Perdigão S.A.

Financial Statements Together with
Report of Independent Public Accountants

December 31, 2001 and 2000

Report of Independent Public Accountants

(Translation of the report originally issued in Portuguese.
See Note 24 to the financial statements.)

To the Management and Shareholders of

Perdigão S.A.:

(1) We have audited the individual (Company) and consolidated balance sheets of PERDIGÃO S.A. (a Brazilian corporation) and subsidiaries as of December 31, 2001 and 2000, and the related statements of income, changes in shareholders' investment, and changes in financial position for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

(2) Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the relevant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

(3) In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Perdigão S.A. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations, the changes in shareholders' investment, and the changes in their financial positions for the years then ended in accordance with accounting practices emanating from Brazilian corporate law.

São Paulo, February 6, 2002

ARTHUR ANDERSEN S/C

Michael John Morrell
Engagement Partner

PERDIGÃO S.A.

BALANCE SHEETS--DECEMBER 31, 2001 AND 2000

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

A S S E T S

	Company		Consolidated	
	2001	2000	2001	2000
CURRENT ASSETS:				
Cash and banks	51	24	11,757	13,647
Temporary cash investments	-	-	391,219	642,536
Trade accounts receivable, net	-	-	256,308	212,243
Interest on capital and dividends receivable	38,547	11,645	-	-
Inventories	-	-	318,675	262,035
Recoverable taxes	6,595	2,658	45,301	36,813
Deferred tax assets	-	-	1,029	10,417
Other receivables	84	60	18,766	17,598
	45,277	14,387	1,043,055	1,195,289
NONCURRENT ASSETS:				
Fixed income securities	-	-	328,249	68,866
Recoverable taxes	-	-	4,755	244
Deferred tax assets	202	123	35,314	32,512
Accounts receivable	-	-	18,012	15,576
Escrow deposits	2,349	-	7,993	5,309
Other receivables	35	10	9,268	7,934
	2,586	133	403,591	130,441
PERMANENT ASSETS:				
Investments in subsidiaries	666,509	553,322	-	-
Other investments	-	-	483	488
Property, plant and equipment	-	-	903,640	854,931
Deferred charges	-	-	73,325	52,863
	666,509	553,322	977,448	908,282
Total assets	714,372	567,842	2,424,094	2,234,012

The accompanying notes are an integral part of these balance sheets.

PERDIGÃO S.A.

BALANCE SHEETS--DECEMBER 31, 2001 AND 2000

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	Company		Consolidated	
	2001	2000	2001	2000
CURRENT LIABILITIES:				
Bank loans, financing and debentures	-	-	696,639	693,919
Suppliers	-	4	151,292	127,281
Payroll and related charges	231	208	48,756	39,837
Accrued taxes	310	530	34,840	33,101
Dividends and interest on capital	35,177	9,683	35,177	9,683
Payable to subsidiaries	5,311	2,102	-	-
Profit sharing of management and employees	-	-	13,648	850
Other	25	26	33,661	16,455
	41,054	12,553	1,014,013	921,126
LONG-TERM LIABILITIES:				
Bank loans, financing and debentures	-	-	598,771	611,053
Tax and benefit obligations	-	-	20,721	24,964
Deferred tax liabilities	-	-	8,210	8,535
Accrual for losses on tax and legal contingencies	510	358	109,571	98,606
	510	358	737,273	743,158
MINORITY INTEREST	-	-	-	14,797
SHAREHOLDERS' INVESTMENT:				
Capital stock	415,433	415,433	415,433	415,433
Capital reserve	142	39	142	39
Income reserves	257,233	139,459	257,233	139,459
	672,808	554,931	672,808	554,931
Total liabilities and shareholders' investment	714,372	567,842	2,424,094	2,234,012

The accompanying notes are an integral part of these balance sheets.

