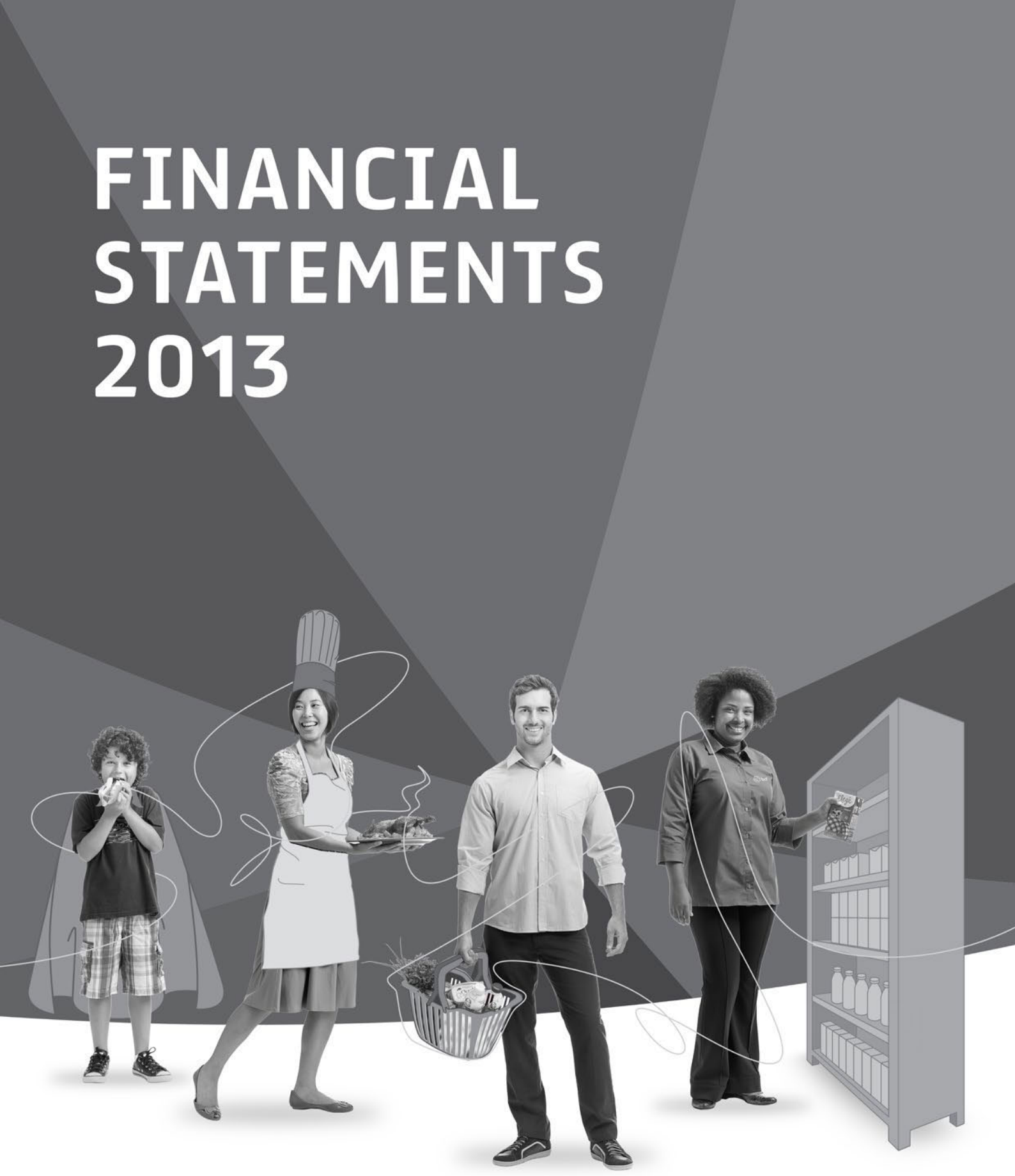
FINANCIAL STATEMENTS 2013

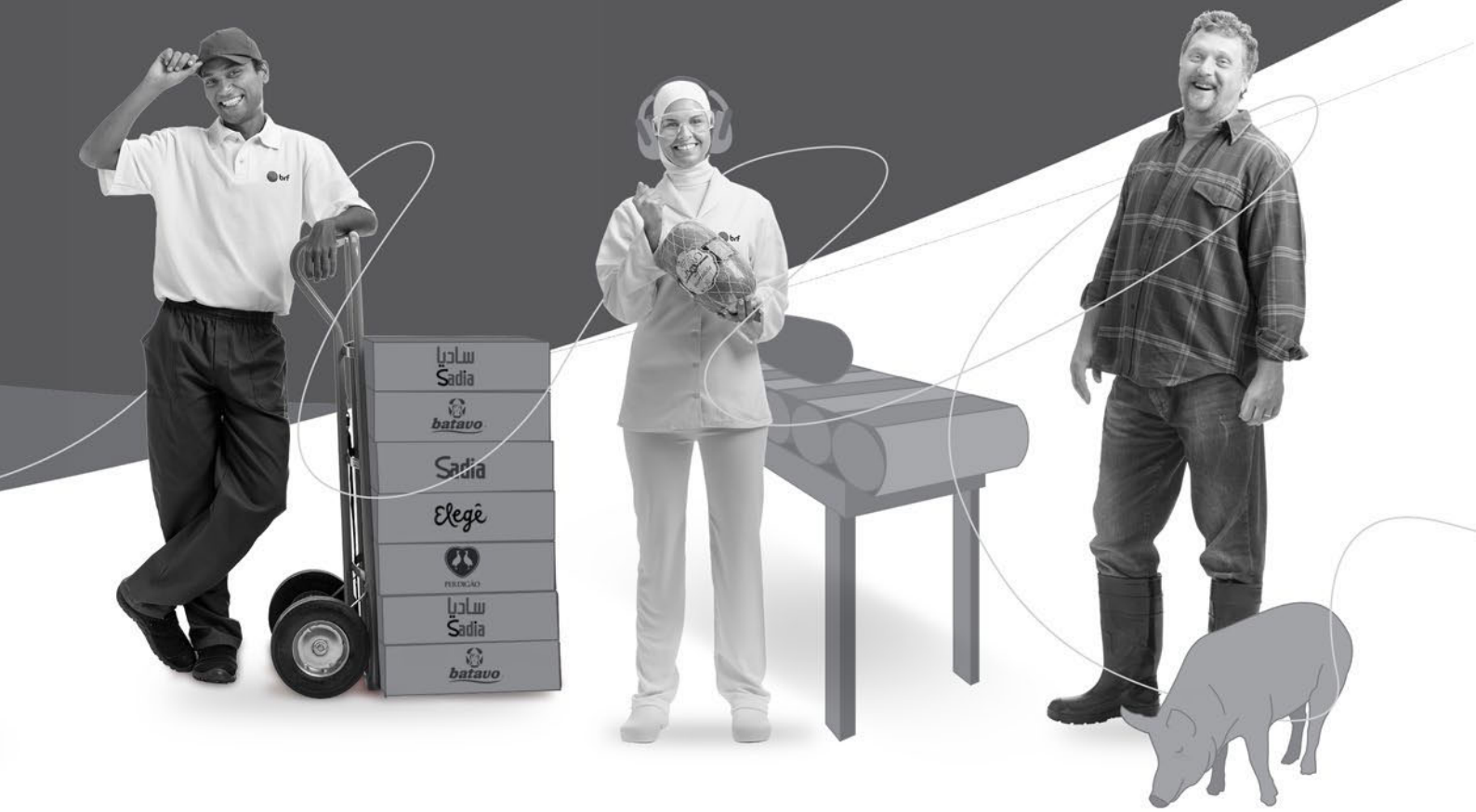


NOURISHING RELATIONS AROUND THE WORLD

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Sadia PERDIGÃO Batavo Elegê Qualy Sadia PERDIX paty

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A free translation from Portuguese into English of Independent Auditor´s Report

The Shareholders and Officers
BRF S.A.
Itajaí - SC

We have audited the accompanying individual and consolidated financial statements of BRF S.A., identified as Parent Company and Consolidated, which comprise the balance sheet as at December 31, 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in accordance and with the accounting practices adopted in Brazil, as well as for the internal controls management determined as necessary to enable the preparation of these financial statements free from material misstatement, regardless of whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of BRF S.A. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BRF S.A. as at December 31, 2013, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

Valuation of investments in subsidiaries, associates and joint ventures under the equity method
As described in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of BRF S.A. these practices differ from IFRS, applicable to separate financial statements, only in relation to the valuation of investments in subsidiaries, associates and joint ventures under the equity method, while for IFRS purposes it would be cost of fair value. Our opinion is not modified due to this matter.

Restatement of the December 31, 2012 figures
As described on footnote 3.34, due to changes in accounting principles adopted by the Company on 2013, the corresponding figures related to the financial statements for the year ended December 31, 2012, presented for comparison purposes, were restated and are presented according to CPC23 - Práticas Contábeis, Mudanças de Estimativa e Retificação de Erro. Our opinion is not modified due to this matter.

Other matters

Statements of valued added
We have also audited the individual and consolidated statements of value added for the year ended December 31, 2013, prepared under the responsibility of the Company´s management, which presentation is required by the Brazilian Corporate Law for public companies, and as supplemental information by IFRS, which do not require the presentation of the statement of value added. These statements have been subject to the same audit procedures previously described and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements as a whole.

São Paulo, February 27, 2014

ERNST & YOUNG
Auditores Independentes S.S.
CRC-SC-000048/F-0

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

BALANCE SHEETS

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

		BR GAAP		BR GAAP and IFRS	
		Parent company		Consolidated	
ASSETS	**Note**	**12.31.13**	Restated 12.31.12	**12.31.13**	Restated 12.31.12
CURRENT ASSETS					
Cash and cash equivalents	6	**905,176**	907,919	**3,127,715**	1,930,693
Marketable securities	7	**178,720**	269,033	**459,568**	621,908
Trade accounts receivable	8	**3,985,424**	2,997,671	**3,338,355**	3,131,198
Interest on Shareholders' Equity Receivable	29	**33,104**	-	**16**	-
Inventories	9	**2,462,818**	2,490,329	**3,111,615**	3,018,576
Biological assets	10	**1,198,361**	1,358,115	**1,205,851**	1,370,999
Recoverable taxes	11	**1,211,084**	892,104	**1,302,939**	964,769
Noncurrent Assets for Sale	12	**146,924**	11,173	**148,948**	22,520
Other financial assets	21	**8,857**	32,804	**11,572**	33,200
Other current assets		**439,822**	393,003	**535,944**	496,117
Total current assets		**10,570,290**	9,352,151	**13,242,523**	11,589,980
NON-CURRENT ASSETS					
Marketable securities	7	**56,002**	51,752	**56,002**	74,458
Trade accounts receivable	8	**7,690**	11,128	**7,811**	11,128
Credit notes	8	**306,069**	78,033	**353,675**	152,303
Recoverable taxes	11	**790,619**	1,134,588	**800,808**	1,141,797
Deferred income taxes	13	**745,875**	819,236	**665,677**	718,180
Judicial deposits	14	**472,617**	363,875	**478,676**	365,301
Biological assets	10	**568,978**	428,190	**568,978**	428,190
Receivables from related parties	29	**13,505**	13,793	**-**	-
Restricted cash	15	**99,212**	83,877	**99,212**	93,014
Other non-current assets		**393,438**	718,425	**413,717**	732,116
Investments	16	**3,204,866**	3,171,703	**107,990**	36,658
Property, plant and equipment, net	17	**10,338,897**	10,250,576	**10,821,578**	10,670,700
Intangible	18	**4,084,139**	4,096,664	**4,757,922**	4,751,661
Total non-current assets		**21,081,907**	21,221,840	**19,132,046**	19,175,506
TOTAL ASSETS		**31,652,197**	30,573,991	**32,374,569**	30,765,486

See accompanying notes to the consolidated financial statements.

		BR GAAP		BR GAAP and IFRS	
		Parent company		Consolidated	
LIABILITIES	**Note**	**12.31.13**	Restated 12.31.12	**12.31.13**	Restated 12.31.12
CURRENT LIABILITIES					
Short-term debt	19	**2,469,634**	2,111,007	**2,696,594**	2,440,782
Trade accounts payable	20	**3,378,029**	3,135,464	**3,674,705**	3,381,246
Payroll and related charges		**390,405**	386,077	**433,467**	426,241
Tax payable		**213,331**	186,614	**253,678**	227,995
Interest on shareholders' equity	26	**336,677**	159,915	**336,677**	160,020
Employee and management profit sharing		**177,064**	76,935	**177,064**	76,935
Other financial liabilities	21	**318,201**	198,524	**357,182**	253,420
Provision for tax, civil and labor risks	25	**233,435**	163,798	**243,939**	173,916
Employee Benefits Provisions	24	**49,027**	17,414	**49,027**	17,414
Advances from related parties	29	**1,672,005**	1,946,739	**-**	-
Other current liabilities		**157,430**	192,827	**213,698**	323,663
Total current liabilities		**9,395,238**	8,575,314	**8,436,031**	7,481,632
NON-CURRENT LIABILITIES					
Long-term debt	19	**5,205,667**	4,593,942	**7,484,596**	7,077,539
Social and tax payable		**12,219**	12,462	**19,494**	13,457
Provision for tax, civil and labor risks	25	**754,632**	739,227	**775,359**	760,913
Deferred income taxes	13	**-**	-	**20,566**	27,792
Liabilities with related parties	29	**12,329**	8,280	**-**	-
Advances from related parties	29	**702,780**	1,317,649	**-**	-
Employee benefit plan	24	**242,236**	266,543	**242,236**	266,543
Other non-current liabilities		**672,025**	508,919	**700,133**	548,443
Total non-current liabilities		**7,601,888**	7,447,022	**9,242,384**	8,694,687
SHAREHOLDERS' EQUITY	26				
Capital		**12,460,471**	12,460,471	**12,460,471**	12,460,471
Capital reserves		**113,797**	69,897	**113,797**	69,897
Income reserves		**2,511,880**	2,274,206	**2,511,880**	2,274,206
Treasury shares		**(77,379)**	(51,907)	**(77,379)**	(51,907)
Other comprehensive loss		**(353,698)**	(201,012)	**(353,698)**	(201,012)
Attributed to interest of controlling shareholders		**14,655,071**	14,551,655	**14,655,071**	14,551,655
Non-controlling interest		**-**	-	**41,083**	37,512
Total shareholders' equity		**14,655,071**	14,551,655	**14,696,154**	14,589,167
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,652,197**	30,573,991	**32,374,569**	30,765,486

See accompanying notes to the consolidated financial statements.

STATEMENTS OF INCOME

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

		BR GAAP		BR GAAP and IFRS	
		Parent company		Consolidated	
	Note	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
NET SALES	30	**28,401,088**	14,251,263	**30,521,246**	28,517,383
Cost of sales	35	**(21,733,827)**	(12,114,773)	**(22,953,145)**	(22,063,563)
GROSS PROFIT		**6,667,261**	2,136,490	**7,568,101**	6,453,820
OPERATING INCOME (EXPENSES)					
Selling	35	**(3,853,285)**	(1,746,618)	**(4,624,289)**	(4,317,304)
General and administrative	35	**(338,411)**	(236,293)	**(462,105)**	(388,930)
Other operating expenses, net	33	**(497,051)**	(349,988)	**(535,381)**	(446,602)
Equity in income from associates	16	**95,583**	1,097,799	**13,322**	22,438
OPERATING INCOME		**2,074,097**	901,390	**1,959,648**	1,323,422
Financial income	34	**(1,406,771)**	(630,195)	**(2,056,624)**	(1,556,506)
Financial expenses	34	**542,855**	195,475	**1,309,088**	985,904
INCOME BEFORE TAXES		**1,210,181**	466,670	**1,212,112**	752,820
Current income tax	13	**(7,348)**	(716)	**(29,249)**	(18,967)
Deferred income tax	13	**(140,403)**	304,048	**(116,026)**	43,589
NET PROFIT		**1,062,430**	770,002	**1,066,837**	777,442
Attributable to:					
BRF shareholders		**1,062,430**	770,002	**1,062,430**	770,002
Non-controlling interest		**-**	-	**4,407**	7,440
Earnings per share - basic		**870,534,511**	869,534,940	**870,534,511**	869,534,940
Weighted average shares outstanding - basic	27	**1.22043**	0.88553	**1.22550**	0.89409
Earning per share - diluted		**871,441,705**	869,703,606	**871,441,705**	869,703,606
Weighted average shares outstanding - diluted	27	**1.21916**	0.88536	**1.21916**	0.88536

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

		BR GAAP		BR GAAP and IFRS	
		Parent company		Consolidated	
	Note	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
Net Profit		**1,062,430**	770,002	**1,066,837**	777,442
Other comprehensive income					
Loss in foreign currency translation adjustments		**(41,264)**	(3,578)	**(41,264)**	(3,578)
Gain in available for sale marketable securities	7	**(23,759)**	13,014	**(23,759)**	13,014
Taxes on unrealized gains on marketable securities on available for sale	7	**129**	159	**129**	159
Unrealized losses in cash flow hedge	4	**(260,066)**	(10,321)	**(260,066)**	(10,321)
Taxes on unrealized gains on cash flow hegde	4	**94,271**	1,722	**94,271**	1,722
Other comprehensive income, net to be reclassified to the statement of income in subsequent periods		**(230,689)**	996	**(230,689)**	996
Actuarial gains (losses) on post-employment benefits plans	24	**118,187**	(61,353)	**118,187**	(61,353)
Taxes on unrealized gains on investments available for sale	24	**(40,184)**	20,861	**(40,184)**	20,861
Other comprehensive income, net with no impact into subsequent statement of income		**78,003**	(40,492)	**78,003**	(40,492)
Reversal of other comprehensive income from previous year		**(55,443)**	18,508	**(55,443)**	18,508
Other comprehensive income, net of taxes		**854,301**	749,014	**858,708**	756,454
Attributable to:					
BRF shareholders		**854,301**	749,014	**854,301**	749,014
Non-controlling interest		**-**	-	**4,407**	7,440
BRF shareholders		**854,301**	749,014	**854,301**	749,014
Non-controlling interest		**-**	-	**4,407**	7,440

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

		Capital reserves				
	Paid-in capital	Capital reserve	Treasury shares	Legal reserve	Reserve for expansion	Reserve for capital increases
BALANCES AT DECEMBER 31, 2011	**12,460,471**	**76,259**	**(65,320)**	**179,585**	**978,585**	**545,734**
Comprehensive income:						
Loss in foreign currency translation adjustments	-	-	-	-	-	-
Unrealized gain in available for sale marketable securities	-	-	-	-	-	-
Unrealized loss in cash flow hedge	-	-	-	-	-	-
Actuarial losses post employment benefits plans	-	-	-	-	-	-
Actuarial losses on defined benefit plans	-	-	-	-	-	-
Net income for the exercise	-	-	-	-	-	-
SUBTOTAL COMPREHENSIVE INCOME						
Appropriation of income (loss):						
Interest on shareholders' equity - R$ 0.3158 per outstanding share at the end of exercise	-	-	-	-	-	-
Legal reserve	-	-	-	40,661	-	-
Reserve for expansion	-	-	-	-	237,464	-
Reserve for capital increases	-	-	-	-	-	155,077
Reserve for tax incentives	-	-	-	-	-	-
Reserve for income retention	-	-	-	-	-	-
Share-based payments	-	23,034	-	-	-	-
Gains on disposal of shares	-	4,455	-	-	-	-
Goodwill on the acquisition of non-controlling entities	-	(33,851)	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Treasury shares disposed	-	-	13,413	-	-	-
BALANCES AT DECEMBER 31, 2012	**12,460,471**	**69,897**	**(51,907)**	**220,246**	**1,216,049**	**700,811**
Comprehensive income:						
Loss in foreign currency translation adjustments	-	-	-	-	-	-
Unrealized gain in available for sale marketable securities	-	-	-	-	-	-
Unrealized loss in cash flow hedge	-	-	-	-	-	-
Actuarial losses post employment benefits plans	-	-	-	-	-	-
Actuarial losses on defined benefit plans	-	-	-	-	-	-
Net income for the exercise	-	-	-	-	-	-
SUBTOTAL COMPREHENSIVE INCOME						
Appropriation of income (loss):						
Dividends - R$ 0,05171974 per outstanding share at the end of exercise	-	-	-	-	(45,300)	-
Interest on shareholders' equity - R$ 0.83154173 per outstanding share at the end of exercise	-	-	-	-	-	-
Legal reserve	-	-	-	53,121	-	-
Reserve for expansion	-	-	-	-	-	-
Reserve for capital increases	-	-	-	-	-	121,800
Reserve for tax incentives	-	-	-	-	-	-
Reserve for income retention	-	-	-	-	-	-
Share-based payments	-	26,761	-	-	-	-
Gains on disposal of shares	-	17,139	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Treasury shares acquired	-	-	(78,634)	-	-	-
Treasury shares disposed	-	-	53,162	-	-	-
BALANCES AT DECEMBER 31, 2013	**12,460,471**	**113,797**	**(77,379)**	**273,367**	**1,170,749**	**822,611**

See accompanying notes to the consolidated financial statements.

Attributed to interest of controlling shareholders									
Profit reserves		Other comprehensive income (loss)							
Reserve for income retention	Reserve for tax incentives	Acumulated foreign currency translation adjustments	Available for sale marketable securities	Gain (losses) hedge accounting	Actuarial gains (losses)	Retained earnings (losses)	Total shareholders' equity	Non-controlling interest	Total shareholders' equity (consolidated)
-	**56,542**	**12,584**	**5,051**	**(167,293)**	**(11,858)**	**-**	**14,070,340**	**39,577**	**14,109,917**
-	-	(3,578)	-	-	-	-	**(3,578)**	-	**(3,578)**
-	-	-	13,173	-	-	-	**13,173**	-	**13,173**
-	-	-	-	(8,599)	-	-	**(8,599)**	-	**(8,599)**
-	-	-	-	-	(37,845)	-	**(37,845)**	-	**(37,845)**
-	-	-	-	-	(2,647)	18,508	**15,861**	-	**15,861**
-	-	-	-	-	-	**770,002**	**770,002**	**7,440**	**777,442**
		(3,578)	**13,173**	**(8,599)**	**(40,492)**	**788,510**	**749,014**	**7,440**	**756,454**
-	-	-	-	-	-	(274,750)	**(274,750)**	-	**(274,750)**
-	-	-	-	-	-	(40,661)	**-**	-	**-**
-	-	-	-	-	-	(237,464)	**-**	-	**-**
-	-	-	-	-	-	(155,077)	**-**	-	**-**
-	67,431	-	-	-	-	(67,431)	**-**	-	**-**
13,127	-	-	-	-	-	(13,127)	**-**	-	**-**
-	-	-	-	-	-	-	**23,034**	-	**23,034**
-	-	-	-	-	-	-	**4,455**	-	**4,455**
-	-	-	-	-	-	-	**(33,851)**	-	**(33,851)**
-	-	-	-	-	-	-	**-**	(9,505)	**(9,505)**
-	-	-	-	-	-	-	**13,413**	-	**13,413**
13,127	**123,973**	**9,006**	**18,224**	**(175,892)**	**(52,350)**	**-**	**14,551,655**	**37,512**	**14,589,167**
-	-	(41,264)	-	-	-	-	**(41,264)**	-	**(41,264)**
-	-	-	(23,630)	-	-	-	**(23,630)**	-	**(23,630)**
-	-	-	-	(165,795)	-	-	**(165,795)**	-	**(165,795)**
-	-	-	-	-	7,659	-	**7,659**	-	**7,659**
-	-	-	-	-	70,344	(55,443)	**14,901**	-	**14,901**
-	-	-	-	-	-	**1,062,430**	**1,062,430**	**4,407**	**1,066,837**
		(41,264)	**(23,630)**	**(165,795)**	**78,003**	**1,006,987**	**854,301**	**4,407**	**858,708**
-	-	-	-	-	-	-	**(45,300)**	-	**(45,300)**
-	-	-	-	-	-	(724,013)	**(724,013)**	-	**(724,013)**
-	-	-	-	-	-	(53,121)	**-**	-	**-**
-	-	-	-	-	-	-	**-**	-	**-**
-	-	-	-	-	-	(121,800)	**-**	-	**-**
-	121,180	-	-	-	-	(121,180)	**-**	-	**-**
(13,127)	-	-	-	-	-	13,127	**-**	-	**-**
-	-	-	-	-	-	-	**26,761**	-	**26,761**
-	-	-	-	-	-	-	**17,139**	-	**17,139**
-	-	-	-	-	-	-	**-**	(836)	**(836)**
-	-	-	-	-	-	-	**(78,634)**	-	**(78,634)**
-	-	-	-	-	-	-	**53,162**	-	**53,162**
-	**245,153**	**(32,258)**	**(5,406)**	**(341,687)**	**25,653**	**-**	**14,655,071**	**41,083**	**14,696,154**

STATEMENTS OF CASH FLOWS

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
OPERATING ACTIVITIES:				
Net income for the period	**1,062,430**	770,002	**1,062,430**	770,002
Adjustments to reconcile net income to net cash provided by operating activities:				
Non-controlling interest	**-**	-	**4,407**	7,440
Depreciation, amortization and exhaustion	**1,118,907**	473,413	**1,176,086**	966,666
Equity interest in income of affiliates	**(95,583)**	(1,097,799)	**(13,322)**	(22,438)
Results on the execution of TCD	**-**	102,512	**-**	108,880
Gains (losses) on disposal of property, plant and equipment	**(104,300)**	(8,472)	**(85,226)**	13,256
Deferred income tax	**140,403**	(304,048)	**116,026**	(43,589)
Provision (reversal) for tax, civil and labor risks	**309,527**	66,677	**314,845**	132,457
Other provisions	**(58,405)**	(10,145)	**(60,161)**	(6,220)
Exchange rate variations and interest	**949,436**	416,389	**1,253,195**	885,153
Changes in operating assets and liabilities:				
Investments in trading securities	**-**	(1,250,140)	**-**	(2,528,952)
Redemptions of trading securities	**106,125**	1,825,382	**118,116**	3,344,945
Investments in available for sale	**-**	-	**-**	(10,815)
Redemptions of available for sale	**-**	-	**-**	11,478
Other financial assets and liabilities	**(133,643)**	(34,165)	**(158,438)**	(20,882)
Trade accounts receivable	**(977,772)**	39,658	**(188,300)**	90,312
Inventories	**11,531**	(100,102)	**(110,619)**	(361,771)
Biological assets - current assets	**159,754**	(132,989)	**165,148**	(214,918)
Trade accounts payable	**351,158**	205,869	**402,052**	669,357
Payment of tax, civil and labor risks	**(283,908)**	(99,642)	**(284,761)**	(203,116)
Interest paid	**(403,788)**	(205,336)	**(568,364)**	(494,680)
Payroll and related charges	**-**	-	**(2,333)**	(97,537)
Interest on shareholders' equity received	**22,287**	8,988	**22,287**	8,988
Other rights and obligations	**(591,633)**	(27,055)	**155,615**	(560,585)
Net cash provided by operating activities	**1,582,526**	638,997	**3,318,683**	2,443,431
INVESTING ACTIVITIES:				
Marketable securities	**-**	-	**(314,991)**	(48,619)
Redemptions of held to maturity	**-**	-	**429,214**	94,194
Investment in available for sale securities	**-**	-	**(144,888)**	-
Redemptions of available for sale securities	**-**	-	**156,160**	-
Restricted cash	**(15,335)**	-	**(6,198)**	(14,170)
Capital increase in subsidiaries	**(104,359)**	-	**(17,500)**	-
Business combination	**-**	(10,609)	**-**	(10,609)
Other investments, net	**(1,030)**	(7)	**(55,491)**	(52,018)
Cash of merged company	**-**	484,167	**-**	-
Additions to property, plant and equipment	**(1,129,315)**	(876,877)	**(1,268,282)**	(1,884,422)
Additions to biological assets - non-current assets	**(501,842)**	(231,268)	**(501,842)**	(493,888)
Proceeds from disposals of property, plant and equipment	**264,286**	38,903	**265,759**	51,250
Additions to intangible assets	**(4,535)**	(4,282)	**(54,575)**	(14,641)
Net cash used in investing activities	**(1,492,130)**	(599,973)	**(1,512,634)**	(2,372,923)
FINANCING ACTIVITIES:				
Proceeds from debt issuance	**3,281,370**	3,149,588	**3,744,296**	5,258,227
Repayment of debt	**(2,795,735)**	(1,908,720)	**(3,897,043)**	(4,347,569)
Advance forfuturecapital increase	**-**	(23,000)	**-**	-
Treasury shares acquisition	**(78,634)**	-	**(78,634)**	-
Treasury shares disposal	**53,162**	13,413	**53,162**	13,413
Goodwill in the acquisiton of non-controlling entities	**-**	-	**-**	(33,851)
Dividends and interest on shareholders' equity paid	**(579,050)**	(439,790)	**(579,050)**	(439,790)
Net cash (used in) provided by financing activities	**(118,887)**	791,491	**(757,269)**	450,430
EFFECT ON EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS	**25,748**	8,649	**148,242**	42,912
Net decrease in cash	**(2,743)**	839,164	**1,197,022**	563,850
At the beginning of the period	**907,919**	68,755	**1,930,693**	1,366,843
At the end of the period	**905,176**	907,919	**3,127,715**	1,930,693

See accompanying notes to the consolidated financial statements.

STATEMENT OF ADDED VALUE

December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
1 - REVENUES	**31,749,790**	15,971,744	**34,289,480**	32,379,371
Sales of Goods, Products and Services	**31,238,137**	15,560,135	**33,678,065**	31,287,114
Other Income	**(328,633)**	(359,154)	**(360,286)**	(396,971)
Revenue Related to Construction of Own Assets	**833,743**	763,436	**956,161**	1,526,672
Allowance for Doubtful Accounts Reversal (Provisions)	**6,543**	7,327	**15,540**	(37,444)
2 - RAW MATERIAL ACQUIRED FROM THIRD PARTIES	**(21,032,675)**	(12,039,303)	**(22,768,195)**	(22,326,362)
Costs of Products and Goods	**(17,487,295)**	(10,064,588)	**(18,416,454)**	(17,814,256)
Materials, Energy, Third Parties Services and Other	**(3,529,401)**	(1,981,090)	**(4,334,161)**	(4,531,838)
Recovery (loss) of Assets Values	**(15,979)**	6,375	**(17,580)**	19,732
3 - GROSS VALUE ADDED (1-2)	**10,717,115**	3,932,441	**11,521,285**	10,053,009
4 - DEPRECIATION, AMORTIZATION AND EXHAUSTION	**(1,118,907)**	(473,413)	**(1,176,086)**	(966,666)
5 - NET VALUE ADDED (3-4)	**9,598,208**	3,459,028	**10,345,199**	9,086,343
6 - RECEIVED FROM THIRD PARTIES	**645,005**	1,381,930	**1,329,550**	1,097,784
Equity Pick-Up	**95,583**	1,097,799	**13,322**	22,438
Financial Income	**542,855**	195,475	**1,309,088**	985,904
Others	**6,567**	88,656	**7,140**	89,442
7 - VALUE ADDED TO BE DISTRIBUTED (5+6)	**10,243,213**	4,840,958	**11,674,749**	10,184,127
8 - DISTRIBUTION OF VALUE ADDED	**10,243,213**	4,840,958	**11,674,749**	10,184,127
Payroll	**4,090,613**	1,923,144	**4,475,046**	4,035,239
Salaries	**3,162,467**	1,493,966	**3,504,684**	3,138,811
Benefits	**718,374**	326,871	**756,822**	692,276
Government Severance Indemnity Fund for Employees Guarantee Fund for Lenght of Services - FGTS	**209,772**	102,307	**213,540**	204,152
Taxes, fees and Contributions	**3,383,616**	1,393,699	**3,740,985**	3,519,656
Federal	**1,630,897**	528,311	**1,896,507**	1,961,094
State	**1,724,540**	850,728	**1,800,547**	1,523,741
Municipal	**28,179**	14,660	**43,931**	34,821
Capital Remuneration from Third Parties	**1,706,554**	754,113	**2,391,881**	1,851,790
Interests	**1,456,652**	649,733	**2,108,799**	1,609,222
Rents	**249,902**	104,380	**283,082**	242,568
Interest on Own-Capital	**1,062,430**	770,002	**1,066,837**	777,442
Interest on Shareholders' Equity	**724,013**	274,750	**724,013**	274,750
Retained Earnings	**338,417**	495,252	**338,417**	495,252
Non-controlling Interest	**-**	-	**4,407**	7,440

See accompanying notes to the consolidated financial statements.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2013 and 2012
(Amounts expressed in thousands of Brazilian Reais, unless otherwise stated)

1. COMPANY'S OPERATIONS

BRF – Brasil Foods S.A. ("BRF") and its subsidiaries (collectively "Company") is one of Brazil's largest companies in the food industry. BRF is a public company, listed on the New Market of Brazilian Securities, Commodities & Futures Exchange ("BM&FBOVESPA"), under the ticker BRFS3, and listed on the New York Stock Exchange ("NYSE"), under the ticker BRFS. It´s headquarter is located at 475, 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 turkeys;
- Frozen cuts of chicken, turkey, pork and beef;
- Ham products, bologna, sausages, frankfurters and other smoked products;
- Hamburgers, breaded meat products and meatballs;
- Lasagnas, pizzas, cheese breads, pies and frozen vegetables;
- Milk, dairy products and desserts;
- Juices, soy milk and soy juices;
- Margarine, sauces and mayonnaise; and
- Soy meal and refined soy flour, as well as animal feed.

