	0	601	601
5.05.02.07	Actuarial Loss	0	0	0	0	-17,112	-17,112
5.05.02.08	Cumulative foreign currency translation adjustments	0	0	0	0	-606	-606
5.07	Balance at June 30, 2011	12,460,471	37,420	1,064,688	589,042	54,861	14,206,482

Individual FS / Statement of Value Added

(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01/01/2012 to 06/30/2012	Accumulated Previous Year 01/01/2011 to 06/30/2011
7.01	Revenues	7,513,733	6,776,893
7.01.01	Sales of Goods, Products and Services	7,314,717	6,666,997
7.01.02	Other Income	-185,870	-87,663
7.01.03	Revenue Related to Construction of own Assets	376,642	196,903
7.01.04	Allowance for Doubtful Accounts Reversal (Provisions)	8,244	656
7.02	Raw material Acquired from Third Parties	-5,536,013	-4,748,672
7.02.01	Costs of products and Goods Sold	-4,616,614	-4,026,461
7.02.02	Materials, Energy, Services of Third Parties and Other	-919,805	-737,564
7.02.03	Losses of Assets Values	406	15,353
7.03	Gross Value Added	1,977,720	2,028,221
7.04	Retentions	-236,683	-186,002
7.04.01	Depreciation and Amortization	-236,683	-186,002
7.05	Net Value Added	1,741,037	1,842,219
7.06	Received from Third Parties	546,052	849,487
7.06.01	Equity Interest in Income of Affiliates	292,986	700,148
7.06.02	Financial Income	164,766	149,015
7.06.03	Other	88,300	324
7.07	Added Value to be Distributed	2,287,089	2,691,706
7.08	Distribution of Value Added	2,287,089	2,691,706
7.08.01	Payroll	871,363	792,806
7.08.01.01	Salaries	665,489	644,255
7.08.01.02	Benefits	155,201	104,806
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	50,673	43,745
7.08.02	Taxes and Contribution	772,182	806,305
7.08.02.01	Federal	372,972	453,204
7.08.02.02	State	389,329	345,983
7.08.02.03	Municipal	9,881	7,118
7.08.03	Capital Remuneration from Third Parties	483,958	211,209
7.08.03.01	Interests	436,970	166,152
7.08.03.02	Rents	46,988	45,057
7.08.04	Interest on Own Capital	159,586	881,386
7.08.04.01	Interest on Capital	100,000	292,344
7.08.04.03	Retained Earnings	59,586	589,042

Consolidated FS / Balance Sheet Assets

(in thousands of Brazilian Reais)

Account Code	Account Description	Current Year 06/30/2012	Previous Year 12/31/2011
1	Total Assets	31,351,556	29,983,456
1.01	Current Assets	11,609,079	11,123,751
1.01.01	Cash and Cash Equivalents	2,106,932	1,366,843
1.01.02	Marketable Securities	641,113	1,372,671
1.01.02.01	Financial Investments Evaluated at Fair Value	573,700	1,289,255
1.01.02.01.01	Held for Trading	316,628	1,054,105
1.01.02.01.02	Available for sale	257,072	235,150
1.01.02.02	Marketable Securities Evaluated at Amortized Cost	67,413	83,416
1.01.02.02.01	Held to maturity	67,413	83,416
1.01.03	Trade Accounts Receivable and Other Receivables	2,813,326	3,264,748
1.01.03.01	Trade Accounts Receivable	2,761,823	3,207,813
1.01.03.02	Notes Receivable	51,503	56,935
1.01.04	Inventories	3,000,803	2,679,211
1.01.05	Biological Assets	1,343,825	1,156,081
1.01.06	Recoverable Taxes	1,128,114	907,929
1.01.06.01	Current Tax Recoverable	1,128,114	907,929
1.01.08	Other Current Assets	574,966	376,268
1.01.08.01	Non-current Assets Held for Sale	26,667	19,007
1.01.08.01.01	Non-current Assets for Sale	26,667	19,007
1.01.08.03	Other	548,299	357,261
1.01.08.03.02	Derivatives	11,384	23,459
1.01.08.03.04	Accounts Receivable from Disposal of Equity Interest	123,664	0
1.01.08.03.05	Other	413,251	333,802
1.02	Non-current Assets	19,742,477	18,859,705
1.02.01	Non-current Assets	5,156,616	4,654,837
1.02.01.02	Marketable Securities Evaluated at Amortized Cost	193,164	153,388
1.02.01.02.01	Held to maturity	193,164	153,388
1.02.01.03	Trade Accounts Receivable and Other Receivables	160,928	149,741
1.02.01.03.01	Trade Accounts Receivable	11,957	2,419
1.02.01.03.02	Notes Receivable	148,971	147,322
1.02.01.05	Biological Assets	395,173	387,383
1.02.01.06	Deferred Taxes	2,773,963	2,628,750
1.02.01.06.01	Income Tax and Social Contribution	2,773,963	2,628,750
1.02.01.09	Other Non-current Assets	1,633,388	1,335,575
1.02.01.09.03	Judicial Deposits	303,224	228,261
1.02.01.09.04	Recoverable Taxes	691,055	744,612
1.02.01.09.06	Accounts Receivable from Disposal of Equity Interest	201,336	0
1.02.01.09.07	Other	437,773	362,702
1.02.02	Investments	101,198	20,399
1.02.02.01	Investments	101,198	20,399
1.02.02.01.01	Equity in Affiliates	100,304	19,505
1.02.02.01.04	Other	894	894
1.02.03	Property, Plant and Equipment, net	9,812,034	9,798,370
1.02.03.01	Property, Plant and Equipment in Operation	8,805,032	9,119,750
1.02.03.02	Property, Plant and Equipment Leased	100,202	58,411
1.02.03.03	Property, Plant and Equipment in Construction	906,800	620,209
1.02.04	Intangible	4,672,629	4,386,099
1.02.04.01	Intangible	4,672,629	4,386,099
1.02.04.01.02	Software	127,779	138,236
1.02.04.01.03	Brands	1,173,000	1,256,000
1.02.04.01.04	Other	14,689	18,048
1.02.04.01.05	Goodwill	3,337,299	2,973,815
1.02.04.01.06	Leased Software	19,862	0

Consolidated FS / Balance Sheet Liabilities

(in thousands of Brazilian Reais)

Account Code	Account Description	Current Year 06/30/2012	Previous Year 12/31/2011
2	Total Liabilities	31,351,556	29,983,456
2.01	Current Liabilities	7,686,664	7,987,829
2.01.01	Social and Labor Obligations	117,841	116,558
2.01.01.01	Social Obligations	19,350	14,923
2.01.01.02	Labor Obligations	98,491	101,635
2.01.02	Trade Accounts Payable	2,772,448	2,681,343
2.01.02.01	Domestic Suppliers	2,451,181	2,341,043
2.01.02.02	Foreign Suppliers	321,267	340,300
2.01.03	Tax Obligations	198,561	224,761
2.01.03.01	Federal Tax Obligations	84,469	137,779
2.01.03.01.01	Income Tax and Social Contribution Expense Payable	28,461	5,590
2.01.03.01.02	Other Federal	56,008	132,189
2.01.03.02	State Tax Obligations	111,425	86,460
2.01.03.03	Municipal Tax Obligations	2,667	522
2.01.04	Short Term Debts	3,410,992	3,452,477
2.01.04.01	Short Term Debts	3,410,992	3,452,477
2.01.04.01.01	Local Currency	1,571,493	1,814,220
2.01.04.01.02	Foreign Currency	1,839,499	1,638,257
2.01.05	Other Obligations	701,785	1,076,533
2.01.05.02	Other	701,785	1,076,533
2.01.05.02.01	Dividends Payable and Interest on Shareholders' Equity	93,038	312,624
2.01.05.02.04	Derivatives	377,336	270,693
2.01.05.02.05	Management and Employees Profit Sharing	12,732	224,480
2.01.05.02.07	Other Obligations	218,679	268,736
2.01.06	Provisions	485,037	436,157
2.01.06.01	Provisions for Tax, Civil and Labor Risks	82,393	118,466
2.01.06.01.01	Tax Provisions	9,778	17,446
2.01.06.01.02	Labor and Social Security Provisions	58,685	74,727
2.01.06.01.04	Provision for Civil Risk	13,930	26,293
2.01.06.02	Other Provisons	402,644	317,691
2.01.06.02.04	Provisions for Vacations & Christmas bonuses	402,644	317,691
2.02	Non-current Liabilities	9,594,728	7,885,710
2.02.01	Long-term Debt	6,212,172	4,601,053
2.02.01.01	Long-term Debt	6,212,172	4,601,053
2.02.01.01.01	Local Currency	1,379,611	1,515,486
2.02.01.01.02	Foreign Currency	4,832,561	3,085,567
2.02.02	Other Obligations	413,486	391,481
2.02.02.02	Other	413,486	391,481
2.02.02.02.06	Other Obligations	413,486	391,481
2.02.03	Deferred Taxes	1,855,632	1,791,897
2.02.03.01	Income Tax and Social Contribution	1,855,632	1,791,897
2.02.04	Provisions	1,113,438	1,101,279
2.02.04.01	Provisions for Tax, Civil and Labor Risks	838,036	835,234
2.02.04.01.01	Tax Provisions	202,234	214,177
2.02.04.01.02	Labor and Social Security Provisions	41,368	30,435
2.02.04.01.04	Provision for Civil Risk	32,067	18,881
2.02.04.01.05	Contingent liabilities	562,367	571,741
2.02.04.02	Other Provisons	275,402	266,045
2.02.04.02.04	Provisions for Employee Benefits	275,402	266,045
2.03	Shareholders' Equity	14,070,164	14,109,917
2.03.01	Paid-in Capital	12,460,471	12,460,471
2.03.02	Capital Reserves	20,501	10,939
2.03.02.01	Costs of Shares Issuance	62,767	62,767
2.03.02.04	Granted Options	31,165	22,430
2.03.02.05	Treasury Shares	-64,629	-65,320
2.03.02.07	Gain on Disposal of Shares	3,422	3,286
2.03.02.08	Goodwill on Acquisition of Non-controlling Entities	-12,224	-12,224
2.03.04	Income Reserves	1,799,589	1,760,446
2.03.04.01	Legal	179,585	179,585
2.03.04.02	Statutory	1,524,319	1,524,319
2.03.04.07	Fiscal Incentive Reserve	95,685	56,542
2.03.05	Accumulated Earning	20,443	0
2.03.08	Other Comprehensive Income	-282,017	-161,516
2.03.08.01	Derivative Financial Instrument	-275,779	-167,293
2.03.08.02	Financial Instrument (Available for sale)	9,064	5,051
2.03.08.03	Equity on Other Comprehensive Income from Subsidiaries	13,007	12,584
2.03.08.04	Actuarial Losses	-28,309	-11,856
2.03.09	Non-controlling Interest	51,177	39,577

Consolidated FS / Statement of Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 04/01/2012 to 06/30/2012	Accumulated Current Year 01/01/2012 to 06/30/2012	Equal Quarter of Previous Year 04/01/2011 to 06/30/2011	Accumulated Previous Year 01/01/2011 to 06/30/2011
3.01	Net Sales	6,842,127	13,179,249	6,294,348	12,314,842
3.02	Cost of Sales	-5,352,968	-10,346,610	-4,733,526	-9,208,444
3.03	Gross Profit	1,489,159	2,832,639	1,560,822	3,106,398
3.04	Operating Income (expenses)	-1,208,571	-2,284,021	-1,047,911	-2,068,493
3.04.01	Selling	-1,060,985	-2,014,419	-889,324	-1,744,278
3.04.02	General and Administrative	-94,497	-180,225	-102,054	-186,130
3.04.04	Other Operating Income	39,006	149,547	106,585	163,934
3.04.05	Other Operating Expenses	-97,244	-249,727	-162,568	-303,544
3.04.06	Equity interest in income of affiliates	5,149	10,803	-550	1,525
3.05	Profit before Financial and Tax Results	280,588	548,618	512,911	1,037,905
3.06	Operating Income	-287,493	-362,440	-55,195	-107,459
3.06.01	Financial Income	374,730	658,768	172,698	330,426
3.06.02	Financial Expenses	-662,223	-1,021,208	-227,893	-437,885
3.07	Income before Taxes	-6,905	186,178	457,716	930,446
3.08	Income and Social Contribution	18,133	-22,095	41,670	-44,315
3.08.01	Current	-5,072	-43,277	-7,099	-11,874
3.08.02	Deferred	23,205	21,182	48,769	-32,441
3.09	Net Income	11,228	164,083	499,386	886,131
3.11	Net Income	11,228	164,083	499,386	886,131
3.11.01	BRF Shareholders	6,387	159,586	497,918	881,386
3.11.02	Non-controlling interest	4,841	4,497	1,468	4,745
3.99.01	Earnings per Share - basic	869,469,377	869,469,377	871,621,328	871,621,328
3.99.01.01	ON	0.00735	0.18354	0.57125	1.01120
3.99.02	Earning per Share - diluted	869,685,597	869,685,597	871,624,709	871,624,709
3.99.02.01	ON	0.00734	0.18350	0.57125	1.01120

Consolidated FS / Statement of Comprehensive Income
(in thousands of Brazilian Reais)

Account Code	Account Description	Current Quarter 04/01/2012 to 06/30/2012	Accumulated Current Year 01/01/2012 to 06/30/2012	Equal Quarter of Previous Year 04/01/2011 to 06/30/2011	Accumulated Previous Year 01/01/2011 to 06/30/2011
4.01	Net Income	11,228	164,083	499,386	886,131
4.02	Other Comprehensive Income	-216,004	-120,501	22,508	19,667
4.02.01	Loss (gain) in foreign currency translation adjustments	456	423	-445	-606
4.02.02	Unrealized gain (loss) in available for sale marketable securities, net of income taxes	2,578	6,591	-1,561	601
4.02.03	Unrealized gains (loss) in cash flow hedge, net Income taxes	-210,812	-111,064	33,070	36,784
4.02.04	Actuarial losses, net income taxes	-8,226	-16,451	-8,556	-17,112
4.03	Comprehensive Income	-204,776	43,582	521,894	905,798
4.03.01	BRF Shareholders	-209,617	39,085	520,426	901,053
4.03.02	Non-controlling interest	4,841	4,497	1,468	4,745

Consolidated FS / Statement of Cash Flows
(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01/01/2012 to 06/30/2012	Accumulated Previous Year 01/01/2011 a 06/30/2011
6.01	Net Cash Provided by Operating Activities	1,097,980	5,854
6.01.01	Cash from Operations	1,260,107	1,509,624
6.01.01.01	Net Income for the Period	159,586	881,386
6.01.01.02	Non-controlling Shareholders	4,497	4,745
6.01.01.03	Depreciation and Amortization	477,120	445,293
6.01.01.04	Gain on PP&E Disposals	-43,111	72,867
6.01.01.05	Deferred Income Tax	-21,182	32,441
6.01.01.06	Provision/Reversal for Tax, Civil and Labor Risks	40,702	39,001
6.01.01.07	Other Provisions	12,657	13,497
6.01.01.08	Exchange Rate Variations and Interest	571,302	21,919
6.01.01.09	Equity Interest in Income of Affiliates	-10,803	-1,525
6.01.01.10	Gain on PP&E Disposals - TCD	69,339	0
6.01.02	Changes in Operating Assets and Liabilities	-162,127	-1,503,770
6.01.02.01	Trade Accounts Receivable	379,595	216,625
6.01.02.02	Inventories	-423,197	-280,712
6.01.02.03	Trade Accounts Payable	109,329	16,325
6.01.02.04	Payable of Provisions for Tax, Civil and Labor Risks	-92,427	-140,233
6.01.02.05	Payroll and Related Charges	-645,286	-338,347
6.01.02.06	Investment in Trading Securities	-2,528,809	-2,030,275
6.01.02.07	Redemptions of Trading Securities	3,298,630	1,511,266
6.01.02.08	Investment in Available for Sale	-1,595	-1,267,861
6.01.02.09	Redemptions of Available for Sale	5,552	1,050,885
6.01.02.10	Other Financial Assets and Liabilities	-33,627	-12,302
6.01.02.11	Interest Paid	-212,288	-211,559
6.01.02.12	Cash paid during the year for income tax	-26,993	-23,183
6.01.02.13	Interest on Shareholders' Equity Received	8,989	5,601
6.02	Net Cash Provided by Investing Activities	-1,182,603	-612,667
6.02.01	Cash investments	-48,619	0
6.02.02	Redemptions in Marketable Securities	45,819	3,895
6.02.03	Additions to Property, Plant and Equipment	-934,595	-372,640
6.02.04	Proceeds from disposals of property, plant and equipment	7,744	1,290
6.02.06	Additions to Intangible	-2,987	-31,935
6.02.07	Additions to Biological Assets	-238,130	-213,277
6.02.08	Other Investiments, net	-1,226	0
6.02.11	Business Combination	-10,609	0
6.03	Net Cash Provided by Financing Activities	796,425	398,086
6.03.01	Proceeds from Debt Issuance	2,745,406	1,614,644
6.03.02	Repayment of Debt	-1,609,191	-969,684
6.03.03	Interest on Shareholders' Equity Paid	-339,790	-209,300
6.03.06	Treasury Shares Acquisition	0	-37,574
6.04	Effect on Exchange Rate Variation on Cash and Cash Equivalents	28,287	-127,455
6.05	Net (Decrease) Increase in Cash	740,089	-336,182
6.05.01	At the Beginning of the Year	1,366,843	2,310,643
6.05.02	At the End of the Year	2,106,932	1,974,461

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2012 to 06/30/2012

(in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Income Reserves	Retained earnings (losses)	Other Comprehensive Income	Shareholders' Equity	Participation of non-controlling interest	Total Shareholders' Equity
5.01	Balance at January 1, 2012	12,460,471	10,939	1,760,446	0	-161,516	14,070,340	39,577	14,109,917
5.03	Opening Balance Adjustment	12,460,471	10,939	1,760,446	0	-161,516	14,070,340	39,577	14,109,917
5.04	Share-based Payments	0	9,562	0	-100,000	0	-90,438	7,103	-83,335
5.04.03	Options Granted	0	8,735	0	0	0	8,735	0	8,735
5.04.05	Treasury Shares Sold	0	691	0	0	0	691	0	691
5.04.07	Interest on Shareholders' Equity	0	0	0	-100,000	0	-100,000	0	-100,000
5.04.08	Gain on Disposal of Shares	0	136	0	0	0	136	0	136
5.04.10	Participation of Non-controlling shareholders	0	0	0	0	0	0	7,103	7,103
5.05	Total Comprehensive Income	0	0	0	159,586	-120,501	39,085	4,497	43,582
5.05.01	Net Income for the Period	0	0	0	159,586	0	159,586	4,497	164,083
5.05.02	Other Comprehensive Income	0	0	0	0	-120,501	-120,501	0	-120,501
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	-162,864	-162,864	0	-162,864
5.05.02.02	Tax Adjustments on Financial Instruments	0	0	0	0	51,800	51,800	0	51,800
5.05.02.06	Unrealized Gain (Loss) on Marketable Securities in Available for Sale	0	0	0	0	6,591	6,591	0	6,591
5.05.02.07	Actuarial Loss	0	0	0	0	-16,451	-16,451	0	-16,451
5.05.02.08	Cumulative foreign currency translation adjustments	0	0	0	0	423	423	0	423
5.06	Appropriation of Income (loss)	0	0	39,143	-39,143	0	0	0	0
5.06.08	Reserve of Tax Incentives	0	0	39,143	-39,143	0	0	0	0
5.07	Balance at June 30, 2012	12,460,471	20,501	1,799,589	20,443	-282,017	14,018,987	51,177	14,070,164

Consolidated FS / Statement of Changes in Shareholders' Equity for the Period from 01/01/2011 to 06/30/2011

(in thousands of Brazilian Reais)

Account Code	Account Description	Capital Stock	Capital Reserves, Granted Options and Treasury Shares	Income Reserves	Retained earnings (losses)	Other Comprehensive Income	Shareholders' Equity	Participation of Non-controlling interest	Total Shareholders' Equity
5.01	Balance at January 1, 2011	12,460,471	68,614	1,064,688	0	35,194	13,628,967	7,551	13,636,518
5.03	Opening Balance Adjustment	12,460,471	68,614	1,064,688	0	35,194	13,628,967	7,551	13,636,518
5.04	Share-based Payments	0	-31,194	0	-292,344	0	-323,538	-988	-324,526
5.04.03	Options Granted	0	4,823	0	0	0	4,823	0	4,823
5.04.04	Treasury Shares Acquired	0	-37,574	0	0	0	-37,574	0	-37,574
5.04.05	Treasury Shares Sold	0	51	0	0	0	51	0	51
5.04.07	Interest on Shareholders' Equity	0	0	0	-292,344	0	-292,344	0	-292,344
5.04.08	Gain on Disposal of Shares	0	1,506	0	0	0	1,506	0	1,506
5.04.10	Participation of Non-controlling shareholders	0	0	0	0	0	0	-988	-988
5.05	Total Comprehensive Income	0	0	0	881,386	19,667	901,053	4,745	905,798
5.05.01	Net Income for the Period	0	0	0	881,386	0	881,386	4,745	886,131
5.05.02	Other Comprehensive Income	0	0	0	0	19,667	19,667	0	19,667
5.05.02.01	Adjustments of Financial Instruments	0	0	0	0	61,191	61,191	0	61,191
5.05.02.02	Tax Adjustments on Financial Instruments	0	0	0	0	-24,407	-24,407	0	-24,407
5.05.02.06	Unrealized Gain (Loss) on Marketable Securities in Available for Sale	0	0	0	0	601	601	0	601
5.05.02.07	Actuarial Loss	0	0	0	0	-17,112	-17,112	0	-17,112
5.05.02.08	Cumulative foreign currency translation adjustments	0	0	0	0	-606	-606	0	-606
5.07	Balance at June 30, 2011	12,460,471	37,420	1,064,688	589,042	54,861	14,206,482	11,308	14,217,790

Consolidated FS / Statement of Value Added

(in thousands of Brazilian Reais)

Account Code	Account Description	Accumulated Current Year 01/01/2012 to 06/30/2012	Accumulated Previous Year 01/01/2011 to 06/30/2011
7.01	Revenues	15,038,417	13,994,773
7.01.01	Sales of Goods, Products and Services	14,466,202	13,742,446
7.01.02	Other Income	-161,207	-19,429
7.01.03	Revenue Related to Construction of own Assets	765,406	272,722
7.01.04	Allowance for Doubtful Accounts Reversal (Provisions)	-31,984	-966
7.02	Raw material Acquired from Third Parties	-10,406,594	-8,852,582
7.02.01	Costs of products and Goods Sold	-8,283,133	-7,114,343
7.02.02	Materials, Energy, Services of Third Parties and Other	-2,131,672	-1,748,839
7.02.03	Losses of Assets Values	8,211	10,600
7.03	Gross Value Added	4,631,823	5,142,191
7.04	Retentions	-477,120	-445,293
7.04.01	Depreciation and Amortization	-477,120	-445,293
7.05	Net Value Added	4,154,703	4,696,898
7.06	Received from Third Parties	757,717	332,278
7.06.01	Equity Interest in Income of Affiliates	10,803	1,525
7.06.02	Financial Income	658,768	330,426
7.06.03	Other	88,146	327
7.07	Added Value to be Distributed	4,912,420	5,029,176
7.08	Distribution of Value Added	4,912,420	5,029,176
7.08.01	Payroll	1,891,650	1,788,079
7.08.01.01	Salaries	1,462,991	1,414,379
7.08.01.02	Benefits	329,165	292,411
7.08.01.03	Government Severance Indemnity Fund for Employees Guarantee Fund for Length of Service - FGTS	99,494	81,289
7.08.02	Taxes and Contribution	1,694,074	1,778,301
7.08.02.01	Federal	981,557	1,108,351
7.08.02.02	State	694,587	662,587
7.08.02.03	Municipal	17,930	7,363
7.08.03	Capital Remuneration from Third Parties	1,162,613	576,665
7.08.03.01	Interests	1,045,232	440,163
7.08.03.02	Rents	117,381	136,502
7.08.04	Interest on Own Capital	164,083	886,131
7.08.04.01	Interest on Capital	100,000	292,344
7.08.04.03	Retained Earnings	59,586	589,042
7.08.04.04	Non-controlling interest	4,497	4,745

O MUNDO COM MAIS SABOR

Market Value
R$ 26.4 billion
US$ 13.2 billion

Prices
BRFS3 R$ 30,39
BRFS US$ 15,89

Shares:
872,473,246
Common shares
2,987,509
Treasury shares
Basis: 06/30/2012

BRF Webcast
Data: 08/14/2012
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Dear Shareholders,

The merger operation announced by BRF in May 2009 continues to proceed successfully. As forecast for 2012, we are in the process of complying with the agreement - signed with the Brazilian anti-trust authority, CADE, in June 2011 - which requires the suspension of some categories of certain brands and the sale of plants and distribution centers. All these complex operations – necessary to fulfill the terms and conditions agreed – are being executed in line with our plan and absolutely on schedule.

These requirements, implying transitory costs and provoking a temporary shortfall in operating efficiency, together with the challenging economic environment, both negatively impacted our result for the period.

In the second quarter of 2012, we reported a growth of 8.7% in net sales, reaching R$ 6.8 billion and a sales volume of 1.5 million tons. Net income was R$ 6.4 million, corresponding to a 0.1% net margin while the EBITDA result reached R$ 565 million, representing 8.3% of the Company's net sales.

BRF was able to record a positive evolution in volume although price increases to date have been insufficient to offset rising costs, principally those related to spiraling grain prices. Again, in addition to the impacts of the Performance Commitment Agreement – TCD already mentioned, domestic market business suffered from a surplus of in natura meat diverted from export markets.

As anticipated in the first quarter results report, export markets saw a gradual improvement in results, also receiving a welcome boost from the devaluation of the Real. However, on a year-on-year comparative basis, 2Q12 margins narrowed due to the situation in key markets such as the Middle East and Japan, both of which still in a recovery mode.

During the second quarter, BRF – through its leading brands - launched 168 products, the focus being on a range of different channels: Brazilian retail, food service, international market, both in the meats segment as well as dairy products. In this way the Company meets the objectives for bolstering its product lines with added value items and as a means of refocusing its market once all the terms and conditions of the TCD have been satisfied.

During the period, we concluded a ten-year overseas notes offering for a total of US$ 750 million and at historically low costs. This offering has enabled the Company to refinance its 2012 maturities, at the same time lengthening its debt profile and reinforcing liquidity.

We reiterate our confidence in improved results going forward on the back of measures already adopted to reverse the effects of the adverse scenario. In addition, we shall gradually restore operating efficiency levels once the conditions of the TCD have been satisfied.

O MUNDO COM MAIS SABOR

We are enhancing our long-term strategic focus to achieve the objectives of BRF 15, expanding our global presence, reducing the volatility of margins and consolidating the Brazilian market. However, over the short term and in the light of a continuing adversity, we are taking steps to implement strict measures to restore profitability. These measures we believe will bring gradual benefits and strengthening the Company's competitiveness in the global food market.

São Paulo, August 2012

Nildemar Secches	José Antonio do Prado Fay
Chairman of the Board	Chief Executive Office

2nd QUARTER 2012 –2Q12

- Net sales totaled R$ 6.8 billion, a growth of 8.7%, driven by performance reported for the Company's chosen areas of business: domestic market (7%); exports (11%); dairy products (9%) and food service (9%).
- The businesses involving meats, dairy products and other processed products recorded sales volumes of 1.5 million tons, an increase of 5.6%.
- The Company reported a gross profit of R$ 1.5 billion, 4.6% down due to cost-based pressures during the quarter.
- EBITDA reached R$ 565.1 million, 28.1% less than 2Q11, due to the squeeze on margins both in the domestic and also the export market and the high comparative basis in 2Q11 when BRF reported an excellent performance.
- Net income was R$ 6.4 million against earnings of R$ 497.9 million posted in 2Q11, due to the increase in financial overheads which was substantially impacted on a non-cash basis by the foreign exchange translation effect as well as less robust operating results.
- Financial trading volume in BRF's shares reached an average of US$ 70.4 million/day during the year, 22.6% less than in 2Q11.

Highlights (R$ Million)	2Q12	2Q11	% Ch.
Net Sales	6,842	6,294	9
Domestic Market	3,970	3,700	7
Exports	2,872	2,594	11
Gross Profit	1,489	1,561	(5)
Gross Margin	*21.8%*	*24.8%*	*(3,0 p.p)*
EBIT	281	513	(45)
Net Income	6	498	(99)
Net Margin	*0.1%*	*7.9%*	*(7,8 p.p)*
EBITDA	565	786	(28)
EBITDA Margin	*8.3%*	*12.5%*	(4,2 p.p)
Earnings per share(1)	0.01	0.57	(99)

1-Consolidated earnings per share (in R$), excluding treasury shares.

1st HALF 2012 – 1H12

- Net sales totaled R$ 13.2 billion, a growth of 7.0%, reflecting sales performance in the Company's various market segments.
- The meats businesses, dairy products and other products reported sales of 2.9 million tons, an increase of 4.8%.
- BRF reported a total gross profit of R$ 2.8 billion, 8.8% lower due to cost pressures, the impact of which was not absorbed by the growth in sales revenues.
- EBITDA recorded R$ 1.1 billion, 31.5% less than in 1H11, corresponding to an EBITDA margin of 8.3%.
- Net income was R$ 159.6 million against net earnings of R$ 881.4 million in 1H11 and equivalent to a net margin of 1.2% against 7.2 %.

- Financial trading volume in BRF's shares reached an average of US$78.3 million/day during the year, 2.1% more than reported in 2Q11.

Highlights (R$ Million)	1H12	1H11	% Ch.
Net Sales	13,179	12,315	7
Domestic Market	7,886	7,292	8
Exports	5,293	5,023	5
Gross Profit	2,833	3,106	(9)
Gross Margin	*21.5%*	*25.2%*	*(3,7 p.p)*
EBIT	549	1,038	(47)
Net Income	160	881	(82)
Net Margin	*1.2%*	*7.2%*	*(6,0 p.p)*
EBITDA	1,097	1,602	(32)
EBITDA Margin	*8.3%*	*13.0%*	*(4,7 p.p)*
Earnings per share(1)	0.18	1.01	(82)

1-Consolidated earnings per share (in R$), excluding treasury shares.

(The variations commented in this report are comparisons with the 2nd quarter of 2012 compared with the 2nd quarter of 2011, or with the 1st half of 2012 compared with the 1st half of 2011 – accumulated data unless specified on another comparative basis).

Explanatory Notes
(in thousands of Brazilian Reais)

Brazilian Exports

The second quarter 2012 saw a recovery in export volume of the three main sources of proteins (chicken, hogs and beef cattle). Shipped beef and pork volume reported the largest quarter-on-quarter increases as well as in sales revenues (as measured in US$), which saw a strong increase during the period. However, compared with 2Q11, there was fall in revenues (as measured in US$) principally due to the reduction of prices in USD.

