

SADIA S.A.
Form 6-K
July 27, 2007

FORM 6-K
U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 2007

Commission File Number 1-15184

SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of Registrant's Name)

Rua Fortunato Ferraz, 365
Vila Anastacio, Sao Paulo, SP
05093-901 Brazil
(Address of principal executive offices) (Zip code)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused the Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 27, 2007

SADIA S.A.

By:/s/Welson Teixeira Junior

Name: Welson Teixeira Junior
Title: Investor Relations Officer

Sadia S.A.

Interim financial information
Six-month period ended
June 30, 2007 (Unaudited)

(A translation of the original interim financial information in Portuguese, prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission (CVM))

Sadia S.A.

Interim financial information (Unaudited)

Six-month periods ended June 30, 2007

Contents

| | |
|--|--------|
| Independent accountants' review report | 3 - 4 |
| Balance sheets | 5 - 6 |
| Income statements | 7 |
| Notes to the interim financial information | 8 - 51 |

Independent accountants review report

To
The Board of Directors and Shareholders of
Sadia S.A.
Concórdia - SC

- 1.** We have reviewed the interim financial information of Sadia S.A. and the consolidated interim financial information of Sadia S.A. and its subsidiaries, for the six-month period ended June 30, 2007, which comprises the balance sheets, the income statements, management report and other relevant information, prepared in accordance with the accounting practices adopted in Brazil.
- 2.** Our review was prepared in accordance with the review standards established by IBRACON - Brazilian Institute of Independent Auditors and the Federal Council of Accounting, and included, basically: (a) inquiry and discussion with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries, regarding the main criteria adopted in the preparation of the interim financial information; and (b) review of the information and subsequent events, which have, or may have, a material effect on the financial situation and the operations of the Company and its subsidiaries.
- 3.** Based on our special review, we are not aware of any material change which should be made to the interim financial information above for it to be in accordance with accounting practices adopted in Brazil and regulations issued by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of interim financial information.

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4. Our review was performed with the objective of issuing a review report on the interim financial information referred to in the first paragraph. The statements of cash flows and added value for the period ended June 30, 2007 are supplementary to the aforementioned financial information, which are not required under accounting practices adopted in Brazil and have been included to facilitate additional analysis. This supplementary information was subject to the same review procedures as applied to the interim financial information and, we are not aware of any material change which should be made to those statements for them to be in accordance with the accounting practices adopted in Brazil and rules issued by the Brazilian Securities and Exchange Commission (CVM).

July 20, 2007

KPMG Auditores Independentes

CRC 2SP014428/O-6-S-SC

Adelino Dias Pinho

Accountant CRC 1SP097869/O-6-S-SC

Sadia S.A.

Balance sheets (Unaudited)

June 30, 2007 and March 31, 2007

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 187,470 | 146,144 | 199,621 | 159,345 |
| Short-term investments | 374,387 | 374,765 | 2,166,468 | 2,364,963 |
| Accounts receivable from future contracts | - | 40 | 23,540 | 26,260 |
| Trade accounts receivable | 334,016 | 376,881 | 358,465 | 383,497 |
| Inventories | 1,130,900 | 1,065,884 | 1,175,361 | 1,121,252 |
| Recoverable taxes | 184,252 | 161,746 | 192,981 | 169,601 |
| Deferred tax credits | 10,665 | 13,819 | 12,399 | 15,973 |
| Other credits | <u>159,490</u> | <u>216,966</u> | <u>195,841</u> | <u>247,145</u> |
| | <u>2,381,180</u> | <u>2,356,245</u> | <u>4,324,676</u> | <u>4,488,036</u> |
| Noncurrent assets | | | | |
| Long-term investments | 137,553 | 132,369 | 137,553 | 132,369 |
| Recoverable taxes | 171,103 | 187,208 | 172,582 | 188,146 |
| Deferred tax credits | 86,171 | 83,443 | 86,171 | 83,443 |
| Judicial deposits | 54,485 | 55,228 | 54,591 | 55,334 |
| Advances to suppliers | 65,225 | 70,233 | 65,225 | 70,233 |
| Related parties | 739 | 90,065 | - | - |
| Other credits | <u>18,813</u> | <u>29,182</u> | <u>26,949</u> | <u>49,285</u> |
| | <u>534,089</u> | <u>647,728</u> | <u>543,071</u> | <u>578,810</u> |
| Permanent assets | | | | |
| Investments | 1,273,298 | 1,266,832 | 48,290 | 50,759 |
| Property, plant and equipment | 2,334,901 | 2,254,996 | 2,346,866 | 2,267,556 |
| Deferred charges | <u>134,663</u> | <u>126,079</u> | <u>139,124</u> | <u>130,723</u> |
| | <u>3,742,862</u> | <u>3,647,907</u> | <u>2,534,280</u> | <u>2,449,038</u> |
| Total Assets | <u>6,658,131</u> | <u>6,651,880</u> | <u>7,402,027</u> | <u>7,515,884</u> |

See the independent accountants' review report and the accompanying notes to the interim financial information.

Sadia S.A.

Balance sheets (Unaudited)

June 30, 2007 and March 31, 2007

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Liabilities and shareholders equity | | | | |
| Current liabilities | | | | |
| Loans and financing | 403,413 | 400,992 | 990,861 | 1,094,863 |
| Accounts payable from future contracts | 0 | 116 | 17,978 | 15,162 |
| Trade accounts payable | 470,172 | 501,424 | 470,978 | 506,172 |
| Salaries, social charges and accrued vacation payable | 141,583 | 114,555 | 143,801 | 116,929 |
| Taxes payable | 31,912 | 35,798 | 40,217 | 41,892 |
| Dividends payable | 52,128 | 22,246 | 52,128 | 22,246 |
| Employees profit sharing | 10,882 | 6,230 | 11,593 | 6,565 |
| Deferred taxes | 11,935 | 11,935 | 11,935 | 11,935 |
| Advances from subsidiaries | 951,334 | 800,191 | - | - |
| Other accounts payable | <u>95,898</u> | <u>108,186</u> | <u>156,600</u> | <u>160,048</u> |
| | <u>2,169,257</u> | <u>2,001,673</u> | <u>1,896,091</u> | <u>1,975,812</u> |
| Noncurrent liabilities | | | | |
| Loans and financing | 993,072 | 1,150,277 | 2,624,563 | 2,759,841 |
| Employee benefit plan | 101,110 | 99,120 | 101,110 | 99,120 |
| Provision for contingencies | 43,465 | 40,991 | 44,962 | 42,285 |
| Deferred taxes | 99,409 | 88,185 | 99,409 | 88,185 |
| Advances from subsidiaries | 611,569 | 717,640 | - | - |
| Other accounts payable | <u>22,283</u> | <u>20,337</u> | <u>20,572</u> | <u>20,311</u> |
| | <u>1,870,908</u> | <u>2,116,550</u> | <u>2,890,616</u> | <u>3,009,742</u> |
| Minority interest in subsidiaries | | | <u>702</u> | <u>839</u> |
| Shareholders equity | | | | |
| Capital | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| Capital reserves | 10,597 | 5 | 10,597 | 5 |
| Profit reserves | 999,430 | 999,430 | 999,430 | 999,430 |
| Treasury shares | (33,757) | (33,341) | (33,757) | (33,341) |
| Retained earnings | <u>141,696</u> | <u>67,563</u> | <u>138,348</u> | <u>63,397</u> |
| | <u>2,617,966</u> | <u>2,533,657</u> | <u>2,614,618</u> | <u>2,529,491</u> |
| Total liabilities and shareholders equity | <u>6,658,131</u> | <u>6,651,880</u> | <u>7,402,027</u> | <u>7,515,884</u> |

See the independent accountants' review report and the accompanying notes to the interim financial information

Sadia S.A.

Income statements (Unaudited)

June 30, 2007 and 2006

(In thousands of Reais, except for information on shares)