The Company's activities are segregated into 4 operating segments, being domestic market, foreign market, food service and dairy products, as disclosed in note 5.

In the domestic market, the Company operates 36 manufacturing facilities, segregated into: 29 meat processing plants, 11 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.

The Company has an advanced distribution system and uses 30 distribution centers (16 owned and 14 leased) to deliver its products to supermarkets, retail stores, wholesalers, restaurants and other institutional customers in the domestic market.

In the foreign market, the Company operates 11 manufacturing facilities, segregated into: 6 meat processing plants, 1 margarine and oil processing plant, 1 sauces and mayonnaise processing plant, 1 pasta and pastries processing plant, 1 frozen vegetables processing plant and 1 cheese processing plant and 15 distribution centers (4 owned and 11outsourced), besides subsidiaries or sales offices in the United Kingdom, Italy, Austria, Hungary, Japan, The Netherlands, Russia, Singapore, United Arab Emirates, Portugal, France, Germany, Turkey, China, Cayman Islands, South Africa, Venezuela, Uruguay and Chile.

The Company exports its products to more than 140 countries.

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

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

1.1. Interest in subsidiaries

Subsidiary		Main activity	Country	Participation	12.31.13	12.31.12
Avipal Centro-oeste S.A.	(a)	Industrialization and commercializations of milk	Brazil	Direct	**100.00%**	100.00%
Avipal S.A. Construtora e Incorporadora	(a)	Construction and real estate marketing	Brazil	Direct	**100.00%**	100.00%
BRF GmbH		Holding	Austria	Direct	**100.00%**	100.00%
Al-Wafi Food Products Factory LLC	(c)	Industrialization and commercialization of products	United Arab Emirates	Indirect	**49.00%**	-
Badi Ltd.		Import and commercialization of products	United Arab Emirates	Indirect	**100.00%**	100.00%
Al-Wafi Al-Takamol Imp.		Import and commercialization of products	Saudi Arabia	Indirect	**75.00%**	75.00%
BRF Brasil Foods África Ltd.		Import and commercialization of products	South Africa	Indirect	**100.00%**	100.00%
BRF Global Company Nigeria Ltd.	(g)	Marketing and logistics services	Nigeria	Indirect	**1.00%**	-
BRF Singapore PTE Ltd.	(j)	Marketing and logistics services	Singapore	Indirect	**100.00%**	100.00%
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	**90.00%**	90.00%
BRF Global Company Nigeria Ltd.	(g)	Marketing and logistics services	Nigeria	Indirect	**99.00%**	-
BRF Global GmbH	(b)	Holding and trading	Austria	Indirect	**100.00%**	100.00%
Xamol Consultores Serviços Ltda.	(a)	Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
Qualy 5201 B.V.	(b)	Import and commercialization of products	The Netherlands	Indirect	**100.00%**	100.00%
BRF Japan KK	(h)	Marketing and logistics services	Japan	Indirect	**100.00%**	100.00%
BRF Korea LLC	(i)	Marketing and logistics services	Korea	Indirect	**100.00%**	-
Federal Foods Ltd.	(d)	Import and commercialization of products	United Arab Emirates	Joint venture	**49.00%**	-
Perdigão Europe Ltd.		Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
Perdigão France SARL		Marketing and logistics services	France	Indirect	**100.00%**	100.00%

Subsidiary		Main activity	Country	Participation	12.31.13	12.31.12
Perdigão International Ltd.		Import and commercialization of products	Cayman Island	Indirect	**100.00%**	100.00%
BFF International Ltd.		Financial fundraising	Cayman Island	Indirect	**100.00%**	100.00%
Highline International	(a)	Financial fundraising	Cayman Island	Indirect	**100.00%**	100.00%
Plusfood Germany GmbH		Import and commercialization of products	Germany	Indirect	**100.00%**	100.00%
Plusfood Holland B.V.		Administrative services	The Netherlands	Indirect	**100.00%**	100.00%
Plusfood Groep B.V.	(f)	Holding	The Netherlands	Indirect	**-**	100.00%
Plusfood B.V.		Industrialization, import and commercializations of products	The Netherlands	Indirect	**100.00%**	100.00%
Plusfood Hungary Trade and Service LLC		Import and commercialization of products	Hungary	Indirect	**100.00%**	100.00%
Plusfood Iberia SL		Marketing and logistics services	Spain	Indirect	**100.00%**	100.00%
Plusfood Italy SRL		Import and commercialization of products	Italy	Indirect	**67.00%**	67.00%
Plusfood UK Ltd.		Import and commercialization of products	United Kingdom	Indirect	**100.00%**	100.00%
Plusfood Wrexham		Industrialization, import and commercializations of products	United Kingdom	Indirect	**100.00%**	100.00%
Rising Star Food Company Ltd.		Industralization, import and commercialization of products	China	Joint venture	**50.00%**	50.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	**40.00%**	40.00%
Sadia Foods GmbH	(a)	Import and commercialization of products	Germany	Indirect	**100.00%**	100.00%
BRF Foods LLC		Import and commercialization of products	Russia	Indirect	**10.00%**	10.00%
Wellax Food Logistics C.P.A.S.U. Lda.		Import and commercialization of products	Portugal	Indirect	**100.00%**	100.00%
BRF - Suínos do Sul Ltda.		Participation in other companies	Brazil	Direct	**99.00%**	99.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Industrialization and commercializations of dairy products	Argentina	Direct	**98.26%**	90.00%
K&S Alimentos S.A.		Industrialization and commercialization of products	Brazil	Affiliate	**49.00%**	49.00%
Nutrifont Alimentos S.A.	(c)	Industrialization and commercialization of products	Brazil	Affiliate	**50.00%**	50.00%
PDF Participações Ltda.	(l)	Holding	Brazil	Direct	**-**	1.00%
Sino dos Alpes Alimentos Ltda.		Industrialization and commercializations of products	Brazil	Indirect	**-**	0.01%
Perdigão Trading S.A.	(a)	Holding	Brazil	Direct	**100.00%**	100.00%
PDF Participações Ltda.	(l)	Holding	Brazil	Indirect	**-**	99.00%
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Indirect	**12.00%**	12.00%
PP-BIO Administração de bem próprio S.A.	(k)	Management of common assets	Brazil	Affiliate	**33.33%**	-
PSA Laboratório Veterinário Ltda.		Veterinary activities	Brazil	Direct	**88.00%**	88.00%
Sino dos Alpes Alimentos Ltda.	(a) (m)	Industrialization and commercializations of products	Brazil	Indirect	**100.00%**	99.99%
Quickfood S.A.		Industrialization and commercialization of products	Argentina	Direct	**90.05%**	90.05%
Sadia Alimentos S.A.		Import and export of products	Argentina	Direct	**99.98%**	99.98%
Avex S.A.		Industrialization and commercialization of products	Argentina	Indirect	**99.46%**	99.46%
Flora Dánica S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
GB Dan S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%
Flora San Luis S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
Flora Dánica S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%
GB Dan S.A.		Industrialization and commercialization of products	Argentina	Indirect	**95.00%**	95.00%
Flora San Luis S.A.		Industrialization and commercialization of products	Argentina	Indirect	**5.00%**	5.00%

Subsidiary		Main activity	Country	Participation	12.31.13	12.31.12
Sadia International Ltd.		Import and commercialization of products	Cayman Island	Indirect	**100.00%**	100.00%
Sadia Chile S.A.		Import and commercialization of products	Chile	Indirect	**60.00%**	60.00%
Sadia U.K. Ltd.	(a)	Import and commercialization of products	United Kingdom	Indirect	**100.00%**	100.00%
Sadia Uruguay S.A.		Import and commercialization of products	Uruguay	Indirect	**100.00%**	100.00%
Sadia Alimentos S.A.		Import and export of products	Argentina	Indirect	**0.02%**	0.02%
Sadia GmbH	(e)	Holding	Austria	Direct	**-**	100.00%
Sadia Overseas Ltd.		Financial fundraising	Cayman Island	Direct	**100.00%**	100.00%
UP Alimentos Ltda.		Industrialization and commercializations of products	Brazil	Affiliate	**50.00%**	50.00%
Vip S.A. Emp. Part. Imobiliárias		Commercialization of owned real state	Brazil	Direct	**100.00%**	100.00%
Establecimiento Levino Zaccardi y Cia. S.A.		Industrialization and commercializations of dairy products	Argentina	Indirect	**1.74%**	10.00%

(a) Dormant subsidiaries.

(b) The wholly-owned subsidiary BRF Global GmbH, previously denominated Acheron Beteiligung-sverwaltung GmbH, started to operate as a trading in the European market as from May 1, 2013. In addition, it owns 101 direct subsidiaries in Madeira Island, Portugal, with an investment as of December 31, 2013 of R$2,799 (R$2,169 as of December 31, 2012). The wholly-owned subsidiary Qualy 5201 B.V. owns 213 subsidiaries in The Netherlands being the amount of this investment as of December 31, 2013 of R$10,546 (R$10,5974 as of December 31, 2012). 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) Company in pre-operational phase.

(d) The BRF acquired 49% of the share interest equity with the rights to 60% of dividends as permitted by Federal Law Nº 8/1984, in force in the United Arab Emirates and according to the shareholders' agreement.

(e) Company incorporated by BRF GmbH on March 31, 2013.

(f) Company extinguished on June 20, 2013.

(g) Establishment of wholy-owned subsidiary on July 11, 2013.

(h) Change in the company's name from BRF Brasil Foods Japan KK to BRF Japan KK on September 1, 2013.

(i) Establishment of wholy-owned subsidiary on October 10, 2013.

(j) Change in the company's name from BRF Brasil Foods PTE Ltd to BRF Singapore PTE Ltd on October 18, 2013.

(k) Acquisition of shareholders interest on November 29, 2013

(l) Company extinguished on December 31, 2013.

(m) Gain in the settlement of wholly-owned subsidiary PDF Participações Ltda on December 31, 2013

1.2. Investment agreement with Minerva S.A. ("Minerva") and VDQ Holdings S.A. ("VDQ")

On November 01, 2013, entered into an investment agreement with Minerva S.A. ("Minerva"), one of the leading companies in South America in the production and sale of natura meat, live cattle and by-products, and by VDQ Holdings S.A. ("VDQ"), Minerva´s controlling shareholder. This Investment Agreement regulates the terms and conditions of an operation through which BRF will allocate its beef slaughtering plants in Várzea Grande and Mirassol (Mato Grosso State), as well as BRF's employees involved in these activities ("Newco Beef Division"), to a closed capital company that will be incorporated within Minerva, with subsequent increase in Minerva´s capital stock.

The Newco Beef Division will be an wholly-owned subsidiary of Minerva and BRF will hold 29,000,000 (twenty nine million) shares of Minerva, representing on the date of the conclusion of the Operation a percentage equivalent to 16.8% of the total and voting capital stock of Minerva. Within the context of the Operation, (i) BRF and VDQ entered a shareholders´ agreement under which VDQ will maintain control of Minerva and BRF will indicate two members to the Board of Directors, ensuring certain protective rights commensurate with its minority interest, and (ii) Minerva and BRF signed a non-exclusive supply agreement whereby Minerva will supply to BRF raw materials competitively, with quality and ensuring supply to the BRF continue with its business value-added beef products.

Through this agreement, BRF will adjust its operating model on the beef market. It will not leave the business but will deverticalize the chain, leaving the management of slaughtering activities to the care of an expert company – Minerva – while it strengthens its presence in the food services and food from processed beef segments.

The implementation of the Operation is subject to the approval by the Administrative Council for Economic Defense ("CADE") and of general meeting of Minerva shareholders.

1.3.Seasonality

The Company does not operate with any significant seasonality through the fiscal year. In general, during the fourth quarter the demand in the domestic market is slightly stronger than in the other quarters, mainly due to the year-end holiday season such as Christmas and New Year's Eve. Our bestselling products are: turkey, *Chester®* and ham.

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

The Company's consolidated financial information are prepared 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 financial statements has been prepared in accordance with the accounting practices adopted in Brazil and for presentation purposes, is identified as "BR GAAP". Such information differs from IFRS in relation to the evaluation of investments in subsidiaries, affiliates and joint ventures, which were measured and recorded based on the equity pick-up accounting method rather than at cost or fair value, as required by IFRS.

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

The preparation of the Company's quarterly financial statements requires Management to make judgments, use estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities as of the date of these quarterly financial statements. However, the uncertainty related to these judgments, assumptions and estimates could result in material adjustments to the carrying amounts of the affected assets and liabilities in future periods.

The Company reviews its judgments, estimates and assumptions on a quarterly basis.

The individual and consolidated financial statements were prepared on the historical cost basis except for the following items recognized in the balance sheet:

- derivative and non-derivative financial instruments measured at fair value through the statement of income;
- available for sale financial assets measured at fair value;
- share-based payments and employee benefits measured at fair value.

3.SUMMARY OF ACCOUNTING PRACTICES

3.1. Consolidation: includes the BRF's consolidated financial statements and the financial statements from subsidiaries where BRF has direct or indirect control. All transactions and balances between BRF and its subsidiaries have been eliminated upon consolidation, as well as the unrealized profits or losses arising from transactions between the Company and its subsidiaries. Non-controlling interest is presented separately.

In the preparation of the consolidated financial statements, the Company applied IAS 21, related to Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements. Pursuant to this accounting pronouncement, the Company must apply the following criteria presented in item 3.2 for the consolidation of foreign subsidiaries.

3.2. Functional currency: the financial statements of each subsidiary included in the Company's consolidated financial statements are prepared using the currency of the main economic environment where it operates. The foreign subsidiaries adopt the Brazilian Real as their functional currency, except for subsidiaries Plusfood Groep B.V. which adopts the Euro ("EUR") and Avex S.A., Dánica group, Quickfood S.A. and Sadia Alimentos which adopt the Argentine Peso ("ARS"), as their functional currency.

The financial statements of foreign subsidiaries are translated in to Brazilian Reais in accordance with their functional currency using the following criteria:

Functional currency – Euro/Argentine Peso

- Assets and liabilities are translated at the exchange rate in effect at the end of the year;
- Statement of income accounts are translated at the exchange rate obtained from the monthly average rate of each month; and
- The cumulative effects of gains or losses upon translation are recognized as Foreign Currency Translation Adjustments in the shareholders' equity.

Functional currency – Brazilian Reais

- Non-monetary assets and liabilities are translated at the historical rate of the transaction;
- Monetary assets and liabilities are translated at the exchange rate in effect at the end of the year;
- Statement of income accounts are translated at the exchange rate obtained from the monthly average rate of each month; and
- The cumulative effects of gains or losses upon translation are recognized in the statement of income.

3.3. Investments: investments in associates and joint venture are initially recognized at cost and adjusted thereafter for the equity method. In investments associates, the Company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In investments in joint venture there is the contractually agreed sharing control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3.4. Business combinations:

business combinations are accounted for using the purchase method. The cost of an acquisition is the sum of the consideration transferred, evaluated based on the fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. Costs directly attributable to the acquisition are accounted for as an expense when incurred.

When acquiring a business, management evaluate the assets acquired and the liabilities assumed in order to classify and allocate them pursuant to the terms of the agreement, economic circumstances and the conditions at the acquisition date.

Goodwill is measured as the excess of the consideration transferred over the fair value of the net assets acquired (assets acquired minus liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of income.

After initial recognition, goodwill is measured at cost, net of any accumulated impairment losses. For purposes of impairment testing, the goodwill acquired in a business combination, as from the acquisition date, is allocated to each of the Company's cash generating units expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquire are attributed to these units.

3.5. Segment information:

an operating segment is a component of the Company that carries out business activities from which it can obtain revenues and incur expenses. The operating segments reflect how the Company's management reviews financial information to make decisions. The Company's management has identified 4 reportable segments, which meet the quantitative and qualitative disclosure requirements. The segments identified for disclosure represent mainly sales channels. The information according to the characteristics of the products is also presented, based on their nature, as follows: poultry, pork, beef, dairy products, processed products, other processed products and other sales.

3.6. Cash and cash equivalents: include cash on hand, bank deposits and highly liquid investments in fixed-income funds and/or securities with maturities, upon acquisition, of 90 days or less, which are readily convertible into known amounts of cash and subject to insignificant risk of change in value. The investments classified in this group, due to their nature, are measured at fair value through the profit and loss and will be utilized by the Company in the short term.

3.7. Financial instruments: financial assets and liabilities are recorded on the date they are delivered to the Company (settlement date) and classified based on the purpose for which they were acquired, being divided into the following categories: financial investments, loans, receivables, derivatives and other.

3.7.1 Financial investments: are financial assets that comprise public and private fixed-income securities, classified and recorded based on the purpose for which they were acquired, in accordance with the following categories:

- Trading securities: acquired for sale or repurchase in the short term, recorded at fair value with variations directly recorded in the statement of income for the year within interest income or expense;
- Held to maturity: when the Company has the intention and financial ability to hold them up to maturity, investments are recorded at amortized cost, plus interest, monetary and exchange rate changes, when applicable, and recognized in the statement of income when incurred, within interest income or expense; and
- Available for sale: this category is for all the financial assets that are not classified as any of the categories above and which are measured at fair value, with variations recorded in the shareholders' equity within other comprehensive income while the asset is not realized, net of taxes. Interest, inflation adjustments and exchange rate changes, when applicable, are recognized in the statement of income when incurred within interest income or expense.

3.7.2 Derivatives measured at fair value: derivatives that are actively traded on organized markets, and their fair value are determined based on the amounts quoted in the market at the balance sheet date. These financial instruments are designated at initial recognition, classified as other financial assets and/or liabilities, with a corresponding entry in the statement of income within "Financial income or expenses" or 'Cash flow hedge', which are recorded in shareholders equity, shareholders net of taxes.

3.7.3 Hedge transactions: the Company utilizes derivative and non-derivative financial instruments, as disclosed in note 4, to hedge the exposure to exchange rate and interest variations or to modify the characteristics of financial assets and liabilities and highly probable transactions, which are: (i) highly correlated to changes in the market value of the item being hedged, both at inception and throughout the term of the contract (effectiveness between 80% and 125%); (ii) supported by documents that identify the transaction, the hedged risk, the risk management process and the methodology used to assess effectiveness; and (iii) considered effective in the mitigation of the risk associated with the hedged exposure. These transactions are accounted for in accordance with IAS 39 "Financial Instruments – Recognition and measurement", which allows the application of the hedge accounting methodology with the effects of the measurement at fair value recognized in shareholders' equity and the realization in the statement of income under a caption corresponding to the hedged item.

Hedges that meet the criteria of hedge accounting are recorded as cash flow hedge.

In a cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognized as other comprehensive income, while the ineffective portion of the hedge is recognized immediately as financial income or expense.

The amounts recorded as other comprehensive income are immediately transferred to the statement of income when the hedged transaction affects the statement of income, for example, when the forecasted revenue in foreign currency occurs.

If the occurrence of the forecasted transaction or firm commitment is no longer expected, the amounts previously recognized in equity are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its classification as a hedge is revoked, the gains or losses previously recognized in other comprehensive income remain deferred in shareholders' equity as other comprehensive income until the forecasted transaction or firm commitment affect the statement of income.

3.7.4 Loans and receivables: these are financial assets with fixed or determinable payments which are not quoted on an active market. Such assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost under the effective interest rate method, less any impairment losses.

3.8. Adjustment to present value:
the Company and its subsidiaries measure the adjustment to present value of outstanding balances of other non-current assets, trade payables, social obligations and other non-current liabilities. The Company adopts the weighted average of the cost of funding on the domestic and foreign markets to determine the adjustment to present value to the assets and liabilities previously mentioned, which corresponds to annual rate of 5.72% (6.06% as of December 31, 2012).

3.9. Trade receivables and other receivables:
are recorded at the invoiced amount and adjusted to present value, when applicable, net of estimated losses on doubtful accounts.

The Company adopts procedures and analyses to establish credit limits and substantially does not require collateral from customers. In the event of default, collection attempts are made, which includes direct contact with customers and collection through third parties. Should these efforts prove unsuccessful, court measures are considered and the notes are reclassified to non-current assets at the same time receivables are written-off. The notes are written-off from the provision when management considers that they are not recoverable after taking all appropriate measures to collect.

3.10. Inventories: are evaluated at average acquisition or formation cost, not exceeding market value or net realizable value. The cost of finished products includes raw materials, labor, cost of production, transport and storage, which are related to all process needed to make the products ready for sale. Provisions for obsolescence, adjustments to net realizable value, impaired items and slow-moving inventories are recorded when necessary. Usual production losses are recorded and are an integral part of the production cost of the respective month, whereas unusual losses, if any, are recorded as other operating expense.

3.11. Biological assets: in accordance with IAS 41 "Biological Assets" the Company recognizes biological assets when it controls these assets as a result of a past event and it is probable that future economic benefits associated with these assets will flow to the Company and fair value can be reliably estimated.

The biological assets are measured at fair value less selling expenses at the time they are initially recognized and at the end of each reporting period, except for cases in which the fair value cannot be reliably estimated.

The biological assets consumables and for production (live animals) are measured for the cost of formation (see note 10).

3.12. Non-current assets held for sale:
are those identified as unusable by the Company and whose sale has been authorized by management e, accordingly, there is a firm commitment to identify a purchaser and conclude the sale. These assets are readily available and it is unlikely there will be changes in the plan to sale. Such assets are measured at carrying amount or fair value, whichever is lower, net of selling costs and are not depreciated or amortized.

3.13. Property, plant and equipment:

stated at cost of acquisition, formation or construction, less accumulated depreciation and impairment losses, when applicable. The borrowing costs are capitalized as a component of construction in progress, pursuant to IAS 23 considering the weighted average interest rate of the debt at the capitalization date.

Depreciation is recognized based on the estimated economic useful life of each asset on a straight-line basis. The estimated useful life, residual values and depreciation methods are annually reviewed and the effects of any changes in estimates are accounted for prospectively. Land is not depreciated.

The IAS 36 requires that a recovery evaluation of these assets should be done, whenever there is evidence of loss in comparison with the net realizable value, either by sale or use. The Company annually performs an analysis of impairment indicators of property, plant and equipment along with goodwill impairment test. If an impairment indicator is identified, the corresponding assets are tested for impairment using the discounted cash flow methodology. Hence, when an impairment is identified, a provision is recorded. These investments were tested for impairment in 2013, and no adjustments were identified. The details of this test are described in note 18.

Gains and losses on disposals of property, plant and equipment are calculated by comparing the proceeds with the residual book value and recognized in the statement of income at the disposal date.

3.14. Intangible assets: are identifiable

nonphysical assets, under the Company's control which generate future economic benefits.

Intangible assets acquired are measured at cost at the time they are initially recognized. The cost of intangible assets acquired in a business combination corresponds to the fair value at acquisition date. After initial recognition, intangible assets are presented at cost less accumulated amortization and impairment losses, when applicable. Internally-generated intangible assets, excluding development costs, are not capitalized but recognized in the statement of income for the year in which they were incurred.

The useful life of intangible assets is assessed as finite or indefinite. Intangible assets with a finite life are amortized over the economic useful life and reviewed for impairment whenever there is an indication of a reduction in the economic value of the asset. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. The amortization of intangible assets with a finite useful life is recognized in the statement of income as an expense consistently with the use of the intangible asset.

Intangible assets with an indefinite useful life are not amortized, but are tested annually for impairment on an individual basis or at the cash generating unit level. The Company records in intangible assets the goodwill balance.

Goodwill recoverability was tested in the last quarter of 2013 and no impairment loss was identified. Such test involved the adoption of assumptions and judgments, as detailed in note 18.

3.15. Income and social contribution taxes:

in Brazil, are comprised of income tax ("IRPJ") and social contribution ("CSLL"), which are calculated monthly on taxable income, at the rate of 15% plus a 10% surtax for IRPJ and of 9% for CSLL, considering the offset of tax loss carryforwards, up to the limit of 30% of annual taxable income.

The income from foreign subsidiaries is subject to taxation in their home countries, pursuant to the local tax rates and standards.

Deferred taxes represent credits and debits on IRPJ and CSLL tax losses, as well as temporary differences between the tax basis and the carrying amount. Deferred income tax and social contribution assets and liabilities are classified as non-current, as required by IAS 1. When the Company's analysis indicates that the realization of these credits, within 10 years, is not probable, a provision for losses is recorded.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity. In the consolidated financial statements, the Company's tax assets and liabilities can be offset against the tax assets and liabilities of the subsidiaries if, and only if, these entities have a legally enforceable right to make or receive a single net payment and intend to make or receive this net payment, or recover the assets and settle the liabilities simultaneously. Therefore, for presentation purposes, the balances of tax assets and tax liabilities are being disclosed separately.

Deferred tax assets and liabilities must be measured by rates that are expected to be applicable for the period when the assets are realized and liabilities settled, based on the rates (and fiscal regulation) that are in force at the balance sheet date.

3.16. Accounts payable and trade accounts payable: are initially recognized at fair value

and subsequently increased, if applicable, with accrued charges, monetary and exchange variations incurred through the balance sheet date.

3.17. Provision for tax, civil and labor risks and contingent liabilities: provisions

are established when the Company has a present obligation, formalized or not, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The Company is part of various lawsuits, including, tax, labor and civil claims. The assessment of the likelihood of an unfavorable outcome in these lawsuits includes the analysis of the available evidence, the hierarchy of the laws, available former court decisions, as well as the most recent court decisions and their importance to the Brazilian legal system, as well as the opinion of external legal counsel. The provisions are reviewed and adjusted to reflect changes in the circumstances, such as the applicable statute of limitation, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

A contingent liability recognized in a business combination is initially measured at fair value and subsequently measured at the higher of:

- the amount that would be recognized in accordance with the accounting policy for the provisions above (IAS 37); or
- the amount initially recognized less, if appropriate, cumulative amortization recognized in accordance with the revenue recognition policy (IAS 18).

As a result of the business combination with Sadia, Avex and Dánica group the Company recognized contingent liabilities related to tax, civil and labor claims, as detailed in note 25.

3.18. Leases: lease transactions in which the risks and rewards of ownership are substantially transferred to the Company are classified as finance leases. When there is no significant transfer of the risks and rewards of ownership, lease transactions are classified as operating leases.

Finance lease agreements are recognized in property, plant and equipment and in liabilities at the lower of the present value of the minimum future payments of the agreement and the fair value of the asset, including, when applicable, the initial direct costs incurred in the transaction. The amounts recorded in property, plant and equipment are depreciated and the underlying interest is recorded in the statement of income in accordance with the terms of the lease agreement.

Operating lease agreements are recognized as expenses throughout the lease period.

3.19. Share based payments: the Company provides share based payments for its executives, which are settled with Company shares. The Company adopts the provisions of CVM Deliberation No. 650/10, recognizing as an expense, on a straight-line basis, the fair value of the options granted, over the length of service required by the plan, with a corresponding entry to equity. The accumulated expense recognized reflects the acquired vesting period and the Company's better estimate of the number of shares to be acquired.

The expense or income arising from the movement during the year is recognized in the statement of income under other operating results. No expense is recognized for options that have not completed their vesting period.

The dilution effect of outstanding options is reflected as additional dilution in the calculation of diluted earnings per share.

3.20. Employees benefits plan: the Company sponsor 04 supplementary defined benefit plans, as well as other post-employment benefits, for those, annually an appraisal actuarial is prepared by an independent expert. The costing of defined benefits is established separately for each plan using the projected unit credit method.

The measurements comprise the actuarial gains and losses, the effect of a limit on contributions and yields on plan contributions and are recognized in the balance sheet against other comprehensive income when incurred. The measurements are not reclassified in the subsequent periods of statement of income.

The Company recognizes the net defined benefit asset, when:
- controls a resource and has the ability to use the surplus to generate future benefits;
- the control is a result of past events; e
- the future economic benefits are available to the Company in the form of a reduction in future contributions or a cash refund, either directly to the entity or indirectly to another plan in deficit. The asset ceiling is the present value of those future benefits.

The past service cost is recognized in the statement of income at the earlier of the following dates:
- when the plan amendment or curtailment occurs, or
- when the Company recognizes related restructuring costs.

The past service cost and net interest on net defined benefit liability or asset are recognized in the statement of income within other operating results.

3.21. Capital: corresponds to the value obtained in the issuance of common shares. Additional costs directly attributable to issue of shares are recognized as a deduction from equity, net of tax effects.

3.22. Treasury shares: when the capital recognized as equity is repurchased, the amount of compensation paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The repurchased shares are classified as treasury shares and are disclosed as a deduction from equity. When treasury shares are subsequently sold or reissued, the value received is recognized as an increase in shareholders' equity in capital reserves.

3.23. Earnings per share: basic earnings per share are calculated by dividing the net profit attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares during the year. Diluted earnings per share are calculated by dividing the net profit attributable to the holders of ordinary shares of the Company by the weighted average number of ordinary shares during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

3.24. Determination of income: results from operations are recorded on an accrual basis.

3.25. Revenues: revenues comprise of the fair value of consideration received or receivable by the sale of products, net of taxes, returns, rebates and discounts. In the consolidated financial statements and also net of eliminations of sales between BRF and its subsidiaries.

Revenues are recognized in accordance with the accrual basis of accounting, when the sales value is reliably measurable and when the Company no longer has control over the goods sold, or otherwise related to the property, the costs incurred or to be incurred due to transaction can be reliably measured, it is probable that economic benefits will be received by the Company and the risks and benefits were fully transferred to the purchaser.

In addition, the Company and its subsidiaries have incentive programs and sales discounts, which are accounted for as deductions from sales or selling expenses, based on their nature. These programs include discounts to customers for a good sales performance based on volumes and marketing actions carried out at the sales points.

3.26. Employee and management profit sharing: employees are entitled to profit sharing based on certain targets agreed upon on an annual basis, whereas managers are entitled to profit sharing based on the provisions of the bylaws, proposed by the Board of Directors and approved by the shareholders. The profit sharing amount is recognized in the statement of income for the period in which the targets are attained.

3.27. Research and development: expenditures on research activities, undertaken to gain knowledge and understanding of science or technology, are recognized in income as incurred. Development activities involve a plan or project aimed at producing new or significantly improved technologies, process or products. The development costs are capitalized only if development costs can be reliably measured, if the product or process is technically and commercially viable if the future economic benefits are probable, and if the Company has the intention and the resources to complete the development and use or sell the asset. The expenditures capitalized include the cost of materials, labor, manufacturing costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in statement of income as incurred.

The capitalized development expenditures are measured at cost less accumulated amortization and impairment losses.

3.28. Financial income: include interest earnings

on amounts invested (including available for sale financial assets), dividend income (except for dividends received from equity investees), gains on disposal of available for sale financial assets, changes in fair value of financial assets measured at fair value through income and gains on hedging instruments that are recognized in income. Interest income is recognized in earnings through the effective interest method. The dividend income is recognized in the statement of income on the date that the Company's right to receive payment is established. The distributions received from investees that are recorded under equity income reduce the value of the investment, on the individual financial statements.

3.29. Subsidies and tax incentives:

government subsidies are recognized at fair value when there is reasonable assurance that the conditions established are met and related benefits will be received. The amounts are accounted for as follows:

- Subsidies relating to assets: are accounted for in the statement of income in proportion to the depreciation of the asset; and
- Subsidies to investments: the amounts recorded as revenue in the statement of income when excluded from the income tax and social contribution calculation basis are reclassified to shareholders' equity, as a reserve of tax incentives, unless there are accumulated losses.

3.30. Dividends and interest on shareholders' equity: the proposal for payment

of dividends and interest on shareholders' equity made by the Company's Management, which is within the portion equivalent to the mandatory minimum dividend, is recorded in current liabilities, as a legal obligation provided for in the bylaws; on the other hand, the dividends that exceed the mandatory minimum dividend, declared by management before the end of the accounting period covered by the consolidated financial statements, not yet approved by the shareholders, is recorded as additional dividend proposed in shareholders' equity.