Chicken exports recorded volumes of 1,013 thousand tons in 2Q12, 4.0% higher than 1Q12 and 1.8% more than 2Q11. In terms of export revenues (US$), there was an increase of 2.4% versus 1Q12 and a decline of 9.4% versus 2Q11. Shipments to Asia and Africa (especially China and Egypt) have supported growth for the year to date (on a Jan-Jun/12 versus Jan-Jun/11 basis). By contrast, export volumes to Europe and Japan have recorded a negative performance over the same period. Venezuela and South Africa also put in a lackluster performance, volumes falling respectively, 25.8% and 2.4%. Chicken cuts volume continues to sustain stronger growth during the year, first and foremost to markets such as Asia and the Middle East.

Overseas pork shipments of 145 thousand tons in 2Q12 were 17.2% up on 1Q12, albeit slightly down on 2Q11 (2.4%). In terms of sales revenues (US$), the quarter registered an 18.0% increase over 1Q12 but 12.3% down on 2Q11. Exports to Russia have recovered although still well down. Export volumes to Argentina also saw sharp falls in the quarter, reflecting recent restrictions on imports. On the other hand, the Russian trade ban resulted in a strong increase in Brazilian exports to the Ukraine, which to a degree has been instrumental in sustaining shipped volumes overall.

Performance of beef exports was very positive in 2Q12: the 335 thousand tons exported during this period was 29.8% above the volumes for 1Q12 and 20.1% more than in 2Q11. Sales revenue in the period (US$) also rose: 31.7% over 1Q12 and 18.1% more than in 2Q11. Volumes to Iran appear to be in a recovery mode (although well below the levels of last year). Egypt and Venezuela also reported increased volumes of 41.0% and +56.9% respectively, compared with Jan-Jun/12 versus Jan-Jun/11.

Investments

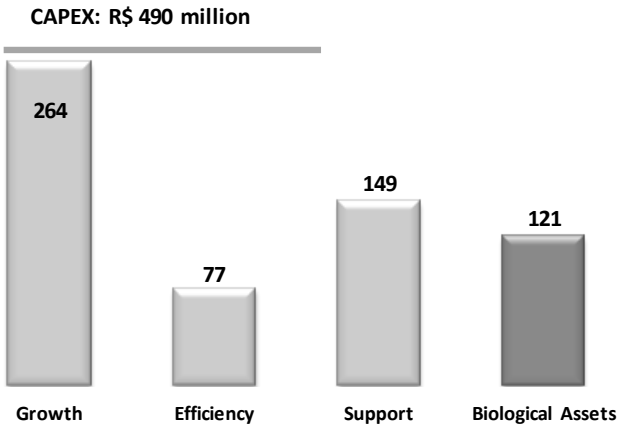
Investments in Capex during the quarter amounted to R$ 490 million, 103.5% higher than the same quarter in 2011 and largely dedicated to growth, efficiency and support projects. With respect to the comparative base, it should be noted that in the first half of 2011, investments were being contained while a final decision from CADE was awaited to proceed with the – BRF 15 – Long-Term Strategic Plan.

Investments in biological assets (breeder stock), totaled R$ 121 million, a 16.8% increase, a reflection in turn of the growth in flocks to supply growth projects and higher animal rearing overheads (principally increased grain costs).

In addition, further investments of R$ 499 million were made in Quickfood S.A. in Argentina, the acquisition of the company being the outcome of the exchange of assets under the TCD.

Explanatory Notes
(in thousands of Brazilian Reais)

***Investments** - R$ million*



Production

A total of 1.4 million tons of food was produced in 2Q12, a volume equal to 2Q11, with a growth in business involving processed meats and other processed products and a reduction in dairy products - dried line (UHT milk).

The production of the companies, Avex and Dánica in Argentina was also incorporated into the growth recorded for meats and other process products.

The following 168 new SKUs were launched in the first half as part of the process of expanding the portfolio, repositioning the brands and categories and adding value: Food Service - 18; domestic market – 31; exports – 86; and 33 in the dairy product segment. The principal portfolio innovations were in the Pizzas, *Meu Menu*, *Ouro*, Breaded Products, Processed Products, Dairy Products, Frozen Vegetables and Margarine lines and brands.

Production	2Q12	2Q11	% Ch.	1H12	1H11	% Ch.
Poultry Slaughter (million heads)	439	436	1	896	862	4
Hog/ Cattle Slaughter (thousand heads)	2,833	2,754	3	5,550	5,404	3
Production (thousand tons)						
Meats	1,058	1,069	(1)	2,126	2,081	2
Dairy Products	259	273	(5)	516	556	(7)
Other Processed Products	114	109	5	230	219	5
Feed and Premix (thousand tons)	3,055	2,845	7	5,969	5,527	8

Explanatory Notes
(in thousands of Brazilian Reais)

Domestic Market

Sales to the domestic market were R$ 3.0 billion, an increase of 6.9%, volumes being 0.7% up and average prices 6.2% higher. Average costs rose 9.6%, reflected in an operating income of R$ 181.7 million in this segment, 30.5% less, squeezing operating margins from 9.4% to 6.1% in the quarter.

Operating results in the domestic market came under pressure due to increases in costs in relation to the preceding year on higher prices for the principal raw materials in the sector – grains and other direct raw materials in addition to the increase in commercial expenses – which were particularly affected by the implementation of TCD-related processes: 1) review of lines and transfer of production capacity; 2) increase in product mix; 3) partial suspension of some categories; 4) increase in the transitional logistics network; 5) investments in product innovation.

In the first half, revenues totaled R$ 5.9 billion, 8.8% higher. Volumes remained at the same level, with average prices and costs 8.8% and 18.1%, respectively, greater – resulting in a 15.1% lower operating result. Consequently, the margin for the domestic market segment declined from 10.0% to 7.8%.

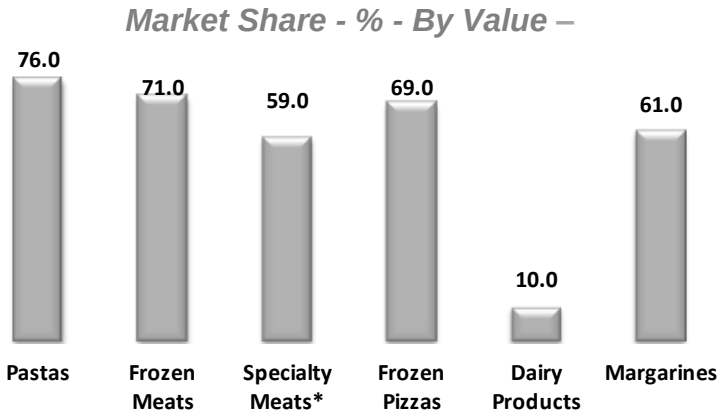
DOMESTIC MARKET	THOUSAND TONS			R$ MILLION		
	2Q12	2Q11	% Ch.	2Q12	2Q11	% Ch.
In Natura	**96**	**98**	**(2)**	**472**	**496**	**(5)**
Poultry	64	64	(1)	257	301	(15)
Pork/Beef	32	34	(4)	215	195	10
Processed Foods	**421**	**433**	**(3)**	**2,282**	**2,148**	**6**
Others Sales	**127**	**109**	**16**	**214**	**133**	**61**
Total	**644**	**640**	**1**	**2,968**	**2,777**	**7**

DOMESTIC MARKET	THOUSAND TONS			R$ MILLION		
	1H12	1H11	% Ch.	1H12	1H11	% Ch.
In Natura	**195**	**191**	**2**	**953**	**976**	**(2)**
Poultry	130	127	2	530	601	(12)
Pork/Beef	65	64	2	423	375	13
Processed Foods	**856**	**853**	**0**	**4,600**	**4,225**	**9**
Others Sales	**205**	**213**	**(4)**	**395**	**266**	**48**
Total	**1,256**	**1,257**	**0**	**5,947**	**5,467**	**9**

The Company launched 31 new products on the domestic market to strengthen brand penetration and enhance performance in its chosen operating segments. These lines include: 1) Cold cuts and salamis – Sliced *Prezato Coppa*, Sliced Prezato Parma Ham, Salami with Prezato Pepper Border, Pepperoni Salami, Prezato Salami; 2) In Natura – Perdigão Spring Chicken;3) Sausages: Pork Sausage, Bulk *Fininha*, Packaged *Fininha*, Frescal Calabrese, New Calabrese, Smoked Pork and Portuguese Sausage; 4) Ready to Eat Snacks: Hot Pocket Barbecue Sauce, Hot Pocket Spicy Sauce; 5) Pizzas: Nonno´s Recipe, *Lavera Margherita*, *Formaggi Especialli*, *Margherita*, Half Chicken and Half Mozzarella, Half Calabrese and Half Mozzarella, Bacon and Mozzarella, Pepperoni and Portuguese; 6) Ready to Eat Meals: Calabrese *Meu Menu Escondidinho*, Minced Meat *Meu Menu Escondidinho*; New Flavors *Escondidinho* (Calabrese), New Flavors *Escondidinho* (Beef dried meat); Frozen

Explanatory Notes
(in thousands of Brazilian Reais)

Vegetables: Potatoes, Broccoli and Peas.



Exports

The Company reported exports of R$ 2.8 billion, 10.5% higher than 2Q11 despite pressures experienced in the Japanese market due to high levels of local inventory, the overseas market showing signs of a gradual recovery. Sales volumes were 10.3% higher and average prices in Reais also improved by 0.2%. On the other hand, while foreign exchange rates gave a welcome boost to exports, dollar prices were still 17.7% lower, while the average cost rose 6.2%, reflected in the operating result which fell from R$ 200.2 million to R$ 64.2 million - a 67.9% decline. Operating margins also dropped from 7.8% to 2.3%, corresponding to a slide of 5.5 percentage points – albeit against a high comparative base in 2Q11 when the Company turned in a good performance in the light of strong demand for its products.

Exports rose 5% in the first half, volumes rising by 8.6% against 3.4% lower average prices in Reais and 0.3% average higher costs. Operating result was R$ 10.1 million against R$ 394.3 million, corresponding to a decline in operating margin from 8% to 0.2% due to the continuing high level of local inventory in the Middle East and the Far East.

BRF launched a further 86 new options on the export market in the processed and breaded products lines well as in the griller chicken, beef, special chicken cuts, cooked product and margarine segments.

We expect to see a gradual recovery in exports in the second half of 2012, once there is an improvement in the temporary dip in demand with the running down of high local inventory in important markets such as the Far East and the Middle East. Inventory levels in these markets are a reflection of the situation in 2011 when there was heavy demand due to production shortfalls in various producing countries thus stimulating sales of Brazilian meats.

Explanatory Notes
(in thousands of Brazilian Reais)

EXPORTS	THOUSAND TONS			R$ MILLION		
	2Q12	2Q11	% Ch.	2Q12	2Q11	% Ch.
In Natura	**551**	**464**	**19**	**2,373**	**2,081**	**14**
Poultry	475	391	**22**	1,926	1,653	**16**
Pork/Beef	76	74	**3**	447	428	**5**
Processed Foods	**82**	**88**	**(7)**	**439**	**447**	**(2)**
Others Sales	**9**	**30**	**(71)**	**8**	**23**	**(66)**
Total	**641**	**582**	**10**	**2,820**	**2,551**	**11**

EXPORTS	THOUSAND TONS			R$ MILLION		
	1H12	1H11	% Ch.	1H12	1H11	% Ch.
In Natura	**1,055**	**927**	**14**	**4,323**	**4,061**	**6**
Poultry	912	791	15	3,464	3,274	6
Pork/Beef	143	136	6	860	787	9
Processed Foods	**156**	**167**	**(7)**	**847**	**850**	**(0)**
Other Sales	**9**	**30**	**(71)**	**8**	**23**	**(66)**
Total	**1,220**	**1,123**	**9**	**5,178**	**4,934**	**5**

The Company reported the following scenario in its principal markets during the quarter:

Middle East – sales revenues and volumes rose by 29.2% and 29.7%, signaling a gradual recovery in prices and demand following adjustments for the effects of the Arab Spring, which drove down prices of in-natura products, more especially griller chicken. This situation fed through to margins in the Middle East – a regional market and one that serves as a benchmark for various other products/regions and recovery of which drives higher margins in export markets overall. In addition, shipments made ahead of the Ramadan period contributed to the positive showing of the region as did the increased use of local distribution channels.

Far East – Despite better prices in Japan relative to those prevailing in 1Q12, margins have still not recovered to normal levels. Inventory has been gradually run down since early 2012 although a return to normal levels has still not occurred. However, we are channeling export volumes to alternate markets such as South Korea and Singapore in an attempt to minimize the effects of the Japanese situation. Volumes to the region rose 8.8% and revenues, 2.3% in the quarter. Important also to note in this context is the increase in volumes to the Chinese market as opposed to that of Hong Kong, thus contributing to enhanced intra-regional margins.

Europe – Due to the prevailing economic scenario in the region, export revenues to this market were 2.6% lower, as were volumes by 2.2%. However, our strategic focus is on greater added value, especially in the case of products of the Plusfood subsidiary where the portfolio has been expanded on the back of increased local production capacity. Consequently, operating results from this market are yielding good margins.

Eurasia – Export revenues rose 9.7%, representing a corresponding increase in volumes of 13% despite the trade ban on sales of production from the majority of Brazilian plants exporting to the Russian market. However, some of BRFs plants remain authorized exporters to Russia. We are currently diverting some of the volume originally destined for Russia to the Ukraine and other countries (in Asia and Africa) in order to diversify markets, more especially those for pork-based

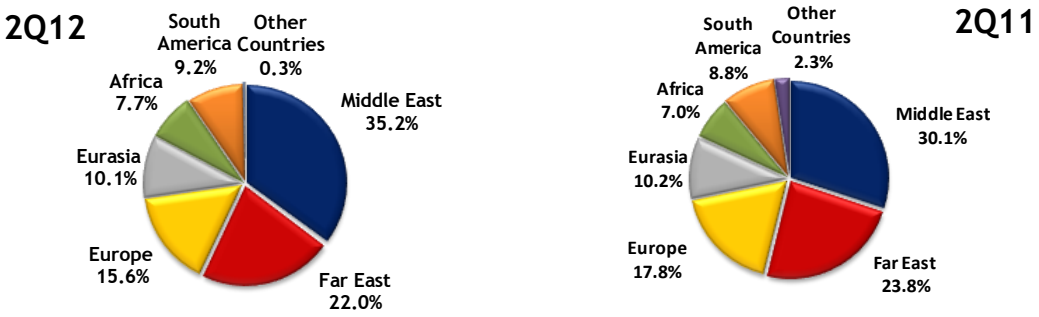
Explanatory Notes
(in thousands of Brazilian Reais)

products.

South America – Export revenues increased 14.6% on the back of 24.3% higher volumes including the consolidation of the recently acquired Avex and Dánica businesses in Argentina. However, the Argentine government has adopted measures making imports of Brazilian in-natura pork and hams difficult.

Africa and other countries – Exports to Africa reported a good performance with a growth in sales revenue of 21.7% on 9.9% higher volume, although other countries recorded a fall in sales and volumes.

Exports by region



Dairy Products – Revenues totaled R$ 702.1 million, a 9.2 % growth, with 2.9% higher volumes and average prices also reporting a 6.1% improvement against 5.3% higher costs. Operating margins fell from 1.7% to 0.4%, a decline of 75.8% in operating result from the activity, equivalent to R$ 2.7 million against R$ 11.1 million in 2Q11, principally due to a weaker performance in UHT milk sales.

Accumulated first half export revenues were R$ 1.3 billion – 6% more than recorded for the same period in 2011, with volumes equal to 1H11, while prices and average costs rose 5.9% and 4.8%, respectively. As a result, operating results were R$ 1.9 million against R$ 10.3 million in 1H11.

As part of the process of improving margins and portfolio mix, the Company launched 33 products in 1H12, with the new line in yogurts (tubs), Batavo milks and Trakinas shakes and a cheese line, including sliced cheese as well as grocery line products.

DAIRY	THOUSAND TONS			R$ MILLION		
	2Q12	2Q11	% Ch.	2Q12	2Q11	% Ch.
Dry Division	208	215	(3)	439	437	0
Fresh and Frozen Division	52	58	(10)	249	206	21
Other Sales	21	-	-	14	0	-
Total	281	273	3	702	643	9

Explanatory Notes
(in thousands of Brazilian Reais)

DAIRY	THOUSAND TONS			R$ MILLION		
	1H12	1H11	% Ch.	1H12	1H11	% Ch.
Dry Division	400	437	(8)	821	869	(5)
Fresh and Frozen Division	112	116	(4)	500	403	24
Other Sales	42	0	-	26	0	-
Total	554	553	0	1,348	1,271	6

Food service – Revenues for this segment reported R$ 353.1 million in the quarter – 9.3% higher, on 6.6% greater volumes, an improvement of 2.6% in average prices against 5.7% higher average costs, thus reducing the operating margin from 12.5% to 9.1%, the operating result totaling R$ 32 million against R$ 40.2 million (20.5% down).

First half revenue rose 9.8% to R$ 705.9 million, on 7.3% higher volume, reaching an operating margin of 10% against 13.2% in 1H11 and an operating result of R$ 70.8 million – 16.6% down on 1H11.

Weaker operating results from food service were due to the diversion of in-natura products from the export market, thus altering the sales mix, as well as one-off deceleration in the segment the result of greater demands being made on Brazilian disposable household incomes.

The company launched 16 products in the food service business in the *Perdigão* grill line, cooked and smoked pork loin, Sadia grill line, Miss Daisy *brigadeiros* (Brazilian sweet candy), Fynbo-type Sadia luncheon cheese, Savory Snacks Platform, Blue Ocean (carcass and spring chicken), as well as specific products to meet the requirements of strategic accounts: McDonalds, Giraffas, Applebee's, Subway and the school meal segment as a whole.

FOOD SERVICE	THOUSAND TONS			R$ MILLION		
	2Q12	2Q11	% Ch.	2Q12	2Q11	% Ch.
Total	55	52	7	353	323	9

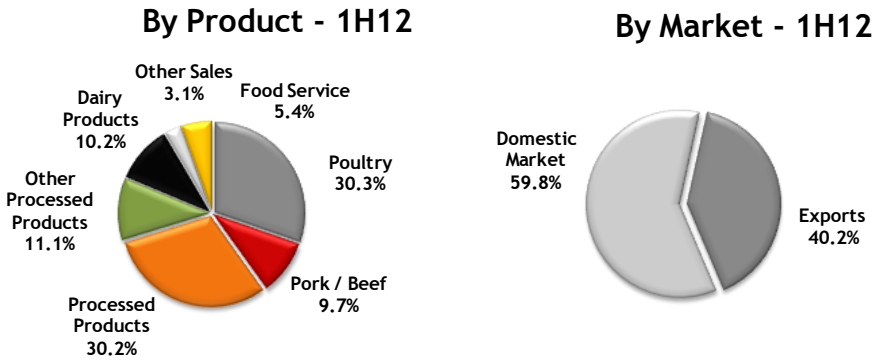
FOOD SERVICE	THOUSAND TONS			R$ MILLION		
	1H12	1H11	% Ch.	1H12	1H11	% Ch.
Total	113	105	7	706	643	10

Net Sales – BRF reported net operating sales of R$ 6.8 billion in the quarter, a growth of 8.7%, particularly driven by organic growth, the incorporation of acquisitions and product launches. Sales also reported growth of 7.9% in relation to the first quarter of 2011.

For the first six months of the year, sales revenue rose 7%, reaching R$ 13.2 billion for the year to date and this in spite of the unfavorable scenario prevailing in the Company's principal markets.

Explanatory Notes
(in thousands of Brazilian Reais)

Breakdown of Net Sales (%)



Cost of Sales – Cost of sales rose 13.1% to R$ 5.4 billion, costs rising still faster than sales revenue and squeezing gross margins. The main impacts on costs came from an increase in the principal raw materials – soybean meal (an increase of 44.1%), as well as other raw materials and direct inputs in addition to other production costs such as: labor and indirect manufacturing costs also caused by the transition process following the signature of the TCD. More particularly, soybean meal prices increased by 29.7% in 2Q12 compared to 1Q12, a reflection of high prices prevailing on the Chicago Board of Trade - CBOT and attributed to crop failures in the United States.

In addition to raw material pressures, we are incurring transitory costs arising from the implementation of the conditions for fulfilling the TCD.

For the first six month period, cost of sales reached R$ 10.3 billion, reporting growth of 12.4%, reflecting a rise in leading raw material prices and other production costs.

Gross Profit and Gross Margin – As a result of sales performance and cost pressures, Gross Profit totaled R$ 1.5 billion, a reduction of 4.6% in the quarter, feeding through to a 3.0 percentage point reduction in gross margins in relation to 2Q11, declining from 24.8% to 21.8%. For the first six months of the year, the Company reported Gross Profit of R$ 2.8 billion, representing a fall of 8.8% in the half year, equivalent to the gross margin of 21.5% against 25.2%, also a function of sales performance in the principal markets on the back of higher production costs.

Operating Expenses – Operating expenses came in at 16.6% higher – 1.1 percentage points higher than Net Sales due to investments in the development of new lines, product launches and marketing campaigns, higher temporary distribution scapes and also due to lower revenue generation compared with the Company's structures. Selling expenses increased by 19.3%, fixed expenses rising 15.1% and variable expenses, 25.5%, principally a reflection of adjustments necessary in the light of asset transfers, restructuring of the portfolio and investments in category innovations. Administrative expenses and fees saw a 7.4% gain due to the simplification of administrative structure between BRF and its subsidiaries.

In the first half of 2012, operating expenses totaled R$ 2.2 billion, with an increase of 13.7%, especially impacted by selling expenses which increased 15.5%.

Explanatory Notes
(in thousands of Brazilian Reais)

Other Operating Expenses – The increase of 4% covers costs with the pre-operational phase of the new industrial units, insurance claims, provisions for tax risks, results of divestments under the TCD as well as revenues from the reversal of provisions, recovery of expenses and leasing with third parties. In line with IFRS regulations, expenses with profit sharing are also booked under this item. For the first six months of 2012, there was a 28.2% decline in this item due to gains in third party leasing, with the leasing of the Carambei-PR facility to Marfrig.

Operating Result before Net Financial Expenses and Operating Margin – The Operating Result before Net Financial Expenses was R$ 280.6 million, a decline of 45.3% in relation to 2Q11, the operating margin declining from 4.1% of Net Sales to 8.1%. The 4.0 percentage points decrease is due to a combination of adverse factors: inventories higher than market requirements in Japan and the Middle East; pressure on costs and expenses, as well as the transitory process of transferring assets in compliance with the TCD.

The same underlying factors pertain in explaining this item for the first half of the year of R$ 548.6 million, 47.1% below the result recorded for 1H11.

Financial Result – Net financial expenses amounted to R$ 287.5 million, 420.9% higher than for the same period in 2011 due to an increase in net debt and the foreign exchange translation effect. In addition to the currency effect, the allocation of cash in support of capital expenditure investments and working capital increased net debt to R$ 7.0 billion, 18.0% more than 1Q12, resulting in a net debt to EBITDA (last twelve months) ratio of 2.57 times with a book currency exposure of US$ 366 million.

In the first half year, net financial expenses totaled R$ 362.4 million. Financial expenses due to exchange variation were 63% of net financial expenses during the quarter and 59% in the first half of 2012, although this is not reflected in any cash disbursement.

DEBT - R$ Million	06.30.12			03.31.12	
	Current	Non-Current	Total	Total	% Ch.
Local Currency	(1,571)	(1,380)	(2,951)	(3,192)	(8)
Foreing Currency	(2,217)	(4,833)	(7,049)	(5,066)	39
Gross Debt	**(3,788)**	**(6,212)**	**(10,001)**	**(8,258)**	**21**
Cash Investments					
Local Currency	402	126	528	733	(28)
Foreing Currency	2,357	67	2,425	1,713	42
Total Cash Investments	**2,759**	**193**	**2,953**	**2,446**	**21**
Net Accounting Debt	**(1,029)**	**(6,019)**	(7,048)	**(5,974)**	**18**
Exchange Rate Exposure - US$ Million			(366)	**(468)**	**-**

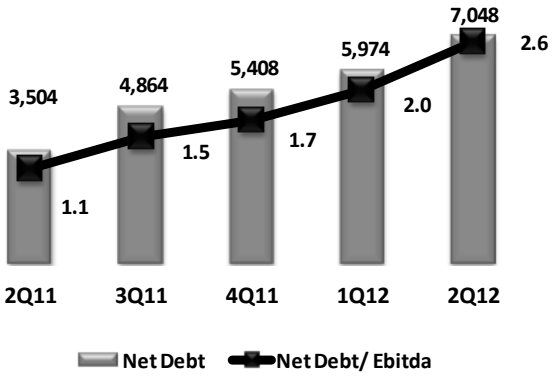
In the light of the high level of exports, the Company conducts operations with the specific purpose of currency hedging. In accordance with hedge accounting standards (CPC 38 and IAS 39), financial derivatives (for example: NDF) and non-derivative financial instruments (for example: foreign currency debt) are used for conducting hedging operations and concomitantly, to eliminate the respective unrealized foreign exchange rate variations from the income statement (under the Financial Expenses line).

The use of non-derivative financial instruments for foreign exchange cover, continues to permit a significant reduction in the net currency exposure in the balance sheet, resulting in substantial benefits through the matching of currency liability flows with export shipments and therefore

Explanatory Notes
(in thousands of Brazilian Reais)

contributing to a reduction in the volatility of the financial result.

On June 30, 2012, the non-financial derivative instruments designated as hedge accounting for foreign exchange cover amounted to USD 769 million, and a proportional reduction in book currency exposure of the same value. In addition, the financial derivative instruments designated as hedge accounting according to the concept of a cash flow hedge for coverage of highly probable exports, totaled USD 1,744 million + EUR 213 million + GBP 78 million and also contributed directly to the reduction in currency exposure. In both cases, the unrealized result for foreign exchange rate variation was booked to shareholders' equity, thus avoiding the impact on the Financial Expenses.



Income Tax and Social Contribution **–** Income tax and social contribution totaled a positive R$ 18.1 million in the quarter, 56.5% less, due to differences in tax rates on the earnings of foreign subsidiaries and the foreign exchange translation effect on overseas investment. In the first six months of 2012, income tax and social contribution represented a negative R$ 22.1 million – a fall of 50.1% in relation to 1H11.

Participation of Non-controlling Shareholders **–** the increase in this item relates to the consolidation of the recently acquired Argentine subsidiaries, through Avex, plus results from the Al Wafi and Plusfood subsidiaries, among others.

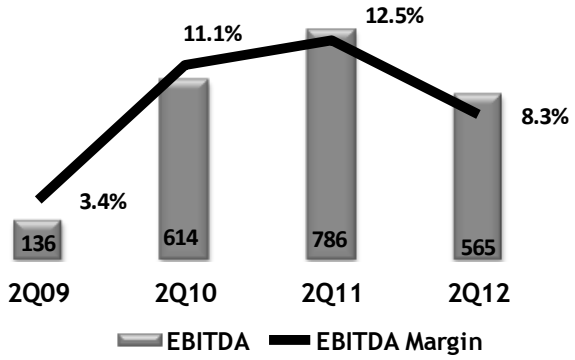
Net Income and Net Margin – Second quarter net income was R$ 6.4 million with a net margin of 0.1%, a reduction of 98.7% compared with 2Q11, due to weaker performances in the principal business segments and the impact of the foreign exchange translation effect on financial expenses. For the first full six months, net income reported an 81.9% year-on-year decline, totaling R$ 159.6 million of net income, corresponding to a net margin of 1.2% against 7.2% reported in 1H11.

EBITDA – EBITDA (operating cash generation) reached R$ 565.1 million, a 28.1% decline, recording an EBITDA margin of 8.3% against 12.5% in 2Q11. In the first half year, accumulated EBITDA was R$ 1.1 billion, 31.5% below the same item for 1H11, with an EBITDA margin of 8.3% against 13.0% reported for the same period in 2011, for reasons already explained above.

Explanatory Notes
(in thousands of Brazilian Reais)

EBITDA - R$ Million	2Q12	2Q11	% Ch.	1H12	1H11	% Ch.
Net Income	6	498	(99)	160	881	(82)
Non Controlling Shareholders	5	1	-	4	5	(5)
Income Tax and Social Contribution	(18)	(42)	(56)	22	44	(50)
Net Financial	287	55	421	362	107	237
Equity Accounting and Other Operating Result	45	48	(6)	71	119	(40)
Depreciation and Amortization	240	225	6	477	445	7
= EBITDA	**565**	**786**	**(28)**	**1,097**	**1,602**	**(32)**

R$ 8 million…



*Pro-forma

Shareholders Equity – On June 30, 2012, Shareholders Equity was R$ 14.1 billion, against R$ 14.1 billion on December 31, 2011, a decline of 0.3% and reflecting a return of 8% on annualized investment.

Performance

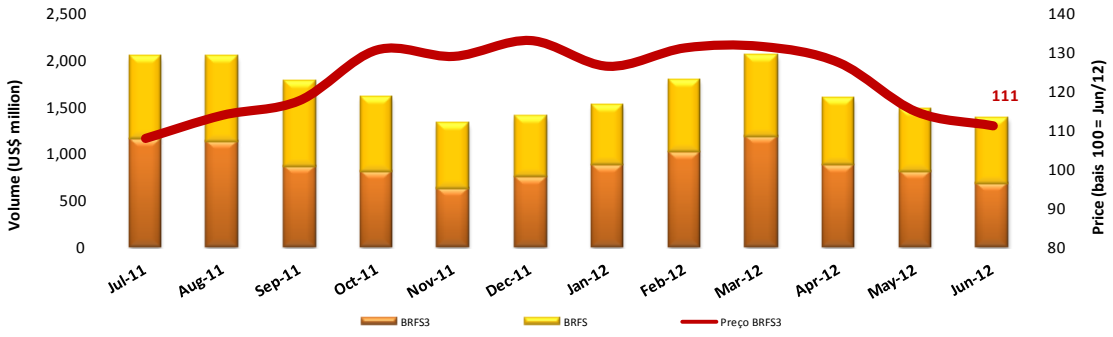
Average daily financial volume on the BM&FBovespa and NYSE was US$ 78.3 million, 2% more than reported in 1H11, with a negative performance of 15.6% in the quarter, equivalent to the performance of the BM&FBovespa stock index and a depreciation of 24.1% on the NYSE, due to volatility in the capital markets and company performance.