PERDIGÃO S.A.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

	Company		Consolidated	
	2001	2000	2001	2000
SALES:				
Domestic sales	-	-	1,754,564	1,554,022
Exports	-	-	1,034,845	512,384
GROSS SALES	-	-	2,789,409	2,066,406
Sales deductions	-	-	(355,706)	(302,753)
NET SALES	-	-	2,433,703	1,763,653
Cost of sales	-	-	(1,633,483)	(1,336,000)
GROSS PROFIT	-	-	800,220	427,653
OPERATING (EXPENSES) INCOME:				
Selling	-	-	(400,907)	(284,058)
General and administrative	(761)	(854)	(35,108)	(31,363)
Management compensation	(1,405)	(1,296)	(5,166)	(4,718)
Financial expenses, net	1,811	1,711	(117,678)	(63,219)
Equity pick-up	162,738	38,314	-	-
Other, net	7,016	8,630	1,689	7,162
	169,399	46,505	(557,170)	(376,196)
INCOME FROM OPERATIONS	169,399	46,505	243,050	51,457
Nonoperating (expense) income	(77)	(15)	(3,987)	1,305
INCOME BEFORE TAXES, PROFIT SHARING AND MINORITY INTEREST	169,322	46,490	239,063	52,762
Provision for taxes on income	(1,075)	(1,101)	(57,168)	(6,580)
Employee profit sharing	-	-	(10,838)	-
Management profit sharing	-	-	(2,810)	(850)
Minority interest	-	-	-	57
NET INCOME	168,247	45,389	168,247	45,389
EARNINGS PER SHARE (BASED ON SHARES OUTSTANDING AT DECEMBER 31) - R$	3.78	1.02	-	-
EBTIDA (SEE NOTE 2.(k))	-	-	421,280	160,220

The accompanying notes are an integral part of these statements.

PERDIGÃO S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' INVESTMENT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

	Capital stock	Capital reserve	Income reserves	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 1999	415,433	18	108,212	-	523,663
Tax incentives	-	21	-	-	21
Net income	-	-	-	45,389	45,389
Allocation of net income:					
Legal reserve	-	-	2,269	(2,269)	-
Reserve to increase capital	-	-	9,077	(9,077)	-
Reserve for expansion	-	-	19,901	(19,901)	-
Interest on capital - R$0.3177 per share outstanding at yearend	-	-	-	(14,142)	(14,142)
BALANCES AS OF DECEMBER 31, 2000	415,433	39	139,459	-	554,931
Tax incentives	-	103	-	-	103
Net income	-	-	-	168,247	168,247
Allocation of net income:					
Legal reserve	-	-	8,413	(8,413)	-
Reserve to increase capital	-	-	33,650	(33,650)	-
Reserve for expansion	-	-	75,711	(75,711)	-
Dividends and interest on capital - R$1.1340 per share outstanding at yearend	-	-	-	(50,473)	(50,473)
BALANCES AS OF DECEMBER 31, 2001	415,433	142	257,233	-	672,808

The accompanying notes are an integral part of these statements.

PERDIGÃO S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

	Company		Consolidated	
	2001	2000	2001	2000
SOURCES OF FUNDS:				
From operations (see below)	-	-	278,377	100,850
From third parties-				
Proceeds from long-term loans	-	-	298,647	396,506
Transfer of noncurrent to current assets	-	-	22,177	342,388
Disposals of property, plant and equipment	-	-	9,858	14,870
Dividends and interest on capital of subsidiaries	56,567	18,042	-	-
Long-term taxes	-	-	-	17,932
Other	103	21	4,295	14,794
	56,670	18,063	613,354	887,340
APPLICATIONS OF FUNDS:				
In operations (see below)	1,474	1,119	-	-
Dividends and interest on capital	50,473	14,142	50,473	14,142
Investments	-	-	28,285	20,954
Additions to property, plant and equipment	-	-	118,578	156,357
Additions to deferred charges	-	-	15,453	20,217
Transfer from long term to current liabilities	-	-	340,644	348,954
Investments in fixed income securities	-	-	295,326	66,026
Other	2,334	20	9,716	18,332
	54,281	15,281	858,475	644,982
INCREASE (DECREASE) IN WORKING CAPITAL	2,389	2,782	(245,121)	242,358
CHANGES IN WORKING CAPITAL:				
Working capital - beginning of year	1,834	(948)	274,163	31,805
Working capital - end of year	4,223	1,834	29,042	274,163
INCREASE (DECREASE) IN WORKING CAPITAL	2,389	2,782	(245,121)	242,358

	Company		Consolidated	
	2001	2000	2001	2000
FUNDS PROVIDED FROM (USED IN) OPERATIONS REPRESENTED BY:				
Net income	168,247	45,389	168,247	45,389
Minority interest	-	-	-	(57)
Depreciation, amortization and exhaustion	-	-	62,241	52,706
Deferred taxes	(79)	(123)	(7,682)	(9,854)
Provision for contingencies	96	222	361	11,673
Financial charges on long-term items	(61)	27	55,842	12,712
Equity pick-up	(162,738)	(38,314)	-	-
Exchange variation on foreign subsidiaries	(2,824)	(895)	-	-
Results from disposal of permanent assets	-	-	3,547	(4,594)
Other	(4,115)	(7,425)	(4,179)	(7,125)
	(1,474)	(1,119)	278,377	100,850

The accompanying notes are an integral part of these statements.