For financial statement presentation purposes, interest on shareholders' equity is stated as an allocation of income directly in shareholders' equity.

3.31. Translation of assets and liabilities denominated in foreign currency:

as mentioned in item 3.2 above, the balances of assets and liabilities of foreign subsidiaries are translated into Brazilian Reais using the exchange rates in effect at the balance sheet date and statement of income accounts are translated at the average monthly rates.

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

Final rate	**12.31.13**	12.31.12
U.S. Dollar (US$)	**2.3426**	2.0435
Euro (€)	**3.2265**	2.6954
Pound Sterling (£)	**3.8728**	3.3031
Argentine Peso (AR$)	**0.3594**	0.4160

Average rates		
U.S. Dollar (US$)	**2.1576**	1.9546
Euro (€)	**2.8677**	2.5114
Pound Sterling (£)	**3.3779**	3.0989
Argentine Peso (AR$)	**0.3947**	0.4295

3.32. Accounting judgments, estimates and assumptions: as mentioned in note 2, in

the process of applying the Company's accounting policies, management made the following judgments which have a material impact on the amounts recognized in the consolidated financial statements:

- fair value of financial instruments, see note 4;
- impairment of non-financial assets, see note 5 and 18;
- measurement at fair value of items related to business combinations;
- estimated losses on doubtful accounts, see note 8;
- net realizable value provision for inventories, see note 9;
- biological assets, see note 10;
- loss on the reduction of recoverable value of taxes, see note 11 and 13;
- useful lives of property, plant and equipment and intangible, see note 17 and 18.
- share-based payment transactions, see note 23;
- supplementary retirement plan, see note 24; and
- provision for tax, civil and labor risks, see note 25.

The Company reviews quarterly estimates and underlying assumptions used in its accounting estimates on a quarterly basis. Revisions to accounting estimates are recognized in the financial statements in the period in each the estimates are revised.

3.33. Statement of added value: a the

Company prepared individual and consolidated statements of added value ("DVA") in accordance with CMV Deliberation Nº 557/08, which are submitted as part of these financial statements in accordance with BR GAAP. It represents for IFRS additional financial information.

3.34. New pronouncements or reviewed first applied in 2013: the Company adopts CVM

Deliberation No. 695/12, which approved the technical pronouncement CPC 33 (R1), retrospectively this year, according to the transitory dispositions established for such new pronouncement. Thus, the opening balance sheet of the last comparative year disclosed (1:01:12) and comparative amounts were consequently restated.

The CVM Deliberation 695/12 amends, among other provisions, the accounting for defined benefit plans and post-employment, considering that the main amendments that affect the Company's financial statements were:

- The interest cost and expected return on plan assets at measured in the previous version of CVM Deliberation No. 695/12, were remeasured by a net interest in accordance with the revised deliberation by using the same discount rate applied in the calculation of the net defined benefit liability at the beginning of each annual disclosure. Previously, the calculation determined the interest income on plan assets based on the expected rate of return on long term assets. Arising from this amendment, was debited an amount of R$56.352 (net of taxes of R$29.030) in the statement of income in the year ended December 31, 12 against other comprehensive income. No impact in equity was recorded.
- The cost and past service benefit, according to the previous version of CVM Deliberation No. 695/12, were deferred and recognized through for future years. Thus, as a result from amendment of such Deliberation those items are recognized directly in statement of income. Due to migration among medical plans, occurred during the year 2012, the Company measured a gain not recognized in the amount of R$18.889 which was debited as a liability against statement of income, along with the related tax effect in the amount of R$6.762.

Mandatory disclosures required by CVM Deliberation No. 695/12 are presented in note 24.

The impact of amendments due to adoption of CVM Deliberation No. 695/12 on the financial position and statement of income the Company are presented below:

	BR GAAP and IFRS		
	Parent company and Consolidated		
	Disclosed	Adjustments	Restated
	12.31.12	CVM Deliberation No. 695/12	12.31.12
ASSETS			
Other assets	30,047,306	-	30,047,306
Deferred taxes - non-current	724,942	(6,762)	718,180
Effect on total assets	**30,772,248**	**(6,762)**	**30,765,486**
LIABILITIES			
Other liabilities	15,892,362	-	15,892,362
Employee Benefits - non-current	303,846	(19,889)	283,957
Effect on total liabilities	**16,196,208**	**(19,889)**	**16,176,319**
SHAREHOLDERS´EQUITY			
Other comprehensive income			
Other comprehensive income	(148,662)	-	(148,662)
Actuarial gains (losses)	(79,316)	85,382	6,066
Taxes gains (losses)	26,966	(29,030)	(2,064)
Others shareholders' equity accounts	14,777,052	(43,225)	14,733,827
Effect on shareholders' equity	**14,576,040**	**13,127**	**14,589,167**
Effect on total liabilities and shareholders' equity	**30,772,248**	**(6,762)**	**30,765,486**

	BR GAAP and IFRS		
	Parent company and Consolidated		
	As originally disclosed	Adjustments	Restated
	12.31.12	CVM Deliberation No. 695/12	12.31.12
STATEMENT OF INCOME			
Gross margin	**6,453,820**	**-**	**6,453,820**
Operating income (expense)			
Other operating expenses, net	(4,683,796)	-	(4,683,796)
Other operating results	(381,109)	(65,493)	(446,602)
Income before financial	**1,388,915**	**(65,493)**	**1,323,422**
Financial incomes (expense), net	(570,602)	-	(570,602)
Income before taxes	**818,313**	**(65,493)**	**752,820**
Income and social contribution - current	(18,967)	-	(18,967)
Income and social contribution - deferred	21,321	22,268	43,589
Effect on net income	**820,667**	**(43,225)**	**777,442**
Attributable			
BRF shareholders'	813,227	(43,225)	770,002
Non-controlling interest	7,440	-	7,440

Reconciliation of shareholders' equity and the net profit are presented below:

	BR GAAP and IFRS			
	12.31.12			
	Shareholders' equity		Net profit	
	Parent company	Consolidated	Parent company	Consolidated
Amounts disclosed by the previous criteria	**14,538,528**	**14,576,040**	**813,227**	**820,667**
Remeasurement of CVM Deliberation No. 695/12:				
Defined benefit plan - FAF:				
Yield of assets higher than projection	30,023	30,023	(30,023)	(30,023)
Interest on ceiling asset recognition	55,359	55,359	(55,359)	(55,359)
Taxes on defined benefits adjustments	(29,030)	(29,030)	29,030	29,030
Remeasurement of other comprehensive income	(56,352)	(56,352)	-	-
Post-employment benefit - Medical plan:				
Gains on past service non recognized	19,889	19,889	19,889	19,889
Taxes on ost-employment benefit	(6,762)	(6,762)	(6,762)	(6,762)
Amounts disclosed by the new criteria	**14,551,655**	**14,589,167**	**770,002**	**777,442**

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

4.1. Overview

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

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

- The Board of Directors is responsible for approving the Risk Policy. Moreover, the Board of Directors defines the limits of tolerance of the different risks identified as acceptable for the Company on behalf of its shareholders;
- The Financial Risk Management Committee is in charge of the execution of the Risk Policy, which comprises the supervision of the risk management process, planning and verification of the impacts of the decisions implemented, as well as the evaluation and approval of hedging strategies and monitoring the exposure levels to risks to ensure the compliance of the Risk Policy;
- The Board of Executive Officers is in charge of the evaluation of the Company's positioning for each identified risk, according to the guidelines enacted by the Board of Directors; and
- The Risk Management area has as a crucial role monitoring, evaluating and reporting of financial risks taken by the Company.

The Risk Policy does not authorize the Company's management to contract leveraged transactions in derivative markets, as well as determines that individual hedge operations (notional amount) must be limited to 2.5% of the Company's shareholders' equity.

a.Credit risk management
The Company is subject to the credit risk related to trade accounts receivable, financial investments and derivative contracts, as follows:

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

On December 31, 2013, the Company had financial investments over R$10,000 at the following financial institutions: Banco Bradesco, Banco do Brasil, Banco do Nordeste, Banco HSBC, Banco Itaú, Banco Safra, Banco Santander and Caixa Econômica Federal.

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

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

- Cash Flow at Risk ("CFaR"), which aims to statistically model the future cash flows for the next twelve months and how much its liquidity is exposed, given its projections. Allied to this metric, the Company determined that the minimum value of its cash availability should consider mainly the average monthly revenue and EBITDA for the last twelve-month period; and
- Value at Risk ("VaR"), for derivative transactions, which may require payments of periodic adjustments. Currently, the Company holds only BM&F operations with daily adjustments and in order to control the adjustments, the VaR methodology is utilized, which statistically measures potential maximum adjustments to be paid at intervals of 1 to 21-days.

The Company maintains its leverage levels in a manner to not impact the ability to honor commitments and obligations. As a guideline, the majority of the debt should be in long term. On December 31, 2013, the long term debt portion accounted for 73.5% (74.3% as of December 31, 2012) of the total outstanding debt with an average term greater than 4.8 years.

The table below summarizes the commitments and contractual obligations that may impact the Company's liquidity as of December 31, 2013:

								BR GAAP
								Parent company
								12.31.13
	Book value	Cash flow contracted	2014	2015	2016	2017	2018	After 5 years
Non derivative financial liabilities								
Loans and financing	4,341,165	4,753,997	2,606,875	395,426	311,872	477,885	504,510	457,429
BRF bonds	3,334,136	4,919,531	188,237	188,237	188,237	188,237	668,862	3,497,721
Trade accounts payable	3,378,029	3,378,029	3,378,029	-	-	-	-	-
Capital lease [1]	187,856	304,958	51,454	41,335	24,393	20,485	20,485	146,806
Operational lease	-	341,311	65,395	42,548	38,951	38,224	34,631	121,562
Derivative financial liabilities								
Designated as hedge accounting								
Interest rate and exchange rate derivatives	237,111	194,468	153,609	12,532	12,601	12,437	3,289	-
Currency derivatives (NDF)	59,431	8,010	8,010	-	-	-	-	-
Fixed exchange rate	11,947	(6,277)	(6,277)	-	-	-	-	-
Currency derivatives (options)	2,970	(1,410)	(1,410)	-	-	-	-	-
Not designated as hedge accounting								
Interest rate and exchange rate derivatives	6,104	5,375	4,182	1,193	-	-	-	-
Commodities derivatives	638	2,053	2,053	-	-	-	-	-

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

	BR GAAP and IFRS							
	Parent company							
	12.31.13							
	Book value	Cash flow contracted	2014	2015	2016	2017	2018	After 5 years
Non derivative financial liabilities								
Loans and financing	4,769,877	5,208,847	2,785,693	402,206	332,520	488,733	742,266	457,429
BRF bonds	3,334,136	4,919,531	188,237	188,237	188,237	188,237	668,862	3,497,721
BFF bonds	1,501,982	2,168,850	106,876	106,876	106,876	106,876	106,876	1,634,470
Sadia bonds	520,609	641,469	35,547	35,547	35,547	534,828	-	-
Quickfood bonds	54,586	77,133	11,755	39,731	25,647	-	-	-
Trade accounts payable	3,674,705	3,674,705	3,674,705	-	-	-	-	-
Capital lease [1]	188,839	306,210	52,444	41,437	24,553	20,485	20,485	146,806
Operational lease	-	342,456	66,329	42,658	39,052	38,224	34,631	121,562
Derivative financial liabilities								
Designated as hedge accounting								
Interest rate and exchange rate derivatives	275,865	261,466	166,702	25,848	25,770	25,679	17,177	290
Currency derivatives (NDF)	59,431	8,010	8,010	-	-	-	-	-
Fixed exchange rate	11,947	(6,277)	(6,277)	-	-	-	-	-
Currency derivatives (options)	2,970	(1,410)	(1,410)	-	-	-	-	-
Not designated as hedge accounting								
Currency derivatives (NDF)	227	(2,039)	(2,039)	-	-	-	-	-
Currency derivatives (Future)	-	-	-	-	-	-	-	-
Interest rate and exchange rate derivatives	6,104	5,375	4,182	1,193	-	-	-	-
Commodities derivatives	638	2,053	2,053	-	-	-	-	-

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

c.Interest rate risk management
The risk of interest rates is that one which the Company may suffer economic losses, arising from changes in these rates, which could affect assets and liabilities of the Company.

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

The Company's indebtedness is essentially tied to the London Interbank Offered rate ("LIBOR"), fixed coupon ("R$ and USD"), Long Term Interest Rate ("TJLP") and Currency of the Bank National Economic and Social Development ("UMBNDES") rates. In case of adverse changes in the market that result in LIBOR hikes, the cost of the floating indebtedness rises and on the other hand, the cost of the fixed indebtedness decreases in relative terms. The same consideration is also applicable to the TJLP and UMBNDES.

With regards to the Company's marketable securities, the main index is the Interbank Deposit Certificate ("CDI") for investments in the domestic market and fixed coupon ("USD") for investments in the foreign market.

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

The Risk Policy is intended to protect the Company's results from these variations, in order to:
- Protect operating revenues and costs that are related to transactions arising from commercial activities, such as estimated exports and purchase of raw materials, utilizing hedging instruments, that is, to protect its future cash flow denominated in foreign currency; and
- Balance assets and liabilities denominated in foreign currencies, thus protecting the balance sheet of the Company, through the use of over-the-counter transactions and transactions on the futures exchange.

The Company's financial statements are mainly impacted by the following currencies: (i) U.S. Dollar ("US$" or "USD"), (ii) Euro ("EUR"), (iii) Pound Sterling ("GBP") and (iv) Argentine Peso ("ARS"). Assets and liabilities denominated in foreign currency are as follows:

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
	Total exposure	
Cash and cash equivalents and marketable securities	**2,651,927**	1,502,407
Trade accounts receivable	**1,593,473**	1,606,544
Accounts receivable from subsidiaries	**146,223**	-
Restricted cash	**-**	9,137
Future dollar agreements	**480,233**	204,350
Inventories	**50,808**	543,030
Exchange rate contracts (Swap)	**(20,158)**	(31,652)
Loans and financing	**(6,108,727)**	(5,628,401)
Bonds designated as cash-flow hedge	**702,780**	306,525
Exports pre-payment designated as cash-flow hedge	**702,780**	815,778
Trade accounts payable	**(634,214)**	(479,730)
Other assets and liabilities, net	**231,459**	310,829
	(203,416)	(841,183)
Foreign exchange exposure (in US$)	**(86,833)**	(411,638)
Foreign exchange exposure impacting the income (in US$)	**28,747**	(411,638)
Foreign exchange exposure impacting the shareholders' equity (in US$)	**(115,580)**	272,810
Foreign exchange exposure (in US$)	**(86,833)**	(411,638)

The Company's net foreign exchange exposure as of December 31, 2013, corresponds to a liability amounting to US$86,833. Due to the impacts of the functional currency, net foreign exchange exposure is composed of: (i) an asset totaling US$28,747, which variations are recorded in the statement of income and (ii) a liability totaling US$115,580, which variation are recognized in the shareholders' equity. On December 31, 2013, the net foreign exchange exposure is within the limit set by the Company's Risk Policy.

e.Commodity price risk management
In the regular course of its operations, the Company purchases commodities, mainly corn, soy meal and live hog and cattle, which are some of the individual components of production cost.

Corn and soymeal prices are subject to volatility resulting from weather conditions, crop yield, transportation and storage costs, government's agricultural policy, foreign exchange rates and the prices of these commodities on the international market, among others factors. The prices of hog acquired from third parties are subject to market conditions and are influenced by internal availability and levels of demand in the international market, and other aspects.

The Risk Policy establishes limits for hedging the corn and soymeal purchase flow, aiming to reduce the impact resulting from a price increase of these raw materials, and may utilize derivative instruments or inventory management for this purpose. Currently, the management of inventory levels is used as a hedging instrument.

During 2013, the Company utilized derivative instruments to mitigate the exposure to live cattle price variation. The contracts are recorded at their fair value through the statement of income, as financial result.

On December 31, 2013, the Company held a short position in the BM&F of 120 future contracts (636 contracts as of December 31, 2012) with maturity dates between January and June 2014.

Additionally, through the utilization of options, the Company held a short position of 100 allotments (450 allotments as of December 31, 2012).

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

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

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

The Company monitors debt levels and net debt, as shown below:

			BR GAAP and IFRS	
			Consolidated	
			12.31.13	12.31.12
	Current	**Non-current**	**Total**	Total
Foreign currency debt	**(281,387)**	**(5,827,340)**	**(6,108,727)**	(5,628,401)
Local currency debt	**(2,415,207)**	**(1,657,256)**	**(4,072,463)**	(3,889,920)
Other financial liabilities	**(357,182)**	**-**	**(357,182)**	(253,420)
Gross debt	**(3,053,776)**	**(7,484,596)**	**(10,538,372)**	(9,771,741)
Marketable securities and cash and cash equivalents	**3,587,283**	**56,002**	**3,643,285**	2,627,059
Other financial assets	**11,572**	**-**	**11,572**	33,200
Restricted cash	**-**	**99,212**	**99,212**	93,014
Net debt	**545,079**	**(7,329,382)**	**(6,784,303)**	(7,018,468)

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

As permitted by CVM Deliberation No. 604/09, the Company applies hedge accounting rules to its derivative instruments classified as cash flow hedge, in accordance with its Risk Policy. The cash flow hedge consists of hedging the exposure to variations of the cash flow which is attributable to a particular risk associated with a recognized asset or liability, or a highly probable predicted transaction that could affect profit and loss.

The Risk Policy has also the purpose of determining parameters of use of financial instruments, including derivatives, which are designed to protect the operating and financial assets and liabilities, which are exposed to the variations of foreign exchange rates, the fluctuation of the interest rates and changes to the commodity prices. The Risk Management area is responsible for ensuring compliance to the requirements established by the Company's Risk Policy.
The Company formally designated its operations for hedge accounting treatment for the derivative financial instruments to protect cash flows and export revenues by documenting:

- The relationship of the hedge;
- The objective and risk management strategy of the Company to enter into a hedge transaction;
- The identification of the financial instrument;
- The hedge object or transaction;
- The nature of the risk to be hedged;
- The description of the hedge relationship;
- The demonstration of the correlation between the hedge transaction and the hedge object, when applicable; and
- The prospective demonstration of the effectiveness of the hedge.

The transactions for which the Company has designated hedge accounting are highly probable, present an exposure to variation in cash flow that could affect profit and loss and are highly effective in protecting changes in fair value or cash flows attributable to hedged risk, consistent with the risk originally documented in the Risk Policy.

The effectiveness tests are prepared prospectively and retrospectively at each period end.

The prospective test is based on the comparison between the critical terms of derivative and non-derivative financial instruments and the hedged items. The hedged items (future monthly export sales) and the hedge instruments share the same critical terms, as follows:

- Both fair value change due to the exchange rate variation (spot or forward rate method);
- Their nominal values (notional) are similar; and
- Their maturities are identical, in other words, both the hedged item (revenue) and the settlement of the financial instrument will occur at the same period.

The retrospective test is based on the analysis of the coverage ratio. This ratio compares the fair value variation accumulated since the inception of the hedged item (date of hedge designation) with the accumulated variation since the inception of the hedge of the financial instrument.

The effectiveness of the hedge is determined at the settlement date of the financial instrument, by comparing the cumulative changes in the expected revenue with the gains or losses effectively occurred from financial instruments, meaning that on a monthly basis the Company compares the realized sales with the hedged instruments at their maturity date.

According to the procedure for determining the highly probable amount adopted by the Company, it is unlikely that the amount of derivative and non-derivative financial instruments will be higher than the realized export sales at the same period. However, in case this happens, the derivatives exceeding export sales will be unqualified as hedge accounting.

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

a. Non-deliverable forwards – NDF
Non-deliverable forward contract is the future commitment to purchase and to sell certain currencies on a certain date in the future for a predetermined price. By being a non-deliverable forward, this contract does not require physical settlement of contracted positions, but the financial settlement of the difference between the settlement price and the predetermined price of the contract.

b. Interest rate and currency swap
Similar to a non-deliverable forward contract, the swap is the future commitment to buy and sell certain interest rates or currency at a specified date in the future for a predetermined price. The particularity in this type of transaction is the possibility to exchange cash flows on various dates. The Company contracts swaps that do not require the physical settlement of contracted positions, but the financial settlement of the difference between the settlement price and the price established in the contract

c. Options
A put option gives the holder (option holder) the right to buy an asset at a certain price (strike) at certain future date (the exercise date). A call option gives the holder the right to sell an asset at a certain price at a certain future date. In addition, there is a possibility of buying (premium disbursement, with rights) or selling (premium receiving, with obligations).

d. Fixed exchange rate
Fixed exchange rate is a non-derivative financial instrument contracted from financial institutions that allows the definition of a future rate to internalization of resources arising from foreign activities. Contractually, there is the requirement of submission of export invoices to prove the nature of resources which will be internalized trough closing of exchange rate. Such contract has similar characteristics to a non-deliverable forward derivative contract because it determines, at the time of their hiring, a future exchange rate. Nevertheless, the contract requires a physical settlement of the contracted positions.

e. Export prepayments – PPEs
The Company utilizes the exchange rates variation of export prepayments contracts ("PPEs") as a hedge instrument for the highly probable future sales in foreign currency.

f. Senior unsecured notes – Bonds
The Company designates part of the transactions involving Senior Unsecured Notes (Bond BRF2022 and 2023) as hedge accounting.

4.2.1 Breakdown of the balances of derivative financial instruments
The positions of outstanding derivative financial instruments as of December 31, 2013 and December 31, 2012 are as follows:

					BR GAAP	
					Parent company	
				12.31.13		12.31.12
Instrument	**Hedge object**	**Reference currency (notional)**	**Value (notional)**	**Fair value (1)**	Reference value (notional)	Fair value (1)
Financial instruments designated as hedge accounting						
NDF - Dólar	Currency	USD	**190,000**	**(21,349)**	1,007,000	(20,044)
NDF - Euro	Currency	EUR	**106,800**	**(25,193)**	197,000	(11,268)
NDF - Libra	Currency	GBP	**33,000**	**(12,088)**	53,400	(6,425)
Currency swap - US$	Currency	BRL	**572,990**	**(203,924)**	408,700	(76,980)
Interest rate - US$	Interest	USD	**200,000**	**(33,187)**	256,428	(46,752)
Interest rate - R$	Interest	BRL	**267,380**	**510**	-	-
Interest rate - R$	Interest	BRL	**50,000**	**80**	-	-
Fixed exchange rate - US$	Currency	USD	**160,000**	**(10,429)**	65,000	2,080
Options (Collar) - US$	Currency	USD	**120,000**	**(287)**	-	-
				(305,867)		(159,389)
Financial instruments not designated as hedge accounting						
Currency swap - US$	Currency	USD	**13,992**	**(6,104)**	15,489	(5,609)
Options	Live cattle	BRL	**6,650**	**(154)**	28,784	10
NDF	Live cattle	BRL	**3,296**	**(484)**	854	57
Future - BMF	Live cattle	BRL	**4,400**	**18**	20,309	(7)
Future - BMF	Currency	USD	**205,000**	**3,247**	100,000	(782)
				(3,477)		(6,331)
				(309,344)		(165,720)

(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, extracted from the data base of Bloomberg and BM&F.

				BR GAAP and IFRS	
				Consolidated	
				12.31.13	12.31.12
Instrument	Hedge object	Reference currency (notional)	Value (notional)	Fair value [1]	Reference value (notional)	Fair value [1]
Financial instruments designated as hedge accounting						
NDF - Dólar	Currency	USD	**190,000**	**(21,349)**	1,007,000	(20,044)
NDF - Euro	Currency	EUR	**106,800**	**(25,193)**	197,000	(11,268)
NDF - Libra	Currency	GBP	**33,000**	**(12,088)**	53,400	(6,425)
Currency swap - US$	Currency	BRL	**572,990**	**(203,924)**	408,700	(76,980)
Interest rate - US$	Interest	USD	**400,000**	**(71,941)**	556,428	(101,648)
Interest rate - R$	Interest	BRL	**267,380**	**510**	-	-
Interest rate - R$	Interest	BRL	**50,000**	**80**	-	-
Fixed exchange rate - US$	Currency	USD	**160,000**	**(10,429)**	65,000	2,080
Options (Collar) - US$	Currency	USD	**120,000**	**(287)**	-	-
				(344,621)		(214,285)
Financial instruments not designated as hedge accounting						
NDF - Euro	Currency	EUR	**150,000**	**2,715**	50,000	396
NDF - Libra	Currency	GBP	**15,000**	**(227)**	-	-
NDF	Live cattle	BRL	**3,296**	**(484)**	854	57
Currency swap - US$	Currency	BRL	**13,992**	**(6,104)**	15,489	(5,609)
Options	Live cattle	BRL	**6,650**	**(154)**	28,784	10
Future - BMF	Live cattle	BRL	**4,400**	**18**	20,309	(7)
Future - BMF	Currency	USD	**205,000**	**3,247**	100,000	(782)
				(989)		(5,935)
				(345,610)		(220,220)

(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, extracted from the database of Bloomberg and BM&F.

a. Non-deliverable forwards – NDF

The position of the outstanding non-deliverable forward – NDF as of December 31, 2013 and December 31, 2012, by maturity, as well as the weighted average exchange rates and the fair value, are presented as follows:

									BR GAAP and IFRS
									Parent company and Consolidated
									12.31.13
		R$ x US$			R$ x EUR				R$ x GBP
Maturities	Notional (US$)	Average rate	Fair value	Notional (EUR)	Average rate	Fair value	Notional (GBP)	Average rate	Fair value
Financial instruments designated as hedge accounting									
January 2014	-	-	-	13,000	2.8830	(4,762)	4,000	3.3259	(2,249)
February 2014	-	-	-	12,000	2.8740	(4,979)	3,500	3.2433	(2,410)
March 2014	-	-	-	10,300	2.9541	(3,654)	3,500	3.3944	(1,962)
April 2014	45,000	2,1418	(12,042)	11,500	2.9577	(4,211)	3,500	3.4718	(1,756)
May 2014	50,000	2,2665	(7,972)	11,000	3.0707	(3,037)	3,500	3.5797	(1,456)
June 2014	28,000	2,4017	(1,231)	14,000	3.2053	(2,348)	3,500	3.7152	(1,088)
July 2014	27,000	2,4653	89	11,000	3.3257	(761)	3,000	3.8463	(617)
August 2014	20,000	2,4694	(252)	7,000	3.3514	(523)	2,500	3.9988	(226)
September 2014	10,000	2,4884	(89)	6,000	3.3814	(403)	2,500	4.0628	(131)
October 2014	10,000	2,5309	148	5,000	3.4028	(353)	1,500	4.0629	(121)
November 2014	-	-	-	6,000	3.4759	(162)	2,000	4.1388	(72)
	190,000	**2.3321**	**(21,349)**	**106,800**	**3.1204**	**(25,193)**	**33,000**	**3.6450**	**(12,088)**

				BR GAAP and IFRS		
				Parent company and Consolidated		
				12.31.13		
	EUR x USD			GBP x USD		
Maturities	Notional (EUR)	Average rate	Fair value	Notional (GBP)	Average rate	Fair value
Financial instruments not designated as hedge accounting						
March 2014	150,000	1.3819	2,715	15,000	1.6481	(227)
	150,000	**1.3819**	**2,715**	**15,000**	**1.6481**	**(227)**

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

				BR GAAP and IFRS			
				12.31.13			
				Parent company		Consolidated	
Instrument	Maturity date	Assets (Hedged object)	Liabilities (Protected risk)	Notional	Fair value	Notional	Fair value
Financial instruments designated as hedge accounting							
Interest rate	01.22.18	LIBOR 6M + 2.82% p.a.	5.86% p.a.	**100,000**	**(18,973)**	**100,000**	**(18,973)**
Interest rate	06.18.18	LIBOR 3M + 2.60% p.a.	5.47% p.a.	**100,000**	**(14,214)**	**100,000**	**(14,214)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.90% p.a.	**-**	**-**	**100,000**	**(19,491)**
Interest rate	02.01.19	LIBOR 6M + 2.70% p.a.	5.88% p.a.	**-**	**-**	**100,000**	**(19,263)**
				200,000	**(33,187)**	**400,000**	**(71,941)**
Interest rate	05.22.19	R$ (Pre of 7.75% p.a.)	68.84% CDI	**50,000**	**80**	**50,000**	**80**
				50,000	**80**	**50,000**	**80**
Interest rate	10.21.14	R$ (Pre of 8.10% p.a.)	78.30% CDI	**126,534**	**242**	**126,534**	**242**
Interest rate	10.21.14	R$ (Pre of 8.10% p.a.)	78.30% CDI	**140,846**	**268**	**140,846**	**268**
				267,380	**510**	**267,380**	**510**
Currency swap	03.17.14	R$ + 9.80%	US$ + 1.71%	**65,440**	**(28,337)**	**65,440**	**(28,337)**
Currency swap	03.17.14	R$ + 9.70%	US$ + 1.53%	**47,910**	**(22,411)**	**47,910**	**(22,411)**
Currency swap	03.17.14	R$ + 9.70%	US$ + 1.45%	**112,080**	**(52,094)**	**112,080**	**(52,094)**
Currency swap	03.17.14	R$ + 9.80%	US$ + 1.68%	**48,600**	**(21,872)**	**48,600**	**(21,872)**
Currency swap	03.17.14	R$ + 9.80%	US$ + 1.65%	**48,960**	**(21,367)**	**48,960**	**(21,367)**
Currency swap	05.22.18	R$ + 7.75%	US$ + 1.60%	**250,000**	**(57,843)**	**250,000**	**(57,843)**
				572,990	**(203,924)**	**572,990**	**(203,924)**
				1,090,370	**(236,521)**	**1,290,370**	**(275,275)**
Financial instruments not designated as hedge accounting							
Currency swap	03.16.15	R$ (Pre of 8.41% p.a.)	US$ - 0,20%	**13,992**	**(6,104)**	**13,992**	**(6,104)**
				13,992	**(6,104)**	**13,992**	**(6,104)**

c. Fixed exchange rate
The position of fixed exchange rate designated as hedge accounting is presented as follows:

			BR GAAP and IFRS
			Parent company and Consolidated
			12.31.13
			R$ x US$
Maturities	Notional US$	US$ average	Fair value
January 2014	15,000	2.2538	(1,536)
February 2014	5,000	2.3776	(50)
March 2014	10,000	2.1609	(2,369)
April 2014	20,000	2.1652	(4,942)
May 2014	20,000	2.3065	(2,451)
June 2014	20,000	2.4252	(468)
July 2014	20,000	2.5067	774
August 2014	20,000	2.4793	(91)
September 2014	20,000	2.5144	255
November 2014	10,000	2.5845	449
	160,000	**2.3818**	**(10,429)**

d. Options
The Company designates as a hedge instrument (hedge accounting) only variation in the intrinsic value of its options, recognizing the time value of the premium in the financial result. If the hedge is not effective and the option is not exercised due to devaluation of the Brazilian Real, the losses related to the options will be registered as financial expenses in the statement of income.

The Company has designated as hedge accounting transactions involving options denominated collar where there is a purchase of a put option ("PUT") and a sale of a call option ("CALL").