Explanatory Notes
(in thousands of Brazilian Reais)

PERFORMANCE	2Q12	2Q11	1H12	1H11
Share price - R$*	30.39	26.50	30.39	26.50
Traded Shares (Volume) - Millions	138.3	176.5	290.5	309.4
Performance	(15.6%)	(14.0%)	(16.6%)	(3.1%)
Bovespa Index	(15.7%)	(9.0%)	(4.2%)	(10.0%)
IGC (Brazil Corp. Gov. Index)	(8.2%)	(6.0%)	4.7%	(7.1%)
ISE (Corp. Sustainability Index)	(2.2%)	(5.4%)	11.4%	(1.0%)
Share price - US$*	15.19	17.33	15.19	17.33
Traded Shares (Volume) - Millions	122.8	142.7	236.5	231.4
Performance	(24.1%)	(9.2%)	(22.3%)	2.7%
Dow Jones Index	(2.5%)	0.8%	5.4%	7.2%

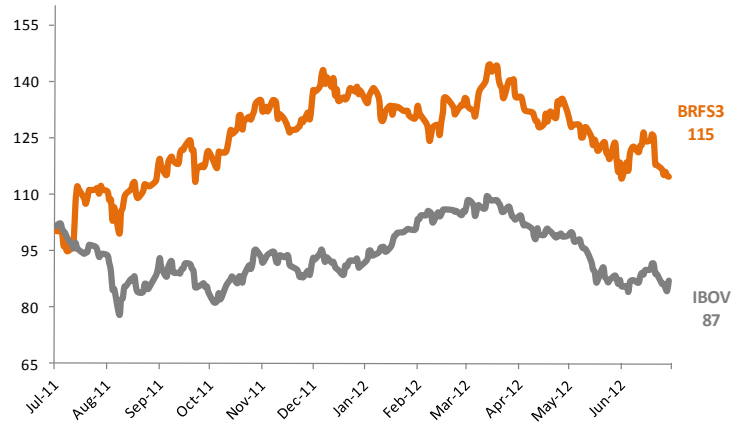
** Closing Price*

Financial Trading Volume 1H12
Average US$ 78.3 million/day (2% higher than 1H11)

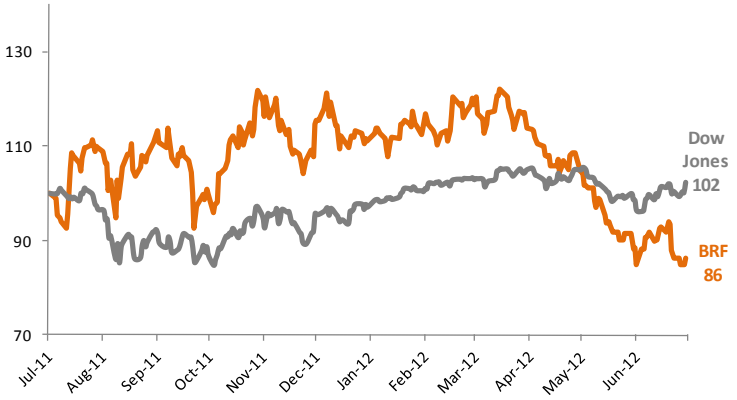


Explanatory Notes
(in thousands of Brazilian Reais)

Shares Performance

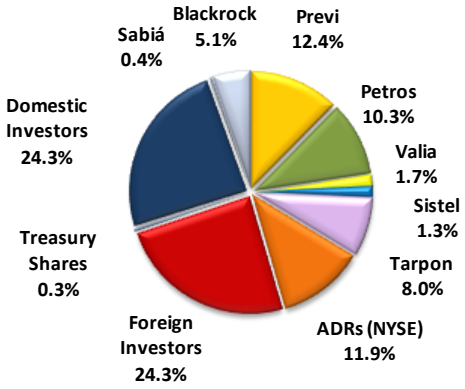


ADRs Performance



Explanatory Notes
(in thousands of Brazilian Reais)

DIFUSE CONTROL



Basis: 06.30.2012
Number of Common Shares: 872,473,246
Capital Stock: 12.6 billion

Novo Mercado - BRF signed up to the BM&FBovespa's Novo Mercado Listing Regulations on April 12, 2006, requiring it to settle disputes through the Market Arbitration Panel under the arbitration commitment clause written into its bylaws and regulations.

Risk Management - BRF and its subsidiaries adopt a series of previously structured measures for maintaining the risks inherent to its businesses under the most rigorous control, details being shown under explanatory note 4 of the Financial Statements. Risks involving the markets in which the Company operates, sanitary controls, grains, nutritional safety and environmental protection as well as internal controls and financial risks are all monitored.

Independent Audit – In our relations with the Independent Auditor, we endeavor to assess conflicts of interest with non-audit work based on the principle that the auditor should not audit its own work, exercise managerial functions and promote our interests.

Pursuant to CVM Instruction 480/09, at a meeting held on August 13, 2012, management declares that it has discussed, reviewed and agreed the opinions expressed in the revision report of the independent auditors and with the quarterly information for the year ending June 30, 2012.

Sustainability – We concluded the greenhouse gases inventory for the Company's domestic operations according to GHG Protocol Brasil criteria, duly audited by KPMG Risk and Advisory Services Ltda. In 2011, BRF's total emissions were 385,023,87 tons of CO2 equivalent, of which 316,492.69 tons of CO2eq. were Scope 1 emissions (direct emissions from the Company's own operations) and 68,531.18 tons of CO2eq. were Scope 2 emissions (indirect emissions resulting from the acquisition of electric energy consumed by the Company). In addition, we have undertaken the review and publication of the BRF Suppliers Code of Conduct, a document which forms the basis for the ethical and socio-environmental conduct expected of suppliers and aligned to BRF's Employees' Code of Ethics.

Explanatory Notes
(in thousands of Brazilian Reais)

One of BRF's values is the commitment to sustainable development resting on economic-financial, social and environmental pillars and aligned to the guidelines of the Global Reporting Initiative – GRI. BRF is today a Company in conformity with application Level A in its annual and sustainability report. Each year, it is demonstrating advances in relation to sustainability, principally in performance indicators, highlighting environmental aspects such as: use of materials, waste, effluent, biodiversity, impact of transportation and innovation to reduce the impacts of products. In respect to social indicators, BRF has been improving its information reporting on the management and monitoring of the value chain and impacts on local, national and international operations.

Remuneration to Shareholders – On June 18, 2012, the Board of Directors approved a payout to shareholders in the total amount of R$ 100 million, corresponding to a gross R$ 0.11501051 per share, payment to take place on August 15,2012, as interest on shareholders' equity with due retention of Income Tax at Source in line with the prevailing legislation.

Merger of BRF and Sadia – At the end of last May the asset exchange agreement with Marfrig was approved with the Brazilian anti-trust authority (CADE). During the course of the third quarter we shall be complying with the remaining terms and conditions of the agreement which establish the temporary discontinuation of some Perdigão and Batavo category brands as well as the transfer of some of the industrial units.

On the other hand, BRF has taken control of Quickfood in Argentina, owner of the leading hamburger brand in the local market. In expanding its footprint in South America, the company reiterates its goal of overseas growth in parallel with organic expansion currently underway in Brazil, thus laying the foundations for sustained growth in line with the objectives of the BRF 15 Strategic Plan BRF 15.

Synergies captured in 1H12 amounted to R$ 363 million and are in line with Company forecasts for the fiscal year, not reflecting temporary costs and expenses and those arising from the implementation of the TCD (costs not susceptible to segregation).

Awards – Melhores e Maiores - The Best Agribusiness Company in 2011; TOP OF MIND 2012 Award – Newspaper partner *A Notícia* of the RBS Group and Instituto MAPA; TOP Executive; Large Agribusiness Company and Outstanding Company in Exportation; Top of Mind - Sadia S.A – Large State of Santa Catarina Company. IR Magazine Awards perception study shows BRF among the best Brazilian companies in the categories of: Best Meeting with the Investment Analysts Community; Best Conference Call and Best Company in Socio-Environmental Sustainability.

Sadia sponsors athletics, and, on an individual basis, the athletes Sarah Menezes, Arthur Zanetti and Mayra Aguiar. The company also sponsors other athletes indirectly through the judo, gymnastics and aquatic sports confederations, that is in London.

Explanatory Notes
(in thousands of Brazilian Reais)

SOCIAL REPORT

At the end of 2Q12, BRF had a headcount of 119,819 including 1,325 apprentices and 230 interns.

Targets guidance and breakdown – Between April and May, the Company launched a new Excellence Program for all units. This initiative has been remodeled, the focus being on recognition through the classification of the various facilities based on results. The program aims to provide guidance to the teams and to breakdown the Company targets at all levels, as well as standardizing the processes and classifying the units in accordance with points achieved.

Focus on Human Capital – BRF runs leader**s** development programs for the full range of hierarchical levels. During the period under review, the Company launched the Leaders Development Program at the production units to prepare professionals who are deemed as potential candidates for occupying future supervisory vacancies, thus assuring their development and succession to supervisory positions. The Company also launched an e-learning Leaders Induction course with content which covers from institutional aspects to essential information for the daily routine of the new manager. This course caters not only for recently hired or promoted leaders but also for the recycling of all the professionals that occupy positions of leadership in the Company. In the first half of 2012, ten Programs were held based on the Individual Development Plans for executives dealing with collective themes for managerial level personnel. There were 33 groups held with the participation of 486 managers. The number of places on the Interns program was increased – a program which is designed to train young professionals of the future. The Company also runs a Trainees Program, the current group of 30 having begun the course in January 2012 following a selection process involving a total of 19 thousand candidates.

BRF also focuses on developing its worldwide business, selecting participants for its Global Development Program, focused on the export market through the hiring of qualified professionals which bring with them experience and knowledge of their base market. Following a period of training, development and familiarization with the Company, the idea is that these professionals should be able to take up positions of leadership. BRF has also chosen three professionals for the Summer Project for identifying potential among those from the world's most prestigious MBA schools and providing them with the opportunity to acquire professional knowledge in the Company's strategic areas. In addition to fostering the exchange of information with the teaching institutions, the potential candidates are appraised for possible hiring at the end of the program.

During the quarter, BRF invested heavily in training the sales force. Seven TV commercials were standardized and used for training and development of the teams as well as evaluating domestic market salesmen, participation involving a total of 2,360 professionals. On the same theme, the Company held the Initial Training in Sales program, preparing more than 115 sales supervisors for multiplication of content to the teams, and the Promoter Development Program, for on-site training of 4,600 company promoters.

SSMA – In 2006, BRF implemented the SSMA Project for matters related to Occupational Health and Safety and the Environment and initially covering BRF's operating areas, the focus being on safe behavior, employee and outsourced personnel health and sustainability. Thanks to the results and the need to extend the practice, in October 2010, an expansion project was begun for all areas, as well as

Explanatory Notes
(in thousands of Brazilian Reais)

benefiting the communities surrounding BRF's units. In the quarter under review, the Company has also implemented initiatives under the project for the corporate units. The figures show that the expanded effect of the project has been very successful.

The accident frequency rate with time off work has fallen 35% in less than a year (the accident frequency rate is the total number of accidents with time off work divided by a million man/hours worked according to NBR 14.280) and corresponding to 20% of what the rate was in 2006. This can be considered as one of the most successful cases of implementing an Occupational Health and Safety System with some plants achieving levels comparable with world class companies.

Stock Option Plan – The Company has granted a total of 7,410,325 stock options to 258 executives, the maximum vesting period being five years according to the Compensation Plan Regulations based on the shares approved on March 31, 2010 and amended on April 24, 2012 at the Annual and Extraordinary General Shareholders' Meeting. During the second quarter executive managers were also included in the stock option plan in addition to directors and vice presidents who were already contemplated.

Added Value Distribution	2H12	2H11	% Ch.
Human Resources	1,892	1,788	6
Taxes	1,694	1,778	(5)
Interest	1,163	577	102
Interest on shareholders' equity	100	292	(66)
Retention	60	589	(90)
Non-controlling shareholders	4	5	(5)
Total	**4,912**	**5,029**	(2)

Explanatory Notes
(in thousands of Brazilian Reais)

BRF - Brasil Foods S.A.
PUBLIC COMPANY

CONSOLIDATED AND CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED

BALANCE SHEET - R$ Million	06.30.2012	31.12.2011	% Ch.
Assets	**31,352**	**29,983**	**5**
Current Assets	**11,609**	**11,124**	**4**
Cash and Cash Equivalents	2,107	1,367	54
Marketable Securities	641	1,373	(53)
Trade Accounts Receivable and Other Receivables	2,762	3,208	(14)
Inventories	3,001	2,679	12
Biological Assets	1,344	1,156	16
Recoverable Taxes	1,128	908	24
Prepaid Expenses	97	100	(3)
Others Noncurrent Assets	530	334	59
Noncurrent Assets	**19,742**	**18,860**	**5**
Long Term Assets	5,157	4,655	11
Investments	101	20	396
Property, Plant and Equipment	9,812	9,798	0
Intangible	4,673	4,386	7
Liabilities	**31,352**	**29,983**	**5**
Current Liabilities	**7,688**	**7,988**	**(4)**
Payroll and related charges	520	434	20
Trade Accounts Payable	2,772	2,681	3
Tax Payable	199	225	(12)
Short- Term Debt	3,411	3,452	(1)
Other Current Liabilities	702	1,077	(35)
Provisions	84	118	(29)
Non-Current Liabilities	**9,593**	**7,886**	**22**
Short-Term Debt	6,212	4,601	35
Other Non-Current Liabilities	689	658	5
Deferred Income Tax	1,856	1,792	4
Provisions	837	835	0
Shareholders' Equity	**14,071**	**14,110**	**(0)**
Capital Stock Restated	12,460	12,460	-
Reserves/Accumulated earnings	1,905	1,837	4
Other Results	(282)	(162)	75
Treasury Shares	(64)	(65)	-
Non Controlling Shareholders	51	40	29

Explanatory Notes
(in thousands of Brazilian Reais)

INCOME STATEMENT - R$ Million	2Q12	2Q11	% Ch.
Net Sales	**6,842**	**6,294**	**9**
Domestic Market	3,970	3,700	7
Exports	2,872	2,594	11
Cost of Sales	(5,353)	(4,734)	13
Gross Profit	**1,489**	**1,561**	**(5)**
Operating Expenses	(1,155)	(991)	17
Sales	(1,061)	(889)	19
General and Administrative	(94)	(102)	(7)
Other Operating Results	(58)	(56)	4
Equity Accounting	5	(1)	(1,036)
Financial Expenses, Net	(287)	(55)	421
Income Before Financial Exp. and Other Results	(7)	**458**	**(102)**
Income Tax and Social Contribution	18	42	(56)
Non-Controlling shareholders	(5)	(1)	(230)
Net Income	**6**	**498**	**(99)**
EBITDA	**565**	**786**	**(28)**

INCOME STATEMENT- R$ Million	1H12	1H11	Ch. %
Net Sales	13,179	**12,315**	**7**
Domestic Market	7,886	7,292	8
Exports	5,293	5,023	5
Cost of sales	**(10,347)**	**(9,208)**	12
Gross Profit	2,833	3,106	**(9)**
Operating Expenses	(2,195)	(1,930)	14
Sales	(2,014)	(1,744)	15
General and administrative	(180)	(186)	(3)
Other operating results	**(100)**	**(140)**	(28)
Equity Accounting	11	2	608
Financial expenses, net	(362)	(107)	237
Income before financial exp. and other results	186	930	**(80)**
Income tax and other social contribution	**(22)**	**(44)**	(50)
Non-controlling shareholders	*(4.50)*	(5)	(230)
Net income	**160**	**881**	**(82)**
EBITDA	**1,097**	**1,602**	**(32)**

The results for the second quarter 2012 consolidate the BRF Companies- Brasil Foods S.A. and Sadia S.A. (a wholly-owned subsidiary). In July 2009, Sadia's results were fully consolidated according to the Association Agreement and Shareholders' Meetings for the incorporation of shares held in July and August 2009.

All statements contained in this report with regard to the Company's business prospects, project results and potential growth of its business constitute mere forecasts and were based on management's expectations in relation to the Company's future performance. These expectations are heavily dependent on changes in the market and on the country's general economic performance, that of the sector and the international markets and, therefore, being subject to changes.

On July 13, 2011, the plenary session of the Administrative Council for Economic Defense- CADE approved the Association between BRF and Sadia S.A., subject to compliance with the provisions contained in the Performance Commitment Agreement – TCD signed between the parties concerned. These documents are available in the website: www.brasilfoods.com/ir

Explanatory Notes
(in thousands of Brazilian Reais)

1. COMPANY'S OPERATIONS

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

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

During the last quarter of 2011, the Company's activities started to be segregated into 4 operating segments, being: domestic market, foreign market, food service and dairy products, as mentioned in note 5.

In the domestic market, the Company operates 36 meat processing plants, 13 dairy products processing plants, 3 margarine processing plants, 3 pasta processing plants, 1 dessert processing plant and 3 soybean crushing plant, all of them near the Company's raw material suppliers or the main consumer centers.

In the foreign market, the Company operates 4 meat processing plants, 1 margarine and oil processing plant, 1 sauces and mayonnaise processing plant, 1 pasta and pastries processing plant and 1 cheese processing plant, and subsidiaries or sales offices in the United Kingdom, Italy, Austria, Hungary, Japan, The Netherlands, Russia, Singapore, United Arab Emirates, Portugal, France, Germany, Turkey, China, Cayman Islands, South Africa, Venezuela, Uruguay and Chile.

The Company has an advanced distribution system and uses 30 distribution centers, to deliver its products to supermarkets, retail stores, wholesalers, food service stores and other institutional customers in the domestic market and exports to more than 145 countries.

The name BRF deploys and adds value and reliability to several trademarks among

Explanatory Notes
(in thousands of Brazilian Reais)

which the most important are: *Batavo, Claybon, Chester®, Confiança, Elegê, Fazenda, Nabrasa, Perdigão, Perdix, Hot Pocket, Miss Daisy, Nuggets, Qualy, Sadia, Speciale Sadia,* in addition to licensed brands such as *Turma da Mônica.* The brands *Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light & Elegant, Fiesta, Freski, Confiança, Doriana* and *Delicata* were disposed on June 11,2012, as disclosed in note 1.2

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

Explanatory Notes
(in thousands of Brazilian Reais)

1.1. Interest in subsidiaries

Subsidiary		Main activity	Country	06.30.12	12.31.11
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	**88.00%**	88.00%
Sino dos Alpes Alimentos Ltda.		Industrialization and commercializations of products	Brazil	**99.99%**	99.99%
PDF Participações Ltda.		Holding	Brazil	**1.00%**	1.00%
Sino dos Alpes Alimentos Ltda.		Industrialization and commercializations of products	Brazil	**0.01%**	0.01%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real state	Brazil	**65.49%**	65.49%
Establecimiento Levino Zaccardi y Cia. S.A.		Processing of dairy products	Argentina	**10.00%**	10.00%
Avipal S.A. Construtora e Incorporadora	(a)	Construction and real estate marketing	Brazil	**100.00%**	100.00%
Avipal Centro-oeste S.A.	(a)	Industrialization and commercializations of milk	Brazil	**100.00%**	100.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Processing of dairy products	Argentina	**90.00%**	90.00%
UP! Alimentos Ltda.		Industrialization and commercializations of products	Brazil	**50.00%**	50.00%
Perdigão Trading S.A.	(a)	Holding	Brazil	**100.00%**	100.00%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	**12.00%**	12.00%
PDF Participações Ltda.		Holding	Brazil	**99.00%**	99.00%
Heloísa Ind. e Com. de Produtos Lácteos Ltda.		Industrialization and commercializations of milk	Brazil	**100.00%**	100.00%
Crossban Holdings GmbH		Holding and trading	Austria	**100.00%**	100.00%
Perdigão Europe Ltd.		Import and commercialization of products	Portugal	**100.00%**	100.00%
Perdigão International Ltd.		Import and commercialization of products	Cayman Island	**100.00%**	100.00%
BFF International Ltd.		Financial fundraising	Cayman Island	**100.00%**	100.00%
Highline International	(a)	Financial fundraising	Cayman Island	**100.00%**	100.00%
Plusfood Germany GmbH		Import and commercialization of products	Germany	**100.00%**	100.00%
Perdigão France SARL		Import and commercialization of products	France	**100.00%**	100.00%
Plusfood Holland B.V.		Administrative services	The Netherlands	**100.00%**	100.00%
Plusfood Groep B.V.		Holding	The Netherlands	**100.00%**	100.00%
Plusfood B.V.		Import and commercialization of products	The Netherlands	**100.00%**	100.00%
Plusfood Wrexham		Import and commercialization of products	United Kingdom	**100.00%**	100.00%
Plusfood Iberia SL		Marketing and logistics services	Spain	**100.00%**	100.00%
Plusfood Italy SRL		Import and commercialization of products	Italy	**67.00%**	67.00%
BRF Brasil Foods Japan KK		Import and commercialization of products	Japan	**100.00%**	100.00%
BRF Brasil Foods PTE Ltd.		Marketing and logistics services	Singapore	**100.00%**	100.00%
Plusfood Hungary Trade and Service LLC		Import and commercialization of products	Hungary	**100.00%**	100.00%
Plusfood UK Ltd.		Marketing and logistics services	United Kingdom	**100.00%**	100.00%
Acheron Beteiligung-sverwaltung GmbH	(b)	Holding	Austria	**100.00%**	100.00%
Xamol Consultores Serviços Ltda.	(a)	Import and commercialization of products	Portugal	**100.00%**	100.00%
BRF Brasil Foods África Ltd.		Import and commercialization of products	South Africa	**100.00%**	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	**40.00%**	40.00%
Rising Star Food Company Ltd.	(d)	Industralization, import and commercialization of products	China	**50.00%**	-
Quickfood S.A.	(f)	Industrialization and commercialization of products	Argentina	**90.05%**	-
Sadia S.A.		Industralization and commercialization of products	Brazil	**100.00%**	100.00%
Sadia International Ltd.		Import and commercialization of products	Cayman Island	**100.00%**	100.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	**100.00%**	100.00%
Sadia Alimentos S.A.	(c)	Import and export of products	Argentina	**0.02%**	-
Sadia Chile S.A.		Import and commercialization of products	Chile	**60.00%**	60.00%
Sadia U.K. Ltd.		Import and commercialization of products	United Kingdom	**100.00%**	100.00%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real estate	Brazil	**34.51%**	34.51%
Athena Alimentos S.A.	(g)	Industrialization and commercialization of commodities	Brazil	**-**	99.99%
Sadia Overseas Ltd.		Financial fundraising	Cayman Island	**100.00%**	100.00%
Sadia GmbH		Holding	Austria	**100.00%**	100.00%
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	**100.00%**	100.00%
Sadia Foods GmbH		Import and commercialization of products	Germany	**100.00%**	100.00%
BRF Foods Limited Liability Company		Import and commercialization of products	Russia	**10.00%**	10.00%
Qualy B.V.	(b)	Import and commercialization of products	The Netherlands	**100.00%**	100.00%
Sadia Japan KK	(e)	Import and commercialization of products	Japan	**-**	100.00%
Badi Ltd.		Import and commercialization of products	United Arab Emirates	**100.00%**	100.00%
Al-Wafi		Import and commercialization of products	Saudi Arabia	**75.00%**	75.00%
BRF Foods Limited Liability Company		Import and commercialization of products	Russia	**90.00%**	90.00%
Baumhardt Comércio e Participações Ltda.		Holding	Brazil	**73.94%**	73.94%
Excelsior Alimentos S.A.		Industralization and commercialization of products	Brazil	**25.10%**	25.10%
Excelsior Alimentos S.A.		Industralization and commercialization of products	Brazil	**46.01%**	46.01%
K&S Alimentos S.A.		Industrialization and commercialization of products	Brazil	**49.00%**	49.00%
Sadia Alimentos S.A.		Import and export of products	Argentina	**99.98%**	100.00%
Avex S.A.		Industrialization and commercialization of products	Argentina	**65.58%**	65.58%
Flora Dánica S.A.	(c)	Industrialization and commercialization of products	Argentina	**95.00%**	100.00%
GB Dan S.A.	(c)	Industrialization and commercialization of products	Argentina	**5.00%**	-
Flora San Luis S.A.	(c)	Industrialization and commercialization of products	Argentina	**95.00%**	100.00%
Flora Dánica S.A.	(c)	Industrialization and commercialization of products	Argentina	**5.00%**	-
GB Dan S.A.	(c)	Industrialization and commercialization of products	Argentina	**95.00%**	100.00%
Flora San Luis S.A.	(c)	Industrialization and commercialization of products	Argentina	**5.00%**	-

Explanatory Notes
(in thousands of Brazilian Reais)

(a) Dormant subsidiaries.

(b) The wholly-owned subsidiary Acheron Beteiligung-sverwaltung GmbH owns 100 direct subsidiaries in Madeira Island, Portugal, with an investment on June 30, 2012 of R$2,011 (R$1,588 as of December 31, 2011), and the wholly-owned subsidiary Qualy B.V. owns 48 subsidiaries in The Netherlands, and the amount of this investment, on June 30, 2012 , is represented by a net capital deficiency of R$9,831 (R$9,363 as of December 31, 2011), the purpose of these two subsidiaries is to operate in the European market to increase the Company's market share, which is regulated by a system of poultry and turkey meat import quotas.

(c) Change in the equity interest.

(d) Establishment of joint venture in China.

(e) Activities were terminated in May 2012.

(f) Equity interest acquired on June 11, 2012.

(g) Disposal of the equity interest on June 11,2012.

1.2. Performance Commitment Agreement

On June 11, 2012, the Company and Marfrig Alimentos S.A. ("Marfrig"), in accordance to the terms and conditions established by the Administrative Council for Economic Defense ("CADE") in the Performance Commitment Agreement ("TCD"), signed the conclusion of the Asset Exchange and Other Agreements signed on March 20, 2012 which included the following measures:

(i) the acquision, by Marfrig, of the entire equity interest of Athena Alimentos S.A., a company for which the following assets were transferred by BRF:

(a) all the assets and rights related to the production plants depicted below:

Explanatory Notes
(in thousands of Brazilian Reais)

Processing plant	State	Activity
Três Passos	RS	Pork slaughtering, processing of finished goods, pork farms and hatcheries.
Brasília	DF	Poultry slaughtering, processing of finished goods, manufacturing of animal feed, pork farms and hatcheries.
São Gonçalo	BA	Poultry slaughtering, processing of finished goods, manufacturing of animal feed, pork farms and hatcheries.
Salto Veloso	SC	Processing of finished goods.
Bom Retiro do Sul	RS	Processing of finished goods.
Lages	SC	Processing of finished goods.
Duque de Caxias	RJ	Processing of finished goods.
Várzea Grande	MS	Processing of finished goods.
Valinhos	SP	Processing of finished goods.

The production capacity of the units to be disposed of must correspond to 666,000 tons per annum ("p.a.").

(b) all the assets and rights related to the following distribution centers:

Location	State
Salvador	BA
Duque de Caxias	RJ
Campinas	SP
Bauru	SP
Brasília	DF
São José dos Pinhais	PR
Ribeirão Preto	SP
Cubatão	SP

(ii) the Company transferred to Marfrig the entire portfolio of contracts with poultry and pork outgrowers, currently utilized in order to guarantee the supply to the specific processing plants listed in the item (i a) above;

(iii) the acquisition, by Marfrig, of the trademarks *Rezende, Wilson, Texas, Tekitos, Patitas, Escolha Saudável, Light & Elegant, Fiesta, Freski, Confiança, Doriana* and *Delicata*, as well as, the intellectual properties rights related to these trademarks; and

(iv) the acquisition, by Marfrig, of the equity interest held either directly or

Explanatory Notes
(in thousands of Brazilian Reais)

indirectly by Sadia S.A., equivalent to 64.57% (sixty-four point fifty-seven percent) of the capital of Excelsior Alimentos S.A., transferred to Marfrig on July 2, 2012.

In exchange to the acquisition and/or disposal of assets and rights listed in the items (i) to (iv) above, the Company acquired:

(i) the entire equity interest held either directly or indirectly by Marfrig, equivalent to 90.05% (ninety point zero five percent) of the capital of Quickfood S.A. ("Quickfood"), a company based in Argentina; and

(ii) the right to receive an irrevocable and irreversible the amount corresponding to R$350,000 to be paid as follows:

- R$25,000 due to June 11, 2012;
- R$25,000 due to July 1, 2012, adjusted by the variations of the General Market Price Index ("IGP-M");
- R$50,000 due to October 1, 2012, adjusted by the variations of the IGP-M; and
- R$250,000 to be paid in 72 monthly installments, equal and successive, in the amount of R$4,424, which first installment is due to August 1, 2012, subject to the fixed rate of 12.11% p.a..

Additionally, in order to comply with the TCD, it was agreed the transfer of the Company's pork slaughtering and processing manufacturing facility, located in the City of Carambeí, State of Paraná, to Marfrig. The Company recognized an accounts receivable at present value ofR$88,556 relative to this transaction and a net gain of R$64,817, accounted for as other operating income.

As a result of the conclusion of the Asset Exchange and Other Agreements, Marfrig and BRF also signed other agreements mainly related to the supply of raw material, processed products and utility services.

In order to comply with the terms and conditions from CADE, and in accordance with the agreements between BRF and Marfrig, as from July 2, 2012, the following measures were taken:

(i) temporary suspension of the use of the *Perdigão* trademark, for the following products and periods:

Explanatory Notes
(in thousands of Brazilian Reais)

Product	Period
Ham products	3 years
Pork festive line	3 years
Smoked sausage and pork sausage	3 years
Salamis	4 years
Lasagna	5 years
Frozen pizzas	5 years
Kibes and meat balls	5 years
Turkey cold cuts light line	5 years

(ii) temporary suspension of the use of the *Batavo* trademark, related to the products and terms listed in item (i) above.

The accounting effects of the Asset Exchange and Other Agreements signed with Marfrig are presented in note 6.1.

1.3. Establishment of joint venture in China

On February 14, 2012, the Company disclosed to the market the establishment of *Rising Star Food Company Limited*, a joint venture ("JV") with the participation of *Dah Chong Hong Limited* ("DCH"), which purpose will be:

(i) access to the distribution market in Continental China, Hong Kong and Macau including retail and food service channels;

(ii) local processing of products; and

(iii) developing the Sadia trademark in these countries.

The Company owns 50% participation in the JV and in April 2012 made a capital investment amount to approximately R$1,306, which is proportional to its participation in the JV.

Management estimates that during the first year of operation, which is scheduled for the second quarter of 2013, the JV will have sales volumes exceeding 140,000 tons and report annual revenues of approximately R$844,100.

1.4. Seasonality

The Company does not operate with any significant seasonality impact through the fiscal year, however, in the domestic market, in general, during the fourth quarter the

demand in the domestic market is slightly stronger than in the other quarters, mainly due to the year-end celebration such as Christmas and New Years Eve. The most sold products are: turkey, *Chester*® and ham.

2. MANAGEMENT'S STATEMENT AND BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY FINANCIAL INFORMATION

The Company's consolidated quarterly financial information are in accordance with the accounting practices adopted in Brazil which comprise the rules issued by the Brazilian Securities Commission ("CVM") and the pronouncements and interpretations of the Brazilian Accounting Pronouncements Committee ("CPC"), which are in conformity with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Company's individual quarterly financial information are prepared in accordance with the accounting practices adopted in Brazil and for presentation purposes, are identified as ("BR GAAP"). Such financial statement differs from IFRS in relation to the evaluation of investments in associates and joint ventures, which were measured and recorded based on the equity accounting method rather than at cost or fair value, as is required by IFRS.

The Company's individual and consolidated quarterly financial information are expressed in thousands of Brazilian Reais ("R$"), as well as the amount of other currencies disclosed in the financial statement, when applicable, were also expressed in thousands.

The preparation of the Company's quarterly financial information requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as of the reporting date of the quarterly financial information. However, the uncertainty inherent to these judgments, assumptions and estimates could lead to results requiring a material adjustment to carrying amount of the affected asset or liability in future periods.