| | Parent company | | Parent company | | Consolidated | | Consolidated | |
|---|--------------------------|--------------------|------------------------|--------------------|--------------------------|--------------------|------------------------|---------------------|
| | <u>Three month ended</u> | | <u>Six month ended</u> | | <u>Three month ended</u> | | <u>Six month ended</u> | |
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Gross operating revenue: | | | | | | | | |
| Domestic market | 1,218,928 | 1,028,282 | 2,382,402 | 2,051,302 | 1,218,928 | 1,028,282 | 2,382,402 | 2,051,302 |
| Foreign market | <u>959,312</u> | <u>662,468</u> | <u>1,866,267</u> | <u>1,365,872</u> | <u>1,088,862</u> | <u>750,869</u> | <u>2,088,456</u> | <u>1,479,211</u> |
| | <u>2,178,240</u> | <u>1,690,750</u> | <u>4,248,669</u> | <u>3,417,174</u> | <u>2,307,790</u> | <u>1,779,151</u> | <u>4,470,858</u> | <u>3,530,513</u> |
| Sales deductions: | | | | | | | | |
| Value-added tax on sales and sales deductions | (253,183) | (213,903) | (486,468) | (425,087) | (289,194) | (242,349) | (558,193) | (487,692) |
| Net operating revenue | <u>1,925,057</u> | <u>1,476,847</u> | <u>3,762,201</u> | <u>2,992,087</u> | <u>2,018,596</u> | <u>1,536,802</u> | 3,912,665 | 3,042,821 |
| Cost of goods sold | <u>(1,491,420)</u> | <u>(1,200,767)</u> | <u>(2,888,606)</u> | <u>(2,400,813)</u> | <u>(1,498,903)</u> | <u>(1,219,820)</u> | <u>(2,904,537)</u> | <u>(2,391,512)</u> |
| Gross profit | 433,637 | 276,080 | 873,595 | 591,274 | 519,693 | 316,982 | 1,008,128 | 651,309 |
| Operating income (expenses): | | | | | | | | |
| Selling expenses | (323,783) | (264,526) | (609,263) | (533,482) | (351,721) | (291,379) | (669,617) | (580,610) |
| Administrative and general expenses | (20,182) | (16,067) | (35,390) | (28,733) | (20,042) | (16,067) | (35,101) | (28,733) |
| Management fees | (3,811) | (3,176) | (7,636) | (6,355) | (3,811) | (3,176) | (7,636) | (6,355) |
| Other operating expenses | (12,049) | (5,429) | (10,773) | (12,149) | (12,100) | (3,282) | (13,226) | (11,746) |
| Financial income (expenses), net | 50,733 | (69,788) | 65,045 | (16,062) | 59,845 | (56,546) | 88,880 | 47,436 |
| Equity in income (loss) of subsidiaries | <u>7,238</u> | <u>71,335</u> | <u>(6,173)</u> | <u>71,381</u> | <u>(57,178)</u> | <u>46,594</u> | <u>(92,657)</u> | <u>(3,030)</u> |
| Operating income (loss) | 131,783 | (11,571) | 269,749 | 65,874 | 134,686 | (6,874) | 278,771 | 68,271 |
| Nonoperating expenses | <u>4,085</u> | <u>(2,421)</u> | <u>2,613</u> | <u>(3,280)</u> | <u>4,032</u> | <u>(2,993)</u> | <u>2,521</u> | <u>(3,880)</u> |
| Income (loss) before income and social contribution taxes | 135,868 | (13,992) | 272,362 | 62,594 | 138,718 | (9,867) | 281,292 | 64,391 |
| Current income and social contribution taxes | (15,662) | - | (15,662) | (3,234) | (17,244) | (735) | 17,941 | (5,974) |
| Deferred income and social contribution taxes | <u>(11,649)</u> | <u>29,138</u> | <u>(55,544)</u> | <u>25,404</u> | <u>(12,070)</u> | <u>27,887</u> | <u>(57,802)</u> | <u>25,520</u> |
| Net income before minority interest | 108,557 | 15,146 | 201,156 | 84,764 | 109,404 | 17,285 | 205,549 | 83,937 |
| Minority interest | = | = | = | = | <u>(29)</u> | <u>288</u> | <u>(5)</u> | <u>599</u> |
| Net income | <u>108,557</u> | <u>15,146</u> | <u>201,156</u> | <u>84,764</u> | <u>109,375</u> | <u>17,573</u> | <u>205,544</u> | <u>84,536</u> |
| Outstanding shares net of treasury stock (thousands) | 677,076 | 680,496 | 677,076 | 680,496 | 677,076 | 680,496 | 677,076 | 680,496 |
| Earnings per share - In Reais | 0.16033 | 0.02226 | 0.29710 | 0.12456 | 0.16154 | 0.02582 | 0.30358 | 0.12423 |

See the independent accountants' review report and the accompanying notes to the interim financial information.

Sadia S.A.

Notes to the interim financial information (unaudited)

Six-month period ended June 30, 2007

(In thousands of Reais)

1 Operations

The Company's main business activities are organized into four operational segments: processed products, poultry (chickens and turkeys), pork and beef. The large production chain permits its products to be commercialized in Brazil and abroad by retailers, small groceries and food service chains.

The Company distributes its products through a large number of sales points in the local market and exports to countries in Europe, the Middle East, Eurasia, Asia and the Americas. The Company has 13 industrial units and 16 distribution centers located in 14 Brazilian states.

The industrially processed products segment has been the principal focus of the Company's investments in recent years and comprises products such as oven-ready frozen food, refrigerated pizzas and pasta, margarine, industrially processed poultry and pork by-products, crumbed products, a diet line and pre-sliced ready-packed products and desserts.

The Company has a corporate governance tier one listing for its shares on the São Paulo Stock Exchange, the Madrid Stock Exchange (Latibex) and ADRs negotiated on the New York Stock Exchange (NYSE).

2 Preparation and presentation of the interim financial information

The individual and consolidated financial statements are presented in thousands of Reais, unless otherwise stated and were prepared in accordance with accounting practices derived from the Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission (CVM).

With the objective of presenting additional information to the market, the Company is presenting supplementary consolidated information, obtained from accounting records of the parent company and its subsidiaries, as follows:

a. Statement of cash flows

The cash flows were prepared in accordance with NPC 20 - Statement of Cash Flows, issued by IBRACON (Brazilian Institute of Independent Auditors).

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. Statement of added value

The value added statement has been presented in accordance with the model proposed by the foundation Instituto de Pesquisa Contábeis, Atuariais e Financeiras - University of Sao Paulo the aim of which is to show the value of the wealth generated by the Company and its distribution among the elements that contributed to its generation.

3 Description of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis. Revenue from the Company's sales is recognized upon shipment of the products and when the following conditions are met:

i) the ownership is transferred and therefore risk of loss has passed to the client; ii) collection is probable; iii) there is evidence of an arrangement; and iv) the sales price is fixed or determinable. In addition, the Company offers sales and incentives and discounts through various programs to customers, which are accounted for as a reduction of revenue in Sales deductions. Sales incentives include volume-based incentive programs and payments to customers for performing marketing activities on our behalf.

b. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date and the foreign exchange differences arising on translation are recognized in the statement of income for the period.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

c. Accounting estimates

The preparation of the interim financial information in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, deferred charges, allowance for doubtful accounts, inventories, deferred tax assets and liabilities, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

d. Long and short-term investments

Investment funds in local and foreign currency are recorded at market value according to the respective shares price at the date of the interim financial information.

Other long and short-term investments in local and foreign currency are recorded at cost plus income accrued up to the balance sheet date, not exceeding market value.

Additionally, the portion receivable from currency swap contracts is recorded at the difference between the nominal amounts of these contracts and the amounts restated by the variation of the foreign currency, plus interest earned up to the balance sheet date.

e. Trade accounts receivable

Trade accounts receivable are recorded at the amount invoiced and interest is not levied. The allowance for doubtful accounts is the best estimate the Company has and is considered sufficient by management to cover any losses arising on collection of accounts receivable.

Accounts receivable are written off against the allowance for doubtful accounts after all means of collection have been exhausted and the possibility of recovery of the amounts receivable is considered remote.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

f. Inventories

Finished goods, livestock (excluding breeders), work-in-progress, raw materials and supplies and others are valued at the lower of cost of acquisition or production (average method), replacement or realization. The cost of finished goods and work-in-progress includes raw materials acquired, labor, production expenses, transport and storage relating to the purchase and production of inventories. Normal production losses are inventoried and abnormal losses are expensed immediately as cost of goods sold.

g. Investments

Investments in subsidiaries in Brazil and abroad are valued using the equity method based on the respective net equity calculated on the same date, as disclose Note 10.

The interim financial information from foreign subsidiaries are translated into Brazilian Reais, based on the following criteria:

- Balance sheet accounts at the exchange rate at the end of the period.
- Statement of income accounts at the exchange rate at the end of each month.

Other investments are valued at cost less a provision for devaluation, when applicable.

h. Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, formation or construction, including the interest incurred on financing, during the period of construction, modernization and expansion of the industrial units. Expenditures that materially extend the useful lives of existing facilities and equipment are capitalized. Depreciation is calculated using the straight-line method at rates that take into account the estimated useful life of the assets, as disclosed in Note 11. Depletion of forestry resources is calculated based on the extraction of timber and the average costs of the forests.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Breeding stock is recorded at the cost of formation which includes the allocation of costs of the breeding hens, animal feed, medication and labor. These costs are accumulated for approximately six months until the breeding stock initiates the breeding cycle. From then on, the costs of the breeding stock begin to be amortized by the estimated number of offspring for poultry and straight line method for hogs. The productive cycle ranges from fifteen to thirty months.

i. Impairment of long lived assets

The Company reviews its property, plant and equipment to verify possible impairment losses, whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable based on future cash flows. If these events occur, the reviews will be conducted at the lowest level of groups of assets for which the Company manages to attribute future cash flows. If the carrying amount of an asset is higher than the future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. These reviews have not indicated the need to recognize impairment losses.

j. Deferred charges

Deferred charges are represented substantially by pre-operating costs incurred in the implementation of software, reorganization charges and development of new products, which are amortized on a straight-line basis over 5 years as from the beginning of operation.

k. Current and noncurrent liabilities

Current and noncurrent liabilities are stated at known or estimated amounts, plus related charges and monetary and exchange variations up to the balance sheet date.

l. Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

m. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated monthly based on taxable income at the rates of 15% plus a surcharge of 10% for income tax and 9% for social contribution and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of taxable income.

The deferred tax assets were recorded in accordance with CVM Instruction 371/02 and are represented significantly by temporary differences arising from non-deductible provisions, including tax loss carry forward and negative basis of social contribution.

n. Employees benefits

Employees benefits are recorded based on actuarial studies prepared annually at the end of the year in compliance with CVM Deliberation 371/00.

o. Environmental questions

Our production facilities and our forestry activities are subject to government environmental regulations. We have reduced the risks associated with environmental questions through operational controls and procedures, as well as investments in equipment and systems for pollution control. We believe that no provision for losses related to environmental questions are currently necessary, based on existing Brazilian laws and regulations.

p. Investment subsidies

The Company has investment subsidies programmed to expire between 2014 and 2020, granted by the governments of the states of Minas Gerais and Mato Grosso where some of its industrial plants are located. Until March 31, 2007, these subsidies were recognized in the income for the year, since they were not directly related to the Company's investment projects. As amply disclosed to the market, the Company has been investing in a project for expanding and modernizing its production units, which consists of an increase in installed capacity, expansion of its industrial park, an increase in production and generation of jobs.

