The Company will make all cash distributions related to the Preferred Shares in Brazilian currency. Accordingly, exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of Preferred ADRs on conversion by the Depositary of such distributions. Fluctuations in the exchange rate between the real and the U.S. dollar may also affect the U.S. dollar equivalent of the price in reais of the Preferred Shares on the Brazilian stock exchanges.

The following table sets forth information on prevailing Commercial Market Rates for the periods indicated.

Commercial Rates

Year Ended December 31	Low	High	Average(1)	Period-end
2000	1.7205	1.9847	1.8298	1.9554
2001	1.9422	2.8007	2.3521	2.3204
2002	2.2709	3.9552	2.9203	3.5333
2003	2.8219	3.5637	3.0711	2.8892
2004	2.6544	3.2051	2.9257	2.6544

(1) Represents the average of month-average exchange rate during the relevant period.

Exchange rate information with high and low exchange rates for each month during the previous six months:

	Low	High	Average	Period-end
Dec/04	2.6544	2.7867	2.7182	2.6544
Jan/05	2.6248	2.7222	2.6930	2.6248
Fev/05	2.5621	2.6320	2.5978	2.5950
Mar/05	2.6011	2.7621	2.7047	2.6662
Apr/05	2.5195	2.6598	2.5792	2.5313
May/05	2.3784	2.5146	2.4528	2.4038

B. Capitalization and indebtedness

Not applicable

C. Reasons for the offer and use of proceeds

Not applicable

D. Risk factors

Certain Risk Factors Relating to the Company

Raising Animals and Meat Processing is subject to a variety of risks, which could have an adverse impact on the Company’s operations

The Company’s operations involve raising animals, which is subject to a variety of risks, including disease, contamination, consumer health concerns and adverse weather conditions. Meat is subject to contamination during processing and distribution. Contamination during processing could affect a large number of the Company’s products and therefore could have a significant impact on its operations. The Company’s sales are dependent on consumer preferences, and the loss of consumer confidence in the products sold by Brazilian producers as a result of disease or contamination of the Company’s products, could have a material adverse effect on the Company’s results of operations. Perdigão has one of the most complete traceability systems in the Brazilian market. This system allows it to identify a product from its origins and track it through the entire processing chain within a maximum of 24 hours using bar coding printed on the packaging. Code scanning reveals the full detail of each production stage (from information on the producer, parents, animal feed, medication, quality testing and temperature control during transportation, among others). This information is totally computerized for storage in the SAP management system. While on the one hand the consumer is assured of greater food safety, on the other, the Company gains in response time for implementing the necessary actions and the ability to take corrective measures when necessary. However, there can be no assurance that the Company will not be adversely affected by such risks.

Prices in the foodstuffs industry are highly cyclical and volatile, and downturns in prices could adversely affect the Company’s results

The Brazilian foodstuffs industry, like the processed food industry in other countries, has been characterized by cyclical periods of higher prices and profitability, followed by overproduction, leading to periods of lower prices and profitability. The Company believes that Brazilian and export prices for its product line are likely to remain volatile and subject to cyclical variation. There can be no assurance that the Company’s results will not be adversely affected by future downturns in real prices.

Feed Costs are volatile and increases in the costs of corn and soybeans, among other ingredients, could adversely affect the Company’s results

The largest single component of the Company’s cost of sales is raw material used in the preparation of feed. The price of most of the Company’s feed ingredients, corn and soybean, is subject to volatility resulting from weather, the size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rates, and the behavior of the prices and harvests of these commodities in the international market, among other factors. So as to reduce the impact of an increase in the price of raw materials – corn and soybean – on the production costs of its products, the Company tries to protect itself in various ways. Perdigão has a production unit located in the Mid-West region of Brazil, where grain prices are lower than the average market; the Company invests in the maintenance of a regulatory stock of grains, so as to be protected in periods of high prices; search for operational excellence, which grants Perdigão a competitive cost structure; comprehensive negotiation with producers in order to obtain advantageous contracts to the Company. However, we cannot state that severe variations in the costs will not affect the Company’s results.