The settlement of the transactions involving these estimates can result in amounts that are significantly different from those recorded in the quarterly financial information due to the lack of precision inherent to the estimation process. The Company reviews its judgments, estimates and assumptions on a quarterly basis.

The individual and consolidated quarterly financial information were prepared based on the historical cost except for the following material items recognized in the balance sheet:

(i) derivative financial instruments measured at fair value;

(ii) derivative financial instruments measured at fair value through the statement of income;

(iii) financial assets available for sale measured at fair value;

(iv) assets and liabilities of acquired companies from January 1, 2009 recorded initially at fair value; and

(v) share-based payments measured at fair value.

3. SUMMARY OF ACCOUNTING PRACTICES

The quarterly financial information were prepared according to CVM Deliberation No. 673/11, which establishes the minimum content of interim financial statements and the principles for measurement and recognition of full set or condensed financial statements for an interim period.

The interim financial statements, in this case denominated as quarterly financial information, are aiming to provide updated information based on the last annual financial statements disclosed. Therefore, the quarterly financial information is focused on new activities, events and circumstances and do not duplicate the information previously disclosed, except in the case where Management judged that the maintenance of the information was relevant.

The current quarterly financial information were prepared based on the accounting policies and estimates calculation methodology adopted in the preparation of the annual financial statements for the year ended December 31, 2011 (note 3), except regarding to the adoption of the requirements stated in the paragraph 28 of CVM Deliberation No. 673/11. Thus, from the quarter ended March 31, 2012, the Company started to recognize the income tax expense based on the best estimate of the annual weighted effective tax rate for the fiscal period December 31, 2012, as disclosed in note 14.

There were no changes of any nature related to such policies and estimates calculation methodology. As allowed by CVM Deliberation No. 673/11, Management decided not to disclose again the details of the accounting policies adopted by the Company. Hence, the quarterly financial information must be read in conjunction with the annual financial statements for the year ended December 31, 2011 to allow users to further understand the financial condition and liquidity of the Company and its

ability to generate profits and cash flows.

The exchange rates in Brazilian Reais effective at the date of the balance sheets were as follows:

Final rate	**06.30.12**	12.31.11
U.S. Dollar (US$)	2.0213	1.8758
Euro (€)	2.5606	2.4342
Pound Sterling (£)	3.1706	2.9148
Argentine Peso ($)	0.4467	0.4360
Average rates		
U.S. Dollar (US$)	1.8663	1.6746
Euro (€)	2.4172	2.3278
Pound Sterling (£)	2.9417	2.6835
Argentine Peso ($)	0.4247	0.4056

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

In the regular course of its business, the Company is exposed to market risks related mainly to the fluctuation of interest rates, variation of exchange rates and changes in the commodity prices.

The Company utilizes hedging instruments to mitigate its exposure to these risks, based on a Risk Policy under the management of the Financial Risk Management Committee, Board of Executive Officers and Board of Directors. Such policy includes the monitoring of the levels of exposure to each market risk and its measurement is performed based on the accounting exposure and forecast of future cash flows. The tasks of monitoring, evaluation and reporting of financial risk were disclosed in details in the financial statements of 2011 and there were no changes during the six months period ended June 30, 2012.

4.1.1. Breakdown of the balances of exposure in foreign currency

Foreign currency denominated assets and liabilities are as follows:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Cash and cash equivalents and marketable securities	**1,135,177**	40,469	**2,413,298**	1,689,551
Trade accounts receivable - third parties	**83,253**	37,921	**1,403,682**	1,379,420
Accounts receivable from subsidiaries	**840,177**	409,061	**-**	-
Dollar futures agreements	**343,621**	65,801	**343,621**	65,801
Inventories	**9**	-	**433,085**	112,267
Forward contracts ("NDF") [(a)]	**-**	-	**-**	11,255
Exchange rate contracts ("swap")	**(447,164)**	(359,369)	**(447,164)**	(359,369)
Swap designated as hedge accounting	**404,260**	-	**404,260**	-
Loans and financing	**(2,866,104)**	(1,268,830)	**(6,672,060)**	(4,723,824)
Bond designated as cash-flow hedge	**303,195**	-	**303,195**	-
Pre-payment exports designated as cash-flow hedge	**1,099,651**	1,210,248	**1,099,651**	1,210,248
Trade accounts payable	**(47,410)**	(55,760)	**(321,267)**	(340,300)
Advance for pre-payment export from subsidiaries	**(2,601,279)**	(1,763,378)	**-**	-
Other assets and liabilities, net	**5,484**	-	**300,676**	71,948
	(1,747,130)	(1,683,837)	**(739,023)**	(883,003)
Foreign exchange exposure in US$	**(864,360)**	(897,663)	**(365,618)**	(470,734)

[(a)] Offshore non-deliverable forwards ("NDFs") are not designated as hedge accounting, impacting financial income and not shareholders' equity.

The total net foreign exchange exposure in the consolidated financial information of the Company as of June 30, 2012, is a liability of US$365,618 and is within the limit established by the Risk Policy.

4.1.2. Breakdown of the balances of derivative financial instruments

The positions of outstanding derivatives are as follows:

Explanatory Notes
(in thousands of Brazilian Reais)

					BR GAAP and IFRS Parent company and Consolidated 06.30.12	
Instrument	Subject to hedge	Maturity	Receivable	Payable	value (notional)	Market value (1)
Financial instruments designated as hedge accounting						
NDF	Exchange rate	From 07/2012 to 05/2013	R$ (Pre of 7.99%)	US$	3,120,887	(157,175)
NDF	Exchange rate	From 07/2012 to 05/2013	R$ (Pre of 7.86%)	EUR	545,408	(4,968)
NDF	Exchange rate	From 07/2012 to 05/2013	R$ (Pre of 7.19%)	GBP	248,575	(13,502)
Fixed exchange rate	Exchange rate	From 11/2012 to 04/2013	R$ (Pre of 7.60%)	US$	151,598	689
Swap	Exchange rate	Up to 03/2015	R$ (Pre of 9.75%)	US$ +1.58%	404,260	(64,324)
Swap	Exchange rate	Up to 07/2013	US$ +7%	R$ (76% from CDI)	56,112	2,599
Swap	Exchange rate	From 04/2012 to 12/2013	US$ +LIBOR 3M +3.83%	R$ (97.50% from CDI)	330,750	(5,341)
Swap	Interest rate	From 08/2012 to 06/2018	US$ +LIBOR 3M +1.73%	US$ +3.64%	606,390	(22,554)
Swap	Interest rate	From 07/2012 to 02/2019	US$ +LIBOR 6M +1.85%	US$ +4.86%	1,081,684	(82,549)
Swap	Interest rate	Up to 11/2012	US$ +LIBOR 12M +0.71%	US$ +3.70%	202,130	(3,899)
					6,747,794	**(351,024)**
Financial instruments not designated as hedge accounting						
NDF	Exchange rate	Up to 09/2012	US$ (Pre of of 0.08%)	EUR	128,030	(1,785)
NDF	Exchange rate	From 04/2012 to 06/2012	US$	ARS (Pre- of 14.86%)	2,021	(4)
Swap	Exchange rate	Up to 03/2015	R$ (Pre of of 8.41%)	US$ - 0.20%	42,904	(5,851)
Options	Live cattle	From 07/2012 to 11/2012	R$	R$	121,502	846
NDF	Live cattle	Up to 09/2012	R$	R$	2,533	116
Future contract	Exchange rate	Up to 07/2012	US$	R$	343,621	(8,290)
Future contract	Live cattle	Up to 12/2012	R$	R$	60,545	40
					701,156	**(14,928)**
					7,448,950	**(365,952)**

					BR GAAP and IFRS Parent company and Consolidated 12.31.11	
Instrument	Subject to hedge	Maturity	Receivable	Payable	Reference value (notional)	Market value (1)
Financial instruments designated as hedge accounting						
NDF	Exchange rate	From 01/2012 to 11/2012	R$ (Pre of 9.25%)	US$	2,551,088	(88,150)
NDF	Exchange rate	From 01/2012 to 11/2012	R$ (Pre of 7.72%)	EUR	769,207	6,637
NDF	Exchange rate	From 01/2012 to 11/2012	R$ (Pre of 7.59%)	GBP	201,996	(5,270)
Options	Exchange rate	Up to 01/2012	R$	US$	150,064	(1,308)
Swap	Exchange rate	Up to 07/2013	US$ + 7%	R$ (76% from CDI)	56,112	1,031
Swap	Exchange rate	From 10/2011 to 12/2013	US$ + LIBOR 3M + 3.83%	R$ (97.50% from CDI)	330,750	(16,702)
Swap	Interest rate	From 08/2012 to 06/2018	US$ + LIBOR 3M + 1.43%	US$ + 3.92%	375,160	(18,102)
Swap	Interest rate	From 07/2012 to 02/2019	US$ + LIBOR 6M + 1.77%	US$ + 4.80%	1,095,199	(74,176)
Swap	Interest rate	Up to 11/2012	US$ + LIBOR 12M + 0.71%	US$ + 3.70%	187,580	(3,593)
					5,717,156	**(199,633)**
Financial instruments not designated as hedge accounting						
NDF	Exchange rate	From 01/2012 to 11/2012	US$	ARS (Pre- of 13.45%)	11,255	(47)
NDF	Exchange rate	Up to 03/2012	US$ (Pre of 0.54%)	EUR	60,855	515
Swap	Interest rate	Up to 05/2012	US$ + LIBOR 3M + 3.85%	US$ + 5.78%	56,274	(356)
Swap	Exchange rate	Up to 03/2015	R$ (Pre of 9.62%)	US$ + 1.40%	359,369	(47,802)
Options	Live cattle	From 01/2012 to 10/2012	R$	R$	33,635	348
NDF	Live cattle	Up to 09/2012	R$	R$	1,679	29
Future contract	Exchange rate	Up to 01/2012	US$	R$	65,801	(292)
Future contract	Live cattle	Up to 10/2012	R$	R$	10,967	4
					599,835	**(47,601)**
					6,316,991	**(247,234)**

(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.

Explanatory Notes
(in thousands of Brazilian Reais)

4.1.3. Options

As of June 30, 2012, the Company did not have any currency options designated or not as cash flow hedge.

Explanatory Notes
(in thousands of Brazilian Reais)

4.2. Breakdown of the balances of financial instruments designated for cash flow hedge accounting and export revenues

4.2.1. Non-deliverable forwards - NDF

													BR GAAP and IFRS
													Parent company and Consolidated
													06.30.12
NDF				R$ x USD				R$ x EUR					R$ x GBP
Maturities	Curve	MTM	Notional	Average USD	Curve	MTM	Notional	Average EUR	Curve	MTM	Notional	Average GBP	
July 2012	(28,904)	(28,092)	185,000	1.8700	(1,716)	(1,469)	33,000	2.5155	(2,257)	(2,245)	9,500	2.9393	
August 2012	(9,719)	(8,488)	76,000	1.9150	(1,525)	(1,176)	23,000	2.5143	(1,857)	(1,769)	8,000	2.9618	
September 2012	(13,736)	(11,460)	146,000	1.9587	(14)	227	19,000	2.5919	(1,420)	(1,316)	8,000	3.0339	
October 2012	(27,226)	(22,994)	197,000	1.9269	(1,191)	(518)	28,000	2.5705	(2,190)	(1,950)	9,000	2.9922	
November 2012	(18,801)	(15,040)	174,000	1.9664	(1,033)	(534)	20,000	2.5735	(1,645)	(1,458)	7,500	3.0267	
December 2012	(26,670)	(22,164)	198,000	1.9482	(1,632)	(812)	21,000	2.5714	(1,599)	(1,360)	7,800	3.0602	
January 2013	(23,113)	(19,970)	135,000	1.9181	(1,609)	(947)	16,000	2.5594	(1,889)	(1,638)	6,500	2.9909	
February 2013	(17,229)	(14,518)	79,000	1.8881	(1,214)	(698)	9,000	2.5510	(1,353)	(1,166)	4,500	2.9941	
March 2013	(17,372)	(13,402)	132,000	1.9798	(955)	(185)	15,000	2.6259	(1,092)	(842)	6,100	3.1288	
April 2013	(9,657)	(5,061)	137,000	2.0551	65	808	17,000	2.6978	(3)	143	6,000	3.3111	
May 2013	2,839	4,014	85,000	2.1517	(257)	336	12,000	2.6881	(3)	99	5,500	3.3165	
	(189,588)	**(157,175)**	**1,544,000**	**1.9552**	**(11,081)**	**(4,968)**	**213,000**	**2.5772**	**(15,308)**	**(13,502)**	**78,400**	**3.0548**	

Explanatory Notes
(in thousands of Brazilian Reais)

4.2.2. Interest rate and currency swap

				BR GAAP and IFRS	
				Parent company and Consolidated	
				06.30.12	
Assets (Hedged object)	Liabilities (Protected risk)	Notional	Maturity date	(contract curve)	Balance (MTM)
Libor 6M + 1.75% p.a.	4.22% p.a.	US$13,000	07.25.12	**(190)**	**(220)**
Libor 6M	4.06% p.a.	US$32,143	07.22.13	**(904)**	**(2,039)**
Libor 6M + 0.80% p.a.	4.31% p.a.	US$18,000	08.23.13	**(340)**	**(944)**
Libor 6M + 0.80% p.a.	4.36% p.a.	US$12,000	07.19.13	**(293)**	**(644)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$10,000	08.20.12	**(69)**	**(153)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$20,000	08.15.12	**(158)**	**(309)**
Libor 3M + 0.5% p.a.	3.96% p.a.	US$20,000	08.10.12	**(175)**	**(309)**
Libor 6M	3.82% p.a.	US$8,000	03.20.13	**(142)**	**(364)**
Libor 6M	3.79% p.a.	US$12,000	02.13.13	**(266)**	**(532)**
Libor 6M + 1.65% p.a.	4.15% p.a.	US$10,000	05.10.13	**(48)**	**(242)**
Libor 6M + 0.60% p.a.	2.98% p.a.	US$50,000	12.19.12	**(739)**	**(1,510)**
Libor 6M + 0.60% p.a.	2.99% p.a.	US$50,000	11.26.12	**(60)**	**(745)**
Libor 6M + 1.55% p.a.	3.55% p.a.	US$30,000	07.02.12	**(121)**	**(122)**
Libor 12M + 0.71% p.a.	3.57% p.a.	US$50,000	11.19.12	**(1,110)**	**(1,833)**
Libor 12M + 0.71% p.a.	3.82% p.a.	US$50,000	11.26.12	**(1,222)**	**(2,066)**
Libor 3M	0.78% p.a.	US$50,000	08.03.12	**(46)**	**(74)**
Libor 6M + 2.82% p.a.	5.86% p.a.	US$100,000	01.22.18	**(1,605)**	**(22,622)**
Libor 3M + 2.60% p.a.	5.47% p.a.	US$100,000	06.18.18	**(270)**	**(21,065)**
Libor 6M + 2.70% p.a.	5.90% p.a.	US$100,000	02.01.19	**(1,531)**	**(26,411)**
Libor 6M + 2.70% p.a.	5.88% p.a.	US$100,000	02.01.19	**(1,518)**	**(26,154)**
Libor 3M + 2.35% p.a.	3.07% p.a.	US$100,000	06.12.15	**(3)**	**(644)**
7% p.a.	76.00% CDI	US$35,000	07.15.13	**548**	**2,599**
Libor 3M + 2,50% p.a.	92.50% CDI	US$38,889	10.01.13	**(711)**	**(1,891)**
Libor 3M + 4,50% p.a.	100.00% CDI	US$77,778	12.23.13	**(105)**	**(3,450)**
R$ + 9.80%	US$ + 1.71%	US$40,000	03.17.14	**(15,201)**	**(12,106)**
R$ + 9.70%	US$ + 1.53%	US$30,000	03.17.14	**(12,573)**	**(10,195)**
R$ + 9.70%	US$ + 1.45%	US$70,000	03.17.14	**(29,040)**	**(23,328)**
R$ + 9.80%	US$ + 1.68%	US$30,000	03.17.14	**(11,882)**	**(9,545)**
R$ + 9.80%	US$ + 1.65%	US$30,000	03.17.14	**(11,520)**	**(9,150)**
				(91,294)	**(176,068)**

Explanatory Notes
(in thousands of Brazilian Reais)

4.2.3. Fixed exchange rate

				BR GAAP and IFRS
				Parent company and Consolidated
				06.30.12
				R$ x USD
Maturities	Curve	MTM	Notional	Average USD
November 2012	(73)	106	10,000	2.0670
January 2013	(251)	139	15,000	2.0825
February 2013	(62)	285	10,000	2.1103
March 2013	(956)	142	20,000	2.0954
April 2013	(541)	17	20,000	2.0961
	(1,883)	**689**	**75,000**	**2.0912**

4.2.4. Exports pre-payments – PPEs

The position of the PPEs designated as hedge accounting is set forth below:

					BR GAAP and IFRS
					Parent company and Consolidated
					06.30.12
Hedge Instrument	Subject to hedge	Type of risk hedged	Maturity	Notional (US$)	MTM
PPE	Foreign Market Sales	US$ (E.R.)	From 07.2012 to 02.2019	544,032	1,099,651

The unrealized gains and losses from PPEs designated as hedge accounting, recorded in the shareholders' equity is represented by a loss of R$79,392, net of income tax of R$40,899.

4.3. Gains and losses of derivative financial instruments

The amounts of gains and losses resulting from derivative financial instruments for the three-month period ended June 30, 2012 were recorded in the statements of income as financial income or expenses, while the unrealized gains and losses were recognized in the shareholders' equity, are shown below:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP			
	Parent company			
	Shareholders' equity		Statement of income	
	06.30.12	12.31.11	**06.30.12**	06.30.11
Derivatives for the purpose of protection				
Foreign exchange risks	**(177,431)**	(101,129)	**(64,591)**	(2,569)
Interest rate risk	**(48,035)**	(46,050)	**(7,759)**	(7,085)
	(225,466)	(147,179)	**(72,350)**	(9,654)
Derivatives for the purpose of financial results				
Interest rate risk	**-**	-	**-**	(625)
Foreign exchange risks	**-**	-	**(14,141)**	6,028
Live cattle market risk	**-**	-	**1,002**	(344)
	-	-	**(13,139)**	5,059
	(225,466)	(147,179)	**(85,489)**	(4,595)

	BR GAAP and IFRS			
	Consolidated			
	Shareholders' equity		Statement of income	
	06.30.12	12.31.11	**06.30.12**	06.30.11
Derivatives for the purpose of protection				
Foreign exchange risks	**(177,431)**	(101,129)	**(64,591)**	(2,569)
Interest rate risk	**(98,192)**	(85,698)	**(10,810)**	(9,617)
	(275,623)	(186,827)	**(75,401)**	(12,186)
Derivatives for the purpose of financial results				
Interest rate risk	**-**	-	**-**	(625)
Foreign exchange risks	**-**	-	**(15,930)**	4,655
Live cattle market risk	**-**	-	**1,002**	(344)
	-	-	**(14,928)**	3,686
	(275,623)	(186,827)	**(90,329)**	(8,500)

The gains and losses from derivative financial instruments designated as hedge accounting, recorded in the shareholders' equity, are represented by a loss of R$198,965, net of income tax of R$76,658.

4.3.1. Breakdown by category of the balances of financial instruments – except derivatives:

	BR GAAP				
	Parent company				
	06.30.12				
	Loans and receivables	Available for sale	Trading securities	Financial liabilities	Total
Assets					
Amortized cost					
Trade accounts receivable	**1,866,542**	**-**	**-**	**-**	**1,866,542**
Credit notes	**95,224**	**-**	**-**	**-**	**95,224**
Fair value					
Marketable securities	**-**	**1,225**	**223,626**	**-**	**224,851**
Liabilities					
Amortized cost					
Trade accounts payable	**-**	**-**	**-**	**(1,344,932)**	**(1,344,932)**
Loans and financing					
Local currency	**-**	**-**	**-**	**(1,517,400)**	**(1,517,400)**
Foreign currency	**-**	**-**	**-**	**(2,866,104)**	**(2,866,104)**
	1,961,766	**1,225**	**223,626**	**(5,728,436)**	**(3,541,819)**

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP				
	Parent company				
	12.31.11				
	Loans and receivables	Available for sale	Trading securities	Financial liabilities	Total
Assets					
Amortized cost					
Trade accounts receivable	1,429,793	-	-	-	1,429,793
Credit notes	100,783	-	-	-	100,783
Fair value					
Marketable securities	-	1,685	761,850	-	763,535
Liabilities					
Amortized cost					
Trade accounts payable	-	-	-	(1,270,696)	(1,270,696)
Loans and financing					
Local currency	-	-	-	(1,774,291)	(1,774,291)
Foreign currency	-	-	-	(1,268,830)	(1,268,830)
	1,530,576	1,685	761,850	(4,313,817)	(2,019,706)

	BR GAAP and IFRS					
	Consolidated					
	06.30.12					
	Loans and receivables	**Available for sale**	**Trading securities**	**Held to maturity**	**Financial liabilities**	**Total**
Assets						
Amortized cost						
Marketable securities	**-**	**-**	**-**	**260,577**	**-**	**260,577**
Trade accounts receivable	**2,773,780**	**-**	**-**	**-**	**-**	**2,773,780**
Credit notes	**200,474**	**-**	**-**	**-**	**-**	**200,474**
Fair value						
Marketable securities	**-**	**257,072**	**316,628**	**-**	**-**	**573,700**
Liabilities						
Amortized cost						
Trade accounts payable	**-**	**-**	**-**	**-**	**(2,772,448)**	**(2,772,448)**
Loans and financing						
Local currency	**-**	**-**	**-**	**-**	**(2,951,104)**	**(2,951,104)**
Foreign currency	**-**	**-**	**-**	**-**	**(6,672,060)**	**(6,672,060)**
	2,974,254	**257,072**	**316,628**	**260,577**	**(12,395,612)**	**(8,587,081)**

	BR GAAP and IFRS					
	Consolidated					
	12.31.11					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	236,804	-	236,804
Trade accounts receivable	3,210,232	-	-	-	-	3,210,232
Credit notes	204,257	-	-	-	-	204,257
Fair value						
Marketable securities	-	235,150	1,054,105	-	-	1,289,255
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(2,681,343)	(2,681,343)
Loans and financing						
Local currency	-	-	-	-	(3,329,706)	(3,329,706)
Foreign currency	-	-	-	-	(4,723,824)	(4,723,824)
	3,414,489	235,150	1,054,105	236,804	(10,734,873)	(5,794,325)

Explanatory Notes
(in thousands of Brazilian Reais)

4.4. Determination of the fair value of financial instruments

The Company discloses its financial assets and liabilities at fair value, based on the pertinent accounting pronouncements, which refers to concepts of valuation and practices, and requires certain disclosures on the fair value.

Specifically related to the disclosure, the Company applies the hierarchy requirements set out in CVM Deliberation No. 604/09.

Management concluded that balances of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value recognition due to the short-term cycle of these operations.

The book value of financing and loans in the quarterly financial information approximate the fair value as the major portion of the total gross debt bears interest based on the variation of TJLP, LIBOR and CDI, except the capital markets transactions (Bond). On June 30, 2012, the fair value adjustment for Bond ("BRFSBZ") is represented by a negative impact of R$306,909, being R$48,511 attributable to the Sadia *Bonds* ("BRFSBZ6"), R$202,447 attributable to the BFF *Notes* ("BRFSBZ7") and R$49,951 attributable to the BRF *Notes* ("BRFSBZ5"). This impact were measured only for disclosure matters, not being recorded in the Company´s financial statements.

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

The comparison between book value and fair value of financial instruments is set forth below:

	BR GAAP			
	Parent company			
	06.30.12		12.31.11	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**1,182,766**	**1,182,766**	68,755	68,755
Marketable securities				
Available for sale	**1,225**	**1,225**	1,685	1,685
Trading securities	**223,626**	**223,626**	761,850	761,850
Trade accounts receivable, net	**1,866,542**	**1,866,542**	1,429,793	1,429,793
Notes receivable	**95,224**	**95,224**	100,783	100,783
Loans and financing	**(2,862,900)**	**(2,862,900)**	(3,043,121)	(3,043,121)
Bonds BRF	**(1,520,604)**	**(1,570,555)**	-	-
Trade accounts payable	**(1,344,932)**	**(1,344,932)**	(1,270,696)	(1,270,696)
Other financial assets	**11,384**	**11,384**	22,944	22,944
Other financial liabilities	**(322,339)**	**(322,339)**	(227,891)	(227,891)
	(2,670,008)	**(2,719,959)**	(2,155,898)	(2,155,898)

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS			
	Consolidated			
	06.30.12		12.31.11	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**2,106,932**	**2,106,932**	1,366,843	1,366,843
Marketable securities				
Available for sale	**257,072**	**257,072**	235,150	235,150
Trading securities	**316,628**	**316,628**	1,054,105	1,054,105
Held to maturity	**260,577**	**263,531**	236,804	241,503
Trade accounts receivable, net	**2,773,780**	**2,773,780**	3,210,232	3,210,232
Notes receivable	**200,474**	**200,474**	204,257	204,257
Loans and financing	**(6,050,616)**	**(6,050,616)**	(6,149,842)	(6,149,842)
Bonds BRF	**(1,520,604)**	**(1,570,555)**	-	-
Bonds BFF	**(1,543,145)**	**(1,751,592)**	(1,431,514)	(1,580,992)
Bonds Sadia	**(508,799)**	**(557,310)**	(472,174)	(509,399)
Trade accounts payable	**(2,772,448)**	**(2,772,448)**	(2,681,343)	(2,681,343)
Other financial assets	**11,384**	**11,384**	23,459	23,459
Other financial liabilities	**(377,336)**	**(377,336)**	(270,693)	(270,693)
	(6,846,101)	**(7,150,056)**	(4,674,716)	(4,856,720)

4.4.2. Fair value valuation hierarchy

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

	BR GAAP			
	Parent company			
	06.30.12			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial Assets				
Available for sale				
Shares	**1,225**	**-**	**-**	**1,225**
Held for trading				
Bank deposit certificates	**-**	**126,686**	**-**	**126,686**
Financial treasury bills	**96,940**	**-**	**-**	**96,940**
Other financial assets				
Derivatives designed as hedge	**-**	**10,314**	**-**	**10,314**
Derivatives not designated as hedge	**-**	**1,070**	**-**	**1,070**
	98,165	**138,070**	**-**	**236,235**
Liabilities				
Financial Liabilities				
Other financial liabilities				
Derivatives designed as hedge	**-**	**(308,130)**	**-**	**(308,130)**
Derivatives not designated as hedge	**-**	**(14,209)**	**-**	**(14,209)**
	-	**(322,339)**	**-**	**(322,339)**

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP			
	Parent company			
	12.31.11			
	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
Available for sale				
Shares	1,685	-	-	1,685
Held for trading				
Bank deposit certificates	-	465,804	-	465,804
Financial treasury bills	296,046	-	-	296,046
Other financial assets				
Derivatives designed as hedge	-	22,360	-	22,360
Derivatives not designated as hedge	-	584	-	584
	297,731	488,748	-	786,479
Liabilities				
Financial Liabilities				
Other financial liabilities				
Derivatives designed as hedge	-	(179,238)	-	(179,238)
Derivatives not designated as hedge	-	(48,653)	-	(48,653)
	-	(227,891)	-	(227,891)

	BR GAAP and IFRS			
	Consolidated			
	06.30.12			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial Assets				
Available for sale				
Credit linked notes	**165,230**	**-**	**-**	**165,230**
Brazilian foreign debt securities	**90,617**	**-**	**-**	**90,617**
Shares	**1,225**	**-**	**-**	**1,225**
Held for trading:				
Bank deposit certificates	**-**	**219,688**	**-**	**219,688**
Financial treasury bills	**96,940**	**-**	**-**	**96,940**
Other financial assets				
Derivatives designated as hedge	**-**	**10,314**	**-**	**10,314**
Derivatives not designated as hedge	**-**	**1,070**	**-**	**1,070**
	354,012	**231,072**	**-**	**585,084**
Liabilities				
Financial Liabilities				
Other financial liabilities:				
Derivatives designated as hedge	**-**	**(361,338)**	**-**	**(361,338)**
Derivatives not designated as hedge	**-**	**(15,998)**	**-**	**(15,998)**
	-	**(377,336)**	**-**	**(377,336)**

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS			
	Consolidated			
	12.31.11			
	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
Available for sale				
Credit linked notes	146,954	-	-	146,954
Brazilian foreign debt securities	86,511	-	-	86,511
Shares	1,685	-	-	1,685
Held for trading				
Bank deposit certificates	-	698,968	-	698,968
Financial treasury bills	355,137	-	-	355,137
Other financial assets				
Derivatives designated as hedge	-	22,360	-	22,360
Derivatives not designated as hedge	-	1,099	-	1,099
	590,287	722,427	-	1,312,714
Liabilities				
Financial Liabilities				
Other financial liabilities				
Derivatives designated as hedge	-	(221,993)	-	(221,993)
Derivatives not designated as hedge	-	(48,700)	-	(48,700)
	-	(270,693)	-	(270,693)

The valuation methodology used by the Company is the same that was disclosed in note 4 to the financial statement as of December, 31 2011.

4.5. Credit management

On June 30, 2012, the Company had financial investments over R$10,000 at the following financial institutions: Banco do Brasil, Banco Santander, Banco Itaú Unibanco, Deutsche Bank, Credit Suisse, Banco Bradesco, BTG Pactual, Citigroup, Erste Bank, Banco do Nordeste and Caixa Econômica Federal.

The Company also held derivative contracts with the following financial institutions: Banco Santander, Citibank, HSBC, Credit Suisse, Banco do Brasil, Banco Itaú Unibanco, Rabobank, Merrill Lynch, Deutsche Bank, Banco Votorantim, Banco Bradesco, JP Morgan, Morgan Stanley, Standard Bank, Goldman Sachs, Barclays Bank, ING Bank and Banco Safra.

4.6. Liquidity risk management

Liquidity risk management aims to reduce the impacts caused by events which may affect the Company's cash flow performance.