PERDIGÃO S.A.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2001 AND 2000

(Amounts in thousands of Brazilian reais)

(Translation of the original in Portuguese)

1. BUSINESS

The Company is the holding company of the Perdigão Group whose principal business activities are in the areas of raising, processing and sale of meat and poultry products, the processing and sale of soybeans and its derivatives, the sale of frozen pasta and the sale of frozen vegetables.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING PRACTICES

The financial statements were prepared in accordance with the applicable provisions of corporate law and with standards established by the Brazilian Securities Commission (CVM). The significant accounting practices applied in the preparation of these financial statements are described below:

(a) Temporary Cash Investments and Fixed Income Securities--Stated at cost plus income earned to the balance sheet date, not in excess of market value (Note 3).

(b) Trade Accounts Receivable, Net--Stated net of the allowance for doubtful accounts, determined based on an analysis of the realization risks and in an amount considered sufficient by management to cover possible losses on receivables.

(c) Inventories--Stated at average cost, not in excess of market or net realizable value (Note 5).

(d) Investments--In subsidiaries, stated under the equity method, and for other investments, at cost, reduced to market value, when applicable (Note 8). The financial statements of foreign subsidiaries were converted to reais, based on the exchange rate for the U.S. dollar at yearend for the balance sheet accounts and at month end rates for the income statement accounts and applying the same accounting principles as those of the Company.

(e) Property, Plant and Equipment--Stated at acquisition or construction cost. Depreciation is determined under the straight-line method, based on the rates set forth in Note 9 (exhaustion based on utilization), and charged to production costs or directly to income. Interest incurred for the new manufacturing facilities was allocated to the cost of the construction.

(f) Deferred Charges--Stated at cost, charged to production costs or directly to income, and amortized based on the rates set forth in Note 10.

(g) Taxes Based on Income--Determined in accordance with current legislation and include the effects of items which will become taxable or deductible in the future (Note 12).

(h) Monetary Updating of Receivables and Liabilities--Recognized to the balance sheet date, with the net effect included in income.

(i) Accrual for Losses on Tax and Legal Contingencies--Determined based on an analysis of pending litigation, including the related risks and estimates, and recognized in an amount considered sufficient by management and legal counsel to cover possible losses (Note 13).

(j) Consolidated Financial Statements--Include the accounts of the Company and its wholly owned subsidiaries (Note 8). Intercompany balances and transactions, and investments in subsidiaries, are eliminated. On December 31, 2000, minority interest was shown separately.

(k) EBITDA--Calculated based on income before financial items net, taxes on income, depreciation and amortization. The Company elected to calculate EBTIDA excluding "Other operating income, net".

3. TEMPORARY CASH INVESTMENTS AND FIXED INCOME SECURITIES - CONSOLIDATED

	2001	2000
Local currency:		
Fixed income funds	131,068	236,122
Interbank CDs	65,884	-
Linked to TJLP (long-term interest rate)	45,761	39,527
Brazilian Treasury notes	45,702	-
	288,415	275,649
Foreign currency:		
Central Bank notes	334,474	187,477
Brazilian Treasury notes	27,992	230,245
Other	68,587	18,031
	431,053	435,753
	719,468	711,402
Current	391,219	642,536
Noncurrent	328,249	68,866

4. INTEREST ON CAPITAL AND DIVIDENDS RECEIVABLE

In 2001, the subsidiary Perdigão Agroindustrial S.A. has declared dividends and interest on capital to the Company, as follows:

	Gross	Net of income tax withheld at source
Interest on capital	51,567	43,832
Dividends	5,000	5,000
	56,567	48,832
Interest on capital advanced on August 31, 2001	(12,100)	(10,285)
Receivable, net	44,467	38,547

5. INVENTORIES - CONSOLIDATED

	2001	2000
Finished products	74,986	56,600
Products in process	14,083	11,820
Raw material	18,691	39,863
Secondary and packaging materials	53,359	44,674
Live animals	139,879	102,421
Advances to suppliers and imports in transit	17,677	6,657
	318,675	262,035

6. RECOVERABLE TAXES

	Company		Consolidated	
	2001	2000	2001	2000
State VAT (ICMS)	-	-	21,412	12,962
Income tax	6,595	2,658	16,437	19,980
Federal VAT (IPI)	-	-	12,150	3,939
Other	-	-	57	176
	6,595	2,658	50,056	37,057
Current	6,595	2,658	45,301	36,813
Noncurrent	-	-	4,755	244

Represented by credits of the Company and its subsidiaries that will be offset against the related taxes due.