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

				BR GAAP and IFRS
				Parent company and Consolidated
				12.31.13
				R$ x US$
Type	Maturities	Notional (US$)	US$ average	Fair value
Put (Purchase)	**From 10.2013 to 01.2014**	**120,000**	**2.3453**	**(2,970)**
Call (Sale)	**From 10.2013 to 01.2014**	**120,000**	**2.4703**	**2,683**
				(287)

4.2.2 Breakdown of the balances of non-derivative financial instruments
The position of non-derivative financial instruments is presented as follows:

					BR GAAP and IFRS	
					Parent company and Consolidated	
				12.31.13		12.31.12
Instrument	Hedge object	Reference currency (notional)	Value (notional)	Fair value (1)	Value (notional)	Fair value (1)
Financial instruments designated as hedge accounting						
Export pre payment - PPE	**Exchange**	**USD**	**300,000**	**702,780**	399,206	815,778
Bonds	**Exchange**	**USD**	**300,000**	**702,780**	150,000	306,525
			600,000	**1,405,560**	549,206	1,122,303

(1) Notional converted by the Ptax of the period-end.

a. Export prepayments – PPEs
The position of PPEs is presented as follows:

			BR GAAP and IFRS		
			Parent company and Consolidated		
					12.31.13
Hedge Instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
Export pre payment - PPE	**US$ (E.R.)**	**02.2017 to 02.2019**	**300,000**	**1.7796**	**702,780**

b.Senior unsecured notes – Bonds
The position of bonds designated as hedge accounting is presented as follows:

				BR GAAP and IFRS	
				Parent company and Consolidated	
					12.31.13
Hedge Instrument	Type of risk hedged	Maturities	Notional (US$)	Average rate	Fair value
BRF SA BRFSBZ5	**US$ (E.R.)**	**06.2022**	**150,000**	**2.0213**	**351,390**
BRF SA BRFSBZ3	**US$ (E.R.)**	**05.2023**	**150,000**	**2.0387**	**351,390**
			300,000	**2.0300**	**702,780**

4.3. Gains and losses of derivative and non-derivative financial instruments designated as hedge accounting

The unrealized gains and losses of derivative and non-derivative financial instruments designated as hedge accounting are registered in the shareholders' equity, as set forth below:

			Shareholders' Equity	
	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Financial instruments designated as hedge accounting				
Foreign exchange risks	**(172,402)**	(40,746)	**(172,402)**	(40,746)
Interest risks	**(30,525)**	(43,465)	**(64,911)**	(95,053)
	(202,927)	(84,211)	**(237,313)**	(135,799)
Financial instruments not designated as hedge accounting				
Foreign exchange risks	**(262,680)**	(104,128)	**(262,680)**	(104,128)
	(262,680)	(104,128)	**(262,680)**	(104,128)
Gross losses	**(465,607)**	(188,339)	**(499,993)**	(239,927)
Deferred taxes on losses	**158,306**	64,035	**158,306**	64,035
OCI recognized by subsidiaries	**(34,386)**	(51,588)	**-**	-
Losses, net of taxes	**(341,687)**	(175,892)	**(341,687)**	(175,892)
Rolforward	**(277,268)**	5,063	**(260,066)**	(6,877)
Taxes on adjustments of financial instruments	**94,271**	(1,722)	**94,271**	(1,722)
OCI recognized by subsidiaries	**17,202**	(11,940)	**-**	-
Impact on other comprehensive income	**(165,795)**	(8,599)	**(165,795)**	(8,599)

On December 31, 2013, the realized gains and losses of derivative and non-derivative financial instruments designated as hedge accounting resulted in a loss of R$133,671 (loss of R$186,803 as of December 31, 2012), composed by a net loss amounting to R$132,565 (loss of R$191,014 as of December 31, 2012) registered as operational gross revenue and a net loss of R$1,106 (gain of R$4,211 as of December 31, 2012) registered in the financial result as gains and losses with derivative operations.

4.4. Breakdown of financial instruments by category – except derivatives

						BR GAAP Parent company 12.31.13
	Loans and receivables	**Available for sale**	**Trading securities**	**Held to maturity**	**Financial liabilities**	**Total**
Assets						
Amortized cost						
Marketable securities	**-**	**-**	**-**	**56,002**	**-**	**56,002**
Restricted cash	**-**	**-**	**-**	**99,212**	**-**	**99,212**
Trade accounts receivable	**3,993,114**	**-**	**-**	**-**	**-**	**3,993,114**
Credit notes	**389,812**	**-**	**-**	**-**	**-**	**389,812**
Other receivables	**284,707**	**-**	**-**	**-**	**-**	**284,707**
Fair value						
Marketable securities	**-**	**623**	**178,097**	**-**	**-**	**178,720**
Liabilities						
Amortized cost						
Trade accounts payable	**-**	**-**	**-**	**-**	**(3,378,029)**	**(3,378,029)**
Loans and financing						
Local currency	**-**	**-**	**-**	**-**	**(4,072,463)**	**(4,072,463)**
Foreign currency	**-**	**-**	**-**	**-**	**(3,602,838)**	**(3,602,838)**
Capital lease	**-**	**-**	**-**	**-**	**(187,856)**	**(187,856)**
	4,667,633	**623**	**178,097**	**155,214**	**(11,241,186)**	**(6,239,619)**

						BR GAAP Parent company 12.31.12
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	51,752	-	51,752
Restricted cash	-	-	-	83,877	-	83,877
Trade accounts receivable	3,008,799	-	-	-	-	3,008,799
Credit notes	109,431	-	-	-	-	109,431
Other receivables	407,594	-	-	-	-	407,594
Fair value						
Marketable securities	-	658	268,375	-	-	269,033
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(3,135,464)	(3,135,464)
Loans and financing						
Local currency	-	-	-	-	(3,889,920)	(3,889,920)
Foreign currency	-	-	-	-	(2,815,029)	(2,815,029)
Capital lease	-	-	-	-	(70,493)	(70,493)
	3,525,824	658	268,375	135,629	(9,910,906)	(5,980,420)

	BR GAAP and IFRS					
	Consolidated					
	12.31.13					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	56,002	-	56,002
Restricted cash	-	-	-	99,212	-	99,212
Trade accounts receivable	3,346,166	-	-	-	-	3,346,166
Credit notes	502,682	-	-	-	-	502,682
Other receivables	284,707	-	-	-	-	284,707
Fair value						
Marketable securities	-	280,373	179,195	-	-	459,568
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(3,674,705)	(3,674,705)
Loans and financing						
Local currency	-	-	-	-	(4,072,463)	(4,072,463)
Foreign currency	-	-	-	-	(6,108,727)	(6,108,727)
Capital lease	-	-	-	-	(188,839)	(188,839)
	4,133,555	280,373	179,195	155,214	(14,044,734)	(9,296,397)

	BR GAAP and IFRS					
	Consolidated					
	12.31.12					
	Loans and receivables	Available for sale	Trading securities	Held to maturity	Financial liabilities	Total
Assets						
Amortized cost						
Marketable securities	-	-	-	142,611	-	142,611
Restricted cash	-	-	-	93,014	-	93,014
Trade accounts receivable	3,142,326	-	-	-	-	3,142,326
Credit notes	229,724	-	-	-	-	229,724
Other receivables	407,594	-	-	-	-	407,594
Fair value						
Marketable securities	-	273,062	280,693	-	-	553,755
Liabilities						
Amortized cost						
Trade accounts payable	-	-	-	-	(3,381,246)	(3,381,246)
Loans and financing						
Local currency	-	-	-	-	(3,889,920)	(3,889,920)
Foreign currency	-	-	-	-	(5,628,401)	(5,628,401)
Capital lease	-	-	-	-	(70,493)	(70,493)
	3,779,644	273,062	280,693	235,625	(12,970,060)	(8,401,036)

4.5. Determination of the fair value of financial instruments

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

Particularly related to the disclosure, the Company applies the hierarchy requirements set out in CVM Deliberation No. 699/12, which involves the following aspects:

- The fair value is the price that an asset could be exchanged and a liability could be settled, between knowledgeable willing parties in an arm's length transaction; and
- Hierarchy on 3 levels for measurement of the fair value, according to observable inputs for the valuation of an asset or liability on the date of its measurement.

The valuation established on 3 levels of hierarchy for measurement of the fair value is based on observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while non-observable inputs reflect the Company's market assumptions. These two types of inputs create the hierarchy of fair value set forth below:

- Level 1 – Prices quoted (unadjusted) for identical instruments in active markets;
- Level 2 – Prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets and evaluation models for which inputs are observable; and
- Level 3 – Instruments whose significant inputs are non-observable.

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

				BR GAAP
				Parent company
				12.31.13
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Stocks	**623**	**-**	**-**	**623**
Held for trading				
Bank deposit certificates	**-**	**113,253**	**-**	**113,253**
Financial treasury bills	**64,844**	**-**	**-**	**64,844**
Other financial assets				
Derivatives designed as hedge	**-**	**5,592**	**-**	**5,592**
Derivatives not designated as hedge	**-**	**3,265**	**-**	**3,265**
	65,467	**122,110**	**-**	**187,577**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designed as hedge	**-**	**(311,459)**	**-**	**(311,459)**
Derivatives not designated as hedge	**-**	**(6,742)**	**-**	**(6,742)**
	-	**(318,201)**	**-**	**(318,201)**

				BR GAAP
				Parent company
				12.31.12
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Stocks	658	-	-	658
Held for trading				
Bank deposit certificates	-	167,867	-	167,867
Financial treasury bills	100,508	-	-	100,508
Other financial assets				
Derivatives designed as hedge	-	32,688	-	32,688
Derivatives not designated as hedge	-	116	-	116
	101,166	200,671	-	301,837
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designed as hedge	-	(192,077)	-	(192,077)
Derivatives not designated as hedge	-	(6,447)	-	(6,447)
	-	(198,524)	-	(198,524)

				BR GAAP and IFRS
				Consolidated
				12.31.13
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	**173,969**	**-**	**-**	**173,969**
Brazilian foreign debt securities	**105,322**	**-**	**-**	**105,322**
Exclusive investment funds	**459**	**-**	**-**	**459**
Stocks	**623**	**-**	**-**	**623**
Held for trading				
Bank deposit certificates	**-**	**114,351**	**-**	**114,351**
Financial treasury bills	**64,844**	**-**	**-**	**64,844**
Other financial assets				
Derivatives designated as hedge	**-**	**5,592**	**-**	**5,592**
Derivatives not designated as hedge	**-**	**5,980**	**-**	**5,980**
	345,217	**125,923**	**-**	**471,140**
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge	**-**	**(350,213)**	**-**	**(350,213)**
Derivatives not designated as hedge	**-**	**(6,969)**	**-**	**(6,969)**
	-	**(357,182)**	**-**	**(357,182)**

	BR GAAP and IFRS			
	Consolidated			
	12.31.12			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets				
Available for sale				
Credit linked notes	174,181	-	-	174,181
Brazilian foreign debt securities	89,004	-	-	89,004
Exclusive investment funds	9,219	-	-	9,219
Stocks	658	-	-	658
Held for trading				
Bank deposit certificates	-	180,185	-	180,185
Financial treasury bills	100,508	-	-	100.508
Other financial assets				
Derivatives designated as hedge	-	32,688	-	32,688
Derivatives not designated as hedge	-	512	-	512
	373,570	213,385	-	586,955
Liabilities				
Financial liabilities				
Other financial liabilities				
Derivatives designated as hedge	-	(246,973)	-	(246,973)
Derivatives not designated as hedge	-	(6,447)	-	(6,447)
	-	(253,420)	-	(253,420)

Presented below is the description of the valuation methodologies utilized by the Company for financial instruments measured at fair value:

- The investments in financial assets in the categories of Brazilian foreign debt securities, National Treasury Certificates ("CTN"), Financial Treasury Notes ("LFT"), financial investment funds and shares are classified at Level 1 of the fair value hierarchy, as the market prices are available in an active market;
- The investments in Bank Deposit Certificates ("CDB") are classified at Level 2, since the determination of fair value is based on the price quotation of similar financial instruments in non-active markets; and
- The derivatives are valued through existing pricing models widely accepted by financial market and described in appendix III of the Risk Policy. Readily observable market inputs are used, such as interest rate forecasts, volatility factors and foreign currency rates. These instruments are classified at Level 2 of the valuation hierarchy, including interest rates swap and foreign currency derivatives.

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

The Company evaluated the book value and the fair value of financial instruments and except for the items presented below, all other items evaluated present the book value equivalent to the fair value.

			BR GAAP		
				Parent company	
			12.31.13		12.31.12
	Maturity	**Book value**	**Fair value**	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	2022	**(1,757,590)**	**(1,754,392)**	(1,531,036)	(1,676,635)
BRF SA BRFSBZ3	2023	**(1,076,223)**	**(915,169)**	-	-
BRF SA BRFSBZ7	2018	**(500,323)**	**(416,898)**	-	-
		(3,334,136)	**(3,086,459)**	(1,531,036)	(1,676,635)

			BR GAAP and IFRS		
				Consolidated	
			12.31.13		12.31.12
	Maturity	**Book value**	**Fair value**	Book value	Fair value
BRF bonds					
BRF SA BRFSBZ5	**2022**	**(1,757,590)**	**(1,754,392)**	(1,531,036)	(1,676,635)
BRF SA BRFSBZ3	**2023**	**(1,076,223)**	**(915,169)**	-	-
BRF SA BRFSBZ7	**2018**	**(500,323)**	**(416,898)**	-	-
BFF bonds					
Sadia Overseas BRFSBZ7	**2020**	**(1,501,982)**	**(1,654,926)**	(1,561,993)	(1,857,023)
Sadia bonds					
Sadia Overseas BRFSBZ6	**2017**	**(520,609)**	**(574,900)**	(514,387)	(594,850)
Quickfood bonds					
Quickfood	**2016**	**(54,586)**	**(54,586)**	-	-
		(5,411,313)	**(5,370,871)**	(3,607,416)	(4,128,508)

4.7. Table of sensitivity analysis

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

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

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

Parity - Brazilian Reais x U.S. Dollar		**2.3426**	**2.1083**	**1.7570**	**2.9283**	**3.5139**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	(10% appreciation)	(25% appreciation)	(25% devaluation)	(50% devaluation)
NDF and Fixed exchange rate (hedge accounting)	Devaluation of R$	4,280	86,271	209,257	(200,698)	(405,675)
Options - currencies	Devaluation of R$	318	28,429	70,596	(54,958)	(125,236)
Exports pre payment	Devaluation of R$	(168,900)	(98,622)	6,795	(344,595)	(520,290)
Bonds	Devaluation of R$	(93,780)	(23,502)	81,915	(269,475)	(445,170)
Swaps	Devaluation of R$	(103,056)	(27,325)	86,273	(292,385)	(481,714)
Exports	Appreciation of R$	59,662	(97,292)	(332,723)	437,046	829,431
Net of tax effect		**(301,476)**	**(132,041)**	**122,113**	**(725,065)**	**(1,148,654)**
Statement of income		-	-	-	-	-
Shareholders' equity		**(301,476)**	**(132,041)**	**122,113**	**(725,065)**	**(1,148,654)**

Parity - Brazilian Reais x Euro		**3.2265**	**2.9039**	**2.4199**	**4.0331**	**4.8398**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	(10% appreciation)	(25% appreciation)	(25% devaluation)	(50% devaluation)
NDF (hedge accounting)	Devaluation of R$	(11,330)	23,129	74,818	(97,477)	(183,625)
Exports	Appreciation of R$	11,330	(23,129)	(74,818)	97,477	183,625
Net of tax effect		-	-	-	-	-
Statement of income		-	-	-	-	-
Shareholders' equity		-	-	-	-	-

Parity - Brazilian Reais x Pound Sterling		**3.8728**	**3.4855**	**2.9046**	**4.8410**	**5.8092**
Transaction/Instrument	**Risk**	**Scenario I**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
		(probable)	(10% appreciation)	(25% appreciation)	(25% devaluation)	(50% devaluation)
NDF (hedge accounting)	Devaluation of R$	(7,519)	5,261	24,432	(39,470)	(71,420)
Exports	Appreciation of R$	7,519	(5,261)	(24,432)	39,470	71,420
Net of tax effect		-	-	-	-	-
Statement of income		-	-	-	-	-
Shareholders' equity		-	-	-	-	-

5. SEGMENT INFORMATION

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

The segment information is prepared considering 4 reportable segments, as follows: domestic market, foreign market, dairy products and food service. The reportable segments identified primarily observe division by sales channel.

- **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.
- **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.
- **Dairy products:** includes the Company´s sales of milk and dairy products produced in the domestic and foreign markets.
- **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 market to the customers for food service category that includes: bars, restaurants, industrial kitchens, among others.

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

- **Poultry**: involves the production and trade of whole poultry and cuts in natura.
- **Pork and beef cuts:** involves the production and trade of cuts in natura.
- **Processed:** involves the production and trade of processed foods, frozen and processed derivatives of poultry, pork and beef.
- **Others processed:** involves the production and trade of processed foods like margarine and vegetable products and soybean-based.
- **Milk:** involves the production and trade of pasteurized and UHT ("Ultra-high temperature") milk.
- **Dairy products and other beverages:** involves the production and trade of foods milk derivatives, including flavored milk, yogurts, cheeses and desserts. This category also includes beverages from fruit and soybean-based.
- **Others:** involves the production and trade of animal feed, soy meal and refined soy flour.

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

	BR GAAP and IFRS	
	Consolidated	
Net sales	**12.31.13**	12.31.12
Domestic market		
Poultry	**1,492,300**	1,351,356
Pork and beef	**946,713**	911,270
Processed products	**6,764,758**	6,767,166
Other processed products	**2,833,773**	2,694,906
Other	**940,838**	894,137
	12,978,382	12,618,835
Foreign market		
Poultry	**8,261,662**	7,569,437
Pork and beef	**1,897,288**	1,866,736
Processed products	**2,626,658**	2,002,169
Other processed products	**287,003**	179,978
Other	**56,112**	7,722
	13,128,723	11,626,042
Dairy products		
Milk	**1,291,226**	1,359,809
Dairy products and other beverages	**1,516,637**	1,354,262
	2,807,863	2,714,071
Food service		
Poultry	**378,222**	343,055
Pork and beef	**224,982**	221,782
Processed products	**855,785**	846,167
Other processed products	**147,289**	147,431
	1,606,278	1,558,435
	30,521,246	28,517,383

The operating results for each reportable operating segment are presented below:

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Operating income		
Domestic market	**1,322,229**	1,014,885
Foreign market	**400,227**	150,358
Dairy products	**60,079**	(6,551)
Food service	**177,113**	164,730
	1,959,648	1,323,422

No customer was individually or in aggregated form (business group) responsible for more than 5% of net sales for the year ended December 31, 2013.

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

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Net export sales per market		
Foreign market	**13,128,723**	11,626,042
Dairy products	**2,884**	123
Food service	**230,944**	223,299
	13,362,551	11,849,464

Export net sales by region is presented below:

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Net export sales per region		
Europe	**2,090,992**	1,920,199
Far East	**2,723,911**	2,402,902
Middle East	**4,291,080**	3,976,600
Eurasia (including Russia)	**919,291**	1,058,340
Americas	**2,313,005**	1,537,688
Africa / Other	**1,024,272**	953,735
	13,362,551	11,849,464

The goodwill originated from the expectation of future profitability, as well as the intangible assets with indefinite useful life (trademarks), 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:

	BR GAAP and IFRS					
	Consolidated					
	Goodwill		Trademarks		Total	
	12.31.13	12.31.12	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Domestic market	**1,069,958**	1,069,958	**982,478**	982,478	**2,052,436**	2,052,436
Foreign market	**1,278,855**	1,260,368	**319,827**	323,459	**1,598,682**	1,583,827
Dairy products	**671,398**	671,398	**-**	-	**671,398**	671,398
Food service	**81,539**	81,539	**-**	-	**81,539**	81,539
	3,101,750	3,083,263	**1,302,305**	1,305,937	**4,404,055**	4,389,200

The Company performed the impairment test of the assets allocated to the reportable segments as demonstrated in the table above using discounted cash flows, as described in note 18.

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

6. CASH AND CASH EQUIVALENTS

		BR GAAP		BR GAAP and IFRS	
	Average rate (% p.a.).	Parent company		Consolidated	
		12.31.13	12.31.12	**12.31.13**	12.31.12
Cash and bank accounts					
U.S. Dollar	-	**18,472**	298	**582,898**	81,757
Brazilian Reais	-	**211,874**	147,448	**211,929**	147,629
Euro	-	**97,118**	-	**190,525**	17,046
Other currencies	-	**428**	-	**42,299**	8,964
		327,892	147,746	**1,027,651**	255,396
Cash Equivalents					
In Brazilian Reais					
Investment funds	7.72%	**13,650**	13,508	**13,650**	13,508
Bank deposit certificates	9.86%	**462,365**	626,292	**529,959**	630,412
		476,015	639,800	**543,609**	643,920
In U.S. Dollar					
Interest bearing account	-	**-**	45,572	**-**	359,416
Term deposit	0.38%	**-**	-	**1,277,506**	306,734
Overnight	0.05%	**52,851**	59,537	**212,137**	180,292
In Euro					
Interest bearing account	-	**-**	11,740	**-**	122,341
Term deposit	0.55%	**48,418**	-	**66,690**	4,916
Other currencies					
Interest bearing account	-	**-**	3,524	**-**	54,206
Term deposit	0.19%	**-**	-	**122**	3,472
		101,269	120,373	**1,556,455**	1,031,377
		905,176	907,919	**3,127,715**	1,930,693

7. MARKETABLE SECURITIES

					BR GAAP		BR GAAP and IFRS	
					Parent company		Consolidated	
		WATM [1]	Currency	Average interest rate (% p.a.)	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Available for sale								
Credit linked note	(a)	6.48	US$	3.78%	**-**	-	**173,969**	174,181
Brazilian foreign debt securities	(b)	2.38	US$	2.71%	**-**	-	**105,322**	89,004
Shares		-	R$	-	**623**	658	**623**	658
Exclusive investment funds	(c)	1.00	ARS	0.22%	**-**	-	**459**	9,219
					623	658	**280,373**	273,062
Held for trading								
Bank deposit certificates	(d)	2.70	R$	9.77%	**113,253**	167,867	**114,351**	180,185
Financial treasury bills	(e)	0.53	R$	9.90%	**64,844**	100,508	**64,844**	100,508
					178,097	268,375	**179,195**	280,693
Held to maturity								
Credit linked note	(a)	-	US$	-	**-**	-	**-**	90,859
Financial treasury bills	(e)	-	R$	-	**56,002**	51,752	**56,002**	51,752
				-	**56,002**	51,752	**56,002**	142,611
				-	**234,722**	320,785	**515,570**	696,366
Current					**178,720**	269,033	**459,568**	621,908
Non-current					**56,002**	51,752	**56,002**	74,458

(1) Weighted average maturity in years.

(a) The Credit Linked Note is a structured operation with a first-class financial institution abroad that bears periodic interest (LIBOR + spread) and corresponds to a credit note that contemplates the Company's risk.
(b) Brazilian foreign debt securities are denominated in U.S. Dollars and remunerated at pre- and post-fixed rates.
(c) The exclusive fund in foreign currency is basically represented by money market.
(d) Bank Deposit Certificate ("CDB") investments are denominated in Brazilian Reais and remunerated at rates varying from 90% to 103% of the Interbank Deposit Certificate ("CDI").
(e) Financial Treasury Bills ("LFT") are remunerated at the rate of the Special System for Settlement and Custody ("SELIC").

The unrealized gain by the change in fair value of the available

for sale securities, recorded in shareholders' equity, corresponds to the accumulated amount of R$5,406 net of income tax of R$266 (gain of R$18,224 net of income tax of R$395 as of December 31, 2012).

Additionally, on December 31, 2013, of the total of marketable securities, R$82,758 (R$97,271 as of December 31, 2012) 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 December 31, 2013, the maturities of the non-current marketable securities are as follows:

	BR GAAP and IFRS
Maturities	**Parent company and Consolidated**
2017	56,002
	56,002

8. TRADE ACCOUNTS RECEIVABLE, NET AND OTHER RECEIVABLES

	BR GAAP		BR GAAP and IFRS	
	Parent Company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Current				
Domestic third parties	**1,625,820**	1,567,225	**1,626,067**	1,568,370
Domestic related parties	**1,059**	898	**1,059**	-
Foreign third parties	**316,127**	229,025	**1,589,892**	1,603,902
Foreign related parties	**2,062,672**	1,225,246	**146,223**	-
(-) Estimated losses on doubtful accounts	**(20,254)**	(24,723)	**(24,886)**	(41,074)
	3,985,424	2,997,671	**3,338,355**	3,131,198
Non-current				
Domestic third parties	**86,698**	90,476	**86,833**	90,619
Foreign third parties	**623**	2,535	**3,581**	2,642
(-) Adjustment to present value	**(11)**	(189)	**(11)**	(189)
(-) Estimated losses on doubtful accounts	**(79,620)**	(81,694)	**(82,592)**	(81,944)
	7,690	11,128	**7,811**	11,128
	3,993,114	3,008,799	**3,346,166**	3,142,326

	BR GAAP		BR GAAP and IFRS	
	Parent Company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Current				
Other receivables	**83,743**	31,398	**149,007**	77,421
	83,743	31,398	**149,007**	77,421
Non-current				
Other receivables	**306,069**	78,033	**353,675**	152,303
	306,069	78,033	**353,675**	152,303
	389,812	109,431	**502,682**	229,724

(1)Business combination with Quickfood (note 6.1).

The trade accounts receivable involving related parties are disclosed in note 29. The consolidated trade accounts receivable refers to transactions with the associated company UP! In the domestic market and with the joint ventures Federal Foods and Rising Star in foreign market.

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

					BR GAAP	
					Parent company	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**Exchange rate variation**	**12.31.13**
Estimated losses on doubtful accounts	106,417	61,051	(28,904)	(38,639)	(51)	**99,874**
	106,417	61,051	(28,904)	(38,639)	(51)	**99,874**

					BR GAAP and IFRS	
					Consolidated	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**Exchange rate variation**	**12.31.13**
Estimated losses on doubtful accounts	123,018	93,739	(67,195)	(39,669)	(2,415)	**107,478**
	123,018	93,739	(67,195)	(39,669)	(2,415)	**107,478**

The breakdown of accounts receivable by maturity is as follows:

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Current	**3,913,969**	2,978,506	**3,143,565**	3,040,239
Overdue				
01 to 60 days	**50,559**	17,920	**169,744**	83,688
61 to 90 days	**33,172**	7,791	**35,996**	9,638
91 to 120 days	**3,357**	8,763	**4,105**	9,646
121 to 180 days	**6,903**	10,377	**8,716**	12,547
181 to 360 days	**3,430**	9,962	**4,705**	15,665
More than 361 days	**81,609**	82,086	**86,824**	94,110
(-) Adjustment to present value	**(11)**	(189)	**(11)**	(189)
(-) Estimated losses on doubtful accounts	**(99,874)**	(106,417)	**(107,478)**	(123,018)
	3,993,114	3,008,799	**3,346,166**	3,142,326

9.INVENTORIES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Finished goods	**1,515,920**	1,472,988	**1,951,167**	1,836,175
Goods for resale	**26,038**	24,505	**26,038**	24,577
Work in process	**175,711**	147,012	**186,883**	147,012
Raw materials	**315,984**	410,469	**361,940**	427,931
Packaging materials	**80,905**	81,301	**100,150**	84,195
Secondary materials	**204,282**	202,933	**223,901**	204,489
Spare parts	**119,966**	112,399	**137,510**	112,399
Goods in transit	**27**	1,420	**104,896**	152,091
Imports in transit	**59,506**	57,864	**63,847**	57,864
Advances to suppliers	**11,158**	10,138	**11,158**	10,138
(-) Provision for adjustment to realizable value	**(30,663)**	(9,087)	**(31,590)**	(14,920)
(-) Provision for deterioration	**(10,795)**	(19,978)	**(19,064)**	(21,740)
(-) Provision for obsolescense	**(5,221)**	(1,635)	**(5,221)**	(1,635)
	2,462,818	2,490,329	**3,111,615**	3,018,576

The write-offs of products sold from inventories to cost of sales during the year ended December 31, 2013 totaled R$21,733,827 in the parent company and R$22,953,145 in the consolidated (R$12,114,773 in the parent company and R$22,063,563 in the consolidated as of December 31, 2012). Such amounts include the additions and reversals of inventory provisions presented in the table below:

				BR GAAP	
				Parent company	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**12.31.13**
Provision for adjustment to realizable value	(9,087)	(33,369)	11,793	-	**(30,663)**
Provision for deterioration	(19,978)	(12,029)	-	21,212	**(10,795)**
Provision for obsolescence	(1,635)	(4,101)	-	515	**(5,221)**
	(30,700)	(49,499)	11,793	21,727	**(46,679)**

					BR GAAP and IFRS	
					Consolidated	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**Exchange rate variation**	**12.31.13**
Provision for adjustment to realizable value	(14,920)	(33,340)	12,609	-	4,061	**(31,590)**
Provision for deterioration	(21,740)	(21,739)	-	24,279	136	**(19,064)**
Provision for obsolescence	(1,635)	(9,698)	-	6,204	(92)	**(5,221)**
	(38,295)	(64,777)	12,609	30,483	4,105	**(55,875)**

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

On December 31, 2013, R$50,000 (R$50,000 as of December 31, 2012) of the balance of inventories as of the parent company and the consolidated was pledged as collateral for rural credit operations.

10.BIOLOGICAL ASSETS

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

The animals classified as consumables are those intended for slaughtering to produce unprocessed meat and/or manufactured and processed products, and until they reach the adequate weight for slaughtering, they are classified as immature. The slaughtering and production process occurs sequentially and in a very short period of time, and as a consequence, only live animals transferred for slaughtering in refrigerators are classified as mature.

The animals classified as for production (breeding stock) are those that have the function of producing other biological assets. Until they reach the age of reproduction they are classified as immature and when they are able to initiate the reproductive cycle, they are classified as mature.

In Management's opinion, the fair value of the biological assets is substantially represented by the cost of formation, mainly due to the short life cycle of the animals and to the fact that a significant portion of the profitability of the Company's products derives from the manufacturing process and not from obtaining in natura meat (raw materials at slaughtering point). This opinion is supported by a fair value appraisal report prepared in 2013 by an independent appraiser, which presented an insignificant difference between the fair value and the cost of formation. Therefore, biological assets are recorded at formation cost.

To measure biological assets at fair value, the Company used discounted cash flow methodology. The discount rate used was the Weighted Average Cost of Capital ("WACC"), as follows:

	%	%
	12.31.13	12.31.12
Cost of nominal owners' equity	8.96	9.59
Projected inflation rate USA	2.29	2.28
Projected inflation rate Brazil	5.40	5.20
Cost of actual owners' equity	6.52	7.15
Actual WACC	4.95	5.06

The quantities and balances per category of live animals are presented below:

				BR GAAP
				Parent company
		12.31.13		12.31.12
	Quantity (thousand of head)	**Value**	Quantity (thousand of head)	Value
Consumable biological assets				
Immature poultry	**180,316**	**524,189**	203,420	583,677
Immature pork	**3,332**	**586,463**	3,461	627,790
Immature cattle	**73**	**87,709**	139	146,648
Total current	**183,721**	**1,198,361**	207,020	1,358,115
Production biological assets				
Immature poultry	**6,526**	**87,391**	7,759	110,422
Mature poultry	**11,606**	**156,863**	11,022	139,428
Immature pork	**160**	**38,699**	162	32,441
Mature pork	**377**	**163,005**	374	145,899
Immature cattle	**-**	**60**	-	-
Mature cattle	**-**	**88**	-	-
Total non-current	**18,669**	**446,106**	19,317	428,190
	202,390	**1,644,467**	226,337	1,786,305

				BR GAAP and IFRS
				Consolidated
		12.31.13		12.31.12
	Quantity (thousand of head)	**Value**	Quantity (thousand of head)	Value
Consumable biological assets				
Immature poultry	**187,946**	**531,679**	208,695	596,561
Immature pork	**3,332**	**586,463**	3,461	627,790
Immature cattle	**73**	**87,709**	139	146,648
Total current	**191,351**	**1,205,851**	212,295	1,370,999
Production biological assets				
Immature poultry	**6,526**	**87,391**	7,759	110,422
Mature poultry	**11,606**	**156,863**	11,022	139,428
Immature pork	**160**	**38,699**	162	32,441
Mature pork	**377**	**163,005**	374	145,899
Immature cattle	**-**	**60**	-	-
Mature cattle	**-**	**88**	-	-
Total non-current	**18,669**	**446,106**	19,317	428,190
	210,020	**1,651,957**	231,612	1,799,189

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

	BR GAAP							
	Parent company							
	Current				Non-current			
	Poultry	Pork	Cattle	Total	Poultry	Pork	Cattle	Total
Balance as of 12.31.12	583,677	627,790	146,648	1,358,115	249,850	178,340	-	428,190
Acquisition	160,462	1,060,265	383,125	1,603,852	29,445	111,194	-	140,639
Increase due to reproduction, consumption of animal feed, medication and remuneration of outgrowers	2,904,248	569,700	6,007	3,479,955	345,637	15,417	149	361,203
Depreciation	-	-	-	-	(329,601)	(45,367)	(1)	(374,969)
Transfer between current and non-current	51,077	49,821	-	100,898	(51,077)	(49,821)	-	(100,898)
Reduction due to slaughtering	(3,175,275)	(1,721,113)	(448,071)	(5,344,459)	-	-	-	-
Write-off	-	-	-	-	-	(8,059)	-	(8,059)
Balance as of 12.31.13	**524,189**	**586,463**	**87,709**	**1,198,361**	**244,254**	**201,704**	**148**	**446,106**

	BR GAAP and IFRS							
	Consolidated							
	Current				Non-current			
	Poultry	Pork	Cattle	Total	Poultry	Pork	Cattle	Total
Balance as of 12.31.12	596,561	627,790	146,648	1,370,999	249,850	178,340	-	428,190
Acquisition	161,526	1,060,265	383,125	1,604,916	29,445	111,194	-	140,639
Increase due to reproduction, consumption of animal feed, medication and remuneration of outgrowers	2,920,068	569,700	6,007	3,495,775	345,637	15,417	149	361,203
Depreciation	-	-	-	-	(329,601)	(45,367)	(1)	(374,969)
Transfer between current and non-current	51,077	49,821	-	100,898	(51,077)	(49,821)	-	(100,898)
Reduction due to slaughtering	(3,197,553)	(1,721,113)	(448,071)	(5,366,737)	-	-	-	-
Write-off	-	-	-	-	-	(8,059)	-	(8,059)
Balance as of 12.31.13	**531,679**	**586,463**	**87,709**	**1,205,851**	**244,254**	**201,704**	**148**	**446,106**

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

The acquisitions of biological assets for production (non-current) occur when there is an expectation that the production plan cannot be met with its own assets and, usually, this acquisition refers to immature animals in the beginning of the life cycle.