The table below summarizes the commitments and contractual obligations that may impact the Company's liquidity as of June 30, 2012:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP Parent company 06.30.12							
	Book value	Cash flow contracted	Up to 6 months	2013	2014	2015	2016	After 5 years
Non derivatives financial liabilities								
Loans and financing	2,862,900	3,047,553	1,017,551	621,140	468,454	93,151	78,402	768,855
Bonds	1,520,604	2,406,612	44,532	89,064	89,064	89,064	89,064	2,005,824
Trade accounts payable	1,344,932	1,344,932	1,344,932	-	-	-	-	-
Capital lease	71,780	76,043	20,424	34,454	11,274	5,416	4,475	-
Operational lease	303,535	303,535	43,483	72,127	57,759	35,233	22,943	71,990
Derivatives financial liabilities								
Designated as hedge accounting								
Interest rate derivatives	122,860	95,519	5,503	36,211	23,953	9,033	9,083	11,736
Currency derivatives (NDF)	185,086	9,074	34,277	(25,203)	-	-	-	-
Fixed exchange rate	184	184	-	184	-	-	-	-
Not designated as hedge accounting								
Currency derivatives (Future)	8,290	8,290	8,290	-	-	-	-	-
Interest rate derivatives	5,851	(3,539)	(1,221)	(1,688)	(747)	117	-	-
Commodities derivatives	68	68	68	-	-	-	-	-

	BR GAAP and IFRS Consolidated 06.30.12							
	Book value	Cash flow contracted	Up to 6 months	2013	2014	2015	2016	After 5 years
Non derivatives financial liabilities								
Loans and financing	6,050,616	6,525,444	2,697,922	1,143,817	742,377	345,302	133,241	1,462,785
Bonds BRF	3,063,749	4,801,852	99,486	198,972	198,972	198,972	198,972	3,906,478
Bonds Sadia	508,799	679,031	17,371	34,741	34,741	34,741	34,741	522,696
Trade accounts payable	2,772,448	2,772,448	2,772,448	-	-	-	-	-
Capital lease	106,717	114,178	33,678	57,173	13,436	5,416	4,475	-
Operational lease	408,166	408,166	55,556	84,170	69,396	45,486	33,139	120,419
Derivatives financial liabilities								
Designated as hedge accounting								
Interest rate derivatives	176,068	158,983	10,471	46,078	33,717	18,525	18,357	31,835
Currency derivatives (NDF)	185,086	9,074	34,277	(25,203)	-	-	-	-
Fixed exchange rate	184	184	-	184	-	-	-	-
Not designated as hedge accounting								
Currency derivatives (NDF)	1,789	5,974	5,974	-	-	-	-	-
Currency derivatives (future)	8,290	8,290	8,290	-	-	-	-	-
Interest rate derivatives	5,851	(3,539)	(1,221)	(1,688)	(747)	117	-	-
Commodities derivatives	68	68	68	-	-	-	-	-

4.7. Commodity price risk management

During the first semester of 2012, the Company utilized derivative instruments to mitigate the exposure to live cattle prices variation.

The contracts are recorded at fair value through financial result.

On June 30, 2012, the Company held a short position in the BM&F of 1,859 future contracts (150 contracts as of December 31, 2011) with maturity dates between August and December 2012.

In the counter market, the Company held a short position of 75 contracts with maturity dates in 2012. Additionally, through the utilization of options, the Company also held a short position of 1,975 allotments (600 allotments as of December 31, 2011), as described in note 4.1.2.

Explanatory Notes
(in thousands of Brazilian Reais)

4.8. Table of sensitivity analysis

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

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

In the table depicted below, five scenarios are considered for the next twelve-month period, considering the variations of the quotations of the parity between the Brazilian Reais and U.S. Dollar, Brazilian Reais and Euro and Brazilian Reais and Pounds, whereas the most likely scenario is the one adopted by the Company. The total of export sales analyzed corresponds to the total of derivative financial instruments, which is increased by the amortization flow of PPEs designated as hedge accounting.

Explanatory Notes
(in thousands of Brazilian Reais)

Parity - Brazilian Reais x U.S. Dollar		**2.0213**	**1.8192**	**1.5160**	**2.5266**	**3.0320**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% apreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	(96,817)	230,432	721,304	(914,938)	(1,733,059)
Pre payment export	Devaluation of R$	(120,291)	(10,326)	154,621	(395,204)	(670,117)
Bonds	Devaluation of R$	-	30,320	75,799	(75,799)	(151,598)
Swaps	Devaluation of R$	-	40,426	101,065	(101,065)	(202,130)
Exports	Appreciation of R$	133,689	(231,624)	(779,593)	1,046,972	1,960,255
Net effect		**(83,419)**	**59,228**	**273,196**	**(440,034)**	**(796,649)**
Statement of income		-	-	-	-	-
Shareholders' equity		**(83,419)**	**59,228**	**273,196**	**(440,034)**	**(796,649)**

Parity - Brazilian Reais x Euro		**2.5606**	**2.3045**	**1.9205**	**3.2008**	**3.8409**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% apreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	3,540	58,081	139,892	(132,812)	(269,164)
Exports	Appreciation of R$	(3,540)	(58,081)	(139,892)	132,812	269,164
Net effect		**-**	**-**	**-**	**-**	**-**
Statement of income		-	-	-	-	-
Shareholders' equity		**-**	**-**	**-**	**-**	**-**

Parity - Brazilian Reais x Pound		**3.1706**	**2.8535**	**2.3780**	**3.9633**	**4.7559**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	*(10% appreciation)*	*(25% apreciation)*	*(25% devaluation)*	*(50% devaluation)*
NDF (hedge accounting)	Devaluation of R$	(9,079)	15,778	53,065	(71,223)	(133,367)
Exports	Appreciation of R$	9,079	(15,778)	(53,065)	71,223	133,367
Net effect		**-**	**-**	**-**	**-**	**-**
Statement of income		-	-	-	-	-
Shareholders' equity		**-**	**-**	**-**	**-**	**-**

Explanatory Notes
(in thousands of Brazilian Reais)

5. SEGMENT INFORMATION

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

In order to reflect the organizational changes in the Company, during the last quarter of 2011, the segment information began to be prepared considering 4 reportable segments, as follows: domestic market, foreign markets, dairy products and food service. Therefore the information as of June 30, 2011 is being restated. The reportable segments identified primarily observe division by sales channel.

(i) Domestic market: includes the Company´s sales executed in the Brazilian territory, except those relating to products in the dairy and the food service channel.

(ii) Foreign market: includes the Company´s sales for exports and those generated outside the national territory, except those relating to products in the dairy and the food service channel.

(iii) Dairy products: includes the Company´s sales of milk and dairy products produced domestically and abroad.

(iv) Food service: includes the Company's sales of all products in its portfolio, except in the category of dairy products, generated in the domestic and foreign customers for food service category that includes bars, restaurants, kitchens, etc.

Hence, these segments are subdivided according to the nature of the products and characteristics described below:

(i) Poultry: involves the production and trade of whole poultry and poultry cuts in-natura.

(ii) Pork and beef cuts: involves the production and trade of cuts in-natura.

(iii) Processed: involves the production and trade of processed foods, frozen and processed derivatives of poultry, pigs and cattle.

(iv) Other processed products: involves the production and trade of processed foods like margarine and vegetable products and soy.

(v) Milk: involves the production and trade of pasteurized and UHT milk.

Explanatory Notes
(in thousands of Brazilian Reais)

(vi) Dairy products and other drinks: involves the production and trade of milk related foods, including flavored milk, yogurts, fruit juices, soy-based beverages, cheeses and desserts.

(vii) Others: involves the production and trade of animal feed, soy meal and refined soy flour.

The net sales for each one of the reportable operating segments are presented below:

	BR GAAP and IFRS	
	Consolidated	
Net sales	**06.30.12**	06.30.11
Domestic market:		
Poultry	**530,019**	600,956
Porks/beef	**422,543**	374,955
Processed products	**3,246,252**	3,261,683
Other processed	**1,353,558**	963,440
Other	**394,819**	266,187
	5,947,191	5,467,221
Foreign market:		
Poultry	**3,463,764**	3,273,902
Porks/beef	**859,631**	787,042
Processed products	**732,854**	823,606
Other processed	**114,451**	26,398
Other	**7,722**	22,867
	5,178,422	4,933,815
Dairy products:		
Milk	**709,996**	787,184
Dairy products	**637,706**	483,874
	1,347,702	1,271,058
Food service:		
Poultry	**157,624**	140,796
Porks/beef	**112,447**	71,835
Processed products	**359,051**	404,807
Other processed	**76,812**	25,310
	705,934	642,748
	13,179,249	12,314,842

Explanatory Notes
(in thousands of Brazilian Reais)

The operating results before financial income (expenses) for each of the reportable operating segments are presented below:

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	06.30.11
Operating income:		
Domestic market	**465,819**	548,532
Foreign market	**10,104**	394,259
Dairy products	**1,907**	10,283
Food service	**70,788**	84,831
	548,618	1,037,905

No customer was individually responsible for more than 5% of the total revenue earned in the three month period ended June 30, 2012.

Net revenues from exports originate in the segments of the foreign market, dairy products and food service, as shown below:

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	06.30.11
Export net revenues per market:		
Foreign market	**5,178,422**	4,933,815
Dairy products	**117**	5
Food service	**114,553**	89,035
	5,293,092	5,022,855

Export net revenues by region is presented below:

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	06.30.11
Export net revenues per region:		
Europe	**884,715**	880,209
Far East	**1,196,593**	1,131,217
Middle East	**1,745,302**	1,597,965
Eurasia (including Russia)	**454,287**	498,938
America / Africa / Other	**1,012,195**	914,526
	5,293,092	5,022,855

The goodwill originated from the expectation of future profitability, as well as the intangible assets with indefinite useful life (trademarks and patents), were allocated to the reportable operating segments, taking into account the nature of the products manufactured in each segment (cash-generating unit). The allocation of intangible assets is presented below:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS					
	Consolidated					
	Goodwill		Trademarks		Total	
	06.30.12	(1) 12.31.11	**06.30.12**	12.31.11	**06.30.12**	12.31.11
Domestic market	**1,108,601**	1,153,790	**982,478**	1,065,478	**2,091,079**	2,219,268
Foreign market	**1,576,977**	1,074,384	**190,522**	190,522	**1,767,499**	1,264,906
Dairy products	**561,757**	664,102	**-**	-	**561,757**	664,102
Food service	**89,964**	81,539	**-**	-	**89,964**	81,539
	3,337,299	2,973,815	**1,173,000**	1,256,000	**4,510,299**	4,229,815

(1) Goodwill write-down due to the TCD note 1.2

Information referring to the total assets by reportable segments is not being presented, as it is not comprised in the set of information made available to the Company's Management, which make investment decisions on a consolidated basis.

6. BUSINESS COMBINATION AND OTHER ACQUISITIONS

During the period ended June 30, 2012, there was an increase in the goodwill allocation of the acquisition of Heloísa in the amount of R$7,296, due to an adjustment in the opening balance of the subsidiary. There were no changes deriving from the goodwill allocation of the acquisition of the subsidiaries Avex and Dánica group.

6.1 Quickfood

In the Extraordinary General Shareholder´s Meeting occurred in May 23, 2012, the shareholders ratified the approval of the acquisition, through assets exchange, of the entire equity interest held either directly or indirectly by Marfrig, equivalent to 90.05% of the capital of Quickfood, according to the terms and conditions established in the Asset Exchange and Other Agreements, signed in March 20, 2012 with the effective conclusion in June 11, 2012.

In order to operationalize the disposal of the assets listed in the TCD, the Company utilized its subsidiary Athena for this sale. Therefore, the following corporate acts were performed:

(i) the wholly-owned subsidiary Sadia made a capital increase in Athena in the amount of R$341,365, which was paid with assets of its property included in the TCD;

(ii) the subsidiary Sino dos Alpes made a capital increase in Athena in the amount of R$5,174, which was paid with assets of its property included in the TCD;

Explanatory Notes
(in thousands of Brazilian Reais)

(iii) BRF made a capital increase in Athena in the amount of R$158,236, which was paid with assets of its property included in the TCD; and

(iv) on May 31, 2012, BRF acquired the book value of the equity interest held by Sino dos Alpes and Sadia of the capital of Athena.

In summary, the consolidated assets of TCD transferred to Marfrig are presented below:

ASSETS		**LIABILITIES**	
CURRENT ASSETS		**CURRENT LIABILITIES**	
Cash and cash equivalents	3,834	Short term debts	7,847
Trade accounts receivable	7,240	Trade accounts payable	4,891
Inventories	125,689	Social and labor obligations	33,451
Others	1,709	Tax obligations	1,652
	138,472	Other obligations	1,418
			49,259
NON-CURRENT ASSETS		**NON-CURRENT LIABILITIES**	
Deferred taxes	4,203	Long term debts	16
Judicial deposits	746	Tax obligations	3,660
Others assets	802	Other obligations	935
Investments	8		**4,611**
Property, plant and equipment	510,149		
	515,908	**NET ASSETS**	**600,510**
TOTAL ASSETS	**654,380**	**TOTAL LIABILITIES**	**654,380**

The transactions with Marfrig was accounted as a business combination in accordance with CVM Deliberation No. 665/11, mainly due to the fact that Athena is a business, including inputs, process and outputs, which when integrated into the acquirer's business, started to generate outputs as determined by it.

The business Athena was evaluated by independent experts and the fair value attributed to this group of assets corresponded to R$928,000.

Explanatory Notes
(in thousands of Brazilian Reais)

The table below depicts the loss and non-allocated goodwill generated in this business combination:

Fair value of Athena	928,000
Book value of Athena	(600,510)
Write-off of goodwill originated from the expectation of future profitability, fair value and trade mark related to the assets transfered	(266,828)
Total book value	**(867,338)**
Difference between the fair value and book value of Athena	**60,662**
Fair value of Athena	928,000
Consideration receivable	(350,000)
Remaining fair value	**578,000**
Fair value of the equity interest acquired from Quickfood	463,581
Difference between the remaining fair value and Quickfood's fair value	**(114,419)**
Income statement net impact deriving from the execution of TCD	(53,757)
Other losses deriving from the execution of TCD	(15,581)
Total of results of TCD before taxes	**(69,338)**
Fair value of the equity interest acquired from Quickfood	463,581
Payment for the working capital acquisition	35,609
Value of the investment on Quickfood at the acquisition date	**499,190**
Net assets acquired	77,675
Non allocated goodwill	**421,515**

Quickfood is a public company located in Buenos Aires, Argentina. The total equity interest acquired corresponds to 90.05% equivalent to 32,841,224 common shares.

Explanatory Notes
(in thousands of Brazilian Reais)

The accounting impacts in the statement of income deriving from the execution of TCD are accounted for in the other operating results and are presented as follows:

Fair value of Quickfood	463,580
Consideration receivable	350,000
Fair value of the consideration received	**813,580**
Cost of goods sold	123,390
Cost of the equity interest transferred	508,730
Social obligations transferred	(31,610)
Book value of Athena	**600,510**
Fair value of property, plant and equipments transfered from Sadia	112,722
Fair value of trade marks transferred from Sadia	83,000
Fair value of outgrowers guarantees	(4,674)
Goodwill originated from the expectation of future profitability from Sadia	75,780
Total write-off	**266,828**
Losses from tax credits related to property, plant and equipments transferred	9,051
Other losses	6,530
Total of other losses	**15,581**
Total of results of TCD before taxes	**(69,339)**

The identifiable assets acquired and liabilities assumed on the acquisition date were not included in the consolidated quarterly information, presented herein, and therefore, were recorded as investments and are summarized below:

ASSETS		**LIABILITIES**	
CURRENT ASSETS		**CURRENT LIABILITIES**	
Cash and cash equivalents	22,796		
Trade accounts receivable	113,591	Trade accounts payable	108,067
Inventories	47,189	Social and labor obligations	13,518
Others	2,035	Tax obligations	3,140
	185,611	Other obligations	4,466
			129,191
NON-CURRENT ASSETS		**NON-CURRENT LIABILITIES**	
Judicial deposits	859	Long term debts	13,528
Investments	73	Tax obligations	332
Property, plant and equipment	43,895	Other obligations	9,956
Intangible	229		**23,816**
	45,056		
		NET ASSETS	**77,675**
		NON-CONTROLLING INTEREST	**(15)**
TOTAL ASSETS	**230,667**	**TOTAL LIABILITIES**	**230,667**

Explanatory Notes
(in thousands of Brazilian Reais)

The Company's Management did not include the Quickfood's financial statement position in the consolidated financial information, because the amounts involved are not material in relation to the consolidated financial information taken as a whole.

The subsidiary Quickfood has no significant future commitments except those related to the purchase of raw material and sell of frozen vegetables agreed with Marfrig.

The statement of income for the six month period ended June 30, 2012 does not included the operating result generated by Quickfood.

As the operating results from previous years of Quickfood comprise the beef operation, which was not subject to the Company's acquisition, it was not possible to estimate the impacts in the net income of the period, considering that the business combination had occurred on January 1, 2012. However, the understanding of the Company is that if the operating results could be estimated, the impact would be not relevant in relation to the consolidated financial information.

Explanatory Notes
(in thousands of Brazilian Reais)

7. CASH AND CASH EQUIVALENTS

	Average rate p.a.	BR GAAP Parent company 06.30.12	BR GAAP Parent company 12.31.11	BR GAAP and IFRS Consolidated 06.30.12	BR GAAP and IFRS Consolidated 12.31.11
Cash and bank accounts:					
U.S. Dollar	-	**1,082,687**	187	**1,088,749**	17,221
Brazilian Reais	-	**36,067**	16,973	**71,375**	65,174
Euro	-	**181**	240	**63,907**	43,746
Other currencies	-	**-**	-	**28,832**	3,928
		1,118,935	17,400	**1,252,863**	130,069
Highly liquid investments:					
In Brazilian Reais:					
Investment funds	8.37%	**11,522**	11,313	**12,896**	12,367
		11,522	11,313	**12,896**	12,367
In U.S. Dollar:					
Interest bearing account	0.05%	**202**	-	**161,957**	42,065
Term deposit	0.59%	**32,341**	-	**234,769**	371,344
Overnight	0.16%	**16,502**	28,001	**187,060**	458,236
In Euro:					
Interest bearing account	0.06%	**3,264**	12,041	**117,835**	235,237
Term deposit	0.57%	**-**	-	**87,953**	82,372
Overnight	0.13%	**-**	-	**5,929**	17,815
Other Currencies:					
Interest bearing account	0.02%	**-**	-	**45,670**	17,338
		52,309	40,042	**841,173**	1,224,407
		1,182,766	68,755	**2,106,932**	1,366,843

8. MARKETABLE SECURITIES

	WATM (*)	Currency	Average interest rate p.a.	BR GAAP Parent company 06.30.12	BR GAAP Parent company 12.31.11	BR GAAP and IFRS Consolidated 06.30.12	BR GAAP and IFRS Consolidated 12.31.11
Available for sale							
Credit linked notes	6.71	US$	4.88%	**-**	-	**165,230**	146,954
Brazilian foreign debt securities	2.21	US$	9.27%	**-**	-	**90,617**	86,511
Shares	-	R$	-	**1,225**	1,685	**1,225**	1,685
				1,225	1,685	**257,072**	235,150
Held for trading							
Bank deposit certificates	2.58	R$	9.00%	**126,686**	465,804	**219,688**	698,968
Financial treasury bills	1.59	R$	8.40%	**96,940**	296,046	**96,940**	355,137
				223,626	761,850	**316,628**	1,054,105
Held to maturity							
Credit linked notes	1.51	US$	4.96%	**-**	-	**134,790**	166,784
National treasury certificates	7.78	R$	16.19%	**-**	-	**75,872**	70,020
Financial treasury bills	5.26	R$	8.40%	**-**	-	**49,915**	-
				-	-	**260,577**	236,804
				224,851	763,535	**834,277**	1,526,059
Current				**224,851**	763,535	**641,113**	1,372,671
Non-current				**-**	-	**193,164**	153,388

(*) Weighted average maturity in years.

Explanatory Notes
(in thousands of Brazilian Reais)

There were no changes in the characteristics of the modalities of marketable securities presented above, when compared to the information disclosed in the annual financial statements as of December 31, 2011 (note 8).

The national treasury certificates classified as held to maturity are pledged as collateral for the loan obtained through the Special Program Asset Restructuring ("PESA"), see note 19 of these quarterly financial information.

The unrealized gain by the change in fair value of the marketable securities available for sale, recorded in equity as of June 30, 2012 is R$11,642, net of income tax of R$501.

Additionally, on June 30, 2012, of the total of marketable securities, R$43,950 (R$88,177 as of December 31, 2011) were pledged as collateral for futures contract operations in U.S. Dollars and live cattle, traded on the Futures and Commodities Exchange (“BM&F”).

On June 30, 2012, the maturities of the non-current marketable securities is as follows:

	BR GAAP and IFRS
Maturities	**Consolidated**
2013	67,377
2017	49,915
2020	75,872
	193,164

The Company conducted an analysis of sensitivity to foreign exchange rate as presented in note 4.8.

Explanatory Notes
(in thousands of Brazilian Reais)

9. TRADE ACCOUNTS RECEIVABLE AND OTHER

	BR GAAP		BR GAAP and IFRS	
	Parent Company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Current				
Domestic third parties	**680,836**	949,489	**1,405,219**	1,863,996
Domestic related parties	**267,495**	44,959	**-**	-
Foreign third parties	**82,716**	37,422	**1,402,988**	1,375,472
Foreign related parties	**840,177**	409,061	**-**	-
(-) Estimated losses on doubtful accounts	**(16,622)**	(13,557)	**(46,384)**	(31,655)
	1,854,602	1,427,374	**2,761,823**	3,207,813
Credit notes	**28,684**	25,236	**51,503**	56,935
	1,883,286	1,452,610	**2,813,326**	3,264,748
Non-current				
Domestic third parties	**49,899**	51,802	**83,030**	53,060
Foreign third parties	**537**	499	**694**	3,948
(-) Adjustment to present value	**(593)**	(670)	**(593)**	(670)
(-) Estimated losses on doubtful accounts	**(37,903)**	(49,212)	**(71,174)**	(53,919)
	11,940	2,419	**11,957**	2,419
Credit notes	**66,540**	75,547	**148,971**	147,322
	78,480	77,966	**160,928**	149,741

The rollforward of estimated losses from doubtful accounts is presented below:

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Beginning balance	**62,769**	38,613	**85,574**	62,839
Additions	**21,930**	73,712	**98,005**	112,406
Reversals	**(21,884)**	(34,935)	**(51,859)**	(65,279)
Write-offs	**(8,329)**	(14,677)	**(14,482)**	(24,596)
Exchange rate variation	**39**	56	**320**	204
Ending balance	**54,525**	62,769	**117,558**	85,574

The expense of the estimated losses on doubtful accounts was recorded as selling expenses in the statement of income. When efforts to recover accounts receivable prove unsuccessful, the amounts are written-off.

Explanatory Notes
(in thousands of Brazilian Reais)

Breakdown by maturity of overdue amounts and not included in estimated losses on doubtful accounts:

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
60 to 90 days	**-**	-	**-**	14,855
91 to 120 days	**133**	2,233	**361**	3,468
121 to 180 days	**9**	1,250	**7,693**	1,317
181 to 360 days	**577**	602	**4,622**	1,469
More than 360 days	**1,835**	1,397	**1,835**	15,466
	2,554	5,482	**14,511**	36,575

The receivables excluded from allowance for estimated losses on doubtful accounts are secured by letters of credit issued by financial institutions and by credit insurance contracted with insurance companies.

The breakdown of accounts receivable by maturity is as follows:

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Current	**1,858,273**	1,404,775	**2,665,953**	2,924,510
Overdue:				
From 01 to 60 days	**8,354**	22,169	**97,135**	251,163
From 61 to 120 days	**6,007**	7,488	**18,168**	30,298
From 121 to 180 days	**5,564**	4,388	**23,851**	13,064
From 181 to 360 days	**4,587**	4,366	**14,817**	8,517
More than 360 days	**38,875**	50,046	**72,007**	68,924
(-) Adjustment to present value	**(593)**	(670)	**(593)**	(670)
(-) Estimated losses on doubtful accounts	**(54,525)**	(62,769)	**(117,558)**	(85,574)
	1,866,542	1,429,793	**2,773,780**	3,210,232

10. INVENTORIES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Finished goods	**781,117**	708,162	**1,880,394**	1,633,492
Goods for resale	**10,720**	7,270	**19,262**	8,575
Work in process	**68,413**	85,700	**131,981**	316,875
Raw materials	**98,592**	112,490	**464,973**	214,630
Packaging materials	**39,089**	61,539	**72,699**	99,925
Secondary materials	**72,259**	71,341	**192,733**	153,898
Warehouse	**71,841**	71,972	**111,573**	112,001
Goods in transit	**10,977**	4,291	**43,347**	26,147
Imports in transit	**9,793**	13,357	**61,799**	83,640
Advances to suppliers	**22,017**	30,028	**22,042**	30,028
	1,184,818	1,166,150	**3,000,803**	2,679,211

Explanatory Notes
(in thousands of Brazilian Reais)

The write-offs of products sold from inventories to cost of sales during the six-month period ended June 30, 2012, totaled R$5,635,986 at the parent company and R$10,346,610 in the consolidated (on June 30, 2011, R$4,859,978 at the parent company and R$9,208,444 in the consolidated). Such amounts include the additions and reversals of inventory provisions presented in the table below:

	BR GAAP				
	Parent company				
	12.31.11	Additions	Reversals	Write-offs	06.30.12
Provision for losses to the disposable value	(19,899)	(14,260)	21,320	-	**(12,839)**
Provision for deterioration	(3,404)	(5,142)	-	1,928	**(6,618)**
Provision for obsolescence	(629)	(4,322)	-	882	**(4,069)**
	(23,932)	(23,724)	21,320	2,810	**(23,526)**

	BR GAAP and IFRS					
	Consolidated					
	12.31.11	Additions	Reversals	Write-offs	Exchange rate variation	06.30.12
Provision for losses to the disposable value	(41,963)	(43,115)	53,660	-	815	**(30,603)**
Provision for deterioration	(12,841)	(11,265)	-	10,562	56	**(13,488)**
Provision for obsolescence	(3,223)	(5,882)	-	3,380	-	**(5,725)**
	(58,027)	(60,262)	53,660	13,942	871	**(49,816)**

The additions presented in the provision for inventory losses are mainly related to the decrease in the foreign market sales price of griller and the domestic market of whole poultry in-natura which occurred during the first semester. The reversals recorded during the quarter are related to the decrease in the critical inventory of griller chicken and to the recovery of the foreign market sales price as from March 2012.

Additionally, during the six-month period ended June 30, 2012, there were write-offs of inventories in the amount of R$15,272 at the parent company and R$24,163 in the consolidated (on June 30, 2011, R$20,581 at the parent company and R$21,174 in the consolidated), referring to deteriorated items, which have been charged to the statement of income.

Management expects inventories to be recovered in a period of less than 12 months.

On June 30, 2012, R$35,938 (R$67,079 as of December 31, 2011) of the balance of inventories of the parent company and consolidated was pledged as collateral for rural credit operations.

11. BIOLOGICAL ASSETS

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

Explanatory Notes
(in thousands of Brazilian Reais)

In Management's opinion, the fair value of the biological assets is substantially represented by the cost of breeding, mainly due to the short life cycle of the animals and to the fact that a significant portion of the profitability of our products derives from the manufacturing process and not from obtaining in-natura meat (raw materials at slaughtering point). This opinion is supported by a fair value appraisal report prepared by an independent expert, which presented an immaterial difference between the two methodologies. Therefore, Management maintained the biological assets at formation cost.

During the six-month period ended June 30, 2012, Management did not identify any event that could impact the business model or the assumptions utilized in the analysis performed as of December 31, 2011, and considering this, did not update the independent appraisal report that supports the accounting practice adopted by the Company.

The quantities and accounting balances per category of biological assets are presented below:

	BR GAAP			
	Parent company			
	06.30.12		12.31.11	
	Quantity	**Value**	Quantity	Value
Consumable biological assets				
Immature poultry	**107,553**	**251,218**	103,087	207,615
Immature pork	**1,501**	**247,775**	1,646	257,692
Immature cattle	**130**	**149,376**	75	89,176
Total current	**109,184**	**648,369**	104,808	554,483
Production biological assets				
Immature poultry	**3,965**	**50,861**	3,756	46,987
Mature poultry	**5,168**	**62,217**	5,569	62,632
Immature pork	**5**	**1,155**	5	945
Mature pork	**152**	**62,792**	165	68,624
Total non-current	**9,290**	**177,025**	9,495	179,188
	118,474	**825,394**	114,303	733,671

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS Consolidated			
	06.30.12		12.31.11	
	Quantity	**Value**	Quantity	Value
Consumable biological assets				
Immature poultry	**214,420**	**571,584**	209,732	485,359
Immature pork	**3,748**	**622,865**	3,803	581,546
Immature cattle	**130**	**149,376**	75	89,176
Total current	**218,298**	**1,343,825**	213,610	1,156,081
Production biological assets				
Immature poultry	**7,617**	**101,703**	7,643	97,458
Mature poultry	**11,670**	**140,021**	12,006	132,043
Immature pork	**120**	**20,337**	125	18,370
Mature pork	**370**	**133,112**	409	139,512
Total non-current	**19,777**	**395,173**	20,183	387,383
	238,075	**1,738,998**	233,793	1,543,464

The rollforward of biological assets for the period is presented below:

	BR GAAP Parent company						
	Current				Non-current		
	Poultry	**Pork**	**Cattle**	**Total**	**Poultry**	**Pork**	**Total**
Balance as of 12.31.11	207,615	257,692	89,176	554,483	109,619	69,569	179,188
Increase due to acquisition	48,105	229,670	127,407	405,182	13,184	24,510	37,694
Increase due to reproduction, consumption of ration, medication and remuneration of partnership	1,347,438	326,095	29,298	1,702,831	74,537	211	74,748
Accumulated depreciation	-	-	-	-	(72,462)	(11,895)	(84,357)
Transfer between current and non-current	10,398	10,228	-	20,626	(10,398)	(10,228)	(20,626)
Transfer between current and non-current - TCD	1,402	-	-	1,402	(1,402)	-	(1,402)
Reduction due to slaughtering	(1,363,740)	(547,475)	(96,505)	(2,007,720)	-	-	-
Disposal - execution of TCD	-	(28,435)	-	(28,435)	-	(8,220)	(8,220)
Balance as of 06.30.12	**251,218**	**247,775**	**149,376**	**648,369**	**113,078**	**63,947**	**177,025**

	BR GAAP and IFRS Consolidated						
	Current				Non-current		
	Poultry	**Pork**	**Cattle**	**Total**	**Poultry**	**Pork**	**Total**
Balance as of 12.31.11	485,359	581,546	89,176	1,156,081	229,501	157,882	387,383
Increase due to acquisition	135,971	517,627	127,407	781,005	23,285	32,120	55,405
Increase due to reproduction, consumption of ration, medication and remuneration of partnership	2,827,577	887,827	29,298	3,744,702	159,479	23,246	182,725
Accumulated depreciation	-	-	-	-	(147,819)	(20,182)	(168,001)
Transfer between current and non-current	21,320	22,700	-	44,020	(21,320)	(22,700)	(44,020)
Transfer between current and non-current - TCD	1,402	8,698	-	10,100	(1,402)	(8,698)	(10,100)
Reduction due to slaughtering	(2,900,045)	(1,367,098)	(96,505)	(4,363,648)	-	-	-
Disposal - execution of TCD	-	(28,435)	-	(28,435)	-	(8,219)	(8,219)
Balance as of 06.30.12	**571,584**	**622,865**	**149,376**	**1,343,825**	**241,724**	**153,449**	**395,173**

The costs of the breeding animals are amortized using the straight-line method for a period from 15 to 30 months.