7. DEFERRED TAXES - CONSOLIDATED

	2001	2000
Assets:		
Reserve for contingencies	32,897	26,516
Income tax losses	1,778	11,216
Social contribution tax losses	1,668	5,197
	36,343	42,929
Current	1,029	10,417
Noncurrent	35,314	32,512
Long-term liabilities:		
Unrealized revaluation reserve	5,140	5,234
Accelerated incentivated depreciation	3,070	3,301
	8,210	8,535

8. INVESTMENTS IN SUBSIDIARIES

	Perdigão Agroindustrial S.A.		Perdigão Overseas S.A.		Perdigão Export Ltd.		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Number of shares - thousands	44,651,416	223,257,081,217	55,665	55,665	10,000	10,000	-	-
Number of shares held	44,651,416	223,257,081,217	55,665	55,665	10,000	10,000	-	-
Common	15,471,634	77,358,171,925	55,665	55,665	10,000	10,000	-	-
Preferred	29,179,782	145,898,909,292	-	-	-	-	-	-
Capital stock	374,916	374,916	15,930	13,424	23	20	-	-
Shareholders' investment	653,251	538,195	13,258	15,127	-	-	-	-
Net income (loss)	167,431	33,718	(4,693)	4,596	-	-	-	-
Equity in shareholders' investment	653,251	538,195	13,258	15,127	-	-	666,509	553,322
Equity in net income (loss)	167,431	33,718	(4,693)	4,596	-	-	162,738	38,314

The Extraordinary Shareholders' Meeting on April 24, 2001, of Perdigão Agroindustrial S.A., approved a reverse split of 5,000 shares per one share, without changes in the capital stock.

Perdigão Agroindustrial S.A. acquired, on April 14, 2000, 51% of the capital of Frigorífico Batávia S.A., for R$20,954, and on March 16, 2001, the remaining 49% for R$23,820. The Extraordinary Shareholders' Meeting on March 26, 2001 approved an upstream merger, without changes in the capital stock and the number of shares. The shareholders' investment merged, based on the financial statements as of February 28, 2001, was R$30,289.

BRF Trading S.A. was formed with equal investments by Perdigão Agroindustrial S.A. and Sadia S.A., for the initial purpose of increasing exports in emerging markets such as Russia, Eurasia and others; it started operations in October 2001 with capital stock of R$1,000, and on December 31, 2001, shareholders' investment was R$100. Transactions during this period were not significant.

In September 2001, a branch of Perdigão Agroindustrial S.A. was established in Italy, with its head office in Bologna, responsible for sales and distribution in the Italian market and neighboring countries; it is in a preoperating phase.

Included in other operating income, net are: (a) fiscal incentives "Fundo Operação Empresa - Fundopem" - RS of R$3,892 (R$4,545 in 2000); (b) "Termo de Acordo de Regime Especial - Tare" - GO of R$90 (R$1,041 in 2000); (c) fiscal incentives for income tax and State VAT (ICMS) of R$210 (R$949 in 2000); (d) amortization of goodwill of R$2,725 for Perdigão Agroindustrial S.A.; and (e) exchange gains on investments in foreign subsidiaries of R$2,824 (R$895 in 2000).

9. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Annual depreciation or exhaustion rates - %	2001	2000
Buildings and leasehold improvements	4 to 10	463,944	385,483
Machinery and equipment	10 to 20	469,060	335,576
Electric and hydraulic installations	10	33,511	25,759
Forests and reforestation	Various	13,539	12,523
Other	10 to 20	17,537	15,042
		997,591	774,383
Accumulated depreciation and exhaustion		(254,679)	(202,931)
		742,912	571,452
Land		86,953	84,637
Construction in progress		73,775	198,842
		903,640	854,931

Interest of R$15,312 (R$20,753 in 2000) was capitalized as construction in progress for the Rio Verde - Goiás plant.