The acquisitions of biological assets for slaughtering (poultry and pork - current) are represented by poultry of one day old and pork of up to 22 kilos, which are subject to the management of a substantial part of the agricultural activity by the Company.

The increase by reproduction of the biological assets classified in the current assets is related to eggs from animals for production.

On December 31, 2013, the balance of biological assets recorded as non-current assets is R$568,978 and includes forests in the amount of R$122,872.

11. RECOVERABLE TAXES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
State ICMS ("VAT")	**977,506**	944,808	**1,017,279**	966,892
PIS and COFINS ("Federal Taxes to Social Fund Programs")	**507,782**	890,441	**507,866**	890,642
Withholding income and social contribution tax	**588,420**	241,175	**623,573**	277,776
IPI ("Federal VAT")	**60,295**	58,689	**60,295**	58,689
Other	**84,373**	62,508	**119,262**	84,914
Provision for realization	**(216,673)**	(170,929)	**(224,528)**	(172,347)
	2,001,703	2,026,692	**2,103,747**	2,106,566
Current	**1,211,084**	892,104	**1,302,939**	964,769
Non-current	**790,619**	1,134,588	**800,808**	1,141,797

The rollforward of the allowance for losses is presented below:

	BR GAAP			
	Parent company			
	12.31.12	Additions	Write-offs	12.31.13
State ICMS ("VAT")	(145,891)	(53,891)	24,097	**(175,685)**
Allowance for losses - Withholding income tax and social contribution	-	(8,550)	-	**(8,550)**
PIS and COFINS ("Federal Taxes to Social Fund Programs")	(10,298)	(7,400)	-	**(17,698)**
IPI ("Federal VAT")	(14,740)	-	-	**(14,740)**
	(170,929)	**(69,841)**	**24,097**	**(216,673)**

	BR GAAP and IFRS				
	Consolidated				
	12.31.12	Additions	Write-offs	Exchange rate variation	12.31.13
State ICMS ("VAT")	(145,892)	(53,891)	24,097	-	**(175,686)**
Allowance for losses - Withholding income tax and social contribution	-	(8,550)	-	-	**(8,550)**
PIS and COFINS ("Federal Taxes to Social Fund Programs")	(10,298)	(7,400)	-	-	**(17,698)**
IPI ("Federal VAT")	(14,740)	-	-	-	**(14,740)**
Other	(1,417)	(7,827)	1,069	321	**(7,854)**
	(172,347)	**(77,668)**	**25,166**	**321**	**(224,528)**

The increase in the provision for VAT credit results from evaluations made by the Company indicating possible negative goodwill or losses at the time of their realization.

11.1. State ICMS ("VAT")

Due to its (i) export activity, (ii) domestic sales are subject to reduced tax rates and (iii) investments in property, plant and equipment, the Company accumulates tax credits that are offset with debits generated in sales in the domestic market or transferred to third parties.

The Company has ICMS tax credits in the States of Mato Grosso do Sul, Mato Grosso, Paraná, Santa Catarina and Minas Gerais, for which Management understands that realization will occur in medium or long term.

11.2. PIS and COFINS

Recoverable taxes derived from Contribution to the Social Integration Program ("PIS") and Contribution to Social Fund Programs ("COFINS") are originated from credits on purchases of raw materials used in the production of exported products or in the production of products which sales are taxed at the zero rate, such as in natura meat, UHT and pasteurized milk. The recovery of these tax credits can be achieved by means of offsetting with domestic sales operations of taxed products and other federal taxes or compensation claims.

The Management's Company continually evaluates alternatives that would allow to accelerate the use of accumulated credits.

The Law Nº 12,839/10 (originating from the Provisional Measure Nº 609/13) introduced significant changes in the taxation of Pis and COFINS in the products included in the basic consumer products, impacting margarine and butter operations, which have become taxed at the zero rate.

In the year ended od 2013, was published the Law Nº 12,865/13 which changed the taxation of the soybean chain, eliminating the presumed credits by the entries and allowing a presumed credit on the margarine sales.

11.3. Withholding income and social contribution taxes

These correspond to withholdings at source on financial investments, prepayments of income tax and social contribution, which are realizable through offsetting against other federal taxes.

12. NON—CURRENT ASSETS HELD FOR SALE

	BR GAAP				
	Parent company				
	12.31.12	Transfers from property, plant and equipment	Transfers to property, plant and equipment	Disposals	12.31.13
Lands	1,537	54,572	-	(51)	56,058
Buildings and improvements	7,134	-	-	(5,508)	1,626
Machinery and equipment	2,443	1,338	(195)	(248)	3,338
Vehicles and aircraft	59	622	(242)	(357)	82
Forests	-	85,820	-	-	85,820
	11,173	**142,352**	**(437)**	**(6,164)**	**146,924**

	BR GAAP and IFRS Consolidated				
	12.31.12	Transfers from property, plant and equipment	Transfers to property, plant and equipment	Disposals	12.31.13
Lands	7,009	54,572	-	(5,523)	56,058
Buildings and improvements	11,230	-	-	(9,604)	1,626
Machinery and equipment	3,762	1,338	(195)	(1,566)	3,339
Furniture	461	-	-	(455)	6
Vehicles and aircraft	58	2,640	(242)	(357)	2,099
Forests	-	85,820	-	-	85,820
	22,520	**144,370**	**(437)**	**(17,505)**	**148,948**

13. INCOME TAX AND SOCIAL CONTRIBUTION

13.1. Deferred income tax and social contribution composition

	BR GAAP Parent company		BR GAAP and IFRS Consolidated	
	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
Assets				
Tax loss carryforwards (corporate income tax)	**688,177**	641,749	**732,149**	670,173
Negative calculation basis (social contribution tax)	**277,826**	251,581	**278,494**	252,250
Assets temporary differences				
Provisions for tax, civil and labor risk	**146,696**	109,899	**150,534**	115,473
Suspended collection taxes	**70,239**	51,340	**70,239**	51,340
Provision for estimated losses with doubtful accounts	**14,958**	10,237	**16,136**	10,665
Provision for property, plant and equipment losses	**6,454**	3,145	**6,454**	3,313
Provision for tax credits realization	**70,762**	55,539	**70,762**	60,935
Provision for other obligations	**53,716**	28,391	**55,730**	29,676
Employees' profit sharing	**51,607**	25,033	**51,607**	25,033
Provision for inventories	**15,871**	10,438	**15,871**	10,900
Employees' benefits plan	**99,029**	96,546	**99,029**	96,546
Amortization on fair value of business combination	**1,870**	5,372	**1,870**	5,372
Business combination - Sadia	**695,646**	817,858	**695,646**	817,858
Unrealized losses on derivatives	**83,606**	45,015	**83,606**	45,015
Adjustments relating to the transition tax regime [1]	**132,984**	143,575	**132,984**	143,574
Provision for losses - other debtors	**3,969**	14,672	**3,969**	14,671
Other temporary differences	**25,396**	51,589	**31,379**	55,974
	2,438,806	2,361,979	**2,496,459**	2,408,768
Liabilities				
Liabilities temporary differences				
Business combination - Sadia and Quickfood	**(763,121)**	(865,998)	**(878,204)**	(990,028)
Adjustments relating to the transition tax regime [1]	**(929,810)**	(675,127)	**(931,819)**	(677,137)
Other temporary differences	**-**	(1,618)	**(20,759)**	(23,423)
	(1,692,931)	(1,542,743)	**(1,830,782)**	(1,690,588)
Total deferred tax legally enforceable	**745,875**	819,236	**665,677**	718,180
Business combination - Dánica and Avex	**-**	-	**(20,566)**	(27,792)
Total deferred tax	**745,875**	819,236	**645,111**	690,388

(1) The main adjustments are related primarily to amortization of goodwill of business combination, fair value of financial instruments and depreciation rate for the economic useful lives of the property, plant and equipment.

Certain subsidiaries of the Company have tax loss carryforwards and negative basis of social contribution of R$18,493 and R$18,312, respectively, (R$19,633 and R$19,514 as of December 31, 2012), for which the Company have not recorded a deferred tax asset. If there was an expectation that such tax credits would be realized the amount recognized in the balance sheet would be R$6,271 (R$6,664 as of December 31, 2011).

On November 11, 2013, was published a Provisional Measure No. 627 which revoke the Transition Tax Regime ("RTT") and introduce other measures, among them: (i) amendments in Decree-Law No. 1,598 / 77 which deals with the corporate income tax as well as amending the relevant legislation to social contribution on net income, (ii) provides that the amendment or adoption of accounting methods and criteria through administrative acts issued based on jurisdiction conferred in business law, which are subsequent to the publication of this Provisional Measure, there is no implication in the calculation of federal taxes until tax law regulates the subject; (iii) includes specific treatment on the potential taxation of profits or

dividends; (iv) includes provisions concerning the calculation of interest on shareholders' equity and (v) includes considerations on investments measured at equity method.

The provisions of the Provisional Measure are in force from 2015 onwards. The early adoption for 2014 may eliminate potential tax effects, especially related to payment of dividends and interest on shareholders' equity that were effectively paid up to the date of publication of this Provisional Measure as well as equity pick. The Company prepared an analyze the impacts of the Provisional Measure and concluded that given the legislation published so far, its early adoption or not, would result in irrelevant adjustments in the Company's financial statements. The Management awaits the evolution and negotiations of the amendments to the text of the Provisional Measure so can be able to decide on its early adoption within the deadlines established by that tax rule.

13.2. Estimated time of realization

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

When assessing the likelihood of the realization of deferred tax assets, constituted on tax loss carryforward and negative calculation bases, Management considers its budget and strategic plan, adjusted based on estimates of the main tax additions and exclusions.

Based on this estimate, Management believes that it is more likely than not that the deferred tax will be realized, as shown below, however, this estimate may not materialize in the next years if estimates of future taxable income are not verified.

	BR GAAP	**BR GAAP and IFRS**
	Parent company	**Consolidated**
2014	**73,893**	**74,903**
2015	**77,360**	**78,444**
2016	**101,029**	**105,958**
2017	**121,688**	**126,973**
2018	**141,995**	**147,562**
2019-2021	**444,908**	**463,342**
2022-2023	**5,130**	**13,461**
	966,003	**1,010,643**

The rollforward of the deferred tax assets is set forth below:

	BR GAAP		**BR GAAP and IFRS**	
	Parent company		**Consolidated**	
		Restated		Restated
	12.31.13	12.31.12	**12.31.13**	12.31.12
Beginning balance	**819,236**	595,001	**690,388**	836,853
Deferred income tax recorded in the statement of income	**(140,403)**	304,048	**(116,026)**	43,589
Deferred income tax recorded in other comprehensive income	**60,848**	(79,813)	**60,718**	(9,573)
Business combination - Dánica/Avex	**-**	-	**-**	(52,925)
Business combination - Quickfood	**-**	-	**9,356**	(124,440)
Other	**6,194**	-	**675**	(3,116)
Ending balance	**745,875**	819,236	**645,111**	690,388

13.3. Income and social contribution taxes reconciliation

	BR GAAP		**BR GAAP and IFRS**	
	Parent company		**Consolidated**	
		Restated		Restated
	12.31.13	12.31.12	**12.31.13**	12.31.12
Income before taxes	**1,210,181**	466,670	**1,212,112**	752,820
Nominal tax rate	**34%**	34%	**34%**	34%
Tax expense at nominal rate	**(411,462)**	(158,668)	**(412,118)**	(255,959)
Adjustments of taxes and contributions on				
Equity interest in income of affiliates	**(107,758)**	339,442	**4,530**	7,629
Exchange rate variation on foreign investments	**140,257**	41,207	**129,944**	62,416
Difference of tax rates on earnings from foreign subsidiaries	**-**	-	**(125,423)**	28,362
Interest on shareholders' equity, net	**246,164**	93,415	**246,164**	93,415
Results from foreign subsidiaries	**(647)**	-	**(647)**	(549)
Transfer price	**(1,002)**	(591)	**(1,002)**	(3,099)
Profit sharing	**(11,163)**	(2,081)	**(11,163)**	(1,947)
Donations	**(3,343)**	(1,626)	**(3,343)**	(4,387)
Penalties	**1,707**	(5,472)	**1,707**	(3,825)
Gain on realization of tax loss carryforwards	**-**	-	**-**	84,246
Investment grant	**41,201**	22,926	**41,201**	22,926
Other adjustments	**(41,705)**	(25,220)	**(15,125)**	(4,606)
	(147,751)	303,332	**(145,275)**	24,622
Current income tax	**(7,348)**	(716)	**(29,249)**	(18,967)
Deferred income tax	**(140,403)**	304,048	**(116,026)**	43,589

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

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Taxable income from foreign subsidiaries	**(412,551)**	54,150
Current income taxes expense from foreign subsidiaries	**(19,862)**	(9,375)
Deferred income taxes benefit from foreign subsidiaries	**26,163**	39,353

The Company determined that the total profit accounted for by holdings of their wholly-owned subsidiaries located abroad will not be redistributed. Such resources will be used for investments in the subsidiaries, and thus no deferred income tax was recognized. The total of undistributed earnings corresponds to R$1,158,814 as of December 31, 2013 (R$2,223,356 as of December 31, 2012). Such variation is mainly due to the result recorded by foreign subsidiaries and the effect of the merger of Sadia GmbH in to BRF GmbH on March 31, 2013.

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 local regulations.

14. JUDICIAL DEPOSITS

The rollforward of the judicial deposits is set forth below:

					BR GAAP	
					Parent company	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**Price index update**	**12.31.13**
Tax	240,450	38,908	(681)	(4,526)	18,305	**292,456**
Labor	93,409	79,292	(15,770)	(15,238)	14,245	**155,938**
Civil, commercial and other	30,016	4,457	(4,592)	(8,640)	2,982	**24,223**
	363,875	**122,657**	**(21,043)**	**(28,404)**	**35,532**	**472,617**

						BR GAAP and IFRS	
						Consolidated	
	12.31.12	**Additions**	**Reversals**	**Write-offs**	**Price index update**	**Exchange rate variation**	**12.31.13**
Tax	240,582	38,914	(539)	(4,656)	18,332	-	**292,633**
Labor	93,503	79,292	(15,770)	(15,296)	14,250	-	**155,979**
Civil, commercial and other	31,216	14,633	(8,887)	(8,640)	2,982	(1,240)	**30,064**
	365,301	**132,839**	**(25,196)**	**(28,592)**	**35,564**	**(1,240)**	**478,676**

15. RESTRICTED CASH

				BR GAAP		BR GAAP and IFRS	
				Parent company		Consolidated	
	WATM [1]	**Currency**	**Average interest (p.a.)**	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Guarantee deposit	-	US$	-	**-**	-	**-**	9,137
National treasury certificates	6.26	R$	17.53%	**99,212**	83,877	**99,212**	83,877
				99,212	83,877	**99,212**	93,014

(1) Weighted average maturity term (in year)

The national treasure certificates are pledged as collateral for the loan obtained through the Special Program Asset Restructuring ("PESA"), see note 19.6 of these consolidated financial statements.

The guarantee deposit disclosed on December 31, 2013 was linked to a bank borrowing contracted with Rabobank by the subsidiary Quickfood, which was settled during the year ended December 31, 2013.

16. INVESTMENTS

16.1. Investments breakdown

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Investment in subsidiaries and affiliates	**2,756,464**	2,713,155	**105,874**	34,711
Goodwill Quickfood	**447,429**	457,568	**-**	-
Advance for future capital increase	**100**	100	**-**	-
Other investments	**873**	880	**2,116**	1,947
	3,204,866	3,171,703	**107,990**	36,658

16.2. Summary financial information in of direct subsidiaries

	Avipal Centro Oeste S.A.	Avipal Construtora S.A.	BRF GmbH	Establec. Levino Zaccardi	Heloísa Ind. Com. Produtos Lácteos Ltda.[1]	PDF Partici-pações Ltda.	Perdigão Trading S.A.
	12.31.13	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**
Current assets	**81**	**123**	**118,881**	**4,588**	**-**	**-**	**-**
Non-current assets	**-**	**-**	**2,255,989**	**1,868**	**-**	**-**	**1,013**
Current liabilities	**-**	**(5)**	**(406)**	**(1,979)**	**-**	**-**	**-**
Non-current liabilities	**-**	**-**	**(175,557)**	**(60)**	**-**	**-**	**-**
Shareholders' equity	**(81)**	**(118)**	**(2,198,907)**	**(4,417)**	**-**	**-**	**(1,013)**
Net revenues	**-**	**-**	**5,190**		**-**	**-**	**-**
Net income (loss)	**(4)**	**2**	**(426,673)**	**8,449**	**-**	**-**	**(102)**
				(2,238)			
	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12
Current assets	85	121	184,901	5,953	-	1	119
Non-current assets	-	-	1,162,152	2,199	-	-	997
Current liabilities	-	(5)	(717)	(1,451)	-	-	(1)
Non-current liabilities	-	-	-	(6,131)	-	-	-
Shareholders' equity	(85)	(116)	(1,346,336)	(570)	-	(1)	(1,115)
Net revenues	-	-	739	8,950	63,917	-	-
Net income (loss)	(180)	62	(85,473)	(33)	(3,934)	-	(873)

(1) Merger of wholly-owned subsidiaries on December 31, 2013.
(2) Merger of wholly-owned subsidiaries by BRF GmbH on March 31, 2013.

PSA Labor. Veter. Ltda.	Quickfood S.A.	Sadia Alimentos S.A.	Sadia GmbH [2]	Sadia Internati-onal Ltd.	Sadia Overseas S.A.	Sadia S.A. [1]	VIP S.A. Empr. e Particip. Imob.
12.31.13	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**	**12.31.13**
6,037	**184,492**	**27,600**	**-**	**1,252**	**101**	**-**	**125,731**
2,507	**130,705**	**146,063**	**-**	**169,564**	**505,045**	**-**	**44,592**
(2,980)	**(184,741)**	**(19,347)**	**-**	**(1,601)**	**(3,555)**	**-**	**(30,237)**
-	**(79,157)**	**(21,166)**	**-**	**-**	**(517,054)**	**-**	**(2,025)**
(5,564)	**(51,299)**	**(133,150)**	**-**	**(169,215)**	**15,463**	**-**	**(138,061)**
10	**832,083**	**37,470**	**54**	**-**	**-**	**-**	**-**
139	**(4,154)**	**(56,278)**	**62,083**	**(466)**	**(12,290)**	**-**	**23,140**
12.31.12	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12	12.31.12
467	145,221	36,776	741,488	6,737	2	-	60,212
8,022	86,207	236,615	221,394	142,261	512,537	-	89,158
(84)	(122,999)	(115,892)	(282)	(1,197)	(3,512)	-	(142)
-	(40,492)	(28,058)	(121,858)	-	(510,875)	-	(4,185)
(8,405)	(67,937)	(129,441)	(840,742)	(147,801)	1,848	-	(145,043)
366	391,875	38,735	739	-	-	15,226,451	4,025
(3,028)	(5)	1,641	83,884	2,613	(29)	1,039,680	11,859

16.3. Rollforward of the interest in subsidiaries and associates - Parent company

	Avipal Centro Oeste S.A.	Avipal Construtora S.A.	BRF GmbH [1]	BRF Suínos do Sul Ltda.	Establec. Levino Zaccardi	Perdigão Trading S.A.	PSA Labor. Veter. Ltda	Quickfood S.A.
a) Capital share as of December 31, 2013								
% of share	100.00%	100.00%	100.00%	99.00%	98.26%	100.00%	88.00%	90.05%
Total number of shares and membership interests	6,963,854	445,362	1	100	100	100,000	5,463,850	36,469,606
Number of shares and membership interest held	6,963,854	445,362	1	50	98	100,000	5,463,850	32,841,224
b) Subsidiaries' information as of December 31, 2013								
Capital stock	5,972	445	6,121	-	6,604	100	5,564	28,117
Shareholders' equity	81	118	2,198,907	-	4,417	1,013	5,564	51,299
Fair value adjustments of assets and liabilities acquired	-	-	-	-	-	-	-	201,171
Goodwill based on expectation of future profitability	-	-	-	-	-	-	-	246,259
Income (loss) for the period	(4)	2	(426,673)	-	(2,238)	(102)	139	(4,154)
c) Balance of investments as of December 31, 2013								
Balance of the investment in the beginning of the exercise	85	116	1,346,336	-	382	1,115	7,407	518,746
Equity pick-up	(4)	2	(359,292)	-	(2,160)	(102)	122	(3,741)
Premium related to Exchange Offer	-	-	(67,381)	-	-	-	-	-
Unrealized profit in inventory	-	-	-	-	457	-	-	(482)
Goodwill in the acquisition of non-controlling entities	-	-	-	-	-	-	-	-
Exchange rate variation on goodwill in the acquisiton of non-controlling entities	-	-	(2,603)	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	(10,139)
Exchange rate variation on foreign investments	-	-	416,762	-	-	-	-	-
Other comprehensive income	-	-	(1,890)	-	(918)	-	-	(10,808)
Advance for future capital increase	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	6,565	-	-	-
Dividends and interests on shareholders' equity	-	-	-	-	-	-	(2,979)	-
Write-off plants from the execution of TCD	-	-	-	-	-	-	-	-
Net assets acquired	-	-	-	-	-	-	-	-
Acquisition of Company	-	-	-	-	-	-	-	-
Impairment losses for investments	-	-	-	-	-	-	-	-
Acquisition by merger of companies	-	-	866,975	-	-	-	-	-
Total	**81**	**118**	**2,198,907**	**-**	**4,326**	**1,013**	**4,550**	**493,576**

(1) As disclosed in note 19.4, the Company entered into an operation denominated Exchange Offer involving the wholly-owned subsidiaries Sadia Overseas and BFF International. In the execution of this transaction there were payments of premium and interest by these subsidiaries in the amount of R$10,959 andR$67,381, respectively, which were reclassified as reduction of debt bonds and will be amortized over the terms of Senior Notes BRF 2023.

The gains resulting from exchange rate variation on the investments in foreign subsidiaries, whose functional currency is Brazilian Reais, totaling R$382,197 on December 31, 2013 (gain of R$183,576 as of December 31, 2012) are recognized as financial income or expenses in the statement of income.

On December 31, 2013, the subsidiaries do not have any significant restriction to transfer dividends or repay their loans or advances to the Company.

	Subsidiaries					Affiliate					
	Sadia Alimentos S.A.	Sadia GmbH	Sadia Internati-onal Ltd.	Sadia Overseas S.A. [1]	VIP S.A. Empr. e Particip. Imob	K&S Alimentos S.A.	Nutrifont Alimentos S.A.	PP-Bio Adm. Bem próprio S.A.	UP! Alimen-tos Ltda	Total 12.31.13	Total 12.31.12
	100.00%	-	100.00%	100.00%	100.00%	49.00%	50.00%	33.33%	50.00%		
	33,717,308	-	900	50,000	14,249,459	27,664,086	20,000	-	1,000		
	33,717,308	-	900	50,000	14,249,459	13,555,402	10,000	-	500		
	225,073	-	2,108	2	40,061	27,664	35,000	-	1		
	133,150	-	169,215	(15,463)	138,061	27,773	35,830	-	56,883		
	-	-	-	-	-	-	-	-	-		
	-	-	-	-	-	-	-	-	-		
	(56,278)	62,083	(466)	(12,290)	23,140	4,704	830	-	56,882		
	129,441	840,742	147,801	-	145,043	11,322	-	-	22,287	**3,170,823**	10,158,756
	(56,278)	62,083	(465)	(1,331)	23,140	2,304	415	-	28,441	**(306,866)**	976,635
	-	-	-	(10,959)	-	-	-	-	-	**(78,340)**	-
	94	-	-	-	-	-	-	-	-	**69**	(34)
	-	-	-	-	-	-	-	-	-	**-**	(33,851)
	(374)	-	-	-	-	-	-	-	-	**(2,977)**	(1,280)
	-	-	-	-	-	-	-	-	-	**(10,139)**	457,568
	11,052	(35,850)	21,879	(1,324)	-	-	-	-	-	**412,519**	121,198
	(31,080)	-	-	-	(19)	-	-	-	-	**(44,715)**	(50,817)
	-	-	-	-	-	-	-	-	-	**-**	23,000
	80,295	-	-	-	-	-	17,500	-	-	**104,360**	-
	-	-	-	-	(30,103)	(17)	-	-	(22,286)	**(55,385)**	(8,988)
	-	-	-	-	-	-	-	-	-	**-**	(252,850)
	-	-	-	-	-	-	-	-	-	**-**	63,852
	-	-	-	-	-	-	-	1,030	-	**1,030**	-
	-	-	-	13,614	-	-	-	-	-	**13,614**	-
	-	(866,975)	-	-	-	-	-	-	-	**-**	(8,282,366)
	133,150	**-**	**169,215**	**-**	**138,061**	**13,609**	**17,915**	**1,030**	**28,442**	**3,203,993**	**3,170,823**

16.4. Summary financial information in associate and joint venture

					Associate	
		K&S	Nutrifont	PP-Bio		UP!
	12.31.13	12.31.12	**12.31.13**	**12.31.13**	**12.31.13**	12.31.12
Current assets	**16,342**	11,304	**4,633**	**-**	**42,902**	32,395
Non-current assets	**4,893**	8,030	**14,455**	**1,030**	**30**	34
Current liabilities	**(7,217)**	(7,523)	**(1,130)**	**-**	**(14,490)**	(10,142)
Non-current liabilities	**(410)**	(489)	**(43)**	**-**	**-**	-
	13,608	11,322	**17,915**	**1,030**	**28,442**	22,287

		K&S	Nutrifont	PP-Bio		UP!
	12.31.13	12.31.12	**12.31.13**	**12.31.13**	**12.31.13**	12.31.12
Net revenues	**42,682**	34,906	**-**	**-**	**90,767**	74,701
Operational expenses	**(11,352)**	(9,163)	**(6)**	**-**	**(20,287)**	(17,782)
Net income (loss)	**2,304**	803	**415**	**-**	**28,441**	22,286
% of participation	**49%**	49%	**50%**	**33%**	**50%**	50%

On January 16, 2013, the Company concluded through its wholly-owned subsidiary in Austria, the acquisition of 49% of the capital sotck of Federal Foods for the amount of U$37,100 equivalent to R$75,384, generating a goodwill of R$20,210 (note 18).

17. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment rollforward is set forth below:

	Weighted average depreciation rate (% p.a.)	12.31.12
Cost		
Land	-	615,927
Buildings and improvements	-	4,810,401
Machinery and equipment	-	5,744,113
Facilities	-	1,417,435
Furniture	-	81,977
Vehicles and aircrafts	-	150,971
Other	-	211,585
Construction in progress	-	838,643
Advances to suppliers	-	49,576
		13,920,628
Depreciation		
Buildings and improvements	3.05	(1,183,791)
Machinery and equipment	5.83	(1,972,574)
Facilities	3.80	(366,100)
Furniture	8.00	(34,813)
Vehicles and aircrafts	14.64	(40,536)
Other	5.21	(62,989)
		(3,660,803)
Provision for losses		**(9,249)**
		10,250,576

(1) Net transfer to intangible assets in the amount of R$29,560 (note 18) and net transfer to other rights relating to employees' housing program in the amount of R$11,434.

		Joint Venture
Federal Foods		Rising Star
12.31.13	**12.31.13**	12.31.12
152,319	**46,663**	68,619
3,887	**243**	1,354
(106,481)	**(46,714)**	(68,750)
(5,026)	**(12)**	(121)
44,699	**180**	1,102

Federal Foods		Rising Star
12.31.13	**12.31.13**	12.31.12
311,564	**502,716**	296,626
(42,923)	**(9,139)**	(2,127)
(17,221)	**(617)**	(651)
49%	**50%**	50%

						BR GAAP Parent company
Additions	Disposals	Reversals	Transfers	Transfers to held for sale	Transfers from held for sale	12.31.13
16,849	(24,665)	-	13,576	(54,572)	-	**567,115**
101,448	(50,472)	-	389,403	-	-	**5,250,780**
69,604	(90,173)	-	494,022	(2,163)	195	**6,215,598**
1,663	(8,198)	-	127,925	-	-	**1,538,825**
323	(7,682)	-	19,758	-	-	**94,376**
240	(2,745)	-	9,424	(2,011)	242	**156,121**
34,083	(9,896)	-	(149,952)	(85,820)	-	**-**
833,743	(29,052)	-	(996,253)	-	-	**647,081**
71,362	-	-	(117,289)	-	-	**3,649**
1,129,315	**(222,883)**	**-**	**(209,386)**	**(144,566)**	**437**	**14,473,545**
(142,290)	3,589	-	(18,852)	-	-	**(1,341,344)**
(349,849)	51,291	-	8,721	825	-	**(2,261,586)**
(60,121)	2,371	-	29	-	-	**(423,821)**
(6,924)	3,830	-	(3,398)	-	-	**(41,305)**
(22,697)	495	-	13,740	1,389	-	**(47,609)**
(14,625)	9,466	-	68,148	-	-	**-**
(596,506)	**71,042**	**-**	**68,388**	**2,214**	**-**	**(4,115,665)**
(12,073)	**-**	**2,339**	**-**	**-**	**-**	**(18,983)**
520,736	**(151,841)**	**2,339**	**(140,998)** [1]	**(142,352)**	**437**	**10,338,897**

	Weighted average depreciation rate (% p.a.)	12.31.12
Cost		
Land	-	618,740
Buildings and improvements	-	4,966,733
Machinery and equipment	-	6,033,839
Facilities	-	1,446,392
Furniture	-	95,424
Vehicles and aircrafts	-	160,879
Other	-	223,212
Construction in progress	-	877,857
Advances to suppliers	-	60,478
		14,483,554
Depreciation		
Buildings and improvements	3.06	(1,179,907)
Machinery and equipment	5.84	(2,092,973)
Facilities	3.94	(389,234)
Furniture	8.04	(42,187)
Vehicles and aircrafts	14.88	(44,055)
Other	5.21	(55,249)
		(3,803,605)
Provision for losses		**(9,249)**
		10,670,700

(1) Net transfer to intangible assets in the amount of R$30,727 (note 18) and net transfer to other rights relating to employees' housing program in the amount of R$11,434.

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

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Cost				
Buildings and improvements	**110,626**	107,970	**122,939**	118,008
Machinery and equipment	**567,665**	525,052	**618,276**	555,336
Facilities	**75,265**	70,854	**75,294**	70,854
Furniture	**13,766**	12,265	**21,013**	15,959
Vehicles and aircrafts	**5,293**	3,450	**5,610**	3,450
Others	**28,202**	19,127	**28,202**	19,127
	800,817	738,718	**871,334**	782,734

During the twelve-month period ended December 31, 2012, the Company capitalized interests in the amount of R$49,881 in the parent company and R$52,175 in the consolidated (R$19,538 in the parent company and R$52,716 in the consolidated as of December 31, 2012). The weighted interest rate utilized to determine the capitalized amount was 5.94% p.a. in the parent company and 6.21% p.a. in the consolidated (5.88% p.a. in the parent company and 8.15% p.a. in the consolidated as of December 31, 2012).
On December 31, 2013, the Company had no commitments assumed related to acquisition and/or construction of property, plant and equipment items.