Explanatory Notes
(in thousands of Brazilian Reais)

12. RECOVERABLE TAXES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
State ICMS (VAT)	**285,132**	254,809	**894,192**	754,329
PIS and COFINS (Federal Taxes to Social Fund Programs)	**705,000**	608,880	**828,805**	755,270
Withholding income and social contribution tax	**91,899**	179,096	**170,173**	211,047
IPI (Federal VAT)	**2,440**	1,552	**58,848**	57,241
IOF (Tax on Financial Transactions)	**15,792**	-	**15,792**	-
Import duty	**1,844**	273	**17,491**	12,149
Other	**905**	826	**2,525**	14,334
(-) Allowance for losses	**(23,338)**	(23,340)	**(168,657)**	(151,829)
	1,079,674	1,022,096	**1,819,169**	1,652,541
Current	**761,125**	572,720	**1,128,114**	907,929
Non-current	**318,549**	449,376	**691,055**	744,612

The rollforward of the allowance for losses is presented below:

	BR GAAP		
	Parent company		
	12.31.11	**Reversals**	**06.30.12**
Allowance for losses - State ICMS (VAT)	(23,340)	2	**(23,338)**
	(23,340)	**2**	**(23,338)**

	BR GAAP and IFRS			
	Consolidated			
	12.31.11	**Additions**	**Reversals**	**06.30.12**
Allowance for losses - State ICMS (VAT)	(126,792)	(16,993)	1,618	**(142,167)**
Allowance for losses - Withholding income tax and social contribution	-	(321)	-	**(321)**
Allowance for losses - PIS and COFINS	(12,865)	(3,994)	6,561	**(10,298)**
Allowance for losses - IPI (Federal VAT)	(12,172)	(2,601)	33	**(14,740)**
Allowance for losses other	-	(1,744)	613	**(1,131)**
	(151,829)	**(25,653)**	**8,825**	**(168,657)**

The increase in the balance during the quarter is mainly due to the tax credits arising from exports occurred through the States of Paraná and Santa Catarina.

Explanatory Notes
(in thousands of Brazilian Reais)

13. NON-CURRENT ASSETS HELD FOR SALE

The rollforward of assets held for sale is set forth below:

	BR GAAP Parent company					
	12.31.11	Transfers from property, plant and equipment	Transfers to property, plant and equipment	Disposal	Disposal TCD	06.30.12
Lands	2,738	2,004	-	(74)	-	4,668
Buildings and improvements	2,931	4,833	-	-	-	7,764
Machinery and equipment	289	819	(28)	(76)	(55)	949
Facilities	6	74	-	-	-	80
Furniture	-	9	-	-	-	9
Vehicles and aircraft	-	195	(10)	(64)	(15)	106
Others	16	-	-	-	-	16
	5,980	**7,934**	**(38)**	**(214)**	**(70)**	**13,592**

	BR GAAP and IFRS Consolidated					
	12.31.11	Transfers from property, plant and equipment	Transfers to property, plant and equipment	Disposal	Disposal TCD	06.30.12
Lands	8,730	2,004	-	(74)	-	10,660
Buildings and improvements	8,162	4,833	-	-	-	12,995
Machinery and equipment	1,637	867	(28)	(76)	(55)	2,345
Facilities	6	74	-	-	-	80
Furniture	-	9	-	-	-	9
Vehicles and aircraft	-	195	(10)	(64)	(15)	106
Others	472	-	-	-	-	472
	19,007	**7,982**	**(38)**	**(214)**	**(70)**	**26,667**

Explanatory Notes
(in thousands of Brazilian Reais)

14. INCOME TAX AND SOCIAL CONTRIBUTION

14.1. Deferred income tax and social contribution composition

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Assets:				
Tax loss carryforwards (corporate income tax)	**482,842**	380,462	**863,239**	765,055
Valuation allowance for tax losses	**-**	-	**(166,762)**	(166,762)
Negative calculation basis (social contribution tax)	**192,674**	153,124	**333,746**	297,062
Provision for negative calculation basis losses	**-**	-	**(48,443)**	(48,443)
Temporary differences:				
Provisions for tax, civil and labor risk	**93,852**	100,433	**154,902**	158,262
Provision for estimated losses with doubtful accounts	**6,987**	9,471	**18,731**	12,681
Provision for attorney's fees	**-**	4,694	**-**	4,694
Provision for property, plant and equipment losses	**639**	8,307	**4,400**	11,709
Provision for tax credits realization	**7,936**	7,936	**56,818**	47,571
Provision for other obligations	**24,005**	20,110	**42,372**	46,229
Employees' profit sharing	**4,298**	56,014	**4,318**	72,432
Provision for inventories	**7,999**	8,137	**11,355**	12,224
Employees' benefits plan	**39,743**	38,323	**93,637**	90,457
Amortization on fair value of business combination	**3,053**	4,130	**7,214**	8,753
Business combination - Sadia	**-**	-	**1,142,847**	1,139,668
Unrealized losses on derivatives	**108,405**	62,644	**108,405**	62,644
Unrealized losses on inventories	**-**	-	**3,413**	4,230
Adjustments relating to the transition tax regime	**100,594**	63,891	**114,218**	76,102
Provision for losses	**9,050**	9,098	**15,361**	10,488
Other temporary differences	**6,169**	8,833	**14,192**	23,694
	1,088,246	935,607	**2,773,963**	2,628,750
Liabilities:				
Estimated annual effective tax rate - CPC 21	**57,717**	-	**49,506**	-
Temporary differences:				
Provision for recovery BFPP - Brasil Foods Previdência Privada	**1,133**	1,829	**1,133**	1,829
Revaluation reserve	**118**	341	**118**	341
Depreciation on rural activities	**-**	409	**55,124**	68,832
Results from foreign subsidiaries	**-**	-	**343**	-
Adjustments relating to the transition tax regime	**345,695**	337,804	**567,828**	531,056
Business combination - Sadia	**-**	-	**1,180,636**	1,181,582
Other temporary differences	**750**	223	**944**	8,257
	405,413	340,606	**1,855,632**	1,791,897

Certain subsidiaries of the Company in Brazil have tax loss carry forwards and negative basis of social contribution of R$32,801 and R$32,662, respectively, (R$31,650 and R$31,470 on December 31, 2011), for which the Company have not recorded a related deferred tax asset. If there was any expectation that such tax credits would be realized the amount to be recognized in the balance would be R$11,136 (R$10,745 as of December 31, 2011).

As disclosed to the market on February 9, 2012, the Company´s Board of Directors approved the merger of the wholly-owned subsidiary Sadia with BRF, which will be implemented on December 31, 2012. The main purpose of this merge is to maximize synergies and to rationalize activities, with consequent reductions in administrative

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and operating costs and increasing in productivity.

The decision to merge Sadia into BRF resulted in the recognition of a loss in fiscal year 2011 of R$215,205 on the valuation allowance for tax loss carryforwards, which will not be recovered after the merger. The value of the loss reflects Management's best estimate at June 30, 2012, considering the available information. The final value of the impact of the merger of Sadia into BRF will be known on December 31, 2012.

As per the requirements of paragraph 28 of CVM Deliberation No. 673/11, during this quarter the Company started to disclose the income tax expense based on the best estimate of the annual weighted effective tax rate for the fiscal period ending December 31, 2012. As a consequence, the income tax expense for the first semester 2012 was adjusted by a credit in the amount of R$57,717 at the parent company and R$49,506 in the consolidated, as disclosed in note 14.3. For the same period of year 2011 this adjustment was not booked because the effective rate approximated the estimated effective rate for that year.

14.2. Estimated time of realization

Management considers that deferred tax assets related to temporary differences will be realized as the lawsuits are resolved. The deferred tax assets resulting from temporary differences of employee benefits will be realized at the payment of the projected obligations.

Management estimates that the deferred tax assets originated from tax losses carry forwards and negative basis of social contribution are expected to be realized as set forth below:

	BR GAAP	BR GAAP and IFRS
	Parent company	Consolidated
Year	Value	Value
2012	-	302,999
2013	20,100	20,393
2014	42,315	42,632
2015	46,840	47,179
2016	61,119	61,486
2017-2019	290,873	292,161
2020-2021	214,269	214,930
	675,516	**981,780**

When assessing the likelihood of the realization of deferred tax assets, Management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible.

Explanatory Notes
(in thousands of Brazilian Reais)

Management considers the scheduled reversal of deferred tax liabilities, projected taxable income and tax-planning strategies when performing this assessment. Based on the level of historical taxable income and projections for future taxable income, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences. The amount of the deferred tax asset is considered realizable, however, could be impacted in the short term if estimates of future taxable income during the carryforward period are reduced.

14.3. Income and social contribution taxes reconciliation

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Income before taxes	**123,554**	882,298	**186,178**	930,446
Nominal tax rate	**34.00%**	34.00%	**34.00%**	34.00%
Tax expense at nominal rate	**(42,008)**	(299,981)	**(63,301)**	(316,352)
Adjustments of taxes and contributions on:				
Equity interest in income of affiliates	**84,084**	232,534	**3,674**	519
Exchange rate variation on foreign investments	**18,254**	5,517	**41,213**	(13,069)
Difference of tax rates on earnings from foreign subsidiaries	**-**	-	**(10,992)**	189,973
Interest on shareholders' equity	**34,000**	60,297	**34,000**	99,397
Results from foreign subsidiaries	**-**	-	**(343)**	(3,707)
Profit sharing	**(695)**	(1,839)	**(92)**	(2,888)
Donations	**(267)**	(153)	**(1,268)**	(1,475)
Penalties	**(7,037)**	(303)	**(4,950)**	(2,345)
Investment grant	**13,309**	-	**23,815**	-
Estimated annual effective tax rate	**(57,717)**	-	**(49,506)**	-
Other adjustments	**(5,891)**	3,016	**5,655**	5,632
	36,032	(912)	**(22,095)**	(44,315)
Effective rate	**-29.2%**	0.1%	**11.9%**	4.8%
Current income tax	**-**	-	**(43,277)**	(11,874)
Deferred income tax	**36,032**	(912)	**21,182**	(32,441)

Explanatory Notes
(in thousands of Brazilian Reais)

The taxable income, current and deferred income tax from foreign subsidiaries is presented below:

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	06.30.11
Taxable income from foreign subsidiaries	**(19,183)**	182,420
Current income taxes expense from foreign subsidiaries	**(7,165)**	(61,316)
Deferred income taxes benefit from foreign subsidiaries	**4,896**	1,301

The Company determined that the total profit accounted for by holdings of their foreign wholly-owned subsidiaries will not be redistributed. Such resources will be utilized for investments in the subsidiaries, and thus no deferred income taxes were recognized. The total of undistributed earnings correspond to R$2,107,999 as of June 30, 2012 (R$2,057,655 as of December 31, 2011).

The Brazilian income taxes are subject to review for a 5-year period, during which the tax authorities might audit and assess the Company for additional taxes and penalties, in case inconsistencies are found. Subsidiaries located abroad are taxed in their respective jurisdictions, according to the tax legislation of each country.

15. JUDICIAL DEPOSITS

The rollforward of the judicial deposits is presented below:

	BR GAAP				
	Parent company				
	12.31.11	**Additions**	**Reversals**	**Write-offs**	**06.30.12**
Tax	29,286	59,281	(1)	-	88,566
Labor	67,540	22,758	(23,152)	(400)	66,746
Civil, commercial and other	13,756	246	(220)	(4,737)	9,045
	110,582	**82,285**	**(23,373)**	**(5,137)**	**164,357**

	BR GAAP and IFRS				
	Consolidated				
	12.31.11	**Additions**	**Reversals**	**Write-offs**	**06.30.12**
Tax [(a)]	92,993	84,679	(7,510)	(456)	**169,706**
Labor	115,880	32,139	(30,379)	(1,084)	**116,556**
Civil, commercial and other	19,388	9,832	(220)	(12,038)	**16,962**
	228,261	**126,650**	**(38,109)**	**(13,578)**	**303,224**

(a) The additions are mainly represented by judicial deposits related to the incidence of the Provisional Contribution on Financial Transactions ("CPMF") of R$ 34,078 and the incidence of VAT in the state of Minas Gerais differently in respect of products sold as the state of origin R$ 24,926.

Explanatory Notes
(in thousands of Brazilian Reais)

16. INVESTMENTS

16.1. Investments breakdown

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Investment in associates	**6,264,572**	5,922,132	**100,304** (2)	19,505
Fair value of assets acquired and liabilities assumed	**2,287,771**	2,486,827	**-**	-
Goodwill based on expectation of future profitability	**1,222,088**	1,293,818	**-**	-
Non-allocated goodwill from business combination (1)	**454,976**	26,165	**-**	-
Advance for future capital increase	**441,812**	429,812	**-**	-
Other investments	**834**	834	**894**	894
	10,672,053	10,159,588	**101,198**	20,399

(1) Business combination with Quickfood and Heloísa (note 6).

(2) The increase refers to investments in Quickfood and Rising Star (note 16.3 and 16.4).

Explanatory Notes
(in thousands of Brazilian Reais)

16.2. Summarized financial information of subsidiaries and affiliates

	Sadia S.A.	VIP S.A. Empr. e Particip. Imob.	Avipal Construtora S.A.	Avipal Centro Oeste S.A.	PSA Labor. Veter. Ltda.	Perdigão Trading S.A.	PDF Partici-pações Ltda.	Heloísa Ind. Com. Produtos Lácteos Ltda.	Establec. Levino Zaccardi	Crossban Holdings GmbH	Quickfood S.A.
	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12	06.30.12
Current Assets	**4,776,182**	**38,007**	**120**	**266**	**100**	**102**	**1**	**16,640**	**7,015**	**86,360**	**205,174**
Non-current Assets	**6,883,954**	**99,383**	**-**	**-**	**7,402**	**1,856**	**-**	**76,564**	**2,943**	**1,178,088**	**58,188**
Current Liabilities	**(4,142,792)**	**(734)**	**(5)**	**-**	**(2)**	**(412)**	**-**	**(9,416)**	**(2,109)**	**(501)**	**(143,371)**
Non-current Liabilities	**(2,343,674)**	**(1,037)**	**-**	**-**	**-**	**-**	**-**	**(1,671)**	**(6,089)**	**(797)**	**(25,484)**
Shareholders Equity	**(5,173,670)**	**(135,619)**	**(115)**	**(266)**	**(7,500)**	**(1,546)**	**(1)**	**(82,117)**	**(1,760)**	**(1,263,150)**	**(94,507)**
Net Revenues	**6,938,487**	**-**	**-**	**-**	**-**	**-**	**-**	**29,596**	**3,127**	**290**	**-**
Net income (loss)	**327,841**	**2,437**	**61**	**1**	**(3,933)**	**(442)**	**-**	**(2,395)**	**184**	**(95,886)**	**-**
	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11	12.31.11
Current Assets	4,977,392	46,982	131	265	99	100	1	37,430	6,633	90,700	-
Non-current Assets	5,903,429	87,620	-	-	11,334	2,301	-	52,708	2,916	1,237,696	-
Current Liabilities	(3,818,241)	(391)	(5)	-	-	(412)	-	(8,011)	(6,859)	(2,721)	-
Non-current Liabilities	(2,088,931)	(1,029)	(72)	-	-	-	-	(2,321)	(173)	(4,387)	-
Shareholders Equity	(4,973,649)	(133,182)	(54)	(265)	(11,433)	(1,989)	(1)	(79,806)	(2,517)	(1,321,288)	-
Net Revenues	13,407,814	-	-	-	-	-	-	3,138	10,275	583	-
Net income (loss)	716,080	85,172	3	2	584	115	-	(1,029)	1,331	324,602	-

Explanatory Notes
(in thousands of Brazilian Reais)

16.3. Rollforward of direct investments – Parent Company

	Sadia S.A.	VIP S.A. Empr. e Particip. Imob	Avipal Centro Oeste S.A.	PSA Labor. Veter. Ltda	Avipal Construtora S.A.	Perdigão Trading S.A.	UP! Alimentos Ltda	PDF Participações Ltda	Heloisa Ind. Com. Produtos Lácteos Ltda.	Establec. Levino Zaccardi	Crossban Holdings GmbH	Quickfood S.A.	Total 06.30.12	Total 12.31.11
a) Capital share as of June 30, 2012														
% of share	100.00%	65.49%	100.00%	88.00%	100.00%	100.00%	50.00%	1.00%	100.00%	90.00%	100.00%	90.05%		
Total number of shares and membership interests	1,673,567,393	14,249,459	6,963,854	5,463,850	445,362	100,000	1,000	1,000	46,000,000	100	1	36,469,606		
Number of shares and membership interest held	1,673,567,393	9,331,971	6,963,854	4,808,188	445,362	100,000	500	10	46,000,000	90	1	32,841,224		
b) Subsidiaries' information as of June 30, 2012														
Capital stock	5,351,529	40,061	5,972	5,564	445	100	1	1	110,000	41	4,858	16,291		
Shareholders' equity	5,173,670	135,619	266	7,500	115	1,546	23,114	1	82,117	1,760	1,263,150	86,257		
Fair value adjustments	2,261,347	-	-	-	-	-	-	-	-	-	-	-		
Goodwill based on expectation of future profitability	1,248,512	-	-	-	-	-	-	-	-	-	-	-		
Preliminary goodwill from business combination	-	-	-	-	-	-	-	-	33,461	-	-	421,515		
Income for the period	327,841	2,437	1	(3,933)	61	(442)	23,113	-	(2,395)	184	(95,886)	-		
c) Balance of investments as of June 30, 2012														
Balance of the investment in the beginning of the year	8,634,918	87,221	265	10,072	54	1,988	8,988	-	105,973	973	1,308,304	-	**10,158,756**	8,673,372
Equity pickup	327,841	1,596	1	(3,461)	61	(442)	11,557	-	(2,395)	165	(95,886)	-	**239,037**	1,198,522
Unrealized profit in inventory	-	-	-	-	-	-	-	-	-	262	-	-	**262**	(368)
Goodwill in the acquisition of non-controlling entities	-	-	-	-	-	-	-	-	-	-	(620)	-	**(620)**	(11,932)
Goodwill	-	-	-	-	-	-	-	-	-	-	-	421,515	**421,515**	26,167
Foreign-exchange rate variation	-	-	-	-	-	-	-	-	-	80	53,607	-	**53,687**	97,945
Other comprehensive income	(16,451)	-	-	-	-	-	-	-	-	-	(2,875)	-	**(19,326)**	(62,995)
Advance for future capital increase	-	-	-	-	-	-	-	-	12,000	-	-	-	**12,000**	329,812
Dividends and interests on shareholders' equity	-	-	-	-	-	-	(8,988)	-	-	-	-	-	**(8,988)**	(120,602)
Disposal - execution of TCD	(262,779)	-	-	-	-	-	-	-	-	-	-	-	**(262,779)**	-
Acquisition of companies	-	-	-	-	-	-	-	-	-	-	-	77,675	**77,675**	28,835
Total	**8,683,529**	**88,817**	**266**	**6,611**	**115**	**1,546**	**11,557**	**-**	**115,578**	**1,480**	**1,262,530**	**499,190**	**10,671,219**	**10,158,756**

(1) The amount is composed of the portion of goodwill allocated to the assets of Sadia, being R$ 83,000 of trademarks, property and equipment gains of R$ 112,722, goodwill for expected future profitability of R$ 75,780 and amortization of pledges of R$ 4,674.

Explanatory Notes
(in thousands of Brazilian Reais)

The gains resulting from foreign exchange rate variation on the investments in subsidiaries abroad, whose functional currency is Brazilian Reais, totaling R$121,213 on June 30, 2012 (R$38,437 as of June 30, 2011), are recognized in financial income/expenses groups in the statement of income of the period.

The exchange rate variation resulting from the investment in the subsidiary Plusfood Groep B.V. and its subsidiaries, whose functional currency is the Euro, was recorded in the equity pickup adjustments, in the subgroup of other comprehensive income.

On June 30, 2012, the subsidiaries do not have any significant restriction to transfer dividends or repay their loans or advances to the parent company.

As of June 30, 2012, the market cap of Excelsior Alimentos S.A., a subsidiary of Sadia, corresponded to R$20,367 (R$16,077 as of December 31, 2011).

16.4. Summary financial information of joint ventures and affiliates

	Affiliate		Joint Venture		
	UP!		K&S		Rising Star
	06.30.12	12.31.11	**06.30.12**	12.31.11	06.30.12
Current assets	**16,616**	12,941	**8,194**	7,712	**28,883**
Non-current assets	**15**	21	**8,830**	8,388	**14**
Current liabilities	**(5,074)**	(3,974)	**(7,206)**	(5,204)	**(27,140)**
Non-current liabilities	**-**	-	**(425)**	(379)	**(78)**
	11,557	8,988	**9,393**	10,517	1,679

	UP!		K&S		Rising Star
	06.30.12	06.30.11	**06.30.12**	06.30.11	06.30.12
Net revenues	**36,753**	22,653	**16,953**	15,384	**65,548**
Operational expenses	**(7,691)**	(8,067)	**(6,546)**	(5,062)	**(168)**
Net income (loss)	**11,557**	2,026	**(1,124)**	(740)	**389**
Participation		50%		49%	50%

In April 2012, the amount of capital paid-in of the Rising Star was R$1,306. There were no increases in capital or commitments by the companies for contributions in joint ventures and affiliates.

Explanatory Notes
(in thousands of Brazilian Reais)

17. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment rollforward is set forth below:

										BR GAAP Parent company
	Depreciation Rate p.a. %	12.31.11	Additions	Disposal	Write-off TCD	Reversal	Transfers	Transfers to held for sale	Transfers from held for sale	06.30.12
Cost										
Land	-	151,896	358	(806)	(7,364)	-	4,146	(2,004)	-	**146,226**
Buildings and improvements	-	1,820,908	217	(7,312)	(153,079)	-	79,537	(20,364)	-	**1,719,907**
Machinery and equipment	-	2,507,100	10,892	(29,716)	(117,213)	-	125,285	(4,798)	28	**2,491,578**
Facilities	-	320,757	-	(2,427)	-	-	23,662	(561)	-	**341,431**
Furniture	-	51,629	634	(1,912)	(3,697)	-	3,903	(241)	-	**50,316**
Vehicles and aircrafts	-	48,247	223	(3,334)	(842)	-	28,995	(779)	10	**72,520**
Others	-	114,199	-	(564)	(1,099)	-	6,738	-	-	**119,274**
Construction in progress	-	231,222	376,642	-	(9,759)	-	(251,256)	-	-	**346,849**
Advances to suppliers	-	10,670	56,214	-	-	-	(45,679)	-	-	**21,205**
		5,256,628	**445,180**	**(46,071)**	**(293,053)**	**-**	**(24,669)**	**(28,747)**	**38**	**5,309,306**
Depreciation										
Buildings and improvements	3.44	(518,985)	(26,354)	5,417	48,859	-	43	15,531	-	**(475,489)**
Machinery and equipment	6.02	(996,119)	(68,577)	19,212	60,144	-	829	3,968	-	**(980,543)**
Facilities	3.57	(92,596)	(6,739)	1,152	-	-	196	487	-	**(97,500)**
Furniture	6.25	(20,687)	(1,055)	975	1,501	-	828	232	-	**(18,206)**
Vehicles and aircrafts	14.29	(11,839)	(3,550)	2,080	535	-	96	595	-	**(12,083)**
Others	6.84	(29,242)	(12,287)	493	40	-	-	-	-	**(40,996)**
		(1,669,468)	**(118,562)**	**29,329**	**111,079**	**-**	**1,992**	**20,813**	**-**	**(1,624,817)**
Provision for losses [2]		**(24,433)**	**(2,100)**	**2,100**	**-**	**22,553**	**-**	**-**	**-**	**(1,880)**
		3,562,727	**324,518**	**(14,642)**	**(181,974)**	**22,553**	**(22,677)** [1]	**(7,934)**	**38**	**3,682,609**

[1] Net transfer to intangible assets (note 18).
[2] Refers mainly to the reversal of provision for losses on assets lost on a fire in Nova Mutum plant occurred in March 2011. The current loss was lower than the amount previously estimated.

Explanatory Notes
(in thousands of Brazilian Reais)

											BR GAAP and IFRS Consolidated
	Depreciation Rate p.a. %	12.31.11	Additions	Disposal	Write-off TCD	Reversal	Transfers	Transfer to held for sale	Transfers from held for sale	Exchange rate variation	06.30.12
Cost											
Land	-	634,667	358	(806)	(26,072)	-	6,018	(2,004)	-	1,278	**613,439**
Buildings and improvements	-	4,980,559	12,067	(28,160)	(423,679)	-	137,549	(27,118)	-	(23,983)	**4,627,235**
Machinery and equipment	-	5,603,340	32,427	(65,557)	(367,056)	-	234,059	(1,431)	28	21,831	**5,457,641**
Facilities	-	1,315,047	261	(2,595)	(15,624)	-	60,744	(553)	-	8,242	**1,365,522**
Furniture	-	87,472	1,930	(2,100)	(7,091)	-	6,401	(241)	-	1,117	**87,488**
Vehicles and aircrafts	-	78,328	581	(3,687)	(1,200)	-	54,306	(779)	10	1,252	**128,811**
Others	-	191,337	176	(662)	(3,957)	-	15,673	-	-	1,544	**204,111**
Construction in progress	-	620,209	765,406	(147)	(25,805)	-	(450,945)	-	-	(1,918)	**906,800**
Advances to suppliers	-	32,878	121,389	-	-	-	(92,796)	-	-	5	**61,476**
		13,543,837	**934,595**	**(103,714)**	**(870,484)**	**-**	**(28,991)**	**(32,126)**	**38**	**9,368**	**13,452,523**
Depreciation											
Buildings and improvements	3.42	(1,168,298)	(62,656)	9,785	112,395	-	891	15,531	-	5,703	**(1,086,649)**
Machinery and equipment	5.89	(2,077,472)	(131,240)	36,901	135,717	-	73	7,290	-	(6,808)	**(2,035,539)**
Facilities	3.57	(376,121)	(20,880)	1,582	115	-	128	496	-	(1,264)	**(395,944)**
Furniture	6.25	(40,713)	(5,909)	1,365	3,455	-	760	232	-	(973)	**(41,783)**
Vehicles and aircrafts	14.29	(16,856)	(6,816)	2,291	879	-	140	595	-	(826)	**(20,593)**
Others	4.77	(31,568)	(15,699)	524	82	-	-	-	-	(1,212)	**(47,873)**
		(3,711,028)	**(243,200)**	**52,448**	**252,643**	**-**	**1,992**	**24,144**	**-**	**(5,380)**	**(3,628,381)**
Provision for losses [2]		**(34,439)**	**(2,960)**	**2,100**	**-**	**23,191**	**-**	**-**	**-**	**-**	**(12,108)**
		9,798,370	**688,435**	**(49,166)** [4]	**(617,841)** [3]	**23,191**	**(26,999)** [1]	**(7,982)**	**38**	**3,988**	**9,812,034**

(1) Net transfer to intangible assets (note 18).

(2) Refers mainly to the reversal of provision for losses on assets lost on a fire in Nova Mutum plant occurred in March 2011. The current loss was lower than the amount previously estimated.

(3) Refers to write-off by business combination in the execution of TCD. Such amount does not include property, plant and equipment items from Excelsior in the amount of R$ 5,374 which were transferred to Marfrig on July 2, 2012.

(4) Include write-off of property, plant and equipment items of the plant of Carambeí in the amount of R$ 23,841.

Explanatory Notes
(in thousands of Brazilian Reais)

The consolidated acquisitions during the six-month period ended June 30, 2012 are substantially represented by construction in progress in the total amount of R$765,406 and advances to suppliers of R$121,389 which comprise mainly:

	BR GAAP and IFRS
	Consolidated
Description	**06.30.12**
Expansion projects of industrial units [1]	343,840
Improvements in productive units and poultry farm [2]	58,915
Car fleet renewal	51,367
Transformation of turkey´s plant into chicken' plant in Carambeí (PR)	48,563
Construction of a new sausage factory in Lucas do Rio Verde (MT)	41,957
Expansion of the new line of pizza in Ponta Grossa (PR)	14,291
Improvement in “escondidinho” line and cooked pasta in Ponta Grossa (PR)	11,267
Standardize and innovate portfolio of packaging UHT of the units Teutônia, Concórdia, Bom Conselho and Itumbiara	5,410
Construction of houses to employees in Mineiros (GO)	4,983
Construction of distribution center in Salvador (BA)	4,666
Construction of warehouse for rearing in Uberlândia (MG)	3,890
Construction of 500 houses for employees in Lucas do Rio Verde (MT)	3,442
Automate palletizing products in Rio Verde (GO)	3,241
Improvement of units - TCD [3]	19,148

(1) Expansion of productive capacity of the units Mineiros, Rio Verde, Nova Mutum, Serafina Corrêa, Dourados, Itumbiara, Jataí and Marau.
(2) Refers to the renewal and adequacy of the machinery of poultry cuts in Rio Verde.
(3) Improvements in the units Carambeí, Salto Veloso, Várzea Grande e Duque de Caxias.

The disposals are mainly related to obsolete items in the total amount of R$11,235 and assets that were damaged in a fire amounting to R$1,487, recorded within other operating results.

The Company has fully depreciated items still in operation. These items are presented below:

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Cost				
Buildings and improvements	**11,758**	16,322	**111,991**	116,700
Machinery and equipment	**231,584**	294,400	**535,747**	613,800
Facilities	**7,554**	8,430	**75,554**	83,107
Furniture	**4,317**	5,455	**15,009**	16,656
Vehicles and aircrafts	**2,192**	1,171	**3,933**	3,173
Others	**6,146**	1,283	**14,710**	1,283
	263,551	327,061	**756,944**	834,719

As of June 30, 2012, the Company had capitalized interests in the amount of R$24,024 (R$7,216 as of June 30, 2011). The weighted interest rate utilized to determine the amount of capitalized interests was 7.49% p.a..

Explanatory Notes
(in thousands of Brazilian Reais)

On June 30, 2012, the Company had no commitments assumed related to acquisition and/or construction of properties, plant and equipment items except those disclosed in note 22, item 22.2.

The property, plant and equipment that are held as collateral for transactions of different natures is set forth below:

		BR GAAP	
		Parent company	
		06.30.12	12.31.11
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Labor/Tax/Civil	**37,133**	61,090
Buildings and improvements	Financial/Labor/Tax/Civil	**506,979**	946,898
Machinery and equipment	Financial/Labor/Tax	**633,733**	1,165,489
Facilities	Financial/Labor/Tax	**141,521**	264,105
Furniture	Financial/Labor/Tax/Civil	**10,897**	15,087
Vehicles and aircrafts	Financial/Tax	**1,071**	1,512
Others	Financial/Labor/Tax/Civil	**218,771**	260,034
		1,550,105	2,714,215

		BR GAAP and IFRS	
		Consolidated	
		06.30.12	12.31.11
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Labor/Tax/Civil	**397,789**	160,432
Buildings and improvements	Financial/Labor/Tax/Civil	**1,916,569**	1,966,168
Machinery and equipment	Financial/Labor/Tax	**2,054,368**	2,304,484
Facilities	Financial/Labor/Tax	**634,286**	687,453
Furniture	Financial/Labor/Tax/Civil	**16,959**	299,269
Vehicles and aircrafts	Financial/Tax	**1,465**	19,403
Others	Financial/Labor/Tax/Civil	**693,531**	307,456
		5,714,967	5,744,665

The Company is not allowed to assign these assets as security for other transactions or to sell them.