The capital expenditure budget for 2002 will be financed with third party and internal funds, and is summarized as follows:

Investments:	
Rio Verde - GO plant	28,521
New projects in current plants and sales areas	55,478
Automation, production and improvement projects at plants, sales and administrative areas	46,467
	130,466

10. DEFERRED CHARGES - CONSOLIDATED

	Annual amortization rates - %	2001	2000
Preoperating costs at Rio Verde - GO facility	2 to 5	49,329	32,503
Implementation of integrated management - SAP R/3 System	20	20,519	20,224
Goodwill on acquisition of investment	20	18,888	4,945
Other	Various	1,183	7,098
		---	---
		89,919	64,770
Accumulated amortization		(16,594)	(11,907)
		---	---
		73,325	52,863
		====	=====

The preoperating costs of the Rio Verde - GO plant are being deferred and amortized in proportion to the use of the production capacity until the beginning of 2003, when the plant will reach full capacity, when the rate will be 10% per year. The realization of the goodwill arising from the acquisition of Frigorífico Batávia S.A., merged into Perdigão Agroindustrial S.A., is based on the expectation of future profitability, estimated at five years.

11. BANK LOANS, FINANCING AND DEBENTURES - CONSOLIDATED

Maturity	2001	2000
Long term:		
2002	-	285,580
2003	332,287	137,119
2004	71,446	56,902
2005	61,647	47,267
2006	39,468	27,076
2007 to 2023	93,923	57,109
	---	---
	598,771	611,053
Current	696,639	693,919
	---	---
	1,295,410	1,304,972
	======	======
Currency:		
Local	701,545	577,121
Foreign	593,865	727,851

The bank loans, financing and debentures by type of financing and interest rates are as follows:

Type of financing	Average annual rates - %	2001	2000
Current:			
Local currency-			
Production	8.75	141,068	89,593
Working capital	1.40 + TJLP (*)	120,264	669
Property, plant and equipment	2.57 + TJLP (*)	46,347	44,159
Debentures	6.00 + TJLP (*)	10,315	10,026
		317,994	144,447
Foreign currency-			
Working capital	4.16 + exchange variation	144,009	346,650
Export advances/pre-exports	4.98 + exchange variation	227,805	191,975
Property, plant and equipment	5.65 + exchange variation	6,831	10,847
		378,645	549,472
		696,639	693,919
Long-term:			
Local currency-			
Working capital	9.46	136,248	186,623
Property, plant and equipment	2.54 + TJLP (*)	173,404	175,832
Debentures	6.00 + TJLP (*)	73,899	70,219
		383,551	432,674
Foreign currency-			
Working capital	4.72 + exchange variation	187,082	172,075
Export advances/pre-exports	3.75 + exchange variation	13,960	-
Property, plant and equipment	10.68 + exchange variation	14,178	6,304
		215,220	178,379
		598,771	611,053

(*) TJLP - Brazilian long-term interest rate.

Loans of R$275,664 (R$277,320 in 2000) are collateralized by the financed assets and by real estate mortgages. The other loans are guaranteed by signature guarantees.

Perdigão Agroindustrial S.A. has a loan contract with IFC - International Finance Corporation of R$51,447 (R$60,883 in 2000), with final maturity on July 15, 2005. The loan contract includes clauses regarding financial ratios (current, long-term debt and debt coverage), which have been complied with.

The Extraordinary Shareholders' Meeting of Perdigão Agroindustrial S.A. on June 30, 1998 approved a private issue of 58,595 debentures to the National Economic and Social Development Bank (BNDES), at a face value of R$1 each, with semiannual maturities from June 15, 2001 to December 15, 2007, being fully integralized from August 26, 1998 to March 27, 2000. On November 21, 2000, a second private issue of 23,355 debentures to the BNDES was approved, at a face value of R$1 each, with semiannual maturities from December 15, 2003 to June 15, 2010, being totally integralized.

12. TAXES ON INCOME - CONSOLIDATED

	2001	2000
Income before taxes and after employee profit sharing	228,225	52,762
Taxes at statutory rate - 34%	(77,597)	(17,938)
Adjustments to effective tax rate:		
Interest on capital	16,320	4,808
Tax incentives	1,425	2,299
Other permanent inclusions/exclusions	2,684	4,251
Taxes at effective tax rate	(57,168)	(6,580)
Effective tax rate (%)	25.05	12.47
Current taxes on income	(50,907)	(8,882)
Deferred taxes	(6,261)	2,302

13. ACCRUAL FOR LOSSES ON TAX AND LEGAL CONTINGENCIES

The Companies have reserves for potential losses on pending labor, tax and civil and other litigation. The reserves are determined based on an analysis of the pending litigation and adjusted to reflect the amounts considered sufficient by management and legal counsel to cover eventual losses.