As from April 2007, these states have tied the subsidies to investments, which led the Company to record the aforementioned subsidy in Capital Reserves in shareholders' equity.

The amount recorded for these subsidies at June 30, 2007 was R\$10,575.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***4 Interim consolidated financial information**

The transactions and balances between the Parent company and its subsidiaries included in the consolidation process have been eliminated and the non-realized profit arising from the sales to the subsidiaries were excluded and incorporated to the inventory balances for each period.

Minority interests were excluded from shareholders' equity and net income and are presented separately in the consolidated balance sheets and income statements.

In accordance with the CVM Instruction 408/04, the Company consolidated the financial statements of its investment funds Concórdia Foreign Investment Fund Class A and Taurus Fund Limited, where it is the wholly investment holder. These investment funds have the sole purpose of centralizing the foreign investment fund portfolio, delegating to a third party the administrative functions. As of June 30, 2007 and March 31, 2007, these investment funds were consolidated in the Company's financial statements as they had loans collateralized by its own financial assets.

The consolidated financial statements include the accounts of Sadia S.A. and its direct and indirect subsidiaries. The consolidated direct or indirect subsidiaries and the corresponding shareholdings of the Company are as follows:

| | Shareholdings in % | |
|---|---------------------------|-----------------|
| | at | |
| | June | March |
| | 30, 2007 | 31, 2007 |
| Sadia International Ltd. | <u>100.00%</u> | <u>100.00</u> |
| Sadia Uruguay S.A. | 100.00% | 100.00% |
| Sadia Alimentos S.A. | - | 1.00% |
| Sadia Chile S.A. | 60.00% | 60.00% |
| Sadia Alimentos S.A. | 95.00% | 99.00% |
| Concórdia Foods Ltd. | 100.00% | 100.00% |
| Sadia UK Ltd. | 100.00% | 100.00% |
| Concórdia S.A. C.V.M.C.C. | <u>99.99%</u> | <u>99.99%</u> |
| Rezende Óleo Ltda. | <u>100.00%</u> | <u>100.00%</u> |
| Rezende Marketing e Comunicações Ltda. | 0,09% | 0.09% |
| Rezende Marketing e Comunicações Ltda. | 99.91% | 99.91% |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Shareholdings in % at | |
|---|--------------------------|-------------------|
| | June 30, 2007 | March 31, 2007 |
| Sadia Overseas (i) | 100.00% | - |
| Concórdia Holding Financeira S.A. (ii) | 99.70% | - |
| Sadia GmbH | <u>100.00%</u> | <u>100.00%</u> |
| Wellax Food Logistics C. P. A. S. U. Lda. | 100.00% | 100.00% |
| Sadia Foods GmbH | 100.00% | 100.00% |
| Sadia Panama S.A. | 100.00% | 100.00% |
| Qualy B. V. | 100.00% | 100.00% |
| Sadia Japan Ltd. | 100.00% | 100.00% |

(i) Company established on May 15, 2007.

(ii) Company established on June 27, 2007.

Reconciliation of shareholders' equity and net income between the Company and consolidated is as follows:

| | Net income | | Shareholders' equity | |
|--|------------------|------------------|----------------------|------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Company's financial statements | 201,156 | 84,764 | 2,617,966 | 2,533,657 |
| Elimination of unrealized profits on inventories in intercompany operations, net of taxes | (3,348) | (4,619) | (11,084) | (11,902) |
| Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at December 31, 2006 and 2005 | <u>7,736</u> | <u>4,391</u> | <u>7,736</u> | <u>7,736</u> |
| Consolidated financial statements | <u>205,544</u> | <u>84,536</u> | <u>2,614,618</u> | <u>2,529,491</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***5 Long and short-term investments*****Short-term investments***

| | Interest % (annual average) | Parent company | | Consolidated | |
|-----------------------------------|-----------------------------------|------------------|-------------------|------------------|-------------------|
| | | June 30, 2007 | March 31, 2007 | June 30 2007 | March 31, 2007 |
| | | | | | |
| Local currency | | | | | |
| Investment funds | 11.97 | <u>224,780</u> | <u>219,965</u> | <u>288,358</u> | <u>269,153</u> |
| | | <u>224,780</u> | <u>219,965</u> | <u>288,358</u> | <u>269,153</u> |
| Foreign currency | | | | | |
| Investment funds | 9.15 | 149,607 | 154,800 | 1,820,507 | 1,861,524 |
| Interest-bearing current accounts | 5.25 | - | - | 57,603 | 233,578 |
| Interest rate swap contracts | | = | = | = | <u>708</u> |
| | | <u>149,607</u> | <u>154,800</u> | <u>1,878,110</u> | <u>2,095,810</u> |
| Total short-term | | <u>374,387</u> | <u>374,765</u> | <u>2,166,468</u> | <u>2,364,963</u> |

Long-term investments

| | Interest % (annual average) | Parent company | | Consolidated | |
|-------------------------------------|-----------------------------------|------------------|-------------------|------------------|-------------------|
| | | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| | | | | | |
| Local currency | | | | | |
| Investment funds | 11.97 | 57,453 | 54,665 | 57,453 | 54,665 |
| Treasury bills - LFT | 12.00 | 48,020 | 46,663 | 48,020 | 46,663 |
| National Treasury Certificate - CTN | 12.00 | <u>32,080</u> | <u>31,041</u> | <u>32,080</u> | <u>31,041</u> |
| Total long-term | | <u>137,553</u> | <u>132,369</u> | <u>137,553</u> | <u>132,369</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Long-term investments as of June 30, 2007 mature as follows:

Maturity

| | |
|--------------|----------------|
| 2009 | 57,453 |
| 2010 | 48,020 |
| 2012 onwards | <u>32,080</u> |
| | <u>137,553</u> |

The investment fund portfolio in local currency is composed mainly of post-fixed Bank Deposit Certificates, National Treasury Securities and investment funds.

The investment fund portfolio in foreign currency is composed mainly of investments in dual currency, which have differentiated profitability according to the strike negotiated, and structured notes issued by first-tier American and European banks, pegged to securities of first-tier Brazilian companies and banks.

6 Accounts receivable

| | Parent company | | Consolidated | |
|-------------------------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Foreign | | | | |
| Customers | 111,018 | 124,680 | 196,698 | 240,775 |
| Subsidiaries | <u>57,184</u> | <u>105,526</u> | = | = |
| Total of foreign | <u>168,202</u> | <u>230,206</u> | <u>196,698</u> | <u>240,775</u> |
| Domestic customers | 173,481 | 154,034 | 173,489 | 154,042 |
| (-) Allowance for doubtful accounts | <u>(7,667)</u> | <u>(7,359)</u> | <u>(11,722)</u> | <u>(11,320)</u> |
| | <u>334,016</u> | <u>376,881</u> | <u>358,465</u> | <u>383,497</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

The changes in the allowance for doubtful accounts are as follows:

| | Parent company | | Consolidated | |
|--|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Balance at the beginning of the period | (7,359) | (9,237) | (11,320) | (14,934) |
| Additions | (462) | (4) | (758) | (387) |
| Write offs | <u>154</u> | <u>1.882</u> | <u>356</u> | <u>4.001</u> |
| Balance at the end of the period | <u>(7.667)</u> | <u>(7.359)</u> | <u>(11.722)</u> | <u>(11.320)</u> |

The Company and its subsidiaries abroad (Sadia International Ltd. and Wellax Food Logistics C.P.A.S.U. Lda.) entered into an agreement for sale of its receivables with an outside financial institution up to the maximum amount of US\$170 million, with interest rate of 0.375% p.a. + LIBOR.

As of June 30, 2007, the amount of receivables sold under this agreement amounted to approximately R\$327 million (R\$293 million as of March 31, 2007). During the period ended June 30, 2007, the Company received cash proceeds of approximately R\$1,940 million (R\$912 million in June 30, 2006) and incurred expenses of R\$8 million (R\$6 million in June 30, 2006) with respect to this agreement.

A credit insurance policy covering 90% of the value of the receivables was taken out with third parties and the beneficiaries in the event of default are the contracting financial institutions.

The Company also assigned receivables to a Credit Assignment Investment Fund (FIDC), administered by Concórdia S.A. Corretora de Valores Móbiliarios, Cambio e Commodities. As of June 30, 2007, the net equity of this fund was R\$281,549 (R\$272,239 at March 31, 2007), of which R\$227,974 (R\$231,661 at March 31, 2007) was represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent to 95% of the CDI per senior quota. The assignment of the receivables is made without right of recourse, and the eventual losses from default for Sadia are limited to the value of the subordinated quotas, which at June 30, 2007, represented R\$56,310 (R\$54,239 at March 31, 2007).

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

During the period ended June 30, 2007, the Company received cash proceeds related to the local receivables sold of approximately R\$1,564 million (R\$1,324 million for the period ended June 30, 2006) and incurred expenses of R\$14 million (R\$7 million for the period ended June 30, 2006) with respect to this agreement.

For the other local receivables, the Company maintains a credit insurance policy that guarantees the collection in case of default of 90% of the uncollected amounts for customers with approved credit limits and up to R\$100 to new customers or customers with no approved credit limits.