Explanatory Notes
(in thousands of Brazilian Reais)

18. INTANGIBLE ASSETS

Intangible assets are comprised of the following items:

				BR GAAP Parent company	
	Rate p.a. %	Cost	Accumulated amortization	06.30.12	12.31.11
Goodwill	-	1,520,488	-	**1,520,488**	1,520,488
Software	20.00	147,243	(32,256)	**114,987**	105,023
Patents	20.00	2,422	(224)	**2,198**	2,836
Outgrowers loyalty	12.50	5,836	(791)	**5,045**	3,556
		1,675,989	**(33,271)**	**1,642,718**	**1,631,903**

				BR GAAP and IFRS Consolidated	
	Rate p.a. %	Cost	Accumulated amortization	06.30.12	12.31.11
Goodwill	-	3,337,299	-	**3,337,299**	2,973,815
Trademarks	-	1,173,000	-	**1,173,000**	1,256,000
Software	20.00	316,062	(168,421)	**147,641**	138,236
Relationship with suppliers	42.00	135,000	(129,498)	**5,502**	9,598
Patents	16.92	5,116	(974)	**4,142**	4,894
Outgrowers loyalty	12.50	5,836	(791)	**5,045**	3,556
		4,972,313	**(299,684)**	**4,672,629**	**4,386,099**

The intangible assets rollforward is presented below:

				BR GAAP Parent company	
	12.31.11	Additions	Disposal	Transfers	06.30.12
Cost:					
Software	126,118	-	(3,544)	24,669	**147,243**
Patents	3,057	-	(635)	-	**2,422**
Outgrowers fidelization	3,922	1,914	-	-	**5,836**
Goodwill:	1,520,488	-	-	-	**1,520,488**
Eleva Alimentos	1,273,324	-	-	-	**1,273,324**
Batavia	133,163	-	-	-	**133,163**
Ava	49,368	-	-	-	**49,368**
Cotochés	39,590	-	-	-	**39,590**
Paraiso Agroindustrial	16,751	-	-	-	**16,751**
Perdigão Mato Grosso	7,636	-	-	-	**7,636**
Incubatório Paraiso	656	-	-	-	**656**
	1,653,585	**1,914**	**(4,179)**	**24,669**	**1,675,989**
Amortization:					
Software	(21,095)	(11,689)	2,520	(1,992)	**(32,256)**
Patents	(221)	(80)	77	-	**(224)**
Outgrowers fidelization	(366)	(425)	-	-	**(791)**
	(21,682)	**(12,194)**	**2,597**	**(1,992)**	**(33,271)**
	1,631,903	**(10,280)**	**(1,582)**	**22,677**	**1,642,718**

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS Consolidated							
	12.31.11	Additions	Disposal	Disposal TCD	Business combination (*)	Transfers	Exchange rate variation	06.30.12
Cost:								
Software	289,311	145	(3,932)	-	-	28,991	627	**315,142**
Software in progress	-	928	-	-	-	-	(8)	**920**
Relationship with suppliers	135,000	-	-	-	-	-	-	**135,000**
Patents	5,687	-	(635)	-	-	-	64	**5,116**
Trademarks	1,256,000	-	-	(83,000)	-	-	-	**1,173,000**
Outgrowers loyalty	3,922	1,914	-	-	-	-	-	**5,836**
Goodwill:	2,973,815	-	-	(75,780)	435,187	-	4,077	**3,337,299**
Sadia	1,293,818	-	-	(71,730)	-	-	-	**1,222,088**
Eleva Alimentos	1,273,324	-	-	-	-	-	-	**1,273,324**
Batavia	133,163	-	-	-	-	-	-	**133,163**
Ava	49,368	-	-	-	-	-	-	**49,368**
Cotochés	39,590	-	-	-	-	-	-	**39,590**
Paraiso Agroindustrial	16,751	-	-	-	-	-	-	**16,751**
Plusfood	15,974	-	-	-	-	-	786	**16,760**
Perdigão Mato Grosso	7,636	-	-	-	-	-	-	**7,636**
Sino dos Alpes	4,050	-	-	(4,050)	-	-	-	**-**
Incubatório Paraiso	656	-	-	-	-	-	-	**656**
Heloísa	26,165	-	-	-	7,296	-	-	**33,461**
Quickfood	-	-	-	-	421,515	-	-	**421,515**
Avex	63,094	-	-	-	6,376	-	2,038	**71,508**
Danica	50,226	-	-	-	-	-	1,253	**51,479**
	4,663,735	**2,987**	**(4,567)**	**(158,780)**	**435,187**	**28,991**	**4,760**	**4,972,313**
Amortization:								
Software	(151,075)	(17,914)	2,568	-	-	(1,992)	(8)	**(168,421)**
Relationship with suppliers	(125,402)	(4,096)	-	-	-	-	-	**(129,498)**
Patents	(793)	(243)	77	-	-	-	(15)	**(974)**
Outgrowers fidelization	(366)	(425)	-	-	-	-	-	**(791)**
	(277,636)	**(22,678)**	**2,645**	**-**	**-**	**(1,992)**	**(23)**	**(299,684)**
	4,386,099	**(19,691)**	**(1,922)**	**(158,780)**	**435,187**	**26,999**	**4,737**	**4,672,629**

(*) Note 6.1.

The Company performed the impairment tests of the intangible assets based on the fair value, that was determined based on a discounted cash flow model, in accordance with the allocation level of goodwill and intangible assets to the groups of cash generating units during the last quarter of 2011. During the six-month period ended June 30, 2012, Management did not identify any event that could indicate an impairment of such assets and therefore, the test was not performed.

Explanatory Notes
(in thousands of Brazilian Reais)

19. LOANS AND FINANCING

						BR GAAP Parent company	
	Charges (% p.a.)	Weighted average rate (% p.a.)	WAMT (*)	Current	Non-current	Balance 06.30.12	Balance 12.31.11
Local currency							
Working capital	6.74% (6.74% on 12.31.11)	6.74% (6.74% on 12.31.11)	0.4	471,393	1,494	**472,887**	457,105
BNDES, FINEM, development bank credit lines and other secured debts	FIXED RATE / TJLP + 3.65% (TJLP + 4.52% on 12.31.11)	7.88% (7.81% on 12.31.11)	2.5	224,360	425,748	**650,108**	669,820
Export credit facility	TJLP + 3.87% (TJLP + 4.10% on 12.31.11)	9.87% (10.10% on 12.31.11)	1.5	48,705	332,920	**381,625**	634,907
Fiscal incentives	FIXED RATE / IGPM + 1.26% (IGPM + 1.24% on 12.31.11)	1.91% (1.74% on 12.31.11)	11.9	2	12,778	**12,780**	12,459
				744,460	**772,940**	**1,517,400**	**1,774,291**
Foreign currency							
Advances for foreign exchange rate contracts	1.83%	1.83%	0.3	190,896	-	**190,896**	-
Senior Notes	5.88%	5.88%	10.1	7,506	1,513,098	**1,520,604**	-
Export credit facility	LIBOR / FIXED RATE / CDI + 1.54% (LIBOR / CDI + 2.73% on 12.31.11) e.r. (US$ and other currencies)	3.22% (3.20% on 12.31.11) e.r. (US$ and other currencies)	3.4	391,766	719,005	**1,110,771**	1,218,236
BNDES, FINEM, development bank credit lines and other secured debts	UMBNDES + 2.58% (UMBNDES + 2.32% on 12.31.11) e.r. (US$ and other currencies)	6.17% (5.91% on 12.31.11) e.r. (US$ and other currencies)	1.4	22,326	21,507	**43,833**	50,594
				612,494	**2,253,610**	**2,866,104**	**1,268,830**
				1,356,954	**3,026,550**	**4,383,504**	**3,043,121**

(*) Weighted average maturity term (in years).

Explanatory Notes
(in thousands of Brazilian Reais)

						BR GAAP and IFRS Consolidated	
	Charges (% p.a.)	Average interest rate (% p.a.)	WAMT (*)	Current	Non-current	Balance 06.30.12	Balance 12.31.11
Local currency							
Working capital	6.82% (6.82% on 12.31.11)	6.82% (6.82% on 12.31.11)	0.3	987,420	1,494	**988,914**	954,947
BNDES, FINEM, development bank credit lines and other secured debts	FIXED RATE / TJLP + 5.07% (TJLP + 4.65% on 12.31.11)	8.52% (8.42% on 12.31.11)	2.5	466,096	849,530	**1,315,626**	1,441,355
Export credit facility	TJLP + 4.05% (TJLP / CDI + 4.23% on 12.31.11)	10.05% (10.23% on 12.31.11)	1.3	115,664	332,920	**448,584**	737,115
Fiscal incentives	FIXED RATE / IGPM + 1.25% (IGPM + 1.20% on 12.31.11)	1.90% (1.08% on 12.31.11)	11.1	868	12,778	**13,646**	14,900
PESA	IGPM + 4.90% (IGPM + 4.93% on 12.31.11)	9.93% (9.92% on 12.31.11)	7.8	1,445	182,889	**184,334**	181,389
				1,571,493	**1,379,611**	**2,951,104**	**3,329,706**
Foreign currency							
Advances for foreign exchange rate contracts	1.69% (1.18% on 12.31.11)	1.69% (1.18% on 12.31.11)	0.3	495,407	-	**495,407**	150,143
Bonds and senior notes	7.16% (7.25% on 12.31.11)	7.16% (7.25% on 12.31.11)	7.4	57,352	3,515,196	**3,572,548**	1,903,688
Export credit facility	LIBOR / FIXED RATE / CDI + 1.68% (LIBOR / CDI + 2.26% on 12.31.11) e.r. (US$ and other currencies)	2.87% (2.81% on 12.31.11) e.r. (US$ and other currencies)	2.5	1,213,285	1,241,373	**2,454,658**	2,506,056
Working capital	14.28% (8.25% on 12.31.11)	14.28% (8.25% on 12.31.11)	0.5	10,103	441	**10,544**	3,899
BNDES, FINEM, development bank credit lines and other secured debts	UMBNDES + 2.26% (UMBNDES + 2.35% on 12.31.11) e.r. (US$ and other currencies)	5.89% (5.93% on 12.31.11) v.c. (US$ and other currencies)	1.5	63,352	75,551	**138,903**	160,038
				1,839,499	**4,832,561**	**6,672,060**	**4,723,824**
				3,410,992	**6,212,172**	**9,623,164**	**8,053,530**

(*) Weighted average maturity term (in years).

Explanatory Notes
(in thousands of Brazilian Reais)

19.1. Working capital

Rural credit: The Company and its subsidiaries entered into short term rural credit loans with several commercial banks, under a Brazilian Federal government program that offers an incentive to investments in rural activities.

Industrial credit notes: The Company issued Industrial Credit Notes, receiving credits from official funds, such as Fund for Worker Support (“FAT”), Constitutional Fund for Financing the Midwest (“FCO”) and Constitutional Fund for Financing the Northwest (“FNE”). The notes are paid on a monthly basis and have maturity dates between 2012 and 2023. These notes are secured by a pledge of machinery and equipment and real estate mortgages.

Working capital in foreign currency: Refers to credit lines taken from financial institutions and utilized primarily for short term working capital and import operations of subsidiaries located in Argentina. The loans are denominated in Argentine Pesos and US Dollars, maturing between 2012 and 2013.

19.2. BNDES, FINEM, development bank credit lines and other secured debts

The Company and its subsidiaries have several outstanding obligations with National Bank for Economic and Social Development (“BNDES”). The loans were entered into for the acquisition of machinery, equipment and expansion of productive facilities.

FINEM: The Company has credit lines of Loans Financing Projects ("FINEM") which are subject to the variations of UMBNDES currency basket, which is composed of the currencies in which BNDES obtains its resources. The impact of interest reflects the daily fluctuation of the currencies in the basket. The values of principal and interest are paid in monthly installments, with maturities between 2012 and 2019 and are secured by pledge of equipment, facilities and mortgage on properties owned by the Company.

PESA: The wholly-owned subsidiary Sadia entered into a loan obtained through the PESA subject to the variations of the IGPM plus interest of 4.90% p.a., secured by endorsements and pledges of public debt securities, presented in note 8.

19.3. Fiscal incentives

State Tax Incentive Financing Programs: Under the terms of these programs, the Company was granted with credits proportional to the payment of ICMS generated by investments in the construction or expansion of industrial facilities. The credit facilities have a term of 20 years and fixed or variable interest rates based on the IGPM plus a spread.

Explanatory Notes
(in thousands of Brazilian Reais)

19.4. Export credits facilities

Export prepayments: Generally are denominated in U.S. Dollars, maturing between 2012 and 2019. The export prepayment credit facilities are indexed by the LIBOR of three to twelve months plus a spread. Under the terms of each one of these credit facilities, the Company enters into loans guaranteed by accounts receivable related to the export of its products.

Trade-related facilities*:* Denominated in U.S. Dollars and maturities ranging from one to seven years. The commercial credit lines are indexed by the LIBOR plus a spread with quarterly, semi-annual or annual payments. The funds obtained from these lines are utilized for purchase imported raw materials and other working capital needs.

BNDES facilities – EXIM: These funds are used to finance exports and are subject to the variations of TJLP, maturing in 2014.

Advances for foreign exchange rate contracts: The advances for foreign exchange rate contracts ("ACCs") are liabilities with commercial banks, where the principal is settled through exports of products as they are shipped. Interests are paid in the settlement of the foreign exchange rate contracts and such contracts are guaranteed by the actual exported goods. When the export documents are presented to the financing banks, these obligations start to be called advances for delivered foreign exchange rate contracts ("ACEs") and are written off only upon the final payment by the overseas customer. The regulation of the Brazilian Central Bank allows companies to obtain short-term financing under the terms of the ACCs with maturity within 360 days from the date of shipment of the exports, or short-term financing under the terms of the ACEs with maturity within 180 days from the date of the shipment of the exports. These loans are denominated in US Dollars.

19.5. Bonds

BFF notes: On January 28, 2010, BFF International Limited issued senior notes in the total value of US$750,000, whose notes are guaranteed by BRF and Sadia, with a nominal interest rate of 7.25% p.a. and effective rate of 7.31% p.a. maturing on January 28, 2020.

Sadia Bonds: In the total value of US$250,000, such bonds are guaranteed by BRF and Sadia, with an interest rate of 6.88% p.a. and maturing on May 24, 2017.

BRF Notes: On June 06, 2012, BRF issued senior notes in the total notional amount of the transaction and obtained an US$ 500,000, with nominal interest rate of 5.88% p.a. and effective rate of 6.00% p.a. due on June 6, 2022. On June 26, 2012 the

Explanatory Notes
(in thousands of Brazilian Reais)

Company reopened additional amount of $ 250,000, with nominal interest rate of 5.88% p.a. and effective rate of 5.50% p.a. Sadia is the guarantor of the notes.

19.6. Loans and financing maturity schedule

The maturity schedule of the loans and financing balances is as follows:

	BR GAAP	BR GAAP and IFRS
	Parent company	Consolidated
	06.30.12	06.30.12
2012	**988,179**	**2,711,089**
2013	**569,330**	**1,078,807**
2014	**443,828**	**685,060**
2015	**72,822**	**299,387**
2016 onwards	**2,309,345**	**4,848,821**
	4,383,504	**9,623,164**

19.7. Guarantees

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	06.30.12	12.31.11
Total of loans and financing	**4,383,504**	3,043,121	**9,623,164**	8,053,530
Mortgage guarantees	**642,951**	724,589	**1,366,114**	1,584,501
Related to FINEM-BNDES	**421,048**	490,835	**928,322**	1,134,809
Related to FNE-BNB	**106,402**	108,192	**322,291**	324,130
Related to tax incentives and other	**115,501**	125,562	**115,501**	125,562
Statutory lien on assets purchased with financing	**51,063**	36,046	**53,098**	38,454
Related to FINEM-BNDES	**5,332**	7,168	**7,367**	9,489
Related to FINAME-BNDES	**-**	-	**-**	87
Related to leasing	**45,731**	28,866	**45,731**	28,866
Related to tax incentives and other	**-**	12	**-**	12

The wholly-owned subsidiary Sadia is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade at the BNDES. The loan was obtained with the purpose of allowing the implementation of biodigesters in the properties of the outgrowers which take part in the Sadia's integration system, targeting the reduction of the emission of Greenhouse gases. The value of these guarantees on June 30, 2012, totaled R$77,684 (R$79,893 as of December 31, 2011).

The wholly-owned subsidiary Sadia is 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 shall be utilized to improve farm conditions and will be paid in 10 years, taking as collateral the land and equipment acquired by the outgrowers through this program. The total of guarantee as of June 30, 2012, amounted to R$475,144 (R$509,550 as of December 31, 2011).

Explanatory Notes
(in thousands of Brazilian Reais)

On June 30, 2012, the Company contracted bank guarantees in the amount of R$869,176 (R$646,462 as of December 31, 2011). The variation occurred during the period is related to bank guarantees offered mainly in litigation involving the Company´s use of tax credits, as well as new bank guarantees contracted to replace the ones that were written-off due to the execution of TCD. These guarantees have an average cost of 1.02% p.a. (1.10% p.a. as of December 31, 2011).

19.8. Commitments

In the normal course of the business, the Company enters into agreements with third parties such as purchase of raw materials, mainly corn, soymeal and hog, where the agreed prices can be fixed or to be fixed. The agreements consider the market value of the commodities on the date of these quarterly financial information and are set forth below:

	BR GAAP	BR GAAP and IFRS
	Parent company	Consolidated
	06.30.12	06.30.12
2012	**331,463**	**538,945**
2013	**265,989**	**414,277**
2014	**244,790**	**365,649**
2015	**224,534**	**344,393**
2016 onwards	**680,270**	**1,353,809**
	1,747,046	**3,017,073**

The Company entered into agreements denominated “built to suit” in which office facilities will be build by third parties. The agreements terms are 10 years from the signing date as well as the charge of rent expenses. If the Company defaults on its obligations, it will be subject to fines and/or acceleration of rents, according to each contract.

The estimated schedule of future payments related to these agreements is set forth below:

	BR GAAP and IFRS
	Parent company and Consolidated
	06.30.12
2012	**6,422**
2013	**17,173**
2014	**17,173**
2015	**17,173**
2016 onwards	**113,790**
	171,731

Explanatory Notes
(in thousands of Brazilian Reais)

20. TRADE ACCOUNTS PAYABLE

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	12.31.11	**06.30.12**	12.31.11
Domestic Suppliers				
Third parties	**1,225,523**	1,184,004	**2,446,507**	2,335,113
Related parties	**71,999**	30,932	**4,674**	5,930
	1,297,522	1,214,936	**2,451,181**	2,341,043
Foreign Suppliers				
Third parties	**45,052**	53,592	**321,267**	340,300
Related parties	**2,358**	2,168	**-**	-
	47,410	55,760	**321,267**	340,300
	1,344,932	1,270,696	**2,772,448**	2,681,343

Accounts payable to suppliers are not subject to interest charges and are generally settled in average within 38 days.

The information on accounts payable to related parties is presented in note 29 and in the consolidated financial information refer to transactions with the affiliated UP!.

Explanatory Notes
(in thousands of Brazilian Reais)

21. OTHER FINANCIAL ASSETS AND LIABILITIES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.11	12.31.11	**06.30.11**	12.31.11
Derivative financial instruments				
Cash flow hedge				
Assets				
Non-deliverable forward (NDF)	**9,441**	21,045	**9,441**	21,045
Currency option contracts	**-**	267	**-**	267
Fixed exchange rate contracts	**873**	-	**873**	-
Exchange rate contracts (Swap)	**-**	1,048	**-**	1,048
	10,314	22,360	**10,314**	22,360
Liabilities				
Non-deliverable forward (NDF)	**(185,086)**	(107,828)	**(185,086)**	(107,828)
Currency option contracts	**-**	(1,575)	**-**	(1,575)
Fixed exchange rate contracts	**(184)**	-	**(184)**	-
Exchange rate contracts (Swap)	**(122,860)**	(69,835)	**(176,068)**	(112,590)
	(308,130)	(179,238)	**(361,338)**	(221,993)
Derivatives not designated as hedge accounting				
Assets				
Non-deliverable forward (NDF)	**-**	-	**-**	515
Live cattle forward contracts	**116**	29	**116**	29
Live cattle option contracts	**914**	551	**914**	551
Live cattle future contracts	**40**	4	**40**	4
	1,070	584	**1,070**	1,099
Liabilities				
Non-deliverable forward (NDF)	**-**	-	**(1,789)**	(47)
Live cattle option contracts	**(68)**	(203)	**(68)**	(203)
Exchange rate contracts (Swap)	**(5,851)**	(48,158)	**(5,851)**	(48,158)
Dollar future contracts	**(8,290)**	(292)	**(8,290)**	(292)
	(14,209)	(48,653)	**(15,998)**	(48,700)
Current assets	**11,384**	22,944	**11,384**	23,459
Current liabilities	**(322,339)**	(227,891)	**(377,336)**	(270,693)

The collateral given in the transactions presented above are disclosed in note 8.

22. LEASES

The Company is lessee in several contracts, which can be classified as operating or finance lease.

22.1. Operating lease

The minimum future payments of irrevocable operating lease, for each of the following years, are presented below:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP	BR GAAP and IFRS
	Parent company	Consolidated
	06.30.12	06.30.12
2012	**43,483**	**55,556**
2013	**72,127**	**84,170**
2014	**57,759**	**69,396**
2015	**35,233**	**45,486**
2016 onwards	**94,933**	**153,558**
	303,535	**408,166**

The payments of operating lease agreements recognized as expense in the current period amounted to R$25,440 (R$24,276 as of June 30, 2011) at the parent company and R$58,385 in the consolidated on June 30, 2012 (R$111,415 as of June 30, 2011).

22.2. Financial lease

The Company contracts finance leases for acquisitions mainly of machinery, equipment, vehicles and software.

During the first semester of 2012, the Company contracted several finance leasing transactions in order to renew its cars fleet. As a consequence, the Company recorded a financial debt of R$26,043 at the parent company and R$51,367 in its consolidated financial information.

The Company controls the leased assets which are presented below:

		BR GAAP	
		Parent company	
	Average annual interest rate % (*)	06.30.12	12.31.11
Cost			
Machinery and equipment		**15,320**	20,537
Software		**22,108**	-
Vehicles		**58,403**	32,641
		95,831	53,178
Accumulated depreciation			
Machinery and equipment	25.26	**(10,240)**	(12,792)
Software	20.00	**(2,246)**	-
Vehicles	14.29	**(4,502)**	(1,379)
		(16,988)	(14,171)
		78,843	39,007

(*) The period of depreciation of leased assets corresponds to the lesser of the term of the contract and the life of the asset, as determined by CVM Deliberation 645/10.

Explanatory Notes
(in thousands of Brazilian Reais)

		BR GAAP and IFRS Consolidated	
	Average annual interest rate % (*)	06.30.12	12.31.11
Cost			
Machinery and equipment		**19,783**	24,999
Software		**22,108**	-
Vehicles		**102,608**	51,498
		144,499	76,497
Accumulated depreciation			
Machinery and equipment	26.07	**(14,162)**	(15,992)
Software	20.00	**(2,246)**	-
Vehicles	14.31	**(8,027)**	(2,094)
		(24,435)	(18,086)
		120,064	58,411

(*) The period of depreciation of leased assets corresponds to the lesser of the term of the contract and the life of the asset, as determined by CVM Deliberation 645/10.

The future minimum payments required are segregated as follows, and were recorded as current and non-current liabilities:

	BR GAAP and IFRS Parent Company 06.30.12		
	Present value of minimum payments	Interest	Minimum future payments
2012	19,153	1,271	20,424
2013	32,261	2,193	34,454
2014	10,730	544	11,274
2015	5,230	186	5,416
2016 onwards	4,406	69	4,475
	71,780	4,263	76,043

	BR GAAP and IFRS Consolidated 06.30.12		
	Present value of minimum payments	Interest	Minimum future payments
2012	31,348	2,330	33,678
2013	53,038	4,135	57,173
2014	12,695	741	13,436
2015	5,230	186	5,416
2016 onwards	4,406	69	4,475
	106,717	7,461	114,178

The terms used in contracts for both modalities, with respect to renewal, adjustment and option to purchase, are according to market practices. In addition, there are no clauses or contingent payments relating to restrictions on dividends, interest payments on equity or additional debt funding.

Explanatory Notes
(in thousands of Brazilian Reais)

23. SHARE BASED PAYMENT

The rules for the stock options plan granted to executives, were disclosed in the annual financial statements for the year ended December 31, 2011 (note 23) and have not changed during this period.

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

	Date		Quantity		Price of converted share		Share price
Grant date	Beginning of the year	End of the year	Options granted	Outstanding options	Granting date	Updated IPCA	at 06.30.12
09/27/07 (*)	09/27/10	09/27/12	1,329,980	425,600	37.70	49.02	30.39
05/03/10	2/5/2011	2/5/2015	1,540,011	1,264,267	23.44	26.36	30.39
07/01/10	06/30/11	06/30/15	36,900	36,900	24.75	25.92	30.39
05/02/11	05/01/12	05/01/16	2,463,525	2,428,125	30.85	32.57	30.39
05/02/12	05/01/13	05/01/17	3,708,071	3,681,033	34.95	35.10	30.39
			9,078,487	**7,835,925**			

(*) Sadia's stock options plan converted to BRF

The rollforward of the outstanding granted options for the six-month period ended June 30, 2012, is presented as follows:

	BR GAAP and IFRS
	Consolidated
Quantity outstanding options as of December 31, 2011	**4,277,946**
Issued	3,708,071
Exercised	(31,933)
Canceled	
Grant of 2007	(61,180)
Grant of 2010	(15,941)
Grant of 2011	(14,000)
Grant of 2012	(27,038)
Quantity outstanding options as of June 30, 2012	**7,835,925**

The weighted average strike prices of the outstanding options is R$33.62 (thirty three Brazilian Reais and sixty two cents), and the weighted average of the remaining contractual term is 48 months. As of June 30, 2012, all of the outstanding options granted on September 27, 2007, corresponding to 425,600 options, are exercisable.

The Company presented in shareholders' equity the fair value of the options in the amount of R$31,165 (R$22,430 as of December 31, 2011). In the statement of income for the six-month period ended June 30, 2012 the amount recognized as expense was R$8,735 (expense of R$4,823 as of June 30, 2011).

During the six-month period ended June 30, 2012, the Company's executives exercised 31,933 shares, with an average price of R$25.90 (twenty five Brazilian Reais and ninety cents) totaling R$827. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$21.63 (twenty one Brazilian Reais and sixty three cents), recording a gain in the amount of R$136 as

capital reserve.

The fair value of the stock options was measured using the Black-Scholes pricing model, as disclosed in the annual financial statements for the year ended December 31, 2011 (note 23) and has not changed during the six-month period ended June 30, 2012.

24. SUPPLEMENTARY RETIREMENT PLAN AND OTHER BENEFITS TO EMPLOYEES

The Company offers supplementary retirement plans and other benefits to their employees. The characteristics of the supplementary retirement plans, as well as the other employee benefits offered by the Company, were disclosed in the annual financial statements for the year ended December 31, 2011 (note 24) and has not changed during this period.

The actuarial liabilities and the related effects in the statement of income are presented below:

	BR GAAP and IFRS			
	Consolidated			
	Liabilities		Statement of income	
	06.30.12	12.31.11	**06.30.12**	06.30.11
Retirement supplementary plan - BFPP [1]	**-**	-	**(7,197)**	(6,034)
Retirement supplementary plan - FAF [2]	**-**	-	**24,930**	25,926
Medical assistance	**91,569**	85,156	**(6,443)**	(4,685)
Penalty F.G.T.S. [3]	**114,553**	113,393	**(8,954)**	(12,910)
Reward for working time	**33,555**	33,107	**(2,403)**	(4,790)
Other	**35,725**	34,389	**(2,269)**	(1,801)
	275,402	266,045	**(2,336)**	(4,294)

[1] BFPP – Brasil Foods Pension Plan
[2] FAF – Attilio Francisco Xavier Fontana Foundation
[3] F.G.T.S. – Government Severance Indemnity Fund for employees, guarantee fund for length of service

25. PROVISION FOR TAX, CIVIL AND LABOR RISK

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

The Company classifies the risk of adverse decisions in the legal suits as “probable”, “possible” or “remote”. The provisions recorded relating to such proceedings is determined by the Company’s Management, based on legal advice and reasonably reflect the estimated and probable losses.

Explanatory Notes
(in thousands of Brazilian Reais)

In case the Company is involved in judicial proceedings for which the amount is not known or cannot be reasonably estimated, but the probability of losses is probable, the related amount will not be recorded, however, its nature will be disclosed.

The Company's Management believes that the provisions for tax, civil and labor contingencies, accounted for according to CVM Deliberation No. 594/09, is sufficient to cover eventual losses related to its legal proceedings, as presented below.

25.1. Contingencies for probable losses

The rollforward of the provisions for tax, civil and labor risks is summarized below:

	BR GAAP Parent company						
	12.31.11	Additions	Reversals	Transfers [1]	Payments	Price index update	06.30.12
Tax	128,513	10,651	(3,422)	(25,112)	(2,581)	4,804	**112,853**
Labor	53,555	39,485	(3,926)	-	(45,905)	2,662	**45,871**
Civil, commercial and other	26,372	4,651	(1,396)	-	(4,434)	1,429	**26,622**
	208,440	**54,787**	**(8,744)**	**(25,112)**	**(52,920)**	**8,895**	**185,346**
Current	68,550						46,166
Non-current	139,890						139,180

	BR GAAP and IFRS Consolidated						
	12.31.11	Additions	Reversals	Transfers [1]	Payments	Price index update	06.30.12
Tax	231,623	14,073	(10,328)	(25,112)	(8,120)	9,876	**212,012**
Labor	105,162	74,156	(7,808)	-	(77,298)	5,841	**100,053**
Civil, commercial and other	45,174	6,905	(1,810)	-	(7,009)	2,737	**45,997**
Contingent liabilities	571,741	-	(9,374)	-	-	-	**562,367**
	953,700	**95,134**	**(29,320)**	**(25,112)**	**(92,427)**	**18,454**	**920,429**
Current	118,466						82,393
Non-current	835,234						838,036

(1) During the six-month period ended June 30, 2012, the Company, for better presentation of the amounts related to tax contingencies, considered some reclassifications of items that were not under litigation from tax provisions to other obligations, as well as certain lawyers' fees.

25.2. Contingencies classified as a risk of possible loss

The Company has other contingencies of labor and social security, civil and tax nature, which expected loss evaluated by management and supported by legal advice is classified as possible, and therefore no provision has been recognized. Tax lawsuits totaled R$5,606,625 (R$5,295,018 as of December 31, 2011), from which R$556,368 (R$565,909 as of December 31, 2011) were recorded at the estimated fair value resulting from business combinations with Sadia, as determined by paragraph 23 of CVM Deliberation No. 580/09, presented in the table of item 25.1. The main natures of these contingencies are properly disclosed in the annual financial statements for the period ended December 31, 2011 (note 25.2).