The consolidated reserves for contingencies in 2001 and 2000 are summarized as follows:

	2001	2000
Tax	85,285	73,433
Labor	10,309	14,586
Civil, commercial and others	13,977	10,587
Total	109,571	98,606

Tax litigation - refers to administrative, judicial and credit processes for value-added tax - ICMS based on the interpretation of certain State norms. At the Federal level, the matters being contested principally involve the effects of taxes on income during the government's "Plano Real", the refutation of the payment of PIS and COFINS on other revenue, and the additional of 1% social contribution tax on income for the period from June to December 1999, based on preliminary injunctions granted.

Labor litigation - represents estimated losses based on historical and individual analysis of the processes involving labor claims, principally related to overtime and inflation adjustments of wages required prior to the introduction of "Plano Real".

Civil, commercial and other - include processes by employees, claiming disease or work related accidents, traffic accidents, property damage, physical accidents and other. The losses are estimated by legal counsel based on past experience and the current status of the processes.

There are escrow deposits in connection with certain litigation. At December 31, 2001, these deposits amounted to R$7,993 (R$5,309 in 2000).

14. SHAREHOLDERS' INVESTMENT

As of December 31, 2001, capital was represented by 44,652,384 shares, registered, without par value, consisting of 15,471,957 common and 29,180,427 preferred. 44 common and 6,810,937 preferred shares are held by foreign investors. Of the preferred shares held by foreign investors, 494,650 shares are equivalent to 247,325 ADRs.

The Company has 143,495 treasury shares, acquired in prior years and charged to income reserves, at an average cost of R$5.68 per share, available for future cancellation or issuance.

The Company is authorized to increase capital stock, independent of change in the bylaws, up to the limit of 60,000,000 shares, composed of 20,040,000 common and 39,960,000 preferred.

The nonvoting preferred shares have preference in any redemption of capital, in the event of liquidation of the Company. All shares have equal rights to a dividend not less than 25% of net income, adjusted in accordance with legislation.

In an agreement among the majority shareholders of the Company on October 25, 1994, it was established that they would consult with each other in advance about exercising their voting rights.

Under the terms of the Company's bylaws and corporate law, management's proposal for the distribution of the current year's net income, subject to ratification at the annual shareholders' meeting, is as follows:

Net income	168,247
	======
Allocation:	
Legal reserve: 5% of net income	8,413
Dividends and interest on capital: equivalent to 30% of net income and to 31.6% of net income, adjusted for the legal reserve of R$159,834, as shown below	50,473
Reserve for capital increase: 20% of net income	33,650
Reserve for expansion: remaining net income	75,711

	168,247
	======

As of December 31, 2001, dividends and interest on capital payable are as follows:

	Gross	Net of income tax withheld at source
Interest on capital	48,000	45,436
Dividends	2,473	2,473
	50,473	47,909
Interest on capital paid in advance on August 31, 2001	(13,500)	(12,807)
Prior years' dividends and interest on capital	75	75
Payable recognized	37,048	35,177

Income reserves are composed as follows:

	Statutory limit of capital stock - %	2001	2000
Legal reserve	20	17,797	9,384
Reserve for capital increase	20	73,579	39,929
Reserve for expansion	80	166,672	90,961
Treasury shares		(815)	(815)
Total		257,233	139,459

The stock position of the controlling shareholders who are part of the shareholders' agreement and/or holders of more than 5% of the voting capital on December 31, 2001 is as follows:

	Common shares	%	Preferred shares	%
PREVI - Caixa Prev. Func. Banco do Brasil (*)	2,865,317	18.52	3,972,428	13.61
Fund. Telebrás Seg. Social - SISTEL (*)	2,772,296	17.92	144,889	0.50
PETROS - Fund. Petrobras Seg. Soc. (*)	2,255,562	14.58	1,905,261	6.53
FAPES (Fund. Assist. Prev. Soc.) - BNDES (*)	1,882,722	12.17	2,445,061	8.38
Weg S.A.	1,566,862	10.13	1,768,172	6.06
REAL GRANDEZA Fundação de A.P.A.S. (*)	1,579,469	10.21	-	-
Bradesco Previdência e Seguros S.A.	1,156,411	7.47	743,027	2.55
VALIA - Fund. Vale do Rio Doce (*)	303,609	1.96	1,544,786	5.29
Telos - Fund. Embratel de Seg. Social (*)	165,537	1.07	510,120	1.75
Previ - Banerj (*)	514,805	3.33	151,060	0.52
	15,062,590	97.36	13,184,804	45,19
Others	409,367	2.64	15,995,623	54.81
	15,471,957	100.00	29,180,427	100.00

(*) Controlling shareholders who are part of the shareholders' agreement.