7 Inventories

| | Parent company | | Consolidated | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Finished goods and products for sale | 326,714 | 325,098 | 370,347 | 378,950 |
| Livestock and poultry for slaughter | 302,084 | 287,483 | 302,084 | 287,483 |
| Work in process | 227,316 | 203,830 | 227,316 | 203,830 |
| Raw materials | 190,778 | 181,670 | 191,158 | 182,758 |
| Packaging materials | 44,321 | 39,347 | 44,321 | 39,347 |
| Storeroom | 25,737 | 25,207 | 25,737 | 25,207 |
| Advances to suppliers | 12,352 | - | 12,562 | 219 |
| Imports in transit | 1,588 | 3,249 | 1,588 | 3,249 |
| Products in transit | <u>10</u> | <u>=</u> | <u>248</u> | <u>209</u> |
| | <u>1,130,900</u> | <u>1,065,884</u> | <u>1,175,361</u> | <u>1,121,252</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***8 Recoverable taxes**

| | Parent company | | Consolidated | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| ICMS | 188,013 | 165,732 | 195,503 | 172,002 |
| PIS and COFINS | 102,124 | 125,660 | 102,453 | 125,989 |
| IPI | 49,108 | 49,126 | 49,141 | 49,159 |
| Income and social contribution taxes | 16,110 | 8,434 | 18,461 | 10,585 |
| Other | <u>-</u> | <u>2</u> | <u>5</u> | <u>12</u> |
| | <u>355,355</u> | <u>348,954</u> | <u>365,563</u> | <u>357,747</u> |
| Short-term portion | <u>184,252</u> | <u>161,746</u> | <u>192,981</u> | <u>169,601</u> |
| Long-term portion | <u>171,103</u> | <u>187,208</u> | <u>172,582</u> | <u>188,146</u> |

a. Value-added tax on sales and services - ICMS

Composed of credits generated by the commercial operations and by the acquisition of property, plant and equipment, of a number of the Company's units and can be offset with taxes of the same nature.

b. Social contributions - PIS/COFINS

Composed of credits arising from non-cumulative collection of PIS and COFINS, which can be compensated with other federal taxes.

c. Excise tax - IPI

Composed of amounts arising from the following operations: presumed credit on packaging and inputs, presumed credit for reimbursement of PIS/PASEP and COFINS on exportations and export incentives, which can be compensated with other federal taxes.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***d. Income and social contribution taxes**

Correspond to income tax withheld at source on short-term financial investments and income tax and social contributions paid in advance that can be offset with federal taxes and contributions.

9 Related party transactions and balances

Related party transactions relate mainly to sales operations between the Company and its subsidiaries that were performed under normal market conditions. The balance sheet and income statement transactions between related parties are shown below:

| | Balance sheet | |
|---|----------------------|-----------------|
| | June | March |
| | 30, 2007 | 31, 2007 |
| Accounts receivable | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 42,029 | 88,973 |
| Sadia International Ltd. | 10,277 | 11,736 |
| Sadia Alimentos S.A. | 2,640 | 2,170 |
| Sadia Uruguay S.A. | 1,860 | 1,493 |
| Sadia Chile S.A. | <u>378</u> | <u>1,154</u> |
| | <u>57,184</u> | <u>105,526</u> |
| Interest on shareholders equity | | |
| Concórdia C.V.M.C.C. | 4,226 | 4,226 |
| | <u>4,226</u> | <u>4,226</u> |
| Loans | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | - | 89,347 |
| Sadia International Ltd. | (208) | (221) |
| Rezende Óleo Ltda. | 881 | 880 |
| Concórdia S.A. CVMCC | 7 | <u>-</u> |
| Rezende Marketing e Comunicação Ltda. | <u>59</u> | <u>59</u> |
| | <u>739</u> | <u>90,065</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***Advances from subsidiaries**

| | | |
|---|---------------------------|---------------------------|
| Wellax Food Logistics C. P. A. S. U. Lda. | (1,561,239) | (1,516,061) |
| Sadia International Ltd. | <u>(1,664)</u> | <u>(1,770)</u> |
| Curent and noncurrent | <u>(1,562,903)</u> | <u>(1,517,831)</u> |

Statement of income

| | June 30, 2007 | June 30, 2006 |
|---|--------------------------|--------------------------|
| Sales | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 1,072,212 | 852,893 |
| Sadia International Ltd. | 108,398 | 57,029 |
| Sadia Chile S.A. | 6,388 | 6,948 |
| Sadia Alimentos S.A. | 6,171 | 4,733 |
| Sadia Uruguay S.A. | 2,707 | 2,954 |
| Qualy B. V. | <u>12,141</u> | <u>24,038</u> |
| | 1,208,017 | 948,595 |
| Net financial result | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 114,512 | 20,671 |
| Sadia International Ltd. | <u>181</u> | <u>6</u> |
| | <u>114,693</u> | <u>20,677</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| Investments | Ownership | Shareholders equity | Net income | | Investment balances | |
|--|-----------|---------------------|-----------------------|-----------------|---------------------|--------------------|
| | | | (loss) for the period | Equity result | June 30, 2007 | March 31, 2007 |
| Sadia G.m.b.H. | 100,00% | 1,096,568 | 76,773 | (6,433) | 1,096,568 | 1,087,758 |
| Sadia International Ltd. | 100,00% | 86,992 | 7,438 | (1,843) | 86,992 | 89,216 |
| Concórdia S.A. CVMCC | 99,99% | 69,551 | 4,534 | 7,608 | 69,551 | 63,735 |
| Rezende Óleo Ltda. | 100,00% | 368 | (744) | (744) | 368 | 1,104 |
| Concórdia Holding Financeira S.A. | 99,70% | 10 | - | - | 10 | - |
| Rezende Marketing e Comun. Ltda. | 99,91% | (28) | (1) | (1) | - | - |
| Sadia Overseas Ltd. | 100,00% | (1,684) | (1,688) | <u>(1,686)</u> | <u>-</u> | <u>-</u> |
| Total in subsidiaries | | | | <u>(3,099)</u> | <u>1,253,489</u> | <u>1,241,813</u> |
| Goodwill in acquisition of investments | | | | - | 18,442 | 23,635 |
| Other investments | | | | <u>-</u> | <u>1,367</u> | <u>1,384</u> |
| Total investments of the Company | | | | <u>(3,099)</u> | <u>1,273,298</u> | <u>1,266,832</u> |
| Other investments of subsidiaries/affiliates | | | | - | 28,481 | 25,740 |
| Investments eliminated on consolidation | | | | <u>(86,532)</u> | <u>(1,253,489)</u> | <u>(1,241,813)</u> |
| Total consolidated investments | | | | <u>(89,631)</u> | <u>48,290</u> | <u>50,759</u> |

Movement of the investments in the quarter:

| | Shareholding result | | | | | |
|--|---------------------------|-------------|----------------|---------------------------|--------------|---------------|
| | Acquisition incorporation | Disposal | Amortization | Negative operating equity | Operating | Non-operating |
| Sadia G.m.b.H. | - | - | - | - | 8,811 | - |
| Sadia International Ltd. | - | - | - | - | (2,224) | - |
| Concórdia S.A. CVMCC | - | - | - | - | 3,075 | 2,742 |
| Rezende Óleo Ltda. | - | - | - | - | (738) | - |
| Sadia Overseas Ltd. | 2 | - | - | 1,684 | (1,686) | - |
| Concórdia Holding Financeira S.A. | 10 | - | - | - | - | - |
| | 12 | - | - | 1,684 | 7,238 | 2,742 |
| Goodwill in acquisition of investments | - | - | (5,193) | - | - | - |
| Other investments | <u>-</u> | <u>(17)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>12</u> | <u>(17)</u> | <u>(5,193)</u> | <u>1,684</u> | <u>7,238</u> | <u>2,742</u> |

The accumulated loss from equity interest on the consolidated financial statements is represented by translation gains of R\$92,657 and a non-operating income of R\$3,026.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

On May 15, 2007 Sadia Overseas Ltd. was established with the objective of raising and passing on the funds obtained from the issuing of bonds on the international market. The Company was established with capital of US\$1 thousand, which was totally paid in by Sadia S.A.

On June 27, 2007 the establishment of Concórdia Holding Financeira S.A. was approved by the Company's Board of Directors to operate in the financial and similar segments. The company was established with initial paid-in capital of R\$10 thousand, and 99.7% of its capital was paid in by Sadia S.A. and the remaining 0.03% by individuals.

As of June 30, 2007 the net balance of goodwill under the acquisition of investments amounted to R\$18,442, consisting of: i) goodwill paid in the acquisition of S6 Frango Produtos Alimentícios Ltda. to the amount of R\$62,505, net of accumulated amortization to the amount of R\$52,118 (R\$46,925 as of March 31, 2007) and ii) the goodwill paid on the acquisition of Empresa Matogrossense de Alimentos Ltda. (at the pre-operating stage) to the amount of R\$8,055, which will be amortized as from commencement of operations, scheduled for beginning of 2008. This goodwill was based on expected future earnings.