Explanatory Notes
(in thousands of Brazilian Reais)

26. SHAREHOLDERS' EQUITY

26.1. Capital stock

On June 30, 2012 and December 31, 2011, the capital subscribed and paid by the Company was R$12,553,417,953.36 (twelve billion, five hundred and fifty three million, four hundred and seventeen thousand, nine hundred and fifty three Brazilian Reais and thirty six cents), composed of 872,473,246 book-entry shares of common stock without par value. The realized value of the capital stock in the balance sheet is net of the expenses with public offering in the amount of R$92,947.

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

26.2. Interest on capital

On December 15, 2011, was approved by the Board of the Company, the remuneration of the shareholders in the amount of R$ 0.39080857 per share, net of the treasury shares amount. The amount of R$ 339,790 was paid on February 15, 2012.

26.3. Breakdown of capital stock by nature

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	12.31.11
Common shares	**872,473,246**	872,473,246
Treasury shares	**(2,987,509)**	(3,019,442)
Outstanding shares	**869,485,737**	869,453,804

26.4. Rollforward of outstanding shares

	BR GAAP and IFRS	
	Consolidated	
	Quantity outstanding of shares	
	06.30.12	12.31.11
Shares at the beggining of the period	**869,453,804**	871,692,074
Purchase of share (treasury)	**-**	(2,630,100)
Sale of shares (share based payment)	**31,933**	391,830
Shares at the end of the period	**869,485,737**	869,453,804

26.5. Treasury shares

The Company has 2,987,509 shares in treasury, with an average cost of R$21.63 (twenty one Brazilian Reais and sixty three cents) per share, with a market value

corresponding to R$90,790. The decrease of the numbers of shares is due to the exercise of the options of the executives of the Company.

27. GOVERNMENT GRANTS

27.1 Grants related to income through tax benefits

As of June 30, 2012, the amount related to grants for investment in the Company totaled R$70,044 from which R$39,143 (R$49,144 as of December 31, 2011), are accounted for as a reserve for tax incentives in the shareholders' equity. The remaining amount of R$ 30,901 was utilized by the wholly-owned subsidiary Sadia to offset the accumulated losses, not composing, therefore, the reserve for tax incentives, according to the current tax legislation.

28. EARNING PER SHARE

	06.30.12	12.31.11
Basic numerator		
Net income for the period attributable to BRF shareholders	**159,586**	881,386
Basic denominator		
Shares of common stock	**872,473,246**	872,473,246
Weighted average number of outstanding shares basic (except treasury shares)	**869,469,377**	871,621,328
Net earnings (loss) per share - basic - R$	**0.18354**	1.01120
Diluted numerator		
Net income for the period attributable to BRF shareholders	**159,586**	881,386
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**869,469,377**	871,621,328
Number of potential shares (stock options)	**216,220**	3,381
Weighted average number of outstanding shares - diluted	**869,685,597**	871,624,709
Net earnings per share - diluted - R$	**0.18350**	1.01120

On June 30, 2012, from the total of 7,835,925 outstanding options granted to the Company's executives, 6,534,758 (2,928,905 as of December 31, 2011) were not considered in the calculation of the diluted earnings per share due to the fact that the strike price was higher than the average market price of the common shares during the period and, therefore, the effect was anti-dilutive. The variation in the stock options granted refers to the increase in the number of employees eligible to the plan to 258 as of June 30, 2012 (55 as of December 31, 2011).

Explanatory Notes
(in thousands of Brazilian Reais)

29. RELATED PARTIES – PARENT COMPANY

During its operations, rights and obligations are contracted between related parties, resulting from transactions of purchase and sale of products, as well as, loans agreed on normal market conditions for similar transactions.

Explanatory Notes
(in thousands of Brazilian Reais)

29.1. Transactions and balances

The balances of the assets and liabilities are demonstrated below:

	Balance sheet	
	06.30.12	12.31.11
Accounts receivable		
UP! Alimentos Ltda.	**295**	2,935
Perdigão Europe Ltd.	**223,164**	161,869
Perdigão International Ltd.	**616,236**	247,000
Sadia	**267,190**	41,905
Sadia Alimentos	**777**	-
Heloísa	**10**	311
	1,107,672	454,020
Dividends and interest on the shareholders' equity receivable		
Avipal S.A. Construtora e Incorporadora	**5**	5
	5	5
Loan contracts		
Perdigão Trading S.A.	**(663)**	(632)
Perdigão International Ltd.	**(3,280)**	(1,815)
Highline International Ltd.	**(3,686)**	(3,421)
Sino dos Alpes Alimentos Ltda.	**(5,174)**	-
Sadia	**(459,425)**	-
Establecimiento Levino Zaccardi y Cia. S.A.	**4,708**	4,372
	(467,520)	(1,496)
Trade accounts payable		
Sino dos Alpes Alimentos Ltda.	**85**	85
UP! Alimentos Ltda.	**4,672**	5,930
Perdigão International Ltd.	**2,326**	2,168
Sadia	**64,477**	22,847
Sadia Alimentos	**32**	-
Heloísa	**2,765**	2,070
	74,357	33,100
Advance for future capital increase		
PSA Laboratório Veterinário Ltda.	**100**	100
Sadia	**377,712**	377,712
Heloísa	**64,000**	52,000
	441,812	429,812

Explanatory Notes
(in thousands of Brazilian Reais)

Other rights and obligations		
BFF International	**971**	971
Avex	**825**	-
UP! Alimentos Ltda.	**1,589**	-
Perdigão Trading S.A.	**410**	410
Establecimiento Levino Zaccardi y Cia S.A.	**2,035**	1,181
Sadia	**27**	34
Heloísa	**-**	1,079
Perdigão International Ltd. (*)	**(2,601,279)**	(1,763,378)
VIP S.A. Empreendimentos e Participações Imobiliárias	**-**	(3)
Avipal Centro Oeste S.A.	**(38)**	(38)
	(2,595,460)	(1,759,744)

(*) The amount corresponds to advances for export pre-payment

	Statement of income	
	06.30.12	06.30.11
Revenue		
UP! Alimentos Ltda.	**1,607**	2,175
Perdigão Europe Ltd.	**326,801**	289,160
Perdigão International Ltd.	**1,621,124**	1,266,741
Sadia	**707,022**	193,075
	2,656,554	1,751,151
Financial income, net		
Perdigão Trading S.A.	**(38)**	(34)
Perdigão International Ltd.	**(37,790)**	(20,951)
	(37,828)	(20,985)

	Purchases of the period	
	06.30.12	06.30.11
UP! Alimentos Ltda.	**(65,379)**	(47,001)
Establecimiento Levino Zaccardi y Cia. S.A.	**(2,933)**	(4,659)
Sadia	**(334,706)**	(107,821)
Heloísa	**(19,064)**	-
	(422,082)	(159,481)

All the companies listed above are controlled by BRF, except for UP! Alimentos Ltda. which is a joint venture.

The Company entered into loan agreements with Instituto Perdigão de Sustentabilidade. On June 30, 2012, the total receivable is R$7,059 (R$6,634 as of December 31, 2011), being interest bearing at 12% p.a..

The wholly-owned subsidiary Sadia granted a loan to Instituto Sadia de Sustentabilidade in the amount of R$9,000, being interest bearing at 12% p.a..

The Company entered into loan agreements with its subsidiaries. Below is a summary

Explanatory Notes
(in thousands of Brazilian Reais)

of the balances and rates charged for the transactions in excess of R$10,000 on the date of closing of these quarterly financial information:

Counterparty		Balance	
Creditor	Debtor	06.30.12	Interest rate
BFF International Ltd.	Perdigão International Ltd.	868,293	8.0% p.a.
BFF International Ltd.	Wellax Food Comércio	590,578	8.0% p.a.
Crossban Holdings GmbH	Sadia GmbH	20,639	3.0% p.a.
Crossban Holdings GmbH	Plusfood Holland B.V.	96,684	3.0% p.a.
Plusfood Holland B.V.	Plusfood Groep B.V.	74,182	3.0% p.a.
Plusfood Groep B.V.	Plusfood Wrexam	15,195	3.0% p.a.
Plusfood Groep B.V.	Plusfood B.V.	58,766	3.0% p.a.
Sadia GmbH	BRF Foods LLC	29,914	7.0% p.a.
Sadia International Ltd.	Wellax Food Comércio	119,016	LIBOR
Sadia Overseas Ltd.	Wellax Food Comércio	506,979	7.0% p.a.
Wellax Food Comércio	Sadia GmbH	18,232	1.0% p.a.
Wellax Food Comércio	Qualy B.V.	15,841	EURIBOR a.t. + 0.10%
Sadia S.A.	BRF - Brasil Foods S.A.	459,425	Pre CDI of 8.0% p.a.
Sino dos Alpes Alimentos Ltda.	BRF - Brasil Foods S.A.	5,174	Pre CDI of 8.0% p.a.

29.2. Other related parties

The Company entered into an operating lease agreement with FAF and for the six-month period ended June 30, 2012 the amount of rent paid was R$5,225 (R$5,634 as of June 30, 2011). The amount of rent is set using market rates.

29.3. Granted guarantees

All the relationships between the Company and its subsidiaries were disclosed irrespective of the existence or not of transactions between these parties.

All the transactions and balances among the companies were eliminated in the consolidation and refer to commercial and/or financial transactions.

29.4. Management remuneration

The key management personnel includes the directors and officers, members of the executive committee and the head of internal audit. On June 30, 2012, there were 26 professionals (27 professionals as of December 31, 2011) at the parent company and in the consolidated.

The total remuneration and benefits paid to these professionals are demonstrated below:

Explanatory Notes
(in thousands of Brazilian Reais)

	BR GAAP and IFRS	
	Consolidated	
	06.30.12	06.30.11
Salary and profit sharing	**25,061**	24,827
Short term benefits of employees [(a)]	**683**	726
Post-employment benefits	**60**	86
Termination benefits	**318**	305
Stock-based payment	**3,638**	1,532
	29,760	27,476

[(a)] Includes medical plan, educational expenses and others.

The value of the profit sharing in the results paid to each officer in any period is related mainly to the net income of the Company and to the assessment of the performance of the officer during the fiscal year by the Board of Directors.

The alternate members of the Board of Directors and of the Fiscal Council are compensated for each meeting that they attend. The members of the Board of Directors and Fiscal Council have no employment connection with the Company and do not provide services of any kind.

When the management and employees attain the age of 61 years, retirement is mandatory.

30. NET SALES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Gross sales				
Domestic sales	**3,346,986**	2,973,614	**7,130,362**	6,706,806
Foreign sales	**2,330,921**	2,142,707	**5,310,599**	5,056,351
Dairy products	**1,520,995**	1,506,589	**1,589,693**	1,499,202
Food service	**324,729**	223,451	**802,031**	760,677
	7,523,631	6,846,361	**14,832,685**	14,023,036
Sales deductions				
Domestic sales	**(545,557)**	(556,169)	**(1,183,171)**	(1,239,585)
Foreign sales	**(216)**	(324)	**(132,177)**	(122,536)
Dairy products	**(233,625)**	(229,515)	**(241,991)**	(228,144)
Food service	**(41,989)**	(33,721)	**(96,097)**	(117,929)
	(821,387)	(819,729)	**(1,653,436)**	(1,708,194)
Net sales				
Domestic sales	**2,801,429**	2,417,445	**5,947,191**	5,467,221
Foreign sales	**2,330,705**	2,142,383	**5,178,422**	4,933,815
Dairy products	**1,287,370**	1,277,074	**1,347,702**	1,271,058
Food service	**282,740**	189,730	**705,934**	642,748
	6,702,244	6,026,632	**13,179,249**	12,314,842

Explanatory Notes
(in thousands of Brazilian Reais)

31. RESEARCH AND DEVELOPMENT COSTS

Consists of expenditures on internal research and development of new products, recognized when incurred in the statement of income. The total expenditure on research and development for the six-month period ended June 30, 2012, is R$12,126 at the parent company and R$15,255 in the consolidated (R$8,381 at the parent company and R$11,353 in the consolidated as of June 30, 2011).

Explanatory Notes
(in thousands of Brazilian Reais)

32. EXPENSES WITH EMPLOYEE'S REMUNERATION

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Salaries and social charges	**656,962**	555,223	**1,367,034**	1,172,712
Social security cost	**178,472**	152,882	**356,701**	309,733
Government severance indemnity fund for employees, guarantee fund for length of service	**50,135**	42,979	**98,956**	85,538
Medical assistance and outpacient care	**19,401**	15,403	**55,767**	47,899
Retirement supplementary plan	**4,426**	3,815	**7,197**	6,034
Employees profit sharing [(a)]	**(40,684)**	53,033	**18,935**	110,540
Other benefits	**132,012**	115,387	**267,241**	238,600
Provision for contingencies	**30,315**	17,355	**60,352**	34,383
	1,031,039	956,077	**2,232,183**	2,005,439

[(a)] The credit balance for the six-month period ended June 30, 2012 refers to the reversal of the provision for the employees profit sharing for the fiscal year of 2011 net of R$11,139 of expenses from the current period.

Explanatory Notes
(in thousands of Brazilian Reais)

33. OTHER OPERATING INCOME (EXPENSES), NET

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Income				
Net income from the disposal of property, plant and equipment	**-**	-	**-**	43,644
Net income from the disposal of investments	**-**	80	**-**	80
Insurance indemnity	**2,633**	9,878	**12,974**	13,563
Employees benefits	**-**	-	**24,930**	25,926
Recovery of expenses	**4,764**	9,605	**5,633**	69,436
Provision reversal [(a)]	**58,122**	-	**29,333**	-
Scrap sales	**-**	-	**-**	4,746
Net result of the transfer of the plant of Carambeí [(b)]	**64,817**	-	**64,817**	-
Other	**894**	359	**11,860**	6,539
	131,230	19,922	**149,547**	163,934
Expenses				
Loss from the disposal of property, plant and equipment	**(11,611)**	(3,164)	**(13,127)**	-
Idleness costs	**(29,042)**	(23,409)	**(56,191)**	(51,033)
Insurance claims costs	**(12,422)**	(11,110)	**(23,953)**	(14,583)
Employees profit sharing	**(11,139)**	(53,033)	**(18,935)**	(105,950)
Stock options plan	**(8,735)**	(4,823)	**(8,735)**	(4,823)
Management profit sharing	**(1,922)**	(5,539)	**(1,922)**	(9,735)
Contractual agreements	**-**	-	**-**	(9,489)
Other employees benefits	**(8,850)**	(10,116)	**(20,069)**	(24,186)
Provision for tax and labor risks	**(5,644)**	(52,137)	**(10,561)**	(62,242)
Provision for civil risks	**(2,267)**	-	**(5,462)**	(628)
Result in the execution of TCD [(b)]	**(101,583)**	-	**(69,339)**	-
Other operating expenses	**(5,557)**	(7,326)	**(21,433)**	(20,875)
	(198,772)	(170,657)	**(249,727)**	(303,544)
	(67,542)	(150,735)	**(100,180)**	(139,610)

(a) Of the amount disclosed, R$ 51,822, refers to the reversal of provisions for employee participation in income in 2011, net of R$ 11,139 related expense for the current period.
(b) Note 1.2.

Explanatory Notes
(in thousands of Brazilian Reais)

34. FINANCIAL INCOME (EXPENSES), NET

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Financial income				
Interest on marketable securities	**3,588**	11,984	**6,828**	21,327
Exchange rate variation on marketable securities	**8,278**	881	**15,187**	1,615
Interests on other assets	**20,597**	19,314	**23,463**	26,260
Exchange rate variation on other assets	**51,919**	2,758	**93,998**	7,517
Interests on financial assets classified as:	**15,619**	32,067	**44,387**	67,547
Available for sale	**-**	-	**7,309**	24,730
Held for trading	**15,619**	32,067	**27,902**	32,520
Held to maturity	**-**	-	**9,176**	10,297
Gains from derivative transactions	**16,262**	6,142	**11,013**	6,142
Interest income on loans to related parties	**400**	365	**2,052**	-
Gains from the translation of foreign investments	**-**	-	**363,646**	-
Adjustment to present value	**-**	5,080	**-**	5,075
Exchange rate variation on loans and financing	**-**	58,433	**-**	111,101
Exchange rate variation on other liabilities	**47,411**	11,991	**80,819**	60,782
Financial income from the acquisition of raw materials	**-**	-	**148**	-
Other	**692**	-	**17,227**	23,060
	164,766	149,015	**658,768**	330,426
Financial expenses				
Interest on loans and financing	**(88,534)**	(72,356)	**(229,284)**	(224,177)
Exchange rate variation on loans and financing	**(33,599)**	(3,463)	**(76,211)**	(3,544)
Interest on liabilities	**(13,205)**	(7,576)	**(31,575)**	(6,161)
Exchange rate variation on others liabilities	**(226,500)**	(1,917)	**(382,065)**	(6,361)
Financial expenses from the acquisition of raw materials	**(3,016)**	(7,685)	**-**	(7,685)
Losses from derivative transaction	**(17,159)**	(29,165)	**(12,959)**	(33,056)
Losses from the translation of foreing investments	**-**	-	**(242,433)**	(38,437)
Interest expenses on loans to related parties	**(37,828)**	(20,983)	**-**	-
Adjustment to present value	**(2,053)**	(1,939)	**(5,146)**	(1,939)
Exchange rate variation on marketable securities	**(697)**	(6,070)	**(5,376)**	(79,730)
Exchange rate variation on other assets	**(1,314)**	(7,643)	**(13,979)**	(8,382)
Other	**(4,902)**	(5,077)	**(22,180)**	(28,413)
	(428,807)	(163,874)	**(1,021,208)**	(437,885)
	(264,041)	(14,859)	**(362,440)**	(107,459)

Explanatory Notes
(in thousands of Brazilian Reais)

35. STATEMENT OF INCOME BY NATURE

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

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	06.30.12	06.30.11	**06.30.12**	06.30.11
Costs of sales				
Costs of goods	**4,203,333**	3,636,928	**7,356,847**	6,675,580
Depreciation	**199,445**	162,690	**420,215**	387,005
Amortization	**755**	434	**5,148**	28,653
Salaries and employees benefits	**779,821**	672,776	**1,608,765**	1,384,026
Other	**452,632**	387,150	**955,635**	733,180
	5,635,986	4,859,978	**10,346,610**	9,208,444
Sales expenses				
Depreciation	**9,920**	7,306	**16,246**	11,153
Amortization	**102**	46	**621**	178
Salaries and employees benefits	**207,473**	171,683	**476,679**	416,872
Other	**584,750**	527,202	**1,520,873**	1,316,075
	802,245	706,237	**2,014,419**	1,744,278
Administrative expenses				
Depreciation	**1,258**	1,160	**3,443**	1,472
Amortization	**11,337**	2,639	**16,909**	5,099
Salaries and employees benefits	**84,429**	58,585	**127,804**	94,001
Fees	**11,112**	8,543	**11,362**	15,122
Other	**(6,274)**	41,746	**20,707**	70,436
	101,862	112,673	**180,225**	186,130
Other operating expense				
Depreciation	**13,866**	11,727	**14,538**	11,733
Other	**184,906**	158,930	**235,189**	291,811
	198,772	170,657	**249,727**	303,544

Explanatory Notes
(in thousands of Brazilian Reais)

36. INSURANCE COVERAGE – CONSOLIDATED

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

		06.30.12 Not reviewed	
Assets covered	**Coverage**	**Insured amounts**	**Amount of coverage**
Inventories and property, plant and equipments	Fire, lightning, explosion, windstorm, deterioration of refrigerated products, breakdown of machinery, loss of profit and other	24,765,360	2,055,786
Garantee	Judicial, traditional and customer garantees	159,196	159,196
National transport	Road risk and civil liability of cargo carrier	16,819,993	304,707
International transport	Transport risk during imports and exports	8,869,402	127,358
General civil liability for directors and officers	Third party complaints	29,272,373	984,167
Credit	Customer default	292,514	278,007

Explanatory Notes
(in thousands of Brazilian Reais)

37. NEW RULES AND PRONOUNCEMENTS NOT ADOPTED

The interpretations and amendments set forth below, applicable to the following accounting periods, were published by IASB and apply to the financial statements of the Company to be filed with CVM (the Brazilian Securities Commission) only if there is a Deliberation by that agency, therefore, there was no anticipated adoption of these rules.

IAS 1 – Presentation of Items of Others Comprehensive Income

In June 2011, the IASB revised IAS 1. The change in IAS 1 deals with aspects related to disclosure of other comprehensive income items and establishes the need to separate items which will not be further reclassified to net income (for example: realization of the deemed cost) and items that can be further reclassified to net income, such as gains and losses deferred cash flow hedge. The revised standard is effective for annual reporting periods beginning on or after July 1, 2012. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IAS 19 – Employee Benefits

In June 2011, the IASB revised IAS 19. The change addresses issues related to accounting and disclosure of employee benefits. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IAS 27 – Consolidated and Separate Financial Statements

In May 2011, the IASB revised IAS 27. The change addresses issues related to investments in subsidiaries, jointly-controlled entities and associate companies, when an entity prepares separate financial statements. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company understands that this change will not impact its consolidated financial statements.

IAS 28 – Investments in associates and joint ventures

In May 2011, the IASB revised IAS 28. The change addresses issues related to investments in associate companies and establishes the rules for using the equity accounting method for investments in associate companies and jointly-controlled entities. The revised standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this

Explanatory Notes
(in thousands of Brazilian Reais)

standard on its consolidated financial statements.

IFRS 7 – Financial Instruments - Disclosures: Offsetting of Financial Assets and Liabilities

In December 2011, the IASB issued a revision of the rule establishing requirements for disclosure of compensation arrangements of financial assets and liabilities. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 9 – Financial Instruments

In October 2010, the IASB revised IFRS 9. The change of this standard addresses the first stage of the project of replacement of IAS 39. The date of application of this standard was extended to January 1, 2015. The Company is evaluating the impact of adopting this standard and any differences from IAS 39 in its consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10. This standard provides the principles for the presentation and preparation of financial statements of the Consolidated Financial Statement when the entity controls one or more entities. The standard provides additional guidance to assist in determining control when there is doubt in the assessment. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is evaluating the impact of the adoption of this amendment in its consolidated financial statements.

IFRS 11 – Joint Arrangements

In May 2011, the IASB issued IFRS 11. This standard deals with aspects related to the accounting treatment for jointly-controlled entities and joint operations. This standard also limit the use of proportional consolidation just for joint operations, and also establish the equity accounting method as the only method acceptable for joint ventures. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12. This standard deals with aspects related to the disclosure of nature and risks related to interests owned in subsidiaries, jointly-

Explanatory Notes
(in thousands of Brazilian Reais)

controlled entities and associate companies. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

In May 2011, the IASB issued IFRS 13. This standard establishes fair value and consolidates in a single standard the aspects of fair value measurement and establishes the requirements of disclosure related to fair value. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

Explanatory Notes
(in thousands of Brazilian Reais)

38. APPROVAL OF THE QUARTERLY FINANCIAL INFORMATION

The quarterly financial information was approved and its disclosure authorized by the Board of Directors on August 13, 2012.

BOARD OF DIRECTORS

Chairman	Nildemar Secches
Vice-Chairman	Paulo Assunção de Souza
Member	Allan Simões Toledo
Independent Member	Décio da Silva
Independent Member	José Carlos Reis de Magalhães Neto
Board Member	Luis Carlos Fernandes Afonso
Independent Member	Luiz Fernando Furlan
Independent Member	Manoel Cordeiro Silva Filho
Independent Member	Pedro de Andrade Faria
Independent Member	Walter Fontana Filho

FISCAL COUNCIL / AUDIT COMITTEE

Chairman and Financial Specialist	Attílio Guaspari
Member	Decio Magno Andrade Stochiero
Member	Susana Hanna Stiphan Jabra

BOARD OF EXECUTIVE OFFICERS

Chief Executive Officer	José Antônio do Prado Fay
Vice President of Finance, Administration and Investor Relations	Leopoldo Viriato Saboya
Vice President of Strategy and M&A	Nelson Vas Hacklauer
Vice President of Human Resources	Gilberto Antônio Orsato
Vice President of Operations and Technology	Nilvo Mittanck
Vice President of Foreign Market	Antônio Augusto de Toni
Vice President of Local Market	José Eduardo Cabral Mauro
Vice President of Dairy Operations	Fábio Medeiros M. da Silva
Vice President of Food Service	Ely David Mizrahi
Vice President of Supply Chain	Luiz Henrique Lissoni
Vice President of Corporate Affairs	Wilson Newton de Mello Neto

Marcos Roberto Badollato
Controller – CRC 1SP219369/O-4

Renata Bandeira Gomes do Nascimento
Accountant – CRC 1SP 215231/O-3

Explanatory Notes
(in thousands of Brazilian Reais)

BREAKDOWN OF THE CAPITAL BY OWNER

The shareholding position of the largest shareholders, management, members of the Board of Directors and Audit Committee of the Company is presented below (not reviewed):

		06.30.12		12.31.11
Shareholders	**Quantity**	**%**	Quantity	%
Main shareholders				
Caixa de Previd. dos Func. Do Banco do Brasil [1]	**107,922,318**	**12.37**	111,364,918	12.77
Fundação Petrobrás de Seguridade Social - Petros [1]	**89,500,982**	**10.26**	89,866,382	10.30
Fundação Sistel de Seguridade Social [1]	**11,726,232**	**1.34**	11,725,832	1.34
Fundação Vale do Rio Doce de Seg. Social - Valia [1]	**14,759,090**	**1.69**	23,629,690	2.71
FPRV1 Sabiá FIM Previdenciário [2]	**3,474,904**	**0.40**	3,474,904	0.40
Tarpon	**69,988,490**	**8.02**	69,988,490	8.02
BlackRock, Inc	**44,776,961**	**5.13**	-	-
Management				
Board of directors	**9,721,600**	**1.11**	9,721,600	1.11
Executives	**155,687**	**0.02**	100,932	0.01
Treasury shares	**2,987,509**	**0.34**	3,019,442	0.35
Other	**517,459,473**	**59.32**	549,581,056	62.99
	872,473,246	**100.00**	872,473,246	100.00

The shareholding position of the controlling shareholders that belong to the voting agreement and/or holders of more than 5% of the voting stock is presented below (not reviewed):

		06.30.12		12.31.11
Shareholders	**Quantity**	**%**	Quantity	%
Caixa de Previd. dos Func. Do Banco do Brasil [1]	**107,922,318**	**12.37**	111,364,918	12.76
Fundação Petrobrás de Seguridade Social - Petros [1]	**89,500,982**	**10.26**	89,866,382	10.30
Fundação Sistel de Seguridade Social [1]	**11,726,232**	**1.34**	11,725,832	1.34
Fundação Vale do Rio Doce de Seg. Social - Valia [1]	**14,759,090**	**1.69**	23,629,690	2.71
FPRV1 Sabiá FIM Previdenciário [2]	**3,474,904**	**0.40**	3,474,904	0.41
Tarpon	**69,988,490**	**8.02**	69,988,490	8.02
BlackRock, Inc	**44,776,961**	**5.13**	-	-
	342,148,977	**39.21**	310,050,216	35.54
Other	**530,324,269**	**60.79**	562,423,030	64.46
	872,473,246	**100.00**	872,473,246	100.00

[1] The pension funds are controlled by employees that participate in the respective companies.
[2] Investment fund held solely by the *Fundação de Assistência e Previdência Social* of BNDES-FAPES. The shares of common stock currently held by this fund are tied to the voting agreement signed by the Pension Funds.

The Company is bound to arbitration in the Market Arbitration Chamber, as established by the arbitration clause in the by-laws.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF QUARTERLY INFORMATION

The Shareholders and Officers
BRF – Brasil Foods S.A.
Itajaí - SC

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of BRF – Brasil Foods S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2012, which comprise the balance sheet as at June 30, 2012 and the related statements of income, comprehensive income for the three and six months then ended, and changes in equity and cash flow for the six-month periods then ended, including other explanatory information.

Management is responsible for the preparation of individual interim financial information in accordance with Accounting Pronouncement CPC 21 - *Demonstração Intermediária* ("CPC 21") and the consolidated interim financial information in accordance with CPC 21 and with International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade*) and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). 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 International Standards on Auditing and consequently 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 on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly financial information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF QUARTERLY INFORMATION

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of quarterly financial information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added for the six-month period ended June 30, 2012, prepared under the responsibility of Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission applicable to preparation of Quarterly Information, and considered as supplementary information under the IFRS, which does not require the presentation of the statement of value added. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Audit of individual and consolidated balance sheet as of December 31 2011 and review of individual and consolidated interim statements of income, comprehensive income, changes in equity, cash flow and value added for the same periods of prior year

The consolidated balance sheet as of December 31, 2011 and the interim individual and consolidated statements of income and comprehensive income for the three and six-months period ended June 30,2011, and changes in equity, cash flows, and value added for the six-month period ended June 30, 2011, presented for comparison purposes, were audited and reviewed, respectively, by other independent auditors, who issued an unqualified opinion thereon dated March 22, 2012, and an unqualified review report thereon dated August 11, 2011.

São Paulo, August 13, 2012.

Ernst & Young Terco Auditores Independentes S.S.
CRC-SC-000048/F-0

Antonio Humberto Barros dos Santos
Accountant CRC-1SP161745/O-3 S-SC

OPINION OF THE FISCAL COUNCIL

The Fiscal Council of BRF – Brasil Foods S.A., in fulfilling its statutory and legal duties, reviewed:

(i) the conclusion issued by Ernst & Young Terco Auditores Independentes;

(ii) the Management Report; and

(iii) the quarterly financial information (parent company and consolidated) for the six-month period ended June 30, 2012.

Based on the documents reviewed and on the explanations provided, the members of the Fiscal Council, undersigned, issued an opinion for the approval of the financial information identified above.

São Paulo, August 13, 2012.

Attílio Guaspari
Chairman and Financial Expert

Decio Magno Andrade Stochiero
Committee Member

Susana Hanna Stiphan Jabra
Committee Member

STATEMENT OF EXECUTIVE BOARD ON THE QUARTERLY FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

In compliance with the dispositions of sections V and VI of article 25 of CVM Instruction No. 480/09, the executive board of BRF – Foods Brasil S.A., states:

(i) reviewed, discussed and agreed with the Company's quarterly financial statement for the six-month period ended on June 30, 2012; and

(ii) reviewed, discussed and agreed with conclusions expressed in the review report issued by Ernst & Young Terco Auditores Independentes for the Company's quarterly financial information for the three month period ended on June 30, 2012.

São Paulo, August 13, 2012.

José Antônio do Prado Fay
Chief Executive Officer

Leopoldo Viriato Saboya
Vice President of Finance, Administration and Investor Relations

Nelson Vas Hacklauer
Vice President of Strategy and M&A

Gilberto Antônio Orsato
Vice President of Human Resources

Nilvo Mittanck
Vice President of Operations and Technology

Antônio Augusto de Toni
Vice President of Foreign Market

José Eduardo Cabral Mauro
Vice President of Local Market

Fábio Medeiros Martins da Silva
Vice President of Dairy Operations

Ely David Mizrahi
Vice President of Food Service

Luiz Henrique Lissoni
Vice President of Supply Chain

Wilson Newton de Mello Neto
Vice President of Corporate Affairs