15. FINANCIAL INSTRUMENTS - CONSOLIDATED

The Perdigão Group Companies have transactions involving financial instruments, exclusively related to our business activities, in order to reduce the exposure of operating assets and liabilities to market, currency and interest rate risks.

As of December 31, 2001, the financial instruments are as follows:

	Book values	Market values
Cash and banks	11,757	11,757
Temporary cash investments and fixed income securities	719,468	719,468
Trade accounts receivable, net	256,308	256,308
Investments	483	483
Bank loans, financing and debentures	(1,295,410)	(1,291,996)
Suppliers	(151,292)	(151,292)
	(458,686)	(455,272)

As of December 31, 2001, the Group had assets and liabilities exposed to currency rate risks, as follows:

	2001	2000
Cash, banks and temporary cash investments	431,434	440,619
Trade accounts receivable, net	85,628	44,326
Bank loans, financing and debentures	(593,865)	(727,851)
Suppliers	(58,430)	(48,922)
	(135,233)	(291,828)

In addition, Perdigão Agroindustrial S.A. has swap contracts for U.S. dollars versus interbank CDs in the amount of R$46,408 (R$87,993 in 2000) and advances on export contracts, as a natural hedge based on future export revenues, also in U.S. dollars.

Regarding customers, Perdigão Agroindustrial S.A. adopts selection procedures and performs analyses for credit limits, maintaining allowances to cover eventual losses.

“Suppliers” includes cereals received on a “price to set basis”; according to usual practices of the market for corn and soy, they are priced at the time of use or setting of prices. As of December 31, 2001, the balance is stated at market.

The market values of the financial assets and liabilities do not differ significantly from the corresponding values, to the extent they were agreed and registered at rates and conditions practiced in the market for operations of a similar type, risk and period. In the case of the swap contracts, the market value was determined based on the projection of the rates until the expiration of the contracts and discounted at the rate for interbank CDs.

Executive management defines the policy for financial operations and transactions, starting with the establishment of strategies and exposure limits, previously submitted to the Board of Directors.

16. FINANCIAL EXPENSES, NET - CONSOLIDATED

Financial expenses, net were as follows:

	2001	2000
Financial expenses:		
Interest	(126,049)	(95,058)
Monetary variations on liabilities	(146,137)	(78,644)
Tax on bank account activity (CPMF)	(15,754)	(9,289)
Other	(1,245)	(9,003)
	(289,185)	(191,994)
Financial income:		
Interest	78,491	71,039
Monetary variations on assets	97,428	61,478
PIS/COFINS on other income	(6,377)	(5,066)
Other	1,965	1,324
	171,507	128,775
Financial expenses, net	(117,678)	(63,219)

17. CASH FLOWS

	Company		Consolidated	
	2001	2000	2001	2000
Cash flows from operating activities:				
Net income	168,247	45,389	168,247	45,389
Depreciation, amortization and exhaustion	-	-	62,241	52,706
Amortization of goodwill	-	-	2,725	549
Equity pick-up	(162,738)	(38,314)	-	-
Exchange variation on foreign subsidiaries	(2,824)	(895)	-	-
Tax incentives of subsidiaries	(4,192)	(7,441)	-	-
Dividends and interest on capital	56,567	18,042	-	-
Gain (Loss) on disposal of permanent assets	-	-	3,529	(4,769)
	55,060	16,781	236,742	93,875
Changes in working capital:				
Trade accounts receivable	-	-	(44,065)	(73,308)
Inventories	-	-	(56,640)	(43,720)
Suppliers	(4)	3	24,011	15,723
Taxes, payroll, related charges and other	(2,358)	(2,772)	65,888	4,725
	(2,362)	(2,769)	(10,806)	(96,580)
Cash provided by (used in) operating activities	52,698	14,012	225,936	(2,705)
Cash flows from investing activities:				
Temporary cash investments	-	-	(8,066)	(53,520)
Additions to permanent assets	-	-	(162,316)	(197,528)
Disposal of permanent assets	-	-	9,858	14,870
	-	-	(160,524)	(236,178)
Cash flows from financing activities:				
Bank loans, financing and debentures	-	-	(9,562)	241,640
Dividends and interest on capital	(50,473)	(14,142)	(50,473)	(14,142)
Other receivables and payables - long term	(2,198)	143	(7,267)	14,827
	(52,671)	(13,999)	(67,302)	242,325
Net increase (decrease) in cash	27	13	(1,890)	3,442
Changes in cash and banks:				
Beginning of year	24	11	13,647	10,205
End of year	51	24	11,757	13,647
Net increase (decrease) in cash	27	13	(1,890)	3,442