11 Property, plant and equipment

| | Parent company | | | | |
|-------------------------------|---------------------|------------------|--------------------|------------------|-------------------|
| | | Cost | Depreciation | Carrying amount | |
| | Annual average % | June 30, 2007 | June 30, 2007 | June 30, 2007 | March 31, 2007 |
| Lands | - | 106,001 | - | 106,001 | 105,875 |
| Buildings | 4% | 1,014,678 | (370,598) | 644,080 | 521,794 |
| Machinery and equipment | 15% | 1,333,949 | (646,488) | 687,461 | 591,614 |
| Installations | 10% | 395,144 | (154,413) | 240,731 | 191,392 |
| Vehicles | 27% | 12,157 | (7,777) | 4,380 | 4,574 |
| Breeding stock | - | 379,931 | (244,429) | 135,502 | 135,236 |
| Construction in progress | | 478,276 | - | 478,276 | 647,407 |
| Forestation and reforestation | | 34,986 | (4,760) | 30,226 | 25,950 |
| Advances to suppliers | | 8,140 | - | 8,140 | 31,027 |
| Other | | <u>1,141</u> | <u>(1,037)</u> | <u>104</u> | <u>127</u> |
| | | <u>3,764,403</u> | <u>(1,429,502)</u> | <u>2,334,901</u> | <u>2,254,996</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Consolidated | | | | |
|-------------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | Annual average % | Cost Depreciation | | Carrying amount | |
| | | June 30, 2007 | June 30, 2007 | June 30, 2007 | March 31, 2007 |
| Lands | - | 106,106 | - | 106,106 | 105,979 |
| Buildings | 4% | 1,015,564 | (371,157) | 644,407 | 522,142 |
| Machinery and equipment | 15% | 1,336,615 | (647,767) | 688,848 | 593,071 |
| Installations | 10% | 398,872 | (154,877) | 243,995 | 194,624 |
| Vehicles and airplanes | 20% | 19,438 | (8,783) | 10,655 | 11,371 |
| Breeding stock | - | 379,997 | (244,429) | 135,568 | 135,302 |
| Construction in progress | - | 478,278 | - | 478,278 | 647,409 |
| Forestation and reforestation | - | 34,986 | (4,760) | 30,226 | 25,950 |
| Advances to suppliers | - | 8,140 | - | 8,140 | 31,027 |
| Other | - | <u>2,675</u> | <u>(2,032)</u> | <u>643</u> | <u>681</u> |
| Construction in progress | | <u>3,780,671</u> | <u>(1,433,805)</u> | <u>2,346,866</u> | <u>2,267,556</u> |

The changes in the components of property, plant and equipment are presented below:

| | Consolidated | | | | |
|-------------------------------|-----------------------------------|---------------------|-----------------|------------------|-----------------------------------|
| | Position in 03/31/2007 | Acquisitions | Disposal | Tranfers | Position in 06/30/2007 |
| Land | 105,979 | - | (224) | 351 | 106,106 |
| Buildings | 885,732 | 4,476 | (1,126) | 126,482 | 1,015,564 |
| Machinery and equipment | 1,221,152 | 6,922 | (7,804) | 116,345 | 1,336,615 |
| Breeding stock | 353,679 | 26,318 | - | - | 379,997 |
| Installations | 343,318 | 2,304 | (1,807) | 55,057 | 398,872 |
| Vehicles and airplane | 19,823 | 12 | (260) | (137) | 19,438 |
| Forestation and reforestation | 30,423 | 848 | - | 3,715 | 34,986 |
| Other | 2,829 | - | (162) | 8 | 2,675 |
| Construction in progress | 647,409 | 123,741 | - | (292,872) | 478,278 |
| Advances to suppliers | <u>31,027</u> | <u>-</u> | <u>-</u> | <u>(22,887)</u> | <u>8,140</u> |
| Total cost of acquisition | <u>3,641,371</u> | <u>164,621</u> | <u>(11,383)</u> | <u>(13,938)</u> | <u>3,780,671</u> |

a. Construction in progress is mainly represented by projects related to the expansion and modernization of industrial units, mainly Uberlandia and Lucas do Rio Verde units.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. In accordance with CVM Deliberation 193/96 the interest incurred in the period arising from financing of projects for modernization and expansion of the industrial units has been recorded in the respective costs of the construction in progress account in the amount of R\$27,936 (R\$15,546 in the same period of 2006).

12 Deferred charges

| | | Parent company | | | |
|---------------------------------|-----------------|-----------------------|---------------------|------------------------|-----------------|
| | | Cost | Amortization | Carrying amount | |
| | | June | June | June | March |
| Rate | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 31, 2007 |
| Software implementation | 20% | 136,561 | (66,569) | 69.992 | 67,769 |
| Reorganization expenses | 20% | 32,327 | (8,982) | 23.345 | 24,719 |
| Pre operational costs | 20% | 39,194 | (7,701) | 31.493 | 21,718 |
| Product development and markets | 20% | 17,481 | (8,274) | 9.207 | 11,557 |
| Other | 20% | <u>1,197</u> | <u>(571)</u> | <u>626</u> | <u>316</u> |
| | | <u>226,760</u> | <u>(92,097)</u> | <u>134.663</u> | <u>126,079</u> |
| Consolidated | | | | | |
| | | Cost | Amortization | Carrying amount | |
| | | June | June | June | March |
| Rate | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 31, 2007 |
| Software implementation | 20% | 137,517 | (67,187) | 70,330 | 68,836 |
| Reorganization expenses | 20% | 32,527 | (8,982) | 23,546 | 24,719 |
| Pre operational costs | 20% | 39,308 | (7,713) | 31,595 | 21,815 |
| Product development and markets | 20% | 21,542 | (8,683) | 12,858 | 14,908 |
| Others | 20% | <u>1,475</u> | <u>(680)</u> | <u>795</u> | <u>445</u> |
| | | <u>232,369</u> | <u>(93,245)</u> | <u>139,124</u> | <u>130,723</u> |

The expenses with rearrangement refer to the implementation of the Service Center in the city of Curitiba.

The pre operating expenses refer basically to expenses incurred with the Lucas do Rio Verde Project - MT.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***13 Loans and financing - Short-term**

| | Parent company | | Consolidated | |
|--|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Short-term | | | | |
| Foreign currency | | | | |
| Net working financing composed of prepayment subject to LIBOR variation for 1-month deposits (5.32% in June 2007) plus interest of 0.04% p.a., guaranteed by its own investments | - | - | 442,354 | 535,528 |
| Advanced collection relating to the receivables sold, with no interest | - | - | 65,644 | 71,759 |
| Credit lines for the development of foreign trade, with interest rates of 6.88% p.a., guaranteed by promissory notes or sureties | - | - | 4,126 | 4,275 |
| Currency swap contracts | <u>3,044</u> | <u>2,663</u> | <u>3,044</u> | <u>2,663</u> |
| | <u>3,044</u> | <u>2,663</u> | <u>515,168</u> | <u>614,225</u> |
| Local currency | | | | |
| Rural credit lines and working capital loans with interest of 8.75% p.a. for the finance of the production of the integration system in the swine and poultry farming. | 228.381 | 232.689 | 228.381 | 232.689 |
| Currency swap contracts | <u>7,236</u> | <u>6,950</u> | <u>7,236</u> | <u>6,950</u> |
| | <u>235,617</u> | <u>239,639</u> | <u>235,617</u> | <u>239,639</u> |
| | <u>238,661</u> | <u>242,302</u> | <u>750,785</u> | <u>853,864</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|------------------|-------------------|------------------|-------------------|
| | June 31, 2007 | March 31, 2007 | June 31, 2007 | March 31, 2007 |
| Foreign currency | | | | |
| Export financing composed of prepayment in amount of R\$645 subject to LIBOR variation for 6-month deposits (5.39% in June 2007) and interest of 0.65% p.a. and an amount of R\$71.921 of a line focused on the incentive for foreign trade activities, plus annual interest of 1.15% p.a., guaranteed by promissory notes or sureties | 645 | 22,104 | 72,566 | 104,413 |
| BNDES (National Bank for Economic and Social Development), for investments and exports credit lines, composed as follows: FINEM in the amount of R\$8,444 subject to the weighted average of exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 3.50% p.a. and FINAME in the amount of R\$15,728 subject to the weighted average of exchange variation of currencies traded by BNDES-UMBNDES and fixed interest of 3.50%, guaranteed by mortgage bonds and real estate mortgage. | 24,172 | 20,280 | 24,172 | 20,280 |
| IFC (International Finance Corporation) funding in foreign currency for investment in property, plant and equipment, subject to interest at the rate of 9.05% p.a., guaranteed by real estate mortgages | 10,276 | 12,059 | 10,276 | 12,059 |
| The raising of funds on the international capitals market through the issuing of bonds with interest of 6.88% per annum and the principal to be paid in one lump sum in 2017, guaranteed by endorsement. | <u>-</u> | <u>-</u> | <u>3,403</u> | <u>-</u> |
| | <u>35,093</u> | <u>54,443</u> | <u>110,417</u> | <u>136,752</u> |
| Local currency | | | | |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, composed as follows: FINAME in the amount of R\$103,522 subject to the Long-Term Interest Rate - TJLP (6.50% p.a. in June 2007) and interest of 3.59% p.a., and FINEM in the amount of R\$12,475 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages | 115,997 | 92,056 | 115,997 | 92,056 |
| PESA - Special Aid for Agribusiness payable in installments, subject to IGPM variation and annual interest of 9.89%, guaranteed by sureties | 2,904 | 1,455 | 2,904 | 1,455 |
| Other subject to interest rate from 1% to 14% p.a. | 10,758 | 10,736 | 10,758 | 10,736 |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|------------------|-------------------|------------------|-------------------|
| | June 31, 2007 | March 31, 2007 | June 31, 2007 | March 31, 2007 |
| | <u>129.659</u> | <u>104.247</u> | <u>129.659</u> | <u>104.247</u> |
| Short-term portion of long-term debt | <u>164.752</u> | <u>158.690</u> | <u>240.076</u> | <u>240.999</u> |
| Total short-term | <u>403.413</u> | <u>400.992</u> | <u>990.861</u> | <u>1.094.863</u> |

At June 30, 2007 the weighted average interest in short-term loans was 6.49% p.a. (6.44 % p.a. at March 31, 2007).