The Company faces competition from other Brazilian and foreign producers, which could adversely affect the Company’s performance

The Company faces competition from other Brazilian producers in the domestic markets in which it sells its products, and from other world producers in the export markets in which it sells its products. There are other major vertically integrated Brazilian producers that compete with the Company. To varying degrees, these companies may have greater financial resources and strengths in particular product lines and regions. The Company expects that it will continue to face strong competition in every market and that existing or new competitors are likely to broaden their product lines and to extend their geographic scope. Accordingly, there can be no assurance that the Company's performance will not be adversely affected by increased competition.

Increasingly stringent environmental regulation, and the costs of compliance, could adversely affect the availability of funds for capital expenditures and other purposes

Brazilian food producers, including the Company, are subject to stringent federal, state and local environmental laws and regulations concerning, among other things, human health, the handling and disposal of wastes and discharges of pollutants to the air, water and soil. In view of the possibility of unanticipated regulatory or other developments, particularly as environmental laws become more stringent both in Brazil and worldwide, the amount and timing of future expenditures required to maintain compliance could vary substantially from their current levels and could adversely affect the availability of funds for other capital expenditures and other purposes.

The industrial units have been constructed in accordance with the prevailing legislation that sets standards for effluent disposal into the environment. As part of its integrated management structure, Perdigão has technicians, trained in risk and waste

management, who can be called on to act in case of emergencies. However, there can be no assurance that the Company will not be adversely affected by such risks.

The Company is controlled by a defined group of entities, having control over important corporate decisions

The Company is controlled by seven pension funds that act together pursuant to a shareholders' agreement and on April 30, 2005, had an aggregate 79.67% of the Company's outstanding voting Common Shares and 33.13% of the Company's non-voting Preferred Shares, totaling 49.25% of total capital stock. The shares of the Company are traded on the São Paulo Stock Exchange.

The Preferred Shares and the Preferred ADSs are not entitled to vote at meetings of shareholders, except in limited circumstances. This means that preferred shareholders are not entitled to vote on corporate transactions, including mergers or consolidations of the Company with other companies. In addition, the pension funds have the ability to determine the outcome of any action requiring shareholder approval, including transactions such as corporate reorganizations, change of control transactions and the timing and payment of future dividends.

One of the objectives of the Company is to decrease sales concentration on large customers, in order to prevent potential adverse effects should any of these clients significantly reduce the volumes of their purchases from the Company, thus affecting its gross revenues and operating income.

Perdigão has strengthened its presence in the domestic market with logistics improvement for the distribution of its products in the small stores and food service market, as well as the increase in the number of clients including major cities and the countryside of Brazil. By doing this, the Company increased its market share preventing the concentration of sales in major supermarket chains in Brazil.

Regarding the external market, Perdigão maintains its internationalization process through the structuring of offices abroad in Singapore, Singapore; Dubai, United Arab Emirates; S'hertogenbosch, Netherlands; and London, England; in addition we are in process of opening offices in Tokyo (Japan) and Moscow (Russia) enabling the prospecting of new markets and customers. Currently, the Company distributes its products to more than one hundred (100) countries.

These measures helped decrease the concentration of sales per client. The Company does not have clients which represent individually more than 3% of gross sales, aiming to prevent potential adverse effects in case any of these clients significantly reduced the volumes of their purchases from the Company, thus softening the impact on gross sales and operating income. The 10 major clients of the Company represented 21.4% of total sales in 2004 (21.2% in 2003).

The Company's ability to export could be adversely affected by port labor disputes and disruptions and by import restrictions

The Company's ability to export is dependent, in part, on factors beyond its control, including the lack of transport facilities because of strikes or other causes, or the enactment of Brazilian laws or regulations restricting exports in general or its products in particular. In addition, regulatory authorities in various countries have in the past imposed, and in the future may impose, import restrictions on Brazil's exports, based on health and sanitary standards.

Any of these risks could materially adversely affect the Company's revenue and operating income.

Risks Relating to Brazil

The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on the Company's business and the market price of the preferred shares.

The Brazilian government intervenes in the Brazilian economy and occasionally makes changes in policy. The government's actions to control inflation and effect other policies have often involved wage and price controls, changes in the domestic interest rates, currency devaluations, capital controls, and limits on imports, among other things. The Company's business, financial condition and results of operations may be adversely affected by changes in policy including tariffs, exchange controls and other matters, as well as factors such as:

- currency fluctuations;
- inflation;
- price instability;
- interest rates;
- tax policy; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

The Brazilian Government's actions to maintain economic stability as well as public speculation about possible future actions may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian Securities Market.

