

**Announcement: [Perdigao S.A.](#)**

**Moody's affirms Perdigao's Ba1 rating following its third quarter results**

Sao Paulo, November 06, 2008 -- Moody's affirmed Perdigão's Ba1 corporate family rating following an analysis of Perdigão's liquidity and its third quarter results. The outlook remains negative.

The affirmation of Perdigão's Ba1 rating is based on the company's improved EBITDA margin and cash flow generation in the third quarter ending on September 30, 2008 as compared to the first and second quarters of 2008. Perdigão's EBITDA margin improved to 9% in 3Q08 vs. 8.2% in 2Q08 and 7.6% in 1Q08 largely due to lower cost as a percentage of sales and greater integration of the Eleva business. At the same time, the company's cash flow from operations, which was negative in the first two quarters of 2008, improved significantly in 3Q08 to BRL 380 million.

However, the outlook continues to be negative due to the company's high leverage for its Ba1 rating category, at 4.1x Debt to EBITDA (according to Moody's definition and standard analytic adjustments). Perdigão's negative outlook could stabilize if the company's CFO / Total Debt returns to above 10%, Total Debt / EBITDA to below 3.0x and EBITA / gross interest expense approaches 2.5x. On the other hand, Perdigão's rating is likely to be downgraded if cash flow from operations is negative, Total Debt to EBITDA remains above 3.5x or EBITA to gross interest expense coverage drops below 2.0x (all metrics are based on Moody's definitions and standard analytic adjustments).

Perdigão's Ba1 rating is supported by its position as one of the largest and most diversified food processors in Brazil with leading market positions and nearly 50% of sales derived from processed products. Additionally, the rating is supported by Perdigão's management quality and corporate governance standards. Perdigão's rating, however, is mainly constrained by its revenues and earnings exposure to commodity price movements, the susceptibility of its sales and cash flow to export market closures or disruptions due to animal disease and the challenges associated with successfully implementing its growth strategy.

Moody's outlined in a recent report entitled "Latin American Corporate Funding Risk Increasing as Credit Crisis Unfolds" that issuers unable to cover short-term debt with cash, free cash flow and unused committed credit facilities were classified as having high funding risk. At the same time, we have observed that traditional pre-export financing has generally become more scarce and expensive, and even unavailable for some issuers in the last two months due to extreme market volatility and lack of liquidity in the banking market.

According to this methodology, Perdigão was highlighted as one of the companies that faced high funding risk based on its negative free cash flow for the last twelve months and cash and cash equivalent balance of BRL 1.0 billion as of September 30, which would be insufficient to cover its total short-term debt of BRL 1.3 billion.

However, given that Perdigão has recently been able to access short and long term trade finance credit lines, Moody's view is that the company currently has an adequate liquidity profile. Although traditional export related trade finance lines have become scarce in the past few months, Moody's expects that trade finance credit will remain available for highly-rated, export-oriented Brazilian issuers such as Perdigão, although at a higher cost than in the past.

Headquartered in São Paulo, Brazil, Perdigão is one of the largest food processors in Latin America, with a focus on poultry, pork, beef, milk and processed products, including dairy. With revenues of BRL 10.3 billion for the last twelve months ending on September 30th, 2008, Perdigão is one of the leaders in the domestic market and exports over 40% of its sales to over 100 countries and 850 customers around the world.

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