14 Loans and financing - Noncurrent

| | Parent company | | Consolidated | |
|---|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Foreign currency | | | | |
| Export financing composed of prepayment, payable in amount of R\$96,955 in installments up to 2009, subject to LIBOR variation for 6-month deposits (5.39% p.a. June de 2007) plus annual interest of 0.65% p.a. and a line focused on the incentive for foreign trade in amount of R\$1,221,862, subject to LIBOR variation for 6-month plus interest of 1.15%p.a., guaranteed by promissory notes or sureties. | 96,955 | 221,552 | 1,318,817 | 1,913,425 |
| The raising of funds on the international capitals market through the issuing of bonds to be paid in 2017 with interest of 6.88% per annum, guaranteed by endorsement. | - | - | 484,953 | - |
| BNDES (National Bank for Economic and Social Development), payable from 2007 to 2013, composed as follows: FINEM in the amount of R\$11,243, subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 3.50% p.a, and FINAME in the amount of R\$117,990 subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed annual interest of 3.50% p.a, guaranteed by mortgage bonds and real estate mortgages | 129,233 | 140,271 | 129,233 | 140,271 |
| IFC (International Finance Corporation) for investments in property, plant and equipment, subject to interest at the rate of 9.05% p.a., guaranteed by real estate mortgages | 10,276 | 12,059 | 10,276 | 12,059 |
| Currency swap contracts | 915 | 1,376 | 915 | 1,376 |
| | <u>237,379</u> | <u>375,258</u> | <u>1,944,194</u> | <u>2,067,131</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|------------------|---------------------------|------------------|---------------------|
| | June 31, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Local currency | | | | |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, payable from 2007 to 2013, composed as follows: FINAME in the amount of R\$737,624 subject to the Long-Term Interest Rate -TJLP (6.50% p.a, June 2007) and interest of 3.59% p.a., and FINEM in the amount of R\$14,545 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages | 752,169 | 764,143 | 752,169 | 764,143 |
| PESA - Special Sanitation Program of the Agroindustry to be paid in installments from 2007 to 2020, subject to the variation of the IGPM (General Market Price Index) and interest of 9.89% p.a., guaranteed by endorsement. | 135,589 | 133,576 | 135,589 | 133,576 |
| Others subject to interest rate from 1% to 14% p.a. | 30,511 | 32,397 | 30,511 | 32,397 |
| Currency swap contracts | 2,176 | 3,593 | 2,176 | 3,593 |
| | <u>920,445</u> | <u>933,709</u> | <u>920,445</u> | <u>933,709</u> |
| | 1,157,824 | 1,308,967 | 2,864,639 | 3,000,840 |
| Short-term portion of long-term debt | (164,752) | (158,690) | (240,076) | (240,999) |
| Total long-term | <u>993,072</u> | <u>1,150,277</u> | <u>2,624,563</u> | <u>2,759,841</u> |
| The noncurrent portions of financings at at June 30, 2007 mature as follows: | | | | |
| Maturity | | Parent Company | | Consolidated |
| 2008 | | 91,028 | | 91,028 |
| 2009 | | 261,050 | | 261,050 |
| 2010 | | 159,780 | | 545,020 |
| 2011 | | 158,090 | | 613,047 |
| 2012 onwards | | <u>323,124</u> | | <u>1,114,418</u> |
| | | <u>993,072</u> | | <u>2,624,563</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

15 Pension plans for employees

In addition to the pension plan, the Company's human resources policy offers the following benefits:

- Payment of the penalty in connection with the Government Severance Indemnity Fund for Employees upon retirement;
- Payment of a bonus for time of service;
- Payment of indemnification for termination of service; and
- Payment of indemnification for retirement.

These benefits are due in one single payment upon the employee's retirement or termination of service, and the amounts are computed by actuarial calculations annually at the end of the year.

16 Commitments and contingencies

Commitments

The Company has non-cancelable leasing agreements for industrial units that expire over the next two years. These leases are subject to renewal for 4 more years and do not require any penalty if the Company does not renew them. The Company does not pay execution costs, such as maintenance and insurance. The costs and rental expenses totaled R\$57,042 in the period ended June 2007 (R\$31,834 in the same period of 2006).

The table below shows the future payments related to the leasing agreement at June 30, 2007.

| | |
|-------|----------------|
| 2007 | 57,000 |
| 2008 | <u>114,100</u> |
| Total | <u>171,100</u> |

In addition the Company signed purchase agreements for production purposes (packaging) in the approximate amount of R\$70 million on June 30, 2007, payable until 2010.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***Contingencies**

The Company and its subsidiaries have several on going claims of a labor, civil and tax nature, resulting from its normal business activities. The respective provisions for contingencies were constituted based on the opinion of the Company's legal counsel, which considered that unfavorable outcomes are likely.

Based on management estimates, the provision for contingencies provided for, net of the respective legal deposits, established by CVM Deliberation 489/05, as presented below, is sufficient to cover possible losses with legal proceedings.

| | Parent company | | Consolidated | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | June | March | June | March |
| | 30, 2007 | 31, 2007 | 30, 2007 | 31, 2007 |
| Tax proceedings | 35,448 | 35,188 | 36,943 | 36,481 |
| Labor proceedings | 30,128 | 27,118 | 30,130 | 27,119 |
| Civil proceedings | <u>7,864</u> | <u>8,296</u> | <u>7,864</u> | <u>8,296</u> |
| Provision for contingencies | 73,440 | 70,602 | 74,937 | 71,896 |
| Related legal deposits | <u>(29,975)</u> | <u>(29,611)</u> | <u>(29,975)</u> | <u>(29,611)</u> |
| Provision for contingencies - Net | <u>43,465</u> | <u>40,991</u> | <u>44,962</u> | <u>42,285</u> |

The changes in the provision for contingencies are presented as follows:

| | Position in | | | Position in | |
|---------------------------|-----------------|--------------|----------------|--------------|-----------------|
| | March 31, | | Monetary | | June 30, 2007 |
| | 2007 | Additions | Disposals | updates | |
| Tax proceedings | 36,481 | 947 | (38) | (447) | 36,943 |
| Civil proceedings | 8,296 | 205 | (964) | 327 | 7,864 |
| Labor proceedings | 27,119 | 3,011 | - | - | 30,130 |
| | <u>71,896</u> | <u>4,163</u> | <u>(1,002)</u> | <u>(120)</u> | <u>74,937</u> |
| Secured judicial deposits | <u>(29,611)</u> | - | - | (364) | <u>(29,975)</u> |
| | <u>42,285</u> | <u>4,163</u> | <u>(1,002)</u> | <u>(484)</u> | <u>44,962</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Tax litigation

The main tax contingencies involve the following cases:

a. Income and social contribution taxes on net income

Provision for income and social contribution taxes on net income amounting to R\$16,082, of which R\$11,283 recorded on the acquisition of the subsidiary Granja Rezende (incorporated in 2002), R\$3,989 on withholding income tax on investments of ranja Rezende and R\$810 for other provisions.

b. Value - Added tax on sales and services - ICMS

The Company is a defendant in several administrative cases involving ICMS, mainly in the States of São Paulo, Rio de Janeiro and Amazonas (SUFRAMA), totaling a probable contingency estimated at R\$11,291.

c. Other tax contingencies

Several cases related to payment of IOF (Tax on Financial Operations), PIS (Social Integration Program Tax), COFINS (Tax for Social Security Financing) and others totaling a provision of R\$9,580.

The Company has other contingencies of a tax nature with a claimed amount of R\$703,949, which were assessed as possible losses by the legal advisors and by the Management of the Company and, therefore, no provision was recorded.

On March 09, 2007 the Company obtained the appeal decision from the Federal Regional Court referring to its PIS proceeding contesting the constitutionality of Law 9718/98 which amended the PIS and COFINS calculation base, including operating and financial revenue. The Federal High Court of Justice ruled this matter was unconstitutional on November 09, 2005. The Company has been calculating and paying this tax in accordance with the law. Our legal advisors believe the final and unappealable decision should be published shortly, allowing the company to recognize a credit of approximately R\$14 million.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Civil litigation

Represents mainly proceedings involving claims for indemnification for losses and damages, including pain and suffering, arising from work-related accidents and consumer relations.

The Company has other contingencies of a civil nature with a claimed amount of R\$24,116, which were assessed as possible losses by the legal advisors and by management and, therefore, no provision was recorded.

Labor claims

The company is involved in approximately 2,690 labor claims. These labor lawsuits refer mainly to claims for overtime, and health exposure and hazard claims, none of which involve a significant amount on an individual basis. The total amount involved is R\$51,776, for which the provision in the amount of R\$30,130 was recorded based on historical information, representing the best estimate for probable losses.

Court deposits

The Company, as appropriate, performs legal deposits not related to provisions for contingencies, which balance as of June 30, 2007 was R\$54,591 (R\$55,334 at March 31, 2007).

Guarantees

a. The Company provides guarantees to loans obtained by certain out growers located in the central region of the country as part of a special development program for that region. Such loans are used to improve the out growers farms installations and will be repaid in 10 years, where the Company obtain from the out growers their farms and installations as a collateral for such guarantees provided. The amount for such guarantees provided as of June 30, 2007 amounted R\$107,509 (R\$23,258 in March 31, 2007).

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. The Company offered a lien on the industrial property it owns in the city of Concórdia, state of Santa Catarina, as a guarantee to a notice of collection from the Federal Revenue Service questioning the compensation in prior years of R\$74 million in IPI premium credit against other federal taxes, which the right was given to the Company (a right recognized by the final and unappealable decision). Management and its legal advisors deem this charge to be misplaced and to prevent this dispute from prejudicing the Company's image and rights, writ of mandamus was filed under which an injunction was obtained staying this notice of collection.