Brazil has historically experienced extremely high rates of inflation. Inflation, along with governmental measures to combat inflation, have had significant negative effects on the Brazilian economy in general. Beginning in December 1993, the Brazilian government introduced an economic stabilization plan called the Real Plan. The primary objectives of the Real Plan were to reduce inflation and build a foundation for sustained economic growth.

On July 1, 1994, the Brazilian government introduced the new currency, the *real*. Since the introduction of the *real*, Brazil's inflation rate has been substantially lower than in previous periods. The annual rates of inflation, as measured by the General Price Index (IGP-M) of Fundação Getúlio Vargas, were:

Year	Rate of Inflation
1993	2,567.46%
1994	1,246.62%
1995	15.25%
1996	9.20%
1997	7.74%
1998	1.78%
1999	20.10%
2000	9.95%
2001	10.38%
2002	25.30%
2003	8.71%
2004	12.41%

There can be no assurance that recent lower levels of inflation will continue. Brazil may experience high levels of inflation in the future. Future governmental actions, including actions to adjust the value of the *Real*, may trigger increases in inflation. Accordingly, periods of substantial inflation may in the future have material adverse effects on the Brazilian economy, the Brazilian financial markets and on the Company's business, financial condition and results of operations.

Fluctuations in the value of Brazil's currency against the value of the U.S. Dollar may result in uncertainty in the Brazilian economy and the Brazilian securities market, which may adversely affect the company's financial condition and results of operations and, consequently, the market value of the preferred shares and ADSs.

As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods, devaluations of the Brazilian currency generally have correlated with the rate of inflation in Brazil, devaluations over shorter periods have resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. Devaluations can impact the Company in different ways: while its exports become more competitive, the cost of Dollar-denominated debt increases, and domestic demand may decline.

In addition, fluctuations in the value of the *real* relative to the U.S. dollar can affect the market value of the ADSs. Devaluation may reduce the U.S. dollar value of distributions and dividends on the ADSs and may also reduce the market value of the Preferred Shares and the ADSs. Appreciation of the real may also have adverse affects on our financial condition and results of operations. Because a portion of the Company's expenses and a significant portion of the Company's assets and liabilities are denominated in reais, and the Company has U.S. dollar-denominated revenues, debts and liabilities, it may be adversely affected by exchange rate volatility. As expressed in U.S. dollars, any appreciation of the real may produce exchange losses on unhedged debt denominated in reais. On the other hand, any devaluation of the real may produce exchange gains on unhedged debt denominated in reais. In 2002, the depreciation of the *real* relative to the U.S. dollar totaled 52%, due in part to the continued economic and political uncertainties in emerging markets and the global economic slowdown. In 2003, the appreciation of the Real relative to the U.S. dollar was 18.2%. In 2004, the appreciation of the Real relative to the U.S. dollar was 8.1%. From January 1, 2005 through May 31, 2005, the Real appreciated 9.4%.

Restrictions on the movement of capital out of Brazil may hinder investors' ability to receive dividends and distributions on, and the proceeds of any sale of, the preferred shares.

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

Government restrictions on capital outflow may hinder or prevent the Custodian in Brazil, or if investors have exchanged ADSs for the underlying Preferred Shares, investors from converting the proceeds relating to the Preferred Shares into U.S. dollars and remitting those proceeds abroad. Investors could be adversely affected by delays in obtaining any required governmental approval for conversion of Brazilian currency payments and remittances abroad in respect of the Preferred Shares underlying the ADSs. In addition, the Brazilian government may institute a more restrictive exchange control policy in the future.

Developments in other emerging markets may adversely affect the market price of the Preferred Shares and ADSs

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may have a material adverse effect on the market value of securities of Brazilian companies. Crises in other emerging market countries may reduce investor demand for Brazilian securities, including the Company's Preferred Shares. This may adversely affect the trading value of the Companies Preferred Shares, and create obstacles or otherwise impede the Company's access to capital markets and financing for its future operations.

Access to international capital markets for Brazilian companies is influenced by the perception of risk in emerging economies, which may hurt the Company's ability to finance its operations

Since the end of 1997, and in particular during 2001 and 2002, as a result of economic problems in various emerging market countries, including the economic crisis in Argentina, investors have had a heightened risk perception for investments