The property, plant and equipment items that are held as collateral for transactions of different natures are presented below:

			BR GAAP and IFRS
			Parent company and Consolidated
		12.31.13	12.31.12
	Type of collateral	**Book value of the collateral**	Book value of the collateral
Land	Financial/Labor/Tax/Civil	**330,823**	355,931
Buildings and improvements	Financial/Labor/Tax/Civil	**1,824,785**	1,735,376
Machinery and equipment	Financial/Labor/Tax	**2,054,899**	2,104,092
Facilities	Financial/Labor/Tax	**660,038**	638,450
Furniture	Financial/Labor/Tax/Civil	**19,906**	18,579
Vehicles and aircrafts	Financial/Tax	**1,591**	1,636
Others	Financial/Labor/Tax/Civil	**100,337**	73,640
		4,992,379	4,927,704

							BR GAAP and IFRS Consolidated
Additions	Disposals	Reversals	Transfers	Transfers to held for sale	Transfers from held for sale	Exchange rate variation	12.31.13
16,849	(24,665)	-	13,576	(54,572)	-	(2,799)	**567,129**
104,936	(51,690)	-	399,439	-	-	(5,349)	**5,414,069**
75,467	(102,561)	-	538,190	(2,163)	195	(4,722)	**6,538,245**
1,790	(8,569)	-	142,570	-	-	(8,828)	**1,573,355**
2,081	(9,608)	-	23,814	-	-	(233)	**111,478**
1,373	(3,303)	-	9,568	(9,373)	242	1,088	**160,474**
36,718	(17,613)	-	(157,214)	(85,820)	-	717	**-**
956,161	(29,557)	-	(1,017,469)	-	-	11,380	**798,372**
72,907	(2,044)	-	(117,690)	-	-	56	**13,707**
1,268,282	**(249,610)**	**-**	**(165,216)**	**(151,928)**	**437**	**(8,690)**	**15,176,829**
(149,776)	4,122	-	(21,759)	-	-	(851)	**(1,348,171)**
(371,993)	57,074	-	(13,752)	825	-	(7,073)	**(2,427,892)**
(62,485)	2,462	-	(10,726)	-	-	827	**(459,156)**
(8,563)	4,470	-	(6,103)	-	-	(1,006)	**(53,389)**
(24,094)	845	-	13,560	6,733	-	(649)	**(47,660)**
(18,415)	9,475	-	61,846	-	-	2,343	**-**
(635,326)	**78,448**	**-**	**23,066**	**7,558**	**-**	**(6,409)**	**(4,336,268)**
(12,073)	**-**	**2,339**	**-**	**-**	**-**	**-**	**(18,983)**
620,883	**(171,162)**	**2,339**	**(142.,50)** [1]	**(144,370)**	**437**	**(15,099)**	**10,821,578**

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

18. INTANGIBLE

				BR GAAP Parent company	
	Weighted average amortization rate (% p.a.)	Cost	Accumulated amortization	12.31.13	12.31.12
Goodwill	-	2,767,985	-	**2,767,985**	2,767,985
Outgrowers fidelization	12.50	12,463	(2,313)	**10,150**	6,869
Trademarks	-	1,173,000	-	**1,173,000**	1,173,000
Patents	16.51	3,722	(826)	**2,896**	3,418
Supplier relationship	42.00	135,000	(135,000)	**-**	2,752
Software	20.00	290,396	(160,288)	**130,108**	142,640
		4,382,566	**(298,427)**	**4,084,139**	**4,096,664**

				BR GAAP and IFRS Consolidated	
	Weighted average amortization rate (% p.a.)	Cost	Accumulated amortization	12.31.13	12.31.12
Non-compete agreement	2.44	375	(251)	**124**	394
Goodwill	-	3,101,750	-	**3,101,750**	3,083,263
Exclusivity agreement	100.00	497	(497)	**-**	452
Outgrowers fidelization	12.50	12,463	(2,312)	**10,151**	16,642
Trademarks	-	1,302,305	-	**1,302,305**	1,305,937
Patents	17.33	5,546	(2,061)	**3,485**	3,895
Customer relationship	7.71	179,561	(11,495)	**168,066**	181,803
Supplier relationship	42.00	146,138	(140,509)	**5,629**	4,743
Software	20.00	329,340	(162,928)	**166,412**	154,532
		5,077,975	**(320,053)**	**4,757,922**	**4,751,661**

Intangible assets are comprised of the following items:

					BR GAAP Parent company
	12.31.12	Additions	Disposals	Transfers	12.31.13
Cost:					
Goodwill:	2,767,985	-	-	-	**2,767,985**
Ava	49,368	-	-	-	**49,368**
Batavia	133,163	-	-	-	**133,163**
Cotochés	39,590	-	-	-	**39,590**
Eleva Alimentos	1,273,324	-	-	-	**1,273,324**
Heloísa	33,461	-	-	-	**33,461**
Incubatório Paraíso	656	-	-	-	**656**
Paraíso Agroindustrial	16,751	-	-	-	**16,751**
Perdigão Mato Grosso	7,636	-	-	-	**7,636**
Sadia	1,214,036	-	-	-	**1,214,036**
Outgrowers fidelization	8,204	4,524	-	(265)	**12,463**
Trademarks	1,173,000	-	-	-	**1,173,000**
Patents	3,722	-	-	-	**3,722**
Supplier relationship	135,000	-	-	-	**135,000**
Software	323,157	11	(62,714)	29,942	**290,396**
	4,411,068	**4,535**	**(62,714)**	**29,677**	**4,382,566**
Amortization:					
Outgrowers fidelization	(1,335)	(1,212)	-	234	**(2,313)**
Patents	(304)	(522)	-	-	**(826)**
Supplier relationship	(132,248)	(2,752)	-	-	**(135,000)**
Software	(180,517)	(42,048)	62,628	(351)	**(160,288)**
	(314,404)	**(46,534)**	**62,628**	**(117)**	**(298,427)**
	4,096,664	**(41,999)**	**(86)**	**29,560**	**4,084,139**

						BR GAAP and IFRS Consolidated
	12.31.12	Additions	Disposals	Transfers	Exchange rate variation	12.31.13
Cost:						
Goodwill:	3,083,263	20,210	-	(3,201)	1,478	**3,101,750**
Ava	49,368	-	-	-	-	**49,368**
Avex	37,989	-	-	-	(5,170)	**32,819**
Batavia	133,163	-	-	-	-	**133,163**
Cotochés	39,590	-	-	-	-	**39,590**
Dánica	10,145	-	-	-	(1,791)	**8,354**
Eleva Alimentos	1,273,324	-	-	-	-	**1,273,324**
Federal Foods	-	20,210	-	-	5,039	**25,249**
Heloísa	33,461	-	-	-	-	**33,461**
Incubatório Paraíso	656	-	-	-	-	**656**
Paraíso Agroindustrial	16,751	-	-	-	-	**16,751**
Perdigão Mato Grosso	7,636	-	-	-	-	**7,636**
Plusfood	17,684	-	-	-	3,400	**21,084**
Quickfood	249,460	-	-	(3,201)	-	**246,259**
Sadia	1,214,036	-	-	-	-	**1,214,036**
Non-compete agreement	442	-	-	-	(67)	**375**
Exclusivity agreement	603	-	-	-	(106)	**497**
Outgrowers fidelization	18,791	4,524	-	(10,852)	-	**12,463**
Trademarks	1,305,937	1	-	(245)	(3,388)	**1,302,305**
Patents	5,107	27	-	251	161	**5,546**
Customer relationship	182,496	-	-	-	(2,935)	**179,561**
Supplier relationship	136,991	-	-	10,587	(1,440)	**146,138**
Software	336,956	29,813	(64,313)	31,102	(4,218)	**329,340**
	5,070,586	**54,575**	**(64,313)**	**27,642**	**(10,515)**	**5,077,975**
Amortization:						
Non-compete agreement	(48)	(249)	-	-	46	**(251)**
Exclusivity agreement	(151)	(410)	-	-	64	**(497)**
Outgrowers fidelization	(2,149)	(1,212)	-	1,049	-	**(2,312)**
Patents	(1,212)	(819)	-	-	(30)	**(2,061)**
Customer relationship	(693)	(11,128)	-	-	326	**(11,495)**
Supplier relationship	(132,248)	(7,833)	-	(814)	386	**(140,509)**
Software	(182,424)	(43,242)	63,001	(351)	88	**(162,928)**
	(318,925)	(64,893)	63,001	(116)	880	**(320,053)**
	4,751,661	**(10,318)**	**(1,312)**	**27,526**	**(9,635)**	**4,757,922**

Amortizations of outgrowers fidelization and supplier relationships are recognized as a cost of sales in the statement of income, while software amortization is recorded according to its use as cost of sales, administrative or sales expenses.

Trademarks in intangible assets derive from the business combination with Sadia, Quickfood and Dánica group and are considered assets with indefinite useful life as they are expected to indefinitely contribute to the Company's cash flows.

The goodwill presented above is based on expected future profitability supported by valuation reports, after purchase price allocation.

The value of goodwill and the value of intangible assets with indefinite useful life (trademarks and patents) allocated to cash-generating units are presented in note 5.

In 2013, the Company performed the impairment analyzes of intangible assets including property, plant and equipment, based on the fair value that was determined by a discounted cash flow model, in accordance with the level of goodwill and intangible allocations to the group of cash generating units.

Discounted cash flows were prepared based on the multi-annual budget (2014-2017) of the Company and growth projections up to 2023 (5.3% p.a. up to 9.8% p.a.), which, are based on historical information and market projections of government agencies and associations, such as the United States Department of Agriculture ("USDA"), the Brazilian Pork Industry and Exporter ("ABIPECS"), the Brazilian Pullet Producer Association ("APINCO") and others. In the opinion of management, the use of periods that exceed 5 years in the preparation of discounted cash flows is adequate as it reflects the estimated time of use of the groups of assets.

Management adopted the WACC (11.2% p.a.) as the discount rate for the development of discounted cash flows and also adopted the assumptions shown in the table below:

	2014	2015	2016	2017	2018	2019	2020	2021-2023
PIB Brasil-BACEN	2.90%	3.00%	3.60%	3.50%	3.40%	3.80%	4.20%	4.13%
PIB Mundial - FMI	3.80%	4.30%	4.30%	4.20%	4.10%	4.00%	4.10%	4.00%
IPCA	5.60%	5.60%	5.40%	5.30%	5.20%	5.20%	5.20%	4.90%
CPI-FMI	2.40%	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
SELIC	10.00%	10.00%	9.30%	8.40%	7.60%	7.50%	7.50%	7.37%

The rates presented above do not consider any tax effect (pre-tax).

Based on Management analyses performed during 2013, no adjustments for reduction in the balances of the assets to recoverable value were identified.

In addition to the above mentioned recovery analysis, management prepared a sensitivity analysis considering the variations in the EBITDA margin and in the nominal WACC as presented below:

					Variations
Apreciation (devaluation)	3.0%	1.5%	1.5%	-1.5%	-3.0%
WACC	14.2%	12.7%	12.7%	9.7%	8.2%
EBITDA margin	16.5%	15.0%	15.0%	12.0%	10.5%

In none of the scenarios considered above, the Company determined the need to recognize an impairment loss to the intangible assets with indefinite useful life.

19. LOANS AND FINANCING

	Charges (% p.a.)
Local currency	
Working capital	5.50% (5.67% on 12.31.12)
Export credit facility	98.50% CDI / TJLP + 3.75% / Fixed rate (102.21% CDI / TJLP + 3.80% on 12.31.12)
Development bank credit lines	Fixed rate / TJLP + 2.56% (Fixed rate / TJLP + 2.56% on 12.31.12)
Bonds	7.75%
Other secured debts and financial lease	8.37% (9.52% on 12.31.12)
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.12)
Fiscal incentives	Fixed rate / 10.00% IGPM + 1.00% (Fixed rate / 10.00% IGPM + 1.00% on 12.31.12)
Foreign currency	
Bonds	5.11% (5.88% on 12.31.12) + e.r. US$
Export credit facility	LIBOR + 2.74% (LIBOR / Fixed rate / CDI + 2.20% on 12.31.12) + e.r. US$
Development bank credit lines	UMBNDES + 2.20% (UMBNDES + 2.22% on 12.31.12) + e.r. US$ and other currencies
Advances for foreign exchange rate contracts	-

(1) Weighted average maturity term (years).

	Charges (% p.a.)
Local currency	
Working capital	5.50% (5.67% on 12.31.12)
Export credit facility	98.50% CDI / TJLP + 3.75% / Fixed rate (102.21% CDI / TJLP + 3.80% on 12.31.12)
Development bank credit lines	Fixed rate / TJLP + 2.56% (Fixed rate / TJLP + 2.56% on 12.31.12)
Bonds	7.75%
Other secured debts and financial lease	8.37% (9.52% on 12.31.12)
Special program asset restructuring	Fixed rate / IGPM + 4.90% (Fixed rate / IGPM + 4.90% on 12.31.12)
Fiscal incentives	Fixed rate / 10.00% IGPM + 1.00% (Fixed rate / 10.00% IGPM + 1.00% on 12.31.12)
Foreign currency	
Bonds	6.13% (7.20% on 12.31.12) + e.r. US$ and ARS
Export credit facility	LIBOR + 2.71% (LIBOR / Fixed rate / CDI + 2.36% on 12.31.12) + e.r. US$
Working capital	Fixed rate + LIBOR + 4.75% (21.25% on 12.31.12) + e.r. US$ and ARS
Development bank credit lines	UMBNDES + 2.20% (UMBNDES + 2.22% on 12.31.12) + e.r. US$ and other currencies
Other secured debts and financial lease	15.08% (UMBNDES + 2.15% on 12.31.12) + e.r. ARS
Advances for foreign exchange rate contracts	-

(1) Weighted average maturity term (years).

					BR GAAP Parent company	
Weighted average interest rate (% p.a.)	WAMT [1]	Current	Non-current	12.31.13	12.31.12
5.50% (5.67% on 12.31.12)	0.5	1,210,328	-	**1,210,328**	1,243,442
8.21% (7.91% on 12.31.12)	0.5	914,119	-	**914,119**	1,048,128
4.68% (6.20% on 12.31.12)	2.0	212,451	653,609	**866,060**	935,654
7.75%	4.5	4,140	496,182	**500,322**	-
8.37% (9.52% on 12.31.12)	3.8	71,245	291,634	**362,879**	454,963
10.37% (12.39% on 12.31.12)	6.3	2,922	203,151	**206,073**	195,332
1.70% (1.89% on 12.31.12)	10.3	2	12,680	**12,682**	12,401
		2,415,207	**1,657,256**	**4,072,463**	**3,889,920**
5.11% (5.88% on 12.31.12) + e.r. US$	8.9	13,925	2,819,889	**2,833,814**	1,531,036
'3.13% (3.35% on 12.31.12) + e.r. US$	4.4	4,353	691,199	**695,552**	1,075,882
5.85% (5.78% on 12.31.12) + e.r. US$ and other currencies	1.3	36,149	37,323	**73,472**	105,899
-	-	-	-	**-**	102,212
		54,427	**3,548,411**	**3,602,838**	**2,815,029**
		2,469,634	**5,205,667**	**7,675,301**	**6,704,949**

					BR GAAP and IFRS Consolidated	
Weighted average interest rate (% p.a.)	WAMT [1]	Current	Non-current	12.31.13	12.31.12
5.50% (5.67% on 12.31.12)	0.5	1,210,328	-	**1,210,328**	1,243,442
8.21% (7.91% on 12.31.12)	0.5	914,119	-	**914,119**	1,048,128
4.68% (6.20% on 12.31.12)	2.0	212,451	653,609	**866,060**	935,654
7.75%	4.5	4,140	496,182	**500,322**	-
8.37% (9.52% on 12.31.12)	3.8	71,245	291,634	**362,879**	454,963
10.37% (12.39% on 12.31.12)	6.3	2,922	203,151	**206,073**	195,332
1.70% (1.89% on 12.31.12)	10.3	2	12,680	**12,682**	12,401
		2,415,207	**1,657,256**	**4,072,463**	**3,889,920**
6.13% (7.20% on 12.31.12) + e.r. US$ and ARS	7.4	63,835	4,847,156	**4,910,991**	3,607,416
3.06% (3.28% on 12.31.12) + e.r. US$	4.4	4,741	924,879	**929,620**	1,691,553
27.12% (21.25% on 12.31.12) + e.r. US$ and ARS	0.1	168,220	4,996	**173,216**	117,808
5.85% (5.78% on 12.31.12) + e.r. US$ and other currencies	1.3	36,149	37,323	**73,472**	105,577
15.08% (14.22% on 12.31.12)+ e.r. ARS	1.4	8,442	12,986	**21,428**	3,835
-	-	-	-	**-**	102,212
		281,387	**5,827,340**	**6,108,727**	**5,628,401**
		2,696,594	**7,484,596**	**10,181,190**	**9,518,321**

19.1. Working capital

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

Working capital in foreign currency: Refers to credit lines taken from financial institutions and utilized primarily for short term working capital and import operations of subsidiaries located in Argentina. The loans are denominated in Argentine Pesos and U.S. Dollars, mainly maturing in 2014.

19.2. Export credits facilities

Pre-export facilities: Generally are denominated in U.S. Dollars, maturing between 2017 and 2019. Under the terms of each of these credit facilities, the Company entered into loans guaranteed by accounts receivable related to the exports of its products.

Commercial credit lines: Denominated in U.S. Dollars with quarterly payments of interest and principal maturing in 2018 are utilized for purchase of imported raw materials and other working capital needs.

19.3. Development bank credit lines

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 equipment and expansion of productive facilities.

FINEM: Credit lines of Financing for Enterprises ("FINEM") which are subject to the variations of UMBNDES currency basket. The values of principal and interest are paid in monthly installments, with maturities between 2014 and 2019 and are secured by pledge of equipment, facilities and mortgage on properties owned by the Company.

FINEP: Credit lines of Financial of Studies and Projects ("FINEP") obtained with reduced charges for projects of research, development and innovation, ith maturities dates between 2014 and 2019.

19.4. Bonds

Senior Notes BRF 2023: On May 15, 2013, BRF priced international offerings of (i) 10 (tem) year bonds in the aggregate amount of US$500,000 (the "USD Bonds"), which will mature on May 22, 2023 ("Senior Notes BRF 2023"), issued with a coupon of 3.95% per year (yield to maturity 4.135%), payable semi-annually beginning on November 22, 2013 and (ii) 5 (five) year bonds in the aggregate amount of US$500,000 (the "BRL Bonds") which will mature on May 22, 2018, issued with a coupon of 7.75% per year (yield to maturity 7.75%), payable semi-annually beginning as from November 22, 2013.

From the total amount raised in the USD Bonds ("Senior Notes BRF 2023"), US$150,000 was used in a operation denominated Exchange Offer to exchange a portion of debt of Sadia Overseas Bonds 2017 of US$250,000 and a portion of debt of BFF Notes 2020 of US$750,000 ("existing bonds") by Senior Notes BRF 2023.

In the execution of the Exchange Offer, the Company made payments of premium and incurred interest to be date of the closing of the transaction in the amounts of US$5,043 and US$31,008 to the Sadia Overseas Bonds 2017 and BFF Notes 2020 bondholders. The Company determined there was no substantial change in the terms of the existing bonus, therefore, the exchange transaction was recorded as a modification of a financial liability. The amounts of premium and interest paid transaction costs will be amortized over the terms of Senior Notes BRF 2023, according to the requirements of IAS 39

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, with a nominal interest rate of 7.25% p.a. and effective rate of 7.54% p.a. maturing on January 28, 2020. On June 20, 2013, the amount of US$120,718 of these senior notes has exchanged by Senior Notes BRF 2023, and the remaining balance amounted US$629,282.

Sadia Bonds: In the total value of US$250.000, such bonds are guaranteed by BRF, with an interest rate of 6.88% p.a. and maturing on May 24, 2017. On June 20, 2013, the amount of US$29,282 of these senior notes has exchanged by Senior Notes BRF 2023, and the remaining balance amounted US$220,718.

BRF Notes: On June 6, 2012, BRF issued senior notes of US$500.000, with nominal interest rate of 5.88% p.a. and effective rate of 6.00% p.a. maturing on June 6, 2022. On June 26, 2012 the Company reopened an additional amount of $ 250.000, with nominal interest rate of 5.88% p.a. and effective rate of 5.50% p.a. The Company is the guarantor of the notes.

19.5. Other secured debts and financial lease

Industrial credit notes: The Company issue industrial credit notes, receiving 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 2014 and 2023. These notes are secured by a pledge of machinery and equipment and real estate mortgages.

Financial lease: The Company entered into financial leases for acquisitions vehicles fleets obtained along to financial institution, which consists in the principal amount and interest paid in monthly installments, with maturity date between 2014 and 2015.

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

Export credit notes: The Company entered into export credit notes contracts indexed to the CDI and LIBOR, to be utilized as working capital and maturing in 2014 and 2016.

19.6. Special Program Asset Restructuring – ("Programa Especial de Saneamento de Ativos")

The Company has a loan facility obtained through the Special Program for Asset Recovery ("Programa Especial de Saneamento de Ativos") promoted by the federal government and securitized by commercial financial institutions. Such loan facility is subject to the variations of the General Market Price Index ("IGPM") plus interest of 4.90% p.a. The principal is payable in a single installment and the maturity date is 2020, being secured by endorsements and pledges of public debt securities, presented in note 15.

19.7. Fiscal incentives

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

19.8. Rotative credit line ("Revolver Credit Facility")

With the purpose of improving the financial liquidity management, the Company and its wholly-owned subsidiaries Perdigão International Ltda. and Perdigão Europe hired a credit line Revolver Credit Facility ("Revolver Credit Facility") in the amount of US$500,000, in two tranches in the amount of US$454,000 and EUR 34.800, with a maturity date in april 2015, along to syndicate comprised of 19 banks. The transaction was structured to allow the Company to utilize the credit line at anytime, along the contracted period. Until the year ended 31.12.13, the Company has not use this credit facility.

19.9. Loans and financing maturity schedule

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

	BR GAAP and IFRS
	Parent company
	Consolidated
	12.31.13
	12.31.13
2014	**2,469,634**
	2,696,594
2015	**312,213**
	356,910
2016	**252,988**
	280,182
2017	**430,152**
	947,207
2018 onwards	**4,210,314**
	5,900,297
	7,675,301
	10,181,190

19.10. Guarantees

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Total of loans and financing	**7,675,301**	6,704,949	**10,181,190**	9,518,321
Mortgage guarantees	**1,278,353**	1,405,735	**1,278,353**	1,405,735
Related to FINEM-BNDES	**817,340**	900,226	**817,340**	900,226
Related to FNE-BNB	**335,395**	361,144	**335,395**	361,144
Related to tax incentives and other	**125,618**	144,365	**125,618**	144,365
Statutory lien on assets acquired with financing	**26,755**	91,079	**26,783**	91,079
Related to FINEM-BNDES	**1,203**	5,209	**1,203**	5,209
Related to financial lease	**25,552**	85,870	**25,580**	85,870

The Company is the guarantor of a loan obtained by Instituto Sadia de Sustentabilidade from the BNDES. The loan was obtained with the purpose of allowing the implementation of biodigesters in the farms of the outgrowers which take part in the Sadia´s integration system, targeting the reduction of the emission of Greenhouse Gases. The value of these guarantees on December 21, 2013 totaled R$61,060 (R$72,123 as of December 31, 2012).

The Company is the guarantor of loans related to a special program, which aimed the local development of outgrowers in the central region of Brazil. The proceeds of such loans are utilized 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 December 31, 2013 amounted to R$363,700 (R$441,077 as of December 31, 2012).

On December 31, 2013, the Company contracted bank guarantees in the amount of R$1,707,162 (R$1,234,215 as of December 31, 2012). The variation occurred during the period is related to bank guarantees offered mainly in litigations involving the Company´s use of tax credits, as well as bank guarantees contracted to replace the ones that were written-off due to the execution of TCD. These guarantees have an average cost of 0.92% p.a. (0.87% p.a. as of December 31, 2012).

19.11. Commitments

In the normal course of the business, the Company enters into agreements with third parties which are mainly related to the purchase of raw materials, such as corn and soymeal, where the agreed prices can be fixed or to be fixed. The Company enters into other agreements, such as electric energy supplies, packaging supplies and others for manufacturing activities. The agreements on the date of these quarterly financial information and the amounts are set forth below:

	BR GAAP and IFRS
	Parent company and Consolidated
	12.31.13
2014	**2,155,209**
2015	**685,083**
2016	**454,644**
2017	**428,630**
2018 onwards	**968,932**
	4,692,498

In the year ended December 31, 2013, then Company has not held any Built to Suit agreements.

20. TRADE ACCOUNTS PAYABLE

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Domestic suppliers				
Third parties	**3,025,005**	2,890,875	**3,028,458**	2,890,879
Related parties	**12,033**	10,722	**12,033**	10,637
	3,037,038	2,901,597	**3,040,491**	2,901,516
Foreign suppliers				
Third parties	**339,387**	231,065	**634,135**	479,730
Related parties	**1,604**	2,802	**79**	-
	340,991	233,867	**634,214**	479,730
	3,378,029	3,135,464	**3,674,705**	3,381,246

Accounts payable to suppliers are not subject to interest charges and are generally settled in average within 43 days.

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

21. OTHER FINANCIAL ASSETS AND LIABILITIES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Derivative financial instruments				
Derivatives designated as hedge accounting				
Assets				
Non-deliverable forward (NDF)	**801**	28,489	**801**	28,489
Currency option contracts	**2,683**	-	**2,683**	-
Fixed exchange rate contracts	**1,518**	2,080	**1,518**	2,080
Exchange rate contracts currency (Swap)	**590**	2,119	**590**	2,119
	5,592	32,688	**5,592**	32,688
Liabilities				
Non-deliverable forward (NDF)	**(59,431)**	(66,226)	**(59,431)**	(66,226)
Currency option contracts	**(2,970)**	-	**(2,970)**	-
Fixed exchange rate contracts	**(11,947)**	-	**(11,947)**	-
Exchange rate contracts currency (Swap)	**(237,111)**	(125,851)	**(275,865)**	(180,747)
	(311,459)	(192,077)	**(350,213)**	(246,973)
Derivatives not designated as hedge accounting				
Assets				
Non-deliverable forward (NDF)	**-**	-	**2,715**	396
Live cattle forward contracts (NDF)	**-**	57	**-**	57
Live cattle option contracts	**-**	59	**-**	59
Dollar future contracts - BMF	**3,247**	-	**3,247**	-
Live cattle future contracts - BMF	**18**	-	**18**	-
	3,265	116	**5,980**	512
Liabilities				
Non-deliverable forward (NDF)	**-**	-	**(227)**	-
Live cattle forward contracts	**(484)**	-	**(484)**	-
Live cattle option contracts	**(154)**	(49)	**(154)**	(49)
Exchange rate contracts currency (Swap)	**(6,104)**	(5,609)	**(6,104)**	(5,609)
Dollar future contracts - BMF	**-**	(782)	**-**	(782)
Live cattle future contracts - BMF	**-**	(7)	**-**	(7)
	(6,742)	(6,447)	**(6,969)**	(6,447)
Current assets	**8,857**	32,804	**11,572**	33,200
Current liabilities	**(318,201)**	(198,524)	**(357,182)**	(253,420)

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

22.LEASES

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

22.1.Operating lease

The minimum future payments of non-cancellable operating lease are presented below:

	BR GAAP	BR GAAP and IFRS
	Parent company	Consolidated
	12.31.13	12.31.13
2014	**65,395**	**66,329**
2015	**42,548**	**42,658**
2016	**38,951**	**39,052**
2017	**38,224**	**38,224**
2018 onwards	**156,193**	**156,193**
	341,311	**342,456**

The payments of operating lease agreements recognized as expense in the fiscal year ended December 31, 2013 amounted to R$249,902 in the parent company and R$ 283,082 in the consolidated (R$104,380 in the parent company and R$242,568 in the consolidated as of December 31, 2012).

22.2. Financial lease

The Company contracts financial leases mainly for the acquisitions of machinery, equipment, vehicles, software and buildings.

The Company controls the leased assets which are presented below:

				BR GAAP	BR GAAP and IFRS
				Parent company	Consolidated
	Weighted average interest rate (% p.a.)[1]	12.31.13	12.31.12	12.31.13	12.31.12
Cost					
Machinery and equipment		**75,475**	21,098	**86,512**	21,098
Software		**22,108**	22,108	**22,108**	22,108
Vehicles		**138,899**	135,660	**138,899**	135,660
Land		**-**	389	**-**	389
Buildings		**113,732**	14,999	**113,732**	14,999
		350,214	194,254	**361,251**	194,254
Accumulated depreciation					
Machinery and equipment	18.15	**(17,776)**	(9,218)	**(26,953)**	(9,218)
Software	20.00	**(8,914)**	(4,492)	**(8,914)**	(4,492)
Vehicles	14.19	**(36,996)**	(16,969)	**(36,996)**	(16,969)
Buildings	14.96	**(9,638)**	(154)	**(9,638)**	(154)
		(73,324)	(30,833)	**(82,501)**	(30,833)
		276,890	163,421	**278,750**	163,421

(1) The period of depreciation of leased assets corresponds to the lowest of term of the contract and the useful life of the asset, as determined by CVM Deliberation N° 645/10.

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

			BR GAAP
			Parent company
			12.31.13
	Present value of minimum payments [1]	Interest	Minimum future payment [2]
2014	60,545	16,919	77,464
2015	28,554	13,471	42,025
2016	16,260	8,133	24,393
2017	12,400	8,085	20,485
2018 onwards	95,748	71,543	167,291
	213,507	118,151	331,658

	BR GAAP and IFRS		
			Consolidated
			31.12.13
	Present value of minimum payments [1]	Interest	Minimum future payment [2]
2014	61,320	17,134	78,454
2015	28,630	13,497	42,127
2016	16,392	8,161	24,553
2017	12,400	8,085	20,485
2018 onwards	95,748	71,543	167,291
	214,490	118,420	332,910

(1) Comprises the amount of R$25,651 related to financial lease of vehicles which are recorded as loans and financing.
(2) Comprises the amount of R$26,700 related to financial lease of vehicles which are recorded as loans and financing.

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

23. SHARE BASED PAYMENT

The company grants to its directors and executive managers the stock option plan for the officers of the Company and of its subsidiaries, consisting of two instruments: (i) stock option plan, granted annually to the beneficiary and (ii) additional stock option plan, optional for the beneficiary, who may adhere to the plan by using a portion of their profit-sharing amounts. The basis of the vesting conditions will be the attainment of effective results and valuation of the Company's business.

The plan includes shares issued by the Company up to the limit of 2% of the total stock, and its purpose is to: (i) attract, retain and motivate the beneficiaries, (ii) add value for shareholders, and (iii) encourage the view of entrepreneur of the business.

The plan is managed by the Board of Directors, within the limits established by the general guidelines of the plan and applicable legislation which are disclosed in detail in the Reference Form Company.

The strike price of the options is determined by the Board of Directors and is equivalent to the average amount of the closing price of the share at the last twenty trading sessions of the BM&FBOVESPA, prior to the grant date, updated monthly by the variation of the Amplified Consumer Price Index ("IPCA") between the grant date and the month prior to the option exercise notice by the beneficiary.

The vesting period during which the participant cannot exercise the option to purchase the shares ranges from 1 to 3 years and will observe the following deadlines from the grant date of the option:

- up to 1/3 of the total options may be exercised after one year;
- up to 2/3 of the total options may be exercised after two years; and
- all the options may be exercised after three years.

After the vesting period and within no more than five years from the grant date, the beneficiary is no longer entitled to the right to the unexercised options.

To satisfy the exercise of the options, the Company may issue new shares or use shares held in treasury.

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

	Date		Quantity		Grant [1]	Price of converted share [1]	
Grant date	Beginning of the year	End of the year	Options granted	Outstanding options	Fair Value of the option	Granting date	Updated IPCA
05/03/10	05/02/11	05/02/15	1,540,011	496,700	7.77	23.44	28.61
05/02/11	05/01/12	05/01/16	2,463,525	1,333,767	11.36	30.85	35.35
05/02/12	05/01/13	05/01/17	3,708,071	2,349,414	7.82	34.95	38.11
05/02/13	05/01/14	05/01/18	3,490,201	2,752,553	11.88	46.86	47.98
			11,201,808	**6,932,434**			

(1) Values expressed in Brazilian Reais

The rollforward of the outstanding granted options for the year ended December 31, 2012 is presented as follows:

	BR GAAP and IFRS
	Consolidated
Quantity of outstanding options as of December 31, 2012	**6,617,581**
Issued - grant of 2013	3,490,201
Exercised - grant of 2013	(149,745)
Exercised - grant of 2012	(733,355)
Exercised - grant of 2011	(708,884)
Exercised - grant of 2010	(403,790)
Canceled	
Grant of 2013	(587,903)
Grant of 2012	(447,692)
Grant of 2011	(143,979)
Quantity of outstanding options as of December 31, 2013	**6,932,434**

The weighted average strike prices of the outstanding options is R$40,82 (forty Brazilian Reais and eighty-two cents), and the weighted average of the remaining contractual term is 41 months.