17 Shareholders equity**a. Capital**

Subscribed and paid-in capital is represented by the following shares
with no par value:

| | June | March |
|------------------------------|--------------------|--------------------|
| | 30, 2007 | 31, 2007 |
| Common shares | 257,000,000 | 257,000,000 |
| Preferred shares | 426,000,000 | <u>426,000,000</u> |
| Total shares | <u>683,000,000</u> | <u>683,000,000</u> |
| Preferred shares in treasury | (5,924,288) | (5,924,288) |
| Total outstanding shares | <u>677,075,712</u> | <u>677,075,712</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***b. Changes in shareholders equity**

| | Capital | Profit reserves | Treasury stock | Retained earnings | Total |
|---|------------------|----------------------------|---------------------------|------------------------------|------------------|
| Balances as of December 31, 2006 | <u>1,500,000</u> | <u>999,435</u> | <u>(33,341)</u> | = | <u>2,466,094</u> |
| Interest on shareholders equity | - | - | - | (25,036) | (25,036) |
| Net income for the first quarter | = | = | = | <u>92,599</u> | <u>92,599</u> |
| Balances as of March 31, 2007 | <u>1,500,000</u> | <u>999,435</u> | <u>(33,341)</u> | <u>67,563</u> | <u>2,533,657</u> |
| Acquisition of own shares | - | - | (879) | - | (879) |
| Sale of own shares | - | - | 463 | - | 463 |
| Result from sale of shares | - | 17 | - | - | 17 |
| Investment subsidy | - | 10,575 | - | - | 10,575 |
| Interest on shareholders equity | - | - | - | (34,424) | (34,424) |
| Net income for the second quarter | <u>-</u> | <u>-</u> | <u>-</u> | <u>108,557</u> | <u>108,557</u> |
| Balances as of June 30, 2007 | <u>1,500,000</u> | <u>1,010,027</u> | <u>(33,757)</u> | <u>141,696</u> | <u>2,617,966</u> |

c. Treasury stock

As of June 30, 2007 and March 30, 2007 the Company held treasury stock of 5,924,288 preferred shares, at an average acquisition cost of R\$33,757 (R\$33,341 at March 31, 2007), held for future sale and/or cancellation. The market value as of June 0, 2007 was R\$53,200.

d. Market value

The market value of Sadia S,A, shares according average quotation of shares negotiated on the São Paulo Stock Exchange - BOVESPA, corresponded to R\$8,98 per share at June 30, 2007 (R\$7.85 at March 31, 2007). Net equity on that date was \$3.87 per share (R\$3.74 at March 31, 2007).

18 Stock option plan

The Company has a plan, which provides for the granting of options to purchase preferred shares of the Company.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

The plan is managed by a Management Committee, composed of the Chief Executive Officer and the Human Resources Committee of the Board of Directors.

The price for exercising the purchase options does not include any discount and will be based on the average value of the quotation for the share in the last three days of trading on the São Paulo Stock Exchange prior to the grant date, updated by the accumulated National Consumer Price Index (INPC) between the grant date of exercising the option. The vesting period, during which the participant cannot exercise his/her right to purchase the shares, will be three years as from the option granting date. The participant will be able to fully or partially exercise his/her purchase rights after the vesting period within a maximum period of 2 years, and only after this period has expired will he/she lose the right to the options not exercised.

The composition of the options granted is presented as follows:

| Cycle | Date | | | | Price of shares | |
|--------------------------------|----------|---------------|----------|--------------------|------------------|------------------|
| | Grant | Final vesting | exercise | Quantity of shares | Grant date | Update - INPC |
| 2005 | 24/06/05 | 24/06/08 | 24/06/10 | 1,700,000 | 4,55 | 4.86 |
| 2006 | 26/09/06 | 26/09/09 | 26/09/11 | 3,320,000 | 5,68 | 5.89 |
| | | | | | June | March |
| | | | | | 30, 2007 | 31, 2007 |
| Balance at January | | | | | | |
| 1° | | | | | 5,320,000 | 5,320,000 |
| Exercised options - Cycle 2005 | | | | | (100,000) | - |
| Forfeited options - Cycle 2005 | | | | | (100,000) | - |
| Forfeited options - Cycle 2006 | | | | | <u>(100,000)</u> | <u>-</u> |
| Balance the end of the period | | | | | <u>5,020,000</u> | <u>5,320,000</u> |

Since the Company has treasury shares earmarked for the stock option plan, the difference between the market value and the updated price for the period/year will not affect the Company results.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***19 Employees profit sharing**

The Company grants its employees a profit sharing plan, which depends on attaining specific targets, established and agreed to at the beginning of each year. This plan has been approved by Board of Directors of the Company and it has been registered by a formal agreement with the unions.

20 Financial result

| | Parent company | | Consolidated | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Financial expenses | (97,009) | (93,088) | (121,328) | (114,862) |
| Interest | (3,833) | (5,881) | (3,833) | (5,881) |
| Monetary variations - Liabilities | 193,209 | 48,925 | 196,369 | 96,572 |
| Exchange variations - Liabilities | (29,451) | (24,134) | (49,337) | (30,292) |
| Other | <u>62,916</u> | <u>(74,178)</u> | <u>21,871</u> | <u>(54,463)</u> |
| Financial income | 28,997 | 32,951 | 98,614 | 107,976 |
| Interest | 2,156 | 228 | 2,156 | 228 |
| Monetary variations - Assets | (48,689) | (29,954) | (61,926) | (69,081) |
| Exchange variations - Assets | 19,665 | 54,891 | 28,165 | 62,776 |
| Other | <u>2,129</u> | <u>58,116</u> | <u>67,009</u> | <u>101,899</u> |
| | <u>65,045</u> | <u>(16,062)</u> | <u>88,880</u> | <u>47,436</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***21 Income and social contribution taxes**

Income before the provision for income tax (IR) and social contribution on net income (CSLL) was composed as follows:

| | Parent company | | Consolidated | |
|---------|------------------|------------------|-----------------|------------------|
| | June 30, 2007 | June 30, 2006 | Jne 30, 2007 | June 30, 2006 |
| Local | 272,362 | 62,594 | 197,078 | (7,218) |
| Foreign | <u>-</u> | <u>-</u> | <u>84,214</u> | <u>71,609</u> |
| | <u>272,362</u> | <u>62,594</u> | <u>281,292</u> | <u>64,391</u> |

The composition of income and social contribution taxes is as follows:

| | Parent company | | Consolidated | |
|----------------|------------------|------------------|------------------|------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Local | | | | |
| Current | (15,662) | (3,234) | (18,046) | (5,649) |
| Deferred | <u>(53,015)</u> | <u>24,599</u> | <u>(55,273)</u> | <u>24,715</u> |
| | <u>(68,677)</u> | <u>21,365</u> | <u>(73,319)</u> | <u>19,066</u> |
| Foreign | | | | |
| Current | - | - | 104 | (325) |
| Deferred | <u>(2,529)</u> | <u>805</u> | <u>(2,529)</u> | <u>805</u> |
| | <u>(2,529)</u> | <u>805</u> | <u>(2,425)</u> | <u>480</u> |
| | <u>(71,206)</u> | <u>22,170</u> | <u>(75,744)</u> | <u>19,546</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Income and social contribution taxes were calculated at applicable rates and reconciliation with the income and social contribution tax expenses is shown below.

| | Parent company | | Consolidated | |
|---|------------------|------------------|------------------|------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Income before taxation/profit sharing | 272,362 | 62,594 | 281,292 | 64,391 |
| Interest on shareholders' equity | (59,460) | (50,000) | (59,460) | (50,000) |
| Income before income and social contribution taxes | 212,902 | 12,594 | 221,832 | 14,391 |
| Income and social contribution taxes at nominal rate - 34% | (72,387) | (4,282) | (75,423) | (4,893) |
| Adjustment to calculate the effective rate | | | | |
| Permanent differences | | | | |
| Equity in earnings of subsidiaries | (1,054) | 25,080 | (1,734) | 23,657 |
| Other | 4,764 | 567 | 3,943 | (23) |
| Provision for income and social contribution taxes on foreign subsidiary | (2,529) | 805 | (2,529) | 805 |
| Income and social contribution taxes at effective rate | (71,206) | 22,170 | (75,743) | 19,546 |

The composition of deferred income and social contribution taxes is as follows:

| | Parent company | | Consolidated | |
|--------------------------|------------------|-------------------|---------------------|----------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Assets | | | | |
| Deferred taxes | | | | |
| Employees' benefits plan | 34,378 | 33,701 | 34,378 | 33,701 |

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| | | | | |
|--|---------------|---------------|---------------|---------------|
| Provision for contingencies | 24,968 | 24,002 | 25,477 | 24,442 |
| Allowance for doubtful accounts | 12,246 | 11,477 | 12,246 | 11,477 |
| Amortization of Goodwill | 8,513 | 7,811 | 8,513 | 7,811 |
| Tax loss carryforwards and negative basis of social contribution | 6,151 | 10,451 | 6,151 | 10,451 |
| Provision for loss on property, plant and equipment | 4,999 | 4,999 | 4,999 | 4,999 |
| Employees' profit sharing | 3,699 | 2,118 | 3,949 | 2,233 |
| Summer Plan depreciation | 1,646 | 1,961 | 1,646 | 1,961 |
| Other | <u>236</u> | <u>742</u> | <u>1,211</u> | <u>2,341</u> |
| Total deferred tax asset | <u>96,836</u> | <u>97,262</u> | <u>98,570</u> | <u>99,416</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|----------------------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2007 | March 31, 2007 | June 30, 2007 | March 31, 2007 |
| Short-term portion | 10,665 | 13,819 | 12,399 | 15,973 |
| Long-term portion | 86,171 | 83,443 | 86,171 | 83,443 |
| Liability | | | | |
| Deferred tax | | | | |
| Depreciation on rural activities | 111,344 | 97,905 | 111,344 | 97,905 |
| Grains update provision | <u>-</u> | <u>2,215</u> | <u>-</u> | <u>2,215</u> |
| Total deferred tax liability | <u>111,344</u> | <u>100,120</u> | <u>111,344</u> | <u>100,120</u> |
| Short-term portion | <u>11,935</u> | <u>11,935</u> | <u>11,935</u> | <u>11,935</u> |
| Long-term portion | <u>99,409</u> | <u>88,185</u> | <u>99,409</u> | <u>88,185</u> |

Management considers that the deferred assets arising from temporary differences will be realized in proportion to the final solution of the contingencies and to the payment of the liabilities forecast for the employees' benefit plans.