18. TRANSACTIONS WITH RELATED PARTIES

The Company only has loan transactions with Perdigão Agroindustrial S.A., as follows: (a) loans of R$5,311 (R$2,102 in 2000); (b) income of R$2,195 (R$1,968 in 2000); and (c) expenses of R$477 (R$211 in 2000).

The loans are subject to interest at the average cost of funding for the Perdigão Group. Operations between the subsidiaries are made under normal market conditions regarding prices and terms.

19. INSURANCE

As of December 31, 2001, the Companies have insurance considered sufficient to cover eventual damage, as follows: (a) named risks, fire, wind, lighting, business interruption, among other risks, on property, plant and equipment and inventories, in the amount of R$1,022,910; (b) domestic and international transport, for which the amounts are calculated based on the cargo registered; and (c) other coverage, including cash, civil responsibilities, vehicles and containers.

20. OBLIGATIONS AND GUARANTEES - CONSOLIDATED

The Perdigão Group Companies have granted R$819,673 (R$880,281 in 2000) of guarantees, R$626,514 (R$605,395 in 2000) of mortgages on properties and guarantees, R$10,844 (R$17,511 in 2000) of fiduciary liens as collateral for loans and R$53,430 (R$58,026 in 2000) of mortgages on properties for the guarantee of other obligations, all in connection with normal operations.

21. GOVERNMENT TAX RECOVERY PROGRAM - REFIS - CONSOLIDATED

On December 28, 2000, Perdigão Agroindustrial S.A. reached an agreement under the REFIS program, canceling certain litigation; as of December 31, 2001, the balances are as follows:

Nature	Tax on bank transactions (CPMF)	Taxes on income (IRPJ/CSLL)	Social security (INSS)	Total
Principal	3,940	13,037	699	17,676
Fines	-	-	105	105
Interest	345	1,141	747	2,233
Credits received from third parties	-	-	(790)	(790)
Net payable	4,285	14,178	761	19,224

The net payable of R$19,224 is divided into 41 monthly installments of R$469, with interest based on the TJLP. R$5,626 is recorded as accrued taxes in current liabilities and R$13,598 as tax and benefit obligations in long-term liabilities. Real estate in the amount of R$20,195 was pledged in guarantee of this debt.

22. EMPLOYEE PROFIT SHARING

In 2001, Perdigão Agroindustrial S.A. finalized a profit sharing and results collective agreement with the labor unions of the principal categories, for all employees, of up to 6% on net income before the profit sharing, based on performance indicators and results previously negotiated.

23. SUPPLEMENTAL RETIREMENT PLAN

In April 1997, Perdigão - Sociedade de Previdência Privada (a private pension foundation) began its activities which are to provide supplemental retirement benefits for Perdigão Group employees.

The plan is a defined contribution plan, based on the actuarial determination of benefit levels through the capitalization of contributions.

As of December 31, 2001, the plan had 17,877 (15,271 in 2000) participants and net assets of R$24,168 (R$17,048 in 2000). For the year, contributions of the Companies were R$2,821 (R$2,428 in 2000), of which R$2,391 (R$2,016 in 2000) was for current costs and R$430 (R$412 in 2000) for past service. The current liability for past service assumed at the beginning of the plan is R$6,743, updated based on the general price index (IGP-DI).

The assets of the plan consist of National Treasury Notes and investment funds, totaling R$24,433 (R$17,734 in 2000).

The contributions, on average, are divided on the basis of 2/3 for the sponsors and 1/3 for the participants. The actuarial calculations are made by independent actuaries, in accordance with applicable regulations; the most recent calculations were made on February 6, 2002.

24. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The accompanying financial statements are presented on the basis of accounting practices emanating from corporate law in Brazil. Certain accounting practices applied by the Company and its subsidiaries that conform with those accounting practices in Brazil may not conform with generally accepted accounting principles in the countries where these financial statements may be used.

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