The Company presented in shareholders' equity the fair value of the options in the amount of R$72,225 (R$45,464 as of December 31, 2012). In the statement of income the amount recognized as expense was R$26,761 (expense of R$23,034 as of December 31, 2012).

During the year ended December 31, 2013 the Company's executives exercised 1,995,774 shares, with an average price of R$35.23 (thirty five Brazilian Reais and twenty three cents) totaling R$70,303. In order to comply with this commitment, the Company utilized treasury shares with an acquisition cost of R$26.64 (twenty six Brazilian Reais and sixty four cents), totaling R$ 53,121, recording a gain in the amount of R$17,139 as capital reserve.

23.1. Fair Value Measurement

The weighted average fair value of option outstanding as of December 31, 2013 was R$ 10.11 (ten Brazilian Reais and eleven cents) (R$ 8.98 as of December 31, 2012).

The fair value of the stock options was measured using the Black-Scholes pricing model, based on the following assumptions:

	12.31.13
Expected maturity of the option:	
Exercise in the 1st year	3.0 years
Exercise in the 2nd year	3.5 years
Exercise in the 3rd year	4.0 years
Risk-free interest rate	4.65%
Volatility	32.69%
Expected dividends over shares	1.33%
Expected inflation rate	5.67%

23.2. Expected period

The expected period is that in which it is believed that the options will be exercised and was determined under the assumption that the beneficiaries will exercise their options at the limit of the maturity period.

23.3. Risk-free interest rate

The Company uses as risk-free interest rate the National Treasury Bond ("NTN-B") available on the date of calculation and with maturity equivalent to the life of the option.

23.4. Volatility

The estimated volatility took into account the weighting of the trading history of the Company.

23.5. Expected dividends

The percentage of dividends used is based on the average payment of dividends per share in relation to the market value of the shares for the past four years.

23.6 Expected inflation rate

The expected average inflation rate is based on estimated IPCA by Central Bank of Brazil, weighted between the closing date of financial statements and the exercise date of the vested options.

24. EMPLOYEES BENEFITS PLAN

24.1. Supplementary retirement plan

The Company sponsors supplementary retirement plans their employees and manager presented below:

Plan	Modality	Adhesions
Plan I	Variable Contribution	Closed
Plan II	Variable Contribution	Closed
Plan III	Defined Contribution	Open
FAF	Defined Benefit	Closed

These plans are managed by Brasil Foods Sociedade de Previdência Privada ("BFPP") an pension fund entity of non-economic nature and non-profit, through its Deliberative Board which is responsible for define pension premises and policies, as well as establish fundamentals guidelines and organization, operation and management rules. The Deliberative Board is composed of representatives from the sponsor and participants, the proportion of 2/3 and 1/3 respectively.

a. Defined benefit plan and variable contribution
Plan I and II are defined as variable contribution, structured as defined contribution during the accumulation of mathematics provisions with option to change the account balance to be applicable in lifetime monthly income on the grant date benefit. Main actuarial risks related are (i) survival time over expected in the mortality tables and (ii) real return on equity below the real discount rate.

Main purpose of FAF plan is supplementary the benefit paid by the Brazilian Social Security ("INSS – Instituto Nacional de Securidade Social"), calculated proportionally according to the length of service performed and in line with the type of retirement. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected, (iii) salary growth higher than expected, (iv) real return on equity below the real discount rate, (v) amendment of the rules of social security and real family composition of the retired different than that established assumption.

In plans I and II, the contributions are made on a 1 to 1 basis (the contributions of the sponsor are equal to the basic contributions of the participants). In the Plan FAF, the contribution is made through a percentage actuarially defined for the participant and the sponsor. The actuarial calculations of the plans managed by BFPP are made by independent actuaries, on a yearly basis, according to the rules in force.

In case of a deficit result in plans, the same must be supplemented by the sponsor, participants and beneficiaries, in the proportion between their contributions

b. Defined contribution plan
Plan III is a defined contribution plan, where contributions are known and the benefit amount depends directly on the contributions made by participants and sponsors, time of contribution and of the result obtained through investment of contributions. The contributions are made on a 1 to 1 basis (the contributions of the sponsor are equal to the basic contributions of the participants) and that may vary from 0.7% to 7.0% according to the salary range of the participant. The contributions made by the Company in the year ended December 31, 2013 amounted R$4,445 (R$3,196 as of December 31, 2012) and held 7.442 participants (7.013 participants as of December 31, 2012).

If plan participants I, II and III end the employment relationship with the sponsor, the balance formed by the contributions of the sponsor not used for the payment of benefits, will form a fund of overage of contributions that may be used to compensate the future contributions of the sponsor.

c. Rollforward of defined benefit and variable contribution
The assets and actuarial liabilities are presented below:

				BR GAAP and IFRS
				Consolidated
		FAF		Plano I e II
		Restated		Restated
	12.31.13	12.31.12	**12.31.13**	12.31.12
Reconciliation of assets and liabilities				
Present value of actuarial liabilities	**1,407,960**	1,916,445	**11,046**	14,145
Fair value of assets	**(2,219,315)**	(2,138,585)	**(18,477)**	(11,182)
(Surplus) Shortfall	**(811,355)**	(222,140)	**(7,431)**	2,963
Irrecoverable (surplus) shortfall - impact on asset limit	**811,355**	222,140	**2,959**	-
Net (Assets) Liabilities	**-**	-	**(4,472)**	2,963
Rollforward of irrecoverable surplus				
Beginning balance of irrecoverable surplus	**222,140**	519,903	**-**	583
Interest on irrecoverable surplus	**19,282**	55,359	**-**	60
Changes in irrecoverable surplus during the period	**569,933**	(353,122)	**2,959**	(643)
Ending balance of irrecoverable surplus	**811,355**	222,140	**2,959**	-
Changes in actuarial obligation				
Beginning balance of the present value of the actuarial obligation	**1,916,445**	1,377,828	**14,145**	10,261
Interest on actuarial obligations	**163,103**	141,643	**1,171**	1,018
Current service cost	**42,560**	30,992	**-**	-
Benefit paid	**(70,690)**	(91,284)	**(861)**	(797)
Curtailment	**-**	(1,943)	**-**	-
Actuarial (gains) losses	**(69,412)**	-	**300**	-
Actuarial losses - hypothesis	**(574,046)**	-	**(3,709)**	-
Gain actuarial	**-**	459,209	**-**	3,663
Ending balance of actuarial obligation	**1,407,960**	1,916,445	**11,046**	14,145
Rollforward of assets fair value				
Beginning balance of the fair value of plan assets	**(2,138,585)**	(1,897,731)	**(11,182)**	(10,844)
Interest income on assets plan	**(182,385)**	(197,002)	**(918)**	(1,078)
Benefit paid	**70,690**	91,284	**861**	797
Return on assets higher (lower) than projection	**30,965**	(135,136)	**(7,238)**	(57)
Ending balance of assets fair value	**(2,219,315)**	(2,138,585)	**(18,477)**	(11,182)
Rollforward of comprehensive income				
Beginning balance	**29,049**	(51,853)	**(2,963)**	-
Reversion to statement of income	**(29,049)**	51,853	**2,963**	-
Actuarial gains (losses)	**643,458**	(459,209)	**3,409**	(3,663)
Return on assets higher (lower) than projection	**(30,965)**	135,136	**7,238**	57
Changes on irrecoverable surplus	**(569,933)**	353,122	**(2,959)**	643
Ending balance of comprehensive income	**42,560**	29,049	**7,688**	(2,963)
Costs recognized in statement of income				
Current service costs	**(42,560)**	(30,992)	**-**	-
Interest on actuarial obligations	**(163,103)**	(141,643)	**(1,171)**	(1,018)
Projected return on assets	**182,385**	197,002	**918**	1,078
Interest on irrecoverable surplus	**(19,282)**	(55,359)	**-**	(60)
Curtailment	**-**	1,943	**-**	-
Costs recognized in statement of income	**(42,560)**	(29,049)	**(253)**	-
Estimated costs for the next period				
Costs of defined benefit	**(16,782)**	(42,560)	**556**	(253)
Estimated costs for the next period	**(16,782)**	(42,560)	**556**	(253)

d. Actuarial assumptions and demographic data
The main actuarial assumptions and demographic data used in the actuarial calculations are summarized below:

	BR GAAP and IFRS			
	Consolidated			
	FAF		Plano I e II	
		Restated		Restated
	12.31.13	12.31.12	**12.31.13**	12.31.12
Actuarial premises				
Economic hypothesis				
Discount rate	**12.49%**	8.68%	**12.47%**	8,53%
Projected return on assets	**12.49%**	8.68%	**12.47%**	8,53%
Inflation rate	**5.40%**	4.50%	**5.40%**	4,50%
Wage growth rate	**6.98%**	6.59%	**N/A**	N/A
Demographic hypothesis				
Schedule of mortality	**AT-2000**	AT-2000	**AT-2000**	AT-2000
Schedule of disabled mortality	**IAPC**	IAPC	**IAPC**	RRB-1983
Demographic data				
Number of active participants	**10,103**	11,204	**-**	-
Number of participants in direct proportional benefit	**104**	73	**-**	-
Number of assisted beneficiary participants	**5,230**	4,915	**51**	69

e. The composition of the investment portfolios
The composition of the investment portfolios are presented below:

				FAF			Planos I e II	
		12.31.13		12.31.12		**12.31.13**		12.31.12
Composition of the fund's portfolio:								
Fixed income	**1,551,301**	**69.9%**	1,650,988	77.2%	**13,599**	**73.6%**	9,043	80.9%
Variable income	**348,432**	**15.7%**	284,432	13.3%	**4,231**	**22.9%**	2,139	19.1%
Real estate	**210,835**	**9.5%**	130,454	6.1%	**-**	**-**	-	-
Structured investments	**95,431**	**4.3%**	59,880	2.8%	**647**	**3.5%**	-	-
Transactions with participants	**13,316**	**0.6%**	12,831	0.6%	**-**	**-**	-	-
	2,219,315	**100.0%**	2,138,585	100.0%	**18,477**	**100.0%**	11,182	100.0%
% of nominal return on assets	**6.45%**		16.76%		**0.12%**		18.03%	

f. Forecast and average duration of payments of obligations
The expected benefit payments and average duration are presented below:

	FAF	Planos I e II
Payments in:		
2014	95,958	933
2015	100,410	979
2016	106,190	1,027
2017	113,743	1,078
2018	122,338	1,129
2019 to 2023	787,694	6,455
Weighted average duration - in years	15.65	12.56

The Company does not expect to make contributions to the plans in the year 2014.

g.Sensibility analyzes of defined benefit plan - FAF
The quantitative sensibility analyzes regarding to the relevant assumptions of defined benefit plan – FAF are presented below:

		Variation of 1%		Variation of actuarial liabilities	
Significant hypothesis	**Assumptions utilized**	**Increase**	**Decrease**	**Increase**	**Decrease**
Benefit plan - FAF					
Discount rate	12.49%	13.49%	13.49%	(136,435)	164,340
Wage growth rate	6.98%	7.98%	7.98%	38,786	(33,873)

24.2. Employees benefits: description and characteristics of benefits and associates risks

			BR GAAP and IFRS	
			Parent company and Consolidated	
		Restated	Adjustment [2]	Disclosed
	12.31.13	12.31.12	12.31.12	12.31.12
Medical plan	**115,478**	72,520	(19,889)	92,409
F.G.T.S. penalty	**112,023**	150,715	-	150,715
Award for length of service	**41,421**	40,483	-	40,483
Other [1]	**22,341**	20,239	-	20,239
	291,263	283,957	(19,889)	303,846
Current	**49,027**	17,414	-	17,414
Non current	**242,236**	266,543	(19,889)	286,432

(1) Considers the sums of the retirement compensation and life insurance benefits.
(2) djusted arising from CVM Deliberation No. 695/12, see note 3.34.

The Company has human resources policy offers the following post-employment benefits in addition to the supplementary retirement plan. Such benefits are measured by actuarial calculation and recognized in the financial statements.

a. F.G.T.S. fine at the time of retirement of the employee
As settled by the Regional Labor Court ("TRT") on April 20, 2007, retirement does not affect the employment contract between the Company and its employees. The benefit paid is equivalent to 50% of F.G.T.S being 40% corresponding to a penalty and 10% of social contribution. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected and (iii) salary growth higher than expected.

b. Medical Plan
The Company offers to the retired employee according to the Law No. 9.656 a medical plan with fixed contribution, which guarantees to the retired employee that contributed to the health plan by reason of employment relationship, for at least 10 years, the right of maintenance as beneficiary, on the same conditions of coverage enjoyed when the employment contract was in force, provided that they assume full payment. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected and (iii) medical costs growth higher than expected.

c. Award for length of service
The Company usually rewards employees that attain at least 10 years of services rendered and subsequently every 5 years, with an additional remuneration ranges from 1 to 5 minimum wages in force on the date of the event. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected and (iii) medical costs growth higher than expected.

d.Retirement compensation
On retirement, employees with over 10 years of service to the Company, in addition to the legal funds, are eligible for additional compensation of 1 to 2 wages in force at the time of retirement. From January 01, 2013 this benefit was extended to all employees arising from the merged wholly-owned subsidiary Sadia generating a loss of R$9,142, reflected as past service cost in the statement of income. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected and (iii) medical costs growth higher than expected

e. Life insurance
The Company offers life insurance benefit to the employee at the time end its relationship with the sponsor, is retired and during the employment contract was opting for insurance. For the employees with 10-20 years of service, the maintenance period of insurance is 2 years, from 21 years of service, the period is 3 years. Main actuarial risks related are (i) survival time over expected in the mortality tables (ii) turnover lower than expected and (iii) salary growth higher than expected.

From January 01, 2013 this benefit was extended to all employees arising from the merged wholly-owned subsidiary Sadia generating a gain of R$1,709 reflected as past service cost in the statement of income.

f. Rollforward of actuarial liabilities for employees benefit
The actuarial liabilities are presented below:

	Medical plan	
	12.31.13	Restated 12.31.12
Composition of actuarial liabilities		
Present value of actuarial liabilities	**115,478**	72,520
Net liabilities	**115,478**	72,520
Rollforward of present value of actuarial liabilities		
Beginning balance of net liabilities	**72,520**	85,157
Interest on actuarial liabilities	**6,292**	8,779
Current service costs	**376**	3,815
Past service costs - changes in plan	**(6,080)**	(38,113)
Past service costs - decrease of plan	**-**	(1,756)
Benefits paid directly by the Company	**(3,817)**	(2,653)
Actuarial (gains) losses	**105,356**	-
Actuarial (gains) losses - demographic hypotesis	**(6,794)**	-
Actuarial (gains) losses - economic hypothesis	**(52,375)**	17,291
Ending balance of net liabilities	**115,478**	72,520
Rollforward of assets plan		
Benefits paid directly by the Company	**3,817**	2,653
Contributions of the sponsor	**(3,817)**	(2,653)
Ending balance of fair value of assets plan	**-**	-
Rollforward of comprehensive income		
Beginning balance	**(19,211)**	(1,920)
Adjustments from CVM Deliberation No. 695/12	**-**	-
Actuarial gains (losses)	**(46,187)**	(17,291)
Ending balance of comprehensive income	**(65,398)**	(19,211)
Costs recognized in statement of income		
Interest on actuarial liabilities	**(6,292)**	(8,779)
Current service costs	**(376)**	(3,815)
Past service costs	**6,080**	39,869
	(588)	27,275
Estimated costs for the next period		
Current service costs	**(505)**	(376)
Interest on actuarial liabilities	**(14,128)**	(6,292)
Past service costs - changes in plan	**-**	6,080
	(14,633)	(588)

(1) Considers the sums of the retirement compensation and life insurance benefits.

BR GAAP and IFRS					
Consolidated					
F.G.T.S. penalty		Award for length of service		Others [1]	
12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
112,023	150,715	**41,421**	40,483	**22,341**	20,230
112,023	150,715	**41,421**	40,483	**22,341**	20,230
150,715	113,393	**40,483**	33,107	**20,230**	11,742
11,067	11,925	**2,682**	2,871	**1,523**	1,120
8,763	6,523	**2,677**	1,939	**822**	430
-	-	**-**	-	**7,433**	-
-	(5,851)	**-**	(1,955)	**-**	(613)
(6,197)	(6,408)	**(7,019)**	(6,658)	**(2,907)**	(1,438)
6,192	-	**5,245**	-	**2,446**	192
(22,508)	-	**3,804**	-	**(525)**	-
(36,009)	31,133	**(6,451)**	11,179	**(6,681)**	8,797
112,023	150,715	**41,421**	40,483	**22,341**	20,230
6,197	6,408	**7,019**	6,658	**2,907**	1,438
(6,197)	(6,408)	**(7,019)**	(6,658)	**(2,907)**	(1,438)
-	-	**-**	-	**-**	-
19,700	50,833	**(11,179)**	-	**(8,989)**	-
-	-	**-**	(11,179)	**-**	-
52,325	(31,133)	**(2,598)**	-	**4,760**	(8,989)
72,025	19,700	**(13,777)**	(11,179)	**(4,229)**	(8,989)
(11,067)	(11,925)	**(2,682)**	(2,871)	**(1,523)**	(1,120)
(8,763)	(6,523)	**(2,677)**	(1,939)	**(822)**	(430)
-	5,851	**-**	1,955	**(7,433)**	613
(19,830)	(12,597)	**(5,359)**	(2,855)	**(9,778)**	(937)
(5,938)	(8,763)	**(1,927)**	(2,677)	**(1,034)**	(9,964)
(11,810)	(11,067)	**(4,478)**	(2,682)	**(2,472)**	(1,523)
-	-	**-**	-	**-**	1,709
(17,748)	(19,830)	**(6,405)**	(5,359)	**(3,506)**	(9,778)

g. Actuarial assumptions and demographic data
The main actuarial assumptions and demographic data used in the actuarial calculations are summarized below:

	Medical plan	
Actuarial premises	**12.31.13**	Restated 12.31.12
Economic hypothesis		
Discount rate	**12.49%**	9.49%
Inflation rate	**5.40%**	4.50%
Medical inflation	**8.56%**	7.64%
Wage growth rate	**N/A**	N/A

	Medical plan		Other benefits	
Actuarial premises	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Demographic hypothesis				
Schedule of mortality	**AT-2000**	AT-2000	**AT-2000**	AT-2000
Schedule of disabled	**RRB-1944**	TASA 1927	**RRB-1944**	TASA 1927
Schedule of disabled mortality	**IAPC**	IAPC	**IAPC**	IAPC
Schedule of turnover - BRF's historical	**2,013**	2,012	**2,013**	2,012
Demoraphic data				
Number of active participants	**2,941**	1,785	**110,201**	110,697
Number of assisted beneficiary participants	**649**	271	**-**	-

(1)Includes retirement compensation and life insurance benefits

h. Forecast and average duration of payments of obligations
The expected benefit payments and average duration are presented below:

Payments	Medical plan	F.G.T.S. penalty	Award for length of service	Others	Total
2014	4,726	31,539	8,388	4,374	**49,027**
2015	5,239	9,321	6,190	1,901	**22,651**
2016	5,849	9,943	6,553	2,172	**24,517**
2017	6,540	13,125	6,740	2,297	**28,702**
2018	7,239	15,912	5,049	2,903	**31,103**
2019 to 2023	48,840	97,801	30,582	19,083	**196,306**
Weighted average duration - in years	17.67	6.64	4.73	8.88	**8.96**

BR GAAP and IFRS					
Consolidated					
F.G.T.S. penalty		Award for length of service		Others [1]	
12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
12.27%	7.37%	**12.03%**	7.11%	**12.49%**	8.15%
5.40%	4,50%	**5.40%**	4,50%	**5.40%**	4,50%
N/A	N/A	**N/A**	N/A	**N/A**	N/A
6.98%	6.28%	**6.98%**	6.28%	**6.98%**	6.28%

i. Sensibility analyzes of post-employees benefit
The quantitative sensibility analyzes regarding to the relevant assumptions of the following benefits as presented below:

		Variation of 1%		Variation of actuarial liabilities			
Significant hypothesis	**Assumptions utilized**	**Increase**	**Decrease**	**Increase**	**%**	**Decrease**	**%**
Medical plan							
Discount rate	12.49%	13.49%	11.49%	(14,905)	-12.90%	18,769	16.30%
Medical inflation	8.56%	9.56%	7.56%	18,823	16.30%	(15,128)	-13.10%
Turnover	Historical	+3.00%	-3.00%	(1,068)	-0.90%	1,378	1.20%
F.G.T.S. penalty							
Discount rate	12.27%	13.27%	11.27%	(4,602)	-4.00%	5,077	4.40%
Wage growth rate	6.98%	7.98%	5.98%	953	0.80%	(889)	-0.80%
Turnover	Historical	+3.00%	-3.00%	(15,707)	-13.60%	21,429	18.60%

25. PROVISION FOR TAX, CIVIL AND LABOR RISKS

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

The Company classifies the risk of unfavorable 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.

The Company's management believes that its provisions for tax, civil and labor contingencies, accounted for according to IAS 37 is sufficient to cover estimated losses related to its legal proceedings, as presented below:

25.1. Contingencies for probable losses

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

	BR GAAP					
	Parent company					
	12.31.12	Additions	Reversals	Payments	Price index update	12.31.13
Tax	175,888	139,732	(81,790)	(107,674)	10,942	**137,098**
Labor	118,723	360,835	(106,003)	(152,693)	40,922	**261,784**
Civil, commercial and other	50,354	36,632	(25,024)	(23,541)	7,559	**45,980**
Contingent liabilities	558,060	-	(14,855)	-	-	**543,205**
	903,025	**537,199**	**(227,672)**	**(283,908)**	**59,423**	**988,067**
Current	163,798					233,435
Non-current	739,227					754,632

	BR GAAP and IFRS						
	Consolidated						
	12.31.12	Additions	Reversals	Payments	Price index update	Exchange rate variation	12.31.13
Tax	179,542	143,881	(84,782)	(107,965)	10,971	(169)	**141,478**
Labor	134,443	365,123	(108,387)	(153,255)	40,923	(2,719)	**276,128**
Civil, commercial and other	50,371	38,889	(25,024)	(23,541)	7,562	-	**48,257**
Contingent liabilities	570,473	-	(14,855)	-	-	(2,183)	**553,435**
	934,829	**547,893**	**(233,048)**	**(284,761)**	**59,456**	**(5,071)**	**1,019,298**
Current	173,916						243,939
Non-current	760,913						775,359

25.1.1 Tax
The tax contingencies classified as probable losses relate to the following main legal proceedings:

Income tax and social contribution: The company recorded a provision of R$ 5,949 (R$ 9,908 as of December 31, 2012) refers to various process. On December 2013, the Company made payment of claim in the amount of R$ 7,479, under the Installment Payment of Debts of Federal Taxes.

ICMS: The Company is involved in administrative and judicial tax disputes associated to the register and/or maintenance of ICMS tax credits on certain transactions, such as exports, acquisition of consumption materials and monetary correction. The provision amounts to R$18,696 (R$63,848 as of December 31, 2012).

PIS and COFINS: The Company discusses the use of certain tax credits arising from the acquisition of raw materials to offset federal taxes, which amount is R$76,105 (R$70,297 as of December 31, 2012).

Other tax contingencies: The Company recorded other provisions for lawsuits related to payment of social security contributions (SAT, INCRA, FUNRURAL, Education Salary), as well as tax debts arising from differences of accessory obligations, duties, payment of legal fees and others, totaling a provision of R$36,470 (R$39,663 as of December 31, 2012).

25.1.2 Labor
The Company is defendant in several labor claims, mainly related to overtime and salary inflation adjustments for periods prior to the introduction of the Brazilian Real, illnesses allegedly contracted at work and work-related injuries and others. The labor suits are mainly in the lower courts, and for the majority of the cases a decision for the dismissal of the pleadings has been granted. None of these suits are individually significant. The Company recorded a provision based on past history of payments. Based on the opinion of the Company's management and its legal counsel, the provision is sufficient to cover estimated losses.

25.1.3 Civil, commercial and others
Civil contingencies are mainly related to lawsuits referring to traffic accidents, moral and property damage, physical casualties and others. The legal actions are mostly in the lower courts, in the evidentiary phase, depending on confirmation or absence of the Company's guilt.

25.2. Contingencies classified as a risk of possible loss

The Company is involved in other tax, civil, labor and social security contingencies, for which losses have been assessed as possible, which loss expectations assessed by management and supported by legal counsel is classified as possible and therefore no provision was recorded. On December 2013 the total amount of the possible contingencies was R$8,433,843 (R$7,010,728 as of December 31, 2012).

25.2.1 Tax
The tax contingencies amounted to R$7,945,012 (R$ 6,582,085 as of December 31, 2012), from which R$537,205 (R$552,060 as of December 31, 2012) was recorded and is related to the corresponding estimated fair value resulting from the business combination with Sadia, Avex and Dánica group according to paragraph 23 of CVM Deliberation Nº 665/11.

The most relevant tax cases are set forth below:

Profits earned abroad: The Company was assessed by the Brazilian Internal Revenue Service for alleged underpayment of income tax and social contribution on profits earned by its subsidiaries located abroad, in a total amount of R$742,745 (R$712,851 as of December 31, 2012). The Company's legal defense is based on the facts that the subsidiaries located abroad are subject exclusively to the full taxation in the countries in which they are based as a result of the treaties signed to avoid double taxation. The total profits earned abroad is presented in note 13.3.

Income Tax and Social Contribution: The Company is involved in administrative disputes associated to the use of tax losses, refunds and offset of income tax and social contribution taxes credits against other federal tax debits, including credits generated by the Plano Verão legal dispute, in a total amount of R$386,724 (R$344,392 as of December 31, 2012).

ICMS: The Company is involved in the following disputes associated to the ICMS tax: (i) alleged undue ICMS tax credits generated by tax incentives granted by certain State tax authorities ("guerra fiscal") in a total amount of R$1,720,984 (R$1,505,578 as of December 31, 2012); (ii) maintenance of ICMS tax credits on the acquisition of essential products with a reduced tax burden ("cesta básica") in a total amount of R$513,196 (R$483,935 as of December 31, 2012); (iii) utilization of tax benefit deemed credits in a total amount of R$142,982 (R$122,344 as of December 31, 2012); and (iv) R$949,540 (R$859,744 as of December 31, 2012) related to other lawsuits.

IPI: The Company discusses administratively the non-ratification of compensation of IPI credits resulting from purchases of exempted goods, sales to Manaus Free Zone and purchases of supplies of non-taxpayers with PIS and COFINS in the amount of R$299,912 (R$238,989 as of December, 2012).

IPI Premium Credits: The Company is involved in a judicial dispute related to the alleged undue offsetting of IPI Premium Credits against other federal taxes in a total amount of R$401,248 (R$422,004 as of December 31, 2012). The Company recorded the credits amounts based on a final judicial decision.

PIS and COFINS: The Company is involved in administrative proceedings regarding the offsetting of credits against other federal tax debts, in the amount of R$1,681,248 (R$1,386,012 as of December 31, 2012). The 2013 increase relates to new cases as well as to price index update.

Normative Instruction 86: The Company discusses administratively with Brazilian Internal Revenue Service for a total amount of R$178,955 (R$169,987 as of December 31, 2012) related to an isolated fine as a result of alleged non-compliance on the delivery of 2003-2005 magnetic files to the tax authorities.

Social Security Taxes: The Company is involved in disputes related to social security taxes allegedly due on payments to service providers as well as jointly responsible with civil construction service providers and others in a total amount of R$170,560 (R$163,939 as of December 31, 2012).

Other Contingencies: The Company is involved in other tax contingencies including rural activity, transfer price, social contribution tax basis and other natures, totaling R$187,354 (R$170,354 as of December 31, 2012).

Additionally, the Company's management judged proper to disclose information related to the lawsuit in which it was included as co-responsible in a debt from Huaine Participações Ltda (former holding of Perdigão). In this lawsuit it is being discussed the inclusion of the Company in the liability from the tax execution in the amount of R$595,945 (R$584,437 as of December 31, 2012). On February 16, 2012, the Company received a favorable decision from the Superior Court, in which it was determined the matter to be judged again by the lower court. The Company's legal advisors classified the risk of losses as remote.

26.SHAREHOLDERS' EQUITY

26.1. Capital stock

On December 31, 2013 and December 31, 2012, the capital subscribed and paid by the Company is 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), which is 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 amendment to the bylaws, up to the limit of 1,000,000,000 common shares, in book-entry form, and without par value

26.2.Interest on shareholders' equity and dividends

On February 15, 2013 the payment of R$174,750 was made related to the interest on shareholders' equity proposed by the Management on December 20, 2012 and approved in the Shareholders Ordinary Meeting on April 9, 2013. In the same meeting a distribution of dividends was approved in the amount of R$45,300, paid on April 30, 2013.

On June 18, 2013, in the Board of Directors Extraordinary Meeting was approved the payment of R$359,000 related to interest on shareholder's equity paid on August 15, 2013.

On December 20, 2013, in the Board of Directors Extraordinary Meeting, was approved the payment of R$365,013 related to interest on shareholder's equity paid on February 02, 2014.

26.3. Breakdown of capital stock by nature

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Common shares	**872,473,246**	872,473,246
Treasury shares	**(1,785,507)**	(2,399,335)
Outstanding shares	**870,687,739**	870,073,911

26.4. Rollforward of outstanding shares

	BR GAAP and IFRS	
	Consolidated	
	Quantity of outstanding of shares	
	12.31.13	12.31.12
Shares at the beggining of the period	**870,073,911**	869,453,804
Purchase of treasury shares	**(1,381,946)**	-
Sale of treasury shares	**1,995,774**	620,107
Shares at the end of the period	**870,687,739**	870,073,911

26.5. Shareholders' remuneration

	BR GAAP and IFRS	
	Parent company	
	12.31.13	12.31.12
Net income	**1,062,430**	813,227
Legal reserve (5.00%)	**(53,121)**	(40,661)
Dividends calculation base	**1,009,309**	772,566
Minimum mandatory dividend (25.00%)	**252,327**	193,142
Total remuneration of shareholders' exceeding the mandatory minimum	**471,686**	81,608
Total remuneration of shareholders' in the period	**724,013**	274,750
Withholding income tax on interest on shareholders' equity	**(60,551)**	(24,796)
Remuneration of shareholders', net of withholding income tax	**663,462**	249,954
Percentage of calculation base	**65.73%**	32.35%
Earnings paid per share	**0.83154**	0.31578
Payment of interest on shareholders' equity, paid in the period - gross of withholding income tax worth R$ 30,532 (R$ 9,053 in 2012)	**(359,000)**	(100,000)
Paid in the previous period - interest on shareholders' equity - gross withholding income tax worth R$ 15,743 (R$ 29,624 in 2012)	**(174,750)**	(339,790)
Paid in the previous period - Dividends	**(45,300)**	-
Paid in the year	**(579,050)**	(439,790)
Total remuneration of shareholders' outstanding	**365,013**	174,750
Withholding income tax on interest on shareholders' equity	**(30,019)**	(15,743)
Remaining amounts outstanding	**1,683**	908
Interest on shareholders' equity outstanding	**336,677**	159,915

26.6. Profit distribution

		Income appropriation		Reserve balances	
	Limit on capital %	12.31.13	Restated 12.31.12	12.31.13	Restated 12.31.12
Gain actuarial FAF	-	**55,443**	(18,508)	**-**	-
Interest on shareholdes' equity	-	**724,013**	274,750	**-**	-
Legal reserve	20	**53,121**	40,661	**273,367**	220,246
Capital increase reserve	20	**121,800**	155,077	**822,611**	700,811
Reserve for expansion	80	**-**	237,464	**1,170,749**	1,216,049
Reserve for tax incentives	-	**121,180**	67,431	**245,153**	123,973
Reserve of retained profit - adjustment of CVM Deliberation No. 695/12	-	**(13,127)**	13,127	**-**	13,127
		1,062,430	770,002	**2,511,880**	2,274,206

Legal reserve: Five percent (5%) of net profit of each fiscal year as specified in article 193 of Law No 6,404/76, modified by Law No 11,638/07, which shall not exceed twenty percent (20%) of the capital stock. On December 31, 2013, this reserve corresponds to 2.20% of capital stock (1.77% as of December 31, 2012).

Reserve for capital increase: Twenty percent (20%) towards the establishment of reserves for capital increase, which shall not exceed twenty percent (20%) of the capital stock. On December 31, 2013 this reserve corresponds to 6.66% of capital stock (5.62% as of December 31, 2012).

Reserve for expansion: Up to 50% (fifty per cent) for the constitution of the reserve for expansion. This reserve should not exceed 80% (eighty per cent) of the capital stock. On December 31, 2013 the balance of this reserve correspond to 9.40% of the capital stock (9.76% as of December 31, 2012).

Reserve for tax incentives: Constituted as specified in article 195-A of the Law No 6,404/1976, modified by Law No 11,638/07, based on the amounts of government grants for investment.

26.7. Treasury shares

The Company has 1,785,507 shares in treasury, with an average cost of R$43.34 (forty three Brazilian Reais and thirty four cents) per share, with a market value corresponding to R$87,936.

In the first of fortnight September, as authorized by the Board of Directors, the Company acquired 1,381,946 shares of its own issue to a cost of R$78,634, with the purpose of maintaining the treasury shares to any provisions of option plans and share purchase plan, which were approved in the Shareholders Ordinary and Meeting on August 30, 2013.

During 2013, the Company sold 1,995,774 treasury shares due to exercise of the stock options of the Company's executives.

26.8. Breakdown of the capital by owner

The shareholding position of the largest shareholders, management, members of the Board of Directors and Fiscal Council is presented below (unaudited):

	12.31.13		12.31.12	
Shareholders	**Quantity**	**%**	**Quantity**	**%**
Major shareholders				
Caixa de Previd. dos Func. Do Banco do Brasil [1]	**106,946,152**	**12.26**	106,355,822	12.19
Fundação Petrobrás de Seguridade Social - Petros [1]	**105,530,869**	**12.10**	106,616,230	12.22
Tarpon	**68,667,090**	**7.87**	69,988,490	8.02
BlackRock, Inc	**42,485,050**	**4.87**	44,776,961	5.13
Fundação Vale do Rio Doce de Seg. Social - Valia [1]	**21,432,909**	**2.46**	22,167,625	2.54
Fundação Sistel de Seguridade Social [1]	**9,409,120**	**1.08**	10,396,048	1.19
FAPES/BNDES	**2,520,304**	**0.29**	3,474,904	0.40
Management				
Board of Directors	**64,909,594**	**7.44**	9,564,898	1.10
Executives	**94,962**	**0.01**	152,755	0.02
Treasury shares	**1,785,507**	**0.20**	2,399,335	0.28
Other	**448,691,689**	**51.42**	496,580,178	56.91
	872,473,246	**100.00**	872,473,246	100.00

(1)The pension funds are controlled by employees that participate in the respective companies.

The shareholding position of the shareholders holding more than 5% of the voting capital is presented below (unaudited):

	12.31.13		12.31.12	
Shareholders	**Quantity**	**%**	**Quantity**	**%**
Caixa de Previd. dos Func. Do Banco do Brasil [1]	**106,946,152**	**12.26**	106,355,822	12.19
Fundação Petrobrás de Seguridade Social - Petros [1]	**105,530,869**	**12.10**	106,616,230	12.22
Tarpon	**68,667,090**	**7.87**	69,988,490	8.02
	281,144,111	**32.23**	282,960,542	32.43
Other	**591,329,135**	**67.77**	589,512,704	67.57
	872,473,246	**100.00**	**872,473,246**	**100.00**

(1) The pension funds are controlled by employees that participate in the respective companies.

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

27. EARNINGS PER SHARE

	BR GAAP and IFRS	
	Consolidated	
		Restated
	12.31.13	12.31.12
Basic numerator		
Net income for the exercise attributable to BRF shareholders	**1,062,430**	770,002
Basic denominator		
Common shares	**872,473,246**	872,473,246
Weighted average number of outstanding shares - basic (except treasury shares)	**870,534,511**	869,534,940
Net earnings per share basic - R$	**1.22043**	0.88553
Diluted numerator		
Net income for the exercise attributable to BRF shareholders	**1,062,430**	770,002
Diluted denominator		
Weighted average number of outstanding shares - basic (except treasury shares)	**870,534,511**	869,534,940
Number of potential shares (stock options)	**907,194**	168,666
Weighted average number of outstanding shares - diluted	**871,441,705**	869,703,606
Net earnings per share diluted - R$	**1.21916**	0.88536

On December 31, 2013, from the total of 6,932,434 stock options outstanding (6,617,581 as of December 31, 2012) granted to executives of the Company, 2,752,553 options (3,530,461 as of December 31, 2012) were not considered in the calculation of the diluted earnings per share due to the fact that the strike price (R$57.23 (fifty Brazilian Reais and twenty three cents) was higher than the average market price of the common shares during the period (R$51,18 (fifty one Brazilian Reais and eighteen cents).

28. GOVERNMENT GRANTS

28.1. Grants for investment through tax benefits

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

On December 31, 2013, this incentive totaled R$120,826 (R$67,431 as of December 31, 2012) which was fully recorded in the reserve for tax incentives.

The total amount of these tax benefits is related to the following state programs:

- **State of Bahia Industrial and Economic Integration Development Program ("DESENVOLVE"):** this program aims to promote and diversify the industrial and agricultural activity, with the formation of high density industrial areas in the economic regions and integration of productive chains that are essential to the economic and social development as well as job and income generation in the state. The total amount of incentive recognized in the statement of income was R$2,070 (R$3,664 as of December 31, 2012).
- **State of Pernambuco Development Program ("PRODEPE"):** this program intends to attract and promote investments in industrial activity and wholesale trade of Pernambuco, by granting tax and financial incentives, becoming effective in accordance to the current legislation. The total amount of this incentive was R$47,130 (R$11,601 as of December 31, 2012).
- **State of Mato Grosso Industrial and Commercial Development Program ("PRODEIC"):** the program has purpose of leveraging the development of economic activities defined as strategic and designated to the priority production of goods and services in the State, considering social and environmental aspects, in order to improve the Human Development Index ("IDH") and the social welfare. The total amount of this incentive was R$47,700 (R$24,690 as of December 31, 2012).
- **State of Goiás Participation and Development for Industrialization Fund ("FOMENTAR"):** this program intends to stimulate the implementation and expansion of industrial enterprises that promote the industrial development in the State. The total amount of this incentive was R$19,464 (R$12,172 as of December 31, 2011).

28.2.Grants related to government assistance

The Company recognized the benefits from the Special Credit for Investments ("CEI") granted by the State of Goiás, applied to the implementation of an agro-industrial complex for heavy poultry meat, proportional to the execution of the correspondent project. This special credit, which totaled R$4,462 on December 31, 2013 (R$15,304 as of December 31, 2012), refers to 40% of the total estimated amount of fixed investments that were made by the Company.

29. RELATED PARTIES

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

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.

29.1 Transactions and balances

The amounts of transactions and balances among the companies are as follow:

	Accounts receivable		Dividends and interest on the shareholders' equity receivable		Loan contracts	
	12.31.13	12.31.12	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Avex S.A.	**4,049**	5,059	**-**	-	**-**	-
Avipal Centro Oeste S.A.	**-**	-	**-**	-	**-**	-
Avipal S.A. Construtora e Incorporadora	**-**	-	**5**	5	**-**	-
BFF International Ltd.	**-**	-	**-**	-	**-**	-
BRF Foods LLC	**-**	-	**-**	-	**-**	-
BRF Global GmbH [1]	**1,898,754**	-	**-**	-	**-**	-
Establecimiento Levino Zaccardi y Cia. S.A.	**-**	-	**-**	-	**-**	4,762
Highline International Ltd.	**-**	-	**-**	-	**(4,272)**	(3,727)
K&S Alimentos S.A.	**-**	-	**16**	-	**-**	-
Nutrifont Alimentos S.A.	**-**	-	**-**	-	**-**	-
Perdigão Europe Ltd.	**50,906**	162,943	**-**	-	**-**	-
Perdigão International Ltd.	**52,070**	329,714	**-**	-	**(8,057)**	(4,553)
PSA Laboratório Veterinário Ltda.	**-**	-	**2,980**	-	**-**	-
Quickfood S.A.	**3,404**	-	**-**	-	**-**	-
Sadia Alimentos S.A.	**14,721**	22,994	**-**	-	**-**	-
Sadia Chile S.A.	**24,125**	14,860	**-**	-	**-**	-
Sadia Uruguai S.A.	**3,144**	4,188	**-**	-	**-**	-
Sino dos Alpes Alimentos Ltda.	**-**	-	**-**	-	**-**	-
UP! Alimentos Ltda.	**1,059**	898	**-**	-	**-**	-
VIP S.A. Empreendimentos e Partic. Imob.	**-**	-	**30,103**	-	**-**	-
Wellax Foods Logistics C.P.A.S.U. Lda.	**11,499**	685,488	**-**	-	**-**	-
	2,063,731	1,226,144	**33,104**	5	**(12,329)**	(3,518)

(1) The Company's sales, which were previously directed to the wholly owned subsidiaries Perdigão International, Perdigão Europe and Wellax, were redirected to the BRF GmbH, new name of Acheron Beteiligung-sverwaltung GmbH, due to corporate restructuring in the foreing market.

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

	Revenue		Financial results, net		(Purchases)	
	12.31.13	12.31.12	**12.31.13**	12.31.12	**12.31.13**	12.31.12
Avex S.A.	**4,140**	-	**-**	-	**(9,343)**	-
BRF Global GmbH	**2,544,447**	-	**(1,831)**	-	**-**	-
Establecimiento Levino Zaccardi y Cia. S.A.	**-**	-	**-**	-	**(3,864)**	(7,125)
Heloísa Ltda. [1]	**-**	2,269	**-**	-	**-**	(40,336)
K & S Alimentos Ltda.	**-**	-	**-**	-	**(93,731)**	-
Perdigão Europe Ltd.	**332,086**	689,979	**-**	-	**-**	-
Perdigão International Ltd.	**3,345,302**	3,471,251	**(67,533)**	(82,130)	**-**	-
Perdigão Trading S.A.	**-**	-	**-**	209	**-**	-
Quickfood S.A.	**3,404**	-	**-**	-	**(10,385)**	-
Sadia Alimentos S.A.	**17,415**	-	**-**	-	**-**	-
Sadia Chile S.A.	**69,554**	-	**-**	-	**-**	-
Sadia Uruguai S.A.	**13,958**	-	**-**	-	**(666)**	-
Sadia S.A. (1)	**-**	1,764,068	**-**	(25,659)	**-**	(1,324,469)
Sino dos Alpes Alimentos Ltda.	**-**	-	**-**	-	**-**	(5,174)
UP! Alimentos Ltda.	**11,232**	2,656	**-**	-	**(172,182)**	(133,700)
Wellax Foods Logistics C.P.A.S.U. Lda.	**3,150,185**	-	**(43,238)**	-	**-**	-
Galeazzi e Associados Consult Serv Ltda	**-**	-	**-**	-	**(7,098)**	-
	9,491,723	5,930,223	**(112,602)**	(107,580)	**(297,269)**	(1,510,804)

(1) Wholly-owned subsidiary incorporated on December 31, 2012.

Trade accounts payable		Advance for future capital increase		Other rights		Other obligations [2]	
12.31.13	12.31.12	**12.31.13**	12.31.12	**12.31.13**	12.31.12	**12.31.13**	12.31.12
1,028	-	**-**	-	**25,423**	11,133	**-**	-
-	-	**-**	-	**-**	-	**(38)**	(38)
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**1,277**	971	**-**	-
-	-	**-**	-	**62**	-	**-**	-
3	-	**-**	-	**-**	-	**(670,414)**	-
-	-	**-**	-	**-**	1,294	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	-	**-**	-	**291**	-	**-**	-
-	-	**-**	-	**-**	-	**-**	-
-	2,423	**-**	-	**1,820**	-	**(1,340,352)**	(1,924,823)
-	-	**100**	100	**-**	-	**(45)**	(344)
-	-	**-**	-	**-**	-	**-**	-
81	70	**-**	-	**-**	-	**-**	-
46	9	**-**	-	**-**	-	**-**	-
279	154	**-**	-	**-**	-	**-**	(471)
-	-	**-**	-	**-**	-	**-**	(5,174)
12,033	10,722	**-**	-	**3,590**	3,164	**-**	-
-	-	**-**	-	**6**	-	**-**	-
167	146	**-**	-	**-**	-	**(363,936)**	(1,333,538)
13,637	13,524	**100**	100	**32,469**	16,562	**(2,374,785)**	(3,264,388)

All companies listed above are controlled by BRF, except for UP! Alimentos Ltda, K&S and Nutrifont, which are associates. During year 2013, the Galeazzi and Associates consulting firm, which BRF has no equity interest, provided advisory services for strategic management and organizational restructuring.

The Company entered into loan agreements with Instituto Perdigão de Sustentabilidade. On December 31, 2013 the total receivable is R$ 13,505 (R$9,031 as of December 31, 2012), being remunerated at interest rate of 12.0% p.a.

The Company also recorded a liability in the amount of 13,228 (R$16,018 as of December 31, 2012) related to the fair value of the guarantees offered by BNDES concerning a loan made by the Instituto Sadia de Sustentabilidade.

Due to the acquisition of biodigesters from Instituto Sadia de Sustentabilidade, as of September 30, 2013 the Company recorded a liability in the amount of R$47,832 within other obligations (R$57,921 as of December 31, 2012) with this entity.

The parent company and its subsidiaries carry out intercompany loans. Below is a summary of the balances and rates charged for the transactions which corresponding balance is above R$10,000 on the date of these quarterly financial information:

Counterparty				
Creditor	**Debtor**	**Currency**	**Balance 12.31.13**	**Interest rate (p.a.)**
BFF International Ltd.	Perdigão International Ltd.	US$	1,007,210	8.0%
BRF GmbH	BRF Global GmbH	US$	845,149	1.1%
Sadia Overseas Ltd.	Wellax Food Comércio	US$	505,045	7.0%
BFF International Ltd.	Wellax Food Comércio	US$	318,744	8.0%
Sadia International Ltd.	Wellax Food Comércio	US$	142,277	1.5%
BRF GmbH	Plusfood Holland B.V.	EUR	116,969	3.0%
Plusfood Holland B.V.	Plusfood B.V.	EUR	74,510	3.0%
Quickfood S.A.	Avex S.A.	AR$	45,771	24.5%
BRF GmbH	BRF Foods LLC	US$	42,352	2.5%
Wellax Food Comércio	BRF GmbH	EUR	25,447	1.5%
Sadia Alimentos S.A.	Avex S.A.	AR$	16,844	24.0%
BRF GmbH	BRF Global GmbH	EUR	13,037	1.5%
Plusfood Holland B.V.	BRF GmbH	EUR	12,705	1.5%

29.2. Other Related Parties

The Company leased properties owned by FAF. For the period ended December 31, 2013, the total amount paid as rent was R$ 6,022 (R$9,129 as of December 31,2012). The rent value was set based on market conditions.

29.3. Granted guarantees

All granted guarantees on behalf of related parties were disclosed in note 19.10.

29.4. Management remuneration

The management key personnel includes the directors and officers, members of the executive committee and the head of internal audit. On December 31, 2013, there were 24 professionals (25 professionals as of December 31, 2012).

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

	BR GAAP and IFRS	
	Consolidated	
	12.31.13	12.31.12
Salary and profit sharing	**32,793**	36,443
Short term benefits of employees [1]	**1,342**	1,287
Post-employment benefits	**166**	124
Termination benefits	**1,881**	903
Stock-based payment	**8,003**	7,825
	44,185	46,582

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

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

The 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 relationship with the Company and do not provide services of any kind.

30. NET SALES

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	31.12.12	**12.31.13**	12.31.12
Gross sales				
Domestic sales	**15,818,365**	7,189,721	**15,831,472**	15,175,348
Foreign sales	**11,201,066**	5,014,710	**13,857,394**	11,977,600
Dairy products	**3,303,690**	3,072,755	**3,306,614**	3,206,790
Food service	**1,764,358**	697,303	**1,856,145**	1,775,885
	32,087,479	15,974,489	**34,851,625**	32,135,623
Sales deductions				
Domestic sales	**(2,852,815)**	(1,153,997)	**(2,853,090)**	(2,556,513)
Foreign sales	**(106,407)**	(665)	**(728,671)**	(351,558)
Dairy products	**(498,711)**	(477,275)	**(498,751)**	(492,719)
Food service	**(228,458)**	(91,289)	**(249,867)**	(217,450)
	(3,686,391)	(1,723,226)	**(4,330,379)**	(3,618,240)
Net sales				
Domestic sales	**12,965,550**	6,035,724	**12,978,382**	12,618,835
Foreign sales	**11,094,659**	5,014,045	**13,128,723**	11,626,042
Dairy products	**2,804,979**	2,595,480	**2,807,863**	2,714,071
Food service	**1,535,900**	606,014	**1,606,278**	1,558,435
	28,401,088	14,251,263	**30,521,246**	28,517,383

The increase in the parent company balances is due to the merger of the wholly-owned subsidiaries Sadia S.A. and Heloísa Ind. e Com. de Prod Lácteos Ltda., occurred on December 31, 2013.

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 with research and development in the fiscal year ended December 31, 2013 R$68,586 in the parent company and consolidated (R$26,737 in the parent company and R$33,053 in the consolidated as of December 31, 2012).

32. EXPENSES WITH EMPLOYEE'S REMUNERATION

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	**12.31.13**	12.31.12
Salaries and social charges	**2,707,810**	1,323,161	**3,037,938**	2,842,371
Social security cost [1]	**347,817**	360,033	**382,934**	725,249
Government severance indemnity fund for employees, guarantee fund for length of service	**208,780**	101,237	**212,548**	203,085
Medical assistance and ambulatory care	**124,046**	41,761	**128,799**	118,176
Retirement supplementary plan	**16,219**	9,433	**16,983**	15,345
Employees profit sharing	**130,540**	49,449	**137,785**	111,368
Others	**592,229**	276,990	**625,278**	560,752
Provision for labor risks	**260,682**	75,312	**265,293**	141,105
	4,388,123	2,237,376	**4,807,558**	4,717,451

(1) The reduction in balance refers to the application of Provisional Measure nº563/12 (payroll exemption) apply from January 2013, when these expenses has become recorded as a reduction of sales revenue.

The increase in the parent company balances is due to the merger of the wholly-owned subsidiaries Sadia S.A. and Heloísa Ind. e Com. de Prod Lácteos Ltda., occurred on December 31, 2013.31.12.12.

33. OTHER OPERATING INCOME (EXPENSES), NET

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	Restated 12.31.12	31.12.13	Restated 12.31.12
Income				
Recovery of expenses	**37,319**	14,374	**44,892**	18,702
Insurance indemnity	**30,451**	1,908	**31,305**	18,005
Provision reversal	**8,270**	74,738	**8,270**	45,949
Employees benefits	**-**	-	**-**	49,860
Net income from the transfer of Carambeí plant	**-**	48,812	**-**	48,812
Other	**24,936**	3,561	**28,923**	20,300
	100,976	143,393	**113,390**	201,628
Despesas				
Employees profit sharing	**(130,540)**	(101,271)	**(137,785)**	(111,368)
Restructuring plan - Acceleration [1]	**(98,062)**	-	**(103,880)**	-
Idleness costs [2]	**(52,793)**	(53,933)	**(52,879)**	(93,808)
Insurance claims costs	**(43,979)**	(20,525)	**(44,233)**	(38,998)
Provision for civil and labor risks	**(37,431)**	(29,743)	**(37,431)**	(41,184)
Provision for tax risks	**(37,196)**	(12,533)	**(35,599)**	(24,501)
Other employees benefits	**(32,545)**	(92,175)	**(32,545)**	(107,155)
Stock options plan	**(26,761)**	(23,035)	**(26,761)**	(23,035)
Management profit sharing	**(17,712)**	(7,006)	**(17,712)**	(7,006)
Contractual agreements	**(17,222)**	-	**(17,222)**	-
Net losses from the disposal of property, plant and equipment	**(21,565)**	(12,778)	**(14,126)**	(15,166)
Net loss from the execution of TCD	**-**	(102,512)	**-**	(108,880)
Other	**(82,221)**	(37,870)	**(128,598)**	(77,129)
	(598,027)	(493,381)	**(648,771)**	(648,230)
	(497,051)	(349,988)	**(535,381)**	(446,602)

(1) Includes the amount arising from administrative structure review and acceleration program of new business, consequence of approving of Growth Acceleration Plan, approved on August 13, 2013 in the Board of Directors Extraordinary Meeting. .
(2) Idleness cost includes depreciation expense in the amount of R$30,323 and R$33,781 for the period ended December 31, 2013 and December 31, 2012, respectively.

34. FINANCIAL INCOME (EXPENSES), NET

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	12.31.12	12.31.13	12.31.12
Financial income				
Gains on the translation of foreign investments	**-**	-	**874,011**	604,280
Exchange rate variation on other assets	**303,558**	66,612	**161,209**	87,451
Interest on other assets	**114,948**	79,273	**133,823**	159,481
Interests on financial assets classified as	**35,503**	23,359	**64,127**	75,110
Available for sale	**75**	-	**23,973**	14,823
Held to maturity	**19,586**	-	**23,533**	22,144
Held for trading	**15,842**	23,359	**16,621**	38,143
Interest on marketable securities	**27,276**	5,577	**33,024**	12,559
Financial income on accounts payable	**2,492**	-	**2,492**	-
Exchange rate variation on marketable securities	**25,748**	8,649	**-**	2,139
Others	**33,330**	12,005	**40,402**	44,884
	542,855	195,475	**1,309,088**	985,904
Financial expenses				
Interest on loans and financing	**(391,733)**	(202,990)	**(567,382)**	(502,939)
Losses on the translation of foreign investments	**-**	-	**(491,792)**	(420,704)
Exchange rate variation on other liabilities	**(334,485)**	(207,054)	**(323,559)**	(371,227)
Exchange rate variation on loans and financing	**(312,579)**	(48,378)	**(316,762)**	(94,178)
Interest on other liabilities	**(134,768)**	(29,109)	**(170,887)**	(59,679)
Losses on derivative transactions	**(39,754)**	(8,862)	**(72,370)**	(21,208)
Interest expenses on loans to related parties	**(111,237)**	(106,708)	**-**	-
Financial expenses on accounts payable	**-**	(9,160)	**-**	(24,335)
Others	**(82,215)**	(17,934)	**(113,872)**	(62,236)
	(1,406,771)	(630,195)	**(2,056,624)**	(1,556,506)
	(863,916)	(434,720)	**(747,536)**	(570,602)

35. STATEMENT OF INCOME BY NATURE

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

	BR GAAP		BR GAAP and IFRS	
	Parent company		Consolidated	
	12.31.13	Restated 12.31.12	31.12.13	Restated 12.31.12
Costs of sales				
Costs of goods	**15,717,489**	9,197,149	**16,620,930**	15,917,772
Depreciation	**980,761**	393,687	**1,005,703**	844,584
Amortization	**4,707**	1,417	**10,370**	11,677
Salaries and employees benefits	**2,878,940**	1,512,666	**3,104,128**	3,197,014
Others	**2,151,930**	1,009,854	**2,212,014**	2,092,516
	21,733,827	12,114,773	**22,953,145**	22,063,563
Sales expenses				
Depreciation	**50,303**	20,497	**55,883**	34.293
Amortization	**1,438**	204	**2,569**	1.169
Salaries and employees benefits	**886,887**	419,616	**1,015,613**	989.025
Indirect/Direct logistics expenses	**1,750,302**	778,901	**2,181,998**	2.054.776
Others	**1,164,355**	527,400	**1,368,226**	1.238.041
	3,853,285	1,746,618	**4,624,289**	4.317.304
Administrative expenses				
Depreciation	**10,989**	2,762	**19,285**	7,232
Amortization	**40,389**	26,957	**51,954**	38,280
Salaries and employees benefits	**231,074**	180,333	**284,739**	278,939
Fees	**24,636**	21,703	**24,680**	23,782
Others	**31,323**	4,538	**81,447**	40,697
	338,411	236,293	**462,105**	388,930
Other operating expenses [1]				
Depreciation	**30,320**	27,889	**30,322**	29,431
Others	**567,707**	465,492	**618,449**	618,799
	598,027	493,381	**648,771**	648,230

(1) The composition of other operating expenses is presented in note 33.

The increase in the parent company balances is due to the merger of the wholly-owned subsidiaries Sadia S.A. and Heloísa Ind. e Com. de Prod Lácteos Ltda., occurred on December 31, 2013.

36. INSURANCE COVERAGE

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

		31.12.13	
Assets covered	**Coverage**	**Insured amounts**	**Amount of coverage**
Inventories and property, plant and equipment	Fire, lightning, explosion, windstorm, deterioration of refrigerated products, breakdown of machinery, loss of profit and other	26,975,008	2,203,957
Garantee	Judicial, traditional and customer garantees	1,566,916	1,566,959
National transport	Road risk and civil liability of cargo carrier	20,439,144	212,081
International transport	Transport risk during imports and exports	12,279,669	1,116,698
General civil liability for directors and officers	Third party complaints	30,302,681	1,798,449
Credit	Customer default	459,777	392,843

37. NEW RULES AND PRONOUNCEMENTS RECENTLY ADOPTED

IAS 27 – 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 does not prepare separate financial statements so that there was no impact in its 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. There was no impact of the adoption of this revised standard on the financial statements for the year ended December 31, 2013.

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 does not have any netting agreements of financial assets and liabilities and, therefore does not expect any impact on its 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 consolidated financial statements 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. There was no impact of the adoption of this revised standard on the financial statements for the year ended December 31, 2013.

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. There was no impact of the adoption of this standard on the financial statements for the year ended December 31, 2013.

IFRS 12 – Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12. This standard deals with aspects related to the disclosure of nature and risks related to interests owned in subsidiaries, jointly-controlled entities and associate companies. This standard is effective for annual reporting periods beginning on or after January 1, 2013. The Company's management believes that the information disclosed in the financial statements regarding the risks mentioned above are sufficient for the expected content in the 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 believes that it complied with the disclosure requirement in its financial statements.

38. NEW RULES AND PRONOUNCEMENTS NOT ADOPTED

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

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Review of IAS 32)
These reviews clarify the meaning of "currently has a legally enforceable right to offset the recognized amounts" and the criteria that would cause the not simultaneous settlement mechanisms of clearing houses to qualify for offsetting. Such revisions shall be effective for fiscal years beginning on or after January 01, 2014 and the Company does not expect a material impact on its consolidated financial statements upon adoption.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Review of IAS 39)
This review eases the discontinuation of hedge accounting when the novation of a derivative designated as a hedge meets certain criteria. These revisions are effective for fiscal years beginning on or after January 01, 2014 and the Company does not expect a material impact on its consolidated financial statements.

IFRIC 21 – Levies
In May 2013, the IASB issued IFRIC 21, which provides guidance on when an entity should recognize a liability for a levy in accordance with laws and/or regulations, except for income taxes, in its financial statements. The obligation should only be recognized when the event that triggers such obligation occurs. IFRIC 21 is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IAS 37 establishes criteria for the recognition of a liability, one of which is the requirement that the Company has a present obligation as a result of a past event, known as the obligating event. IFRIC 21 is effective for fiscal years ending on or after January 01, 2014 and the Company does not expect a material impact on its consolidated financial statements upon adoption.

39. SUBSEQUENT EVENTS

39.1. Acquisition of share equity of Federal Foods Limited ("Federal Foods")

On January 16, 2013, the Company announced to market that had completed the acquisition of 49% of the share equity of Federal Foods Limited ("Federal Foods"), a privately-held company headquartered in Abu Dhabi, in the United Arab Emirates ("EAU"), becoming the owner of 60% of the economic rights of that company, pursuant to a shareholders' agreement between the parties at the time.

On February 17, 2014, the Company announced that signed a binding offer with Al Nowais Investments for, among with other provisions to acquire, through its subsidiary in Austria, additional economic rights of Federal Foods, in accordance with the limits stipulated by law and customary practice in the EAU, for a total amount of US$27,809. Nowais Investments will remain acting as the local partner of BRF in Federal Foods and others opportunities in the EAU.

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

39.2. Acquisition of share equity of Al Khan Foods LLC ("AKF")

On February 19, 2013 the Company announced to market that signed a binding offer with the shareholders of Al Khan Foods LLC ("AKF"), its current products distributor in the Sultanate of Oman, to acquire corporate interest. If the conditions precedent provided are satisfied, the Company will acquire 40% of capital stock of the AKF, based on a total enterprise value of US$68,500.

Under the term of the offer, the Company will acquire the remaining interest of AKF between 36 and 90 months from the date of closing of the first acquisition, in accordance with the limits prescribed by law and customary practice in the Sultanate of Oman and depending of the future results of AKF.

AKF is the leader distributor of frozen foods in the Sultanate of Oman, covering a broad scope of clients from retail, food service and wholesale. AKF has been the main distributor of Sadia products in the Sultanate of Oman for 25 years, as a series of other brands and suppliers.

39.3. Assignment of obligation from Marfrig Alimentos SA ("Marfrig") to JBS SA ("JBS")

In October, 2013, JBS and Marfrig have announced through to the market, the completion of the sale by Marfrig business unit of Seara Brasil and Zenda to JBS.

Seara Brasil held equity interests, assets, rights and obligations related to the assets whose ownership was of BRF and which were transferred to Marfrig as disclosed in the a press release issued jointly by BRF and Marfrig on June 13, 2012, transferring to JBS the responsibility for the settlement of the liability assumed by Marfrig with the BRF.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements were approved and its disclosure authorized by the Board of Directors on February 27, 2014.

BOARD OF DIRECTORS	
Chairman (Independent)	Abilio dos Santos Diniz
Vice-Chairman (Independent)	Sérgio Ricardo Silva Rosa
Independent Member	Décio da Silva
Independent Member	José Carlos Reis de Magalhães Neto
Independent Member	Luiz Fernando Furlan
Independent Member	Manoel Cordeiro Silva Filho
Independent Member	Simon Cheng
Independent Member	Walter Fontana Filho
Board Member	Carlos Fernando da Costa
Board Member	Luis Carlos Fernandes Afonso
Board Member	Paulo Assunção de Sousa
FISCAL COUNCIL / AUDIT COMITTEE	
Chairman and Financial Specialist	Attílio Guaspari
Board Member	Décio Magno Andrade Stochiero
Board Member	Susana Hanna Stiphan Jabra
BOARD OF EXECUTIVE OFFICERS	
Chief Executive Officer Global	Cláudio Eugênio Sttiller Galeazzi
Chief Executive Officer Brazil	Sérgio Carvalho Mandin Fonseca
Chief Executive Officer International	Pedro de Andrade Faria
Vice President of Finance, and Investor Relations	Augusto Ribeiro Junior
Vice President of Food Service	Ely David Mizrahi
Vice President of Administration and Human Resources	Gilberto Antônio Orsato
Vice President of Integrated Planning and Management Control	Hélio Rubens
Vice President of Operations	Nilvo Mittanck [(1)]
Vice President of Marketing and Innovation	Sylvia de Souza Leão Wanderley

(1) On February 17, 2013, the Vice President of Operations, Nilvo Mittanck, leave the executive board

On December 19, 2013, in the Board of Directors ordinary Meeting, the new composition of Board of Executive Officers was approved.

Marcos Roberto Badollato
Controller

Joloir Nieblas Cavichini
Accountant – CRC 1SP257406/O-5

OPINION OF THE FISCAL COUNCIL

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

- the conclusion issued by Ernst & Young Terco Auditores Independentes;
- the Management Report; and
- the financial statements (parent company and consolidated) for the fiscal year ended on December 31, 2013.

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, February 27, 2014.

Attílio Guaspari
Chairman and Financial Expert

Decio Magno Andrade Stochiero
Fiscal Council Member

Susana Hanna Stiphan Jabra
Fiscal Council Member

OPINION OF EXECUTIVE BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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:

- reviewed, discussed and agreed with the Company's consolidated financial statements for the fiscal year ended on December 31, 2013; and
- reviewed, discussed and agreed with opinions expressed by the Ernst & Young Terco opinion of independent accountant for the Company's consolidated financial statements for the fiscal year ended on December 31, 2013.

São Paulo, February 27, 2014.

Cláudio Eugênio Stiller Galeazzi
Chief Executive Officer Global

Pedro de Andrade Faria
Chief Executive Officer International

Sérgio Carvalho Mandin Fonseca
Chief Executive Officer Brazil

Augusto Ribeiro Junior
Vice President of Finance, and Investor Relations

Ely David Mizrahi
Food Service Executive Officer

Gilberto Antônio Orsatto
Vice President of Administration and Human Resources

Hélio Rubens
Vice President of Integrated Planning and Management Control

Nilvo Mittanck
Operations and Technology Executive Officer

Sylvia de Souza Leão Wanderley
Vice President of Marketing and Innovation