The deferred tax assets related to the income tax loss carry forwards and negative basis of social contribution in the amount of R\$6,151, from a foreign subsidiary, will be realized based on future taxable income on such companies. Management estimates that the deferred tax asset related to the Parent will be fully realized during this year and the deferred tax asset related to the foreign subsidiary will be realized within three years.

22 Risk management and financial instruments

The Company's operations are exposed to market risks, especially in relation to exchange rate variations, credit risk and grain purchase prices (corn, soybean and derived products). These risks are monitored by the Risk Management Area which uses a specific system to calculate the Value at Risk (VAR), and they are permanently monitored by the finance committee, composed of members of the Board of Directors and other finance executives of the Company, who are responsible for defining the Board's risk management strategy by determining the position and exposure limits. At June 30, 2007 the Value at Risk (VAR) of the financial assets and liabilities, for one year, with a 95% confidence rating, represents R\$77,455, representing 2.96% of shareholder equity (non reviewed by auditors).

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

a. Exchange rate risk

The exchange rate risk for loans, financing and any other payables denominated in foreign currency is hedged by short-term investments denominated in foreign currency, with same interest rates, and by derivative financial instruments, such as rate swaps (dollar to CDI), interest rate swap contracts (Libor to pre-fixed or vice-versa) and future market agreements, in addition to foreign receivables from exports, which also reduce exchange variations by serving as a natural hedge .

The Company, within its hedge strategy, uses currency futures contracts (US dollars, Euros and Pounds), as a form of mitigating exchange rate risk over operating and financial assets and liabilities and expected transactions recorded under financial results and gross margin.

The nominal value of these contracts is not recorded in the financial statements.

The realized income of future contracts, for the year ended June 30, 2006, generated a gain of R\$1,002 (R\$22,487 in 2006), and the amount of R\$22,163 was accounted for as financial income in Monetary Variations Asset , and the amount of R\$22,265 as operating income in Gross operating revenue .

The results of the operations in the currency futures market realized and not financially settled and the daily adjustments of currency futures contracts on the Future and Commodities Exchange - BM&F are recorded in the financial statements as Amounts receivable from futures contracts and Amounts payable for futures contracts .

The unrealized income of futures operations entered into is not recognized in the financial statements. These contracts, as from December 2006, are segregated and defined as operating or financial, in accordance with the item to be protected. The amount of these contracts, if recorded as of June 30, 2007, would result in an expense of R\$3,626 in the financial expense and an income of R\$94,004 in the operating income.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

The Company's exposure to exchange variation (mainly in US dollars) is shown below:

| Assets and liabilities in foreign currency | June 30, 2007 | March 31, 2007 |
|--|--------------------------|---------------------------|
| Cash and cash equivalents and short-term investments | 1,972,004 | 2,187,620 |
| Amounts receivable from futures contracts | 23,540 | 26,260 |
| Trade accounts receivable | 192,653 | 236,822 |
| Suppliers | (28,208) | (28,905) |
| Loans and financing | (2,459,362) | (2,681,356) |
| Amounts payable for futures contracts | (17,978) | (15,162) |
| Swap contracts (dollar for CDI (*)) | <u>15,604</u> | <u>18,890</u> |
| | <u>(301,747)</u> | <u>(255,831)</u> |

(*) Interbank deposit interest.

Consolidated hedge contracts outstanding at June 30, 2007 with their respective payment schedules are as follows:

| Position | Maturity | | |
|--------------------------------|-------------------|-------------|-------------|
| | 06/30/2007 | 2007 | 2008 |
| Derivative contracts | | | |
| Currency swap contracts | | | |
| Base value - R\$ | 15,604 | 11,997 | 3,607 |
| Base value - US\$ | 5,255 | 4,040 | 1,215 |
| Receivables/payables | | | |
| Asset | - | - | - |
| Liability | (13,371) | (10,009) | (3,091) |
| Futures contracts | | | |
| Short position- US\$ | 447,500 | 447,500 | - |
| Long position - US\$ | 120,000 | 120,000 | - |
| Short position - Euro | 201,176 | 201,176 | - |
| Long position - Euro | 86,176 | 86,176 | - |
| Short position - GBP | 91,527 | 91,527 | - |
| Long position - GBP | 41,527 | 41,527 | - |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. Credit risk

The Company is potentially exposed to credit risk in relation to its trade accounts receivable, long and short-term investments and derivative instruments. The Company limits the risk associated with these financial instruments by subjecting them to the control of highly rated financial institutions that operate within the limits pre-established by the credit and financing committees.

The concentration of credit risk with respect to accounts receivable is minimized due to the spread of its client base, since the Company does not have any customer or group representing 10% or more of its consolidated revenues, as well as granting credits for customers with solid financial and operational ratios. Generally, the Company does not require a guarantee for sales, however it has contracted an insurance credit policy to its domestic receivables.

c. Grain purchase price risks

The Company's operations are exposed to the volatility in grain prices (corn and soybean) used in the preparation of animal feed for its breeding stock, where the price variation results from factors beyond the control of management, such as climate, the size of the harvest, transport and storage costs and government agricultural policies, among others. The Company maintains its risk management strategy, operating through physical control, which includes purchasing grain at fixed prices and prices to be fixed. The Company has a Grains Committee, composed of the chief executive officer and financial and operational executives, whose aim is to discuss and decide on the company's strategies and positioning with respect to the various risk factors that impact the operating results.

d. Estimated market values

The Company used the following methods and assumptions to estimate the disclosure of the fair value of its financial instruments as of June 30, 2007 and March 31, 2007:

•**Cash and cash equivalents** - The book values of cash and banks recorded in the balance sheet are similar to the respective fair values.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

· **Short-term financial investments** - The fair value of short-term financial investments is estimated based on the market quotations of comparable contracts.

· **Accounts receivable and payable** - The book values of accounts receivable and payable recorded in the balance sheet are similar to their respective fair values.

· **Short and long-term loans and financing** - The market values of loans and financing were calculated based on their present value calculated through the future cash flows and using interest rates applicable to instruments of similar nature, terms and risks, or based on the market quotation of these securities. The market values of BNDES financing are similar to the book values, since there are no similar instruments with comparable maturities and interest rates.

· **Exchange and interest rate swap contracts** - The fair values of exchange and interest rate swap contracts were estimated based on market quotations for comparable contracts.

As of June 30, 2007 the contracted amounts in force totaled R\$1,139,655 (R\$929,185 at March 31, 2007) and the valuation of these contracts to fair value would result in losses of R\$22,766 in the period ended June 30, 2007 (loss of R\$44,219 in the same period of 2006) of which R\$21,811 as financial result and R\$955 as operating result. The effective cash settlements of the contracts occur on the respective maturities of each agreement. The Company does not intend to settle these contracts before their maturity.

The market values were estimated on the balance sheet date, based on relevant market information. Changes in the assumptions may significantly affect these estimates.

The book values and the estimated fair values of the Company's financial instruments as of June 30, 2007 and March 31, 2007 are presented in the table below. The fair value of a financial instrument is the amount for which the instrument could be traded between interested parties under current market conditions.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Consolidated | | | |
|--|---------------|-----------------|----------------|-----------------|
| | June 30, 2007 | | March 31, 2007 | |
| | Book value | Market value | Book value | Market value |
| Cash and cash equivalents | 199,621 | 199,621 | 159,345 | 159,345 |
| Short and long-term investments - Local currency | 425,911 | 425,911 | 401,522 | 401,522 |
| Short and long-term investments - Foreign currency | 1,878,110 | 1,878,110 | 2,095,810 | 2,095,810 |
| Trade accounts receivable | 370,187 | 370,187 | 394,817 | 394,817 |
| Loans and financing | 3,615,424 | 3,607,956 | 3,854,704 | 3,881,531 |
| Suppliers | 470,978 | 470,978 | 506,172 | 506,172 |
| Futures contracts, net | 5,562 | 5,562 | 11,098 | 11,098 |

e. Financial indebtedness

| | Consolidated | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | June 30, 2007 | | | March 31, 2007 | | |
| | Currency | | | Currency | | |
| | Local | Foreign | Total | Local | Foreign | Total |
| Assets | | | | | | |
| Cash and cash equivalents | 105,727 | 93,894 | 199,621 | 67,535 | 91,810 | 159,345 |
| Short-term investments | 288,358 | 1,878,110 | 2,166,468 | 269,153 | 2,095,810 | 2,364,963 |
| Accounts receivable from future contracts | - | <u>23,540</u> | <u>23,540</u> | - | <u>26,260</u> | <u>26,260</u> |
| Total current assets | <u>394,085</u> | <u>1,995,544</u> | <u>2,389,629</u> | <u>336,688</u> | <u>2,213,880</u> | <u>2,550,568</u> |
| Long-term investments | 137,553 | - | 137,553 | 132,369 | - | 132,369 |
| Total long-term assets | <u>137,553</u> | <u>-</u> | <u>137,553</u> | <u>132,369</u> | <u>-</u> | <u>132,369</u> |
| Total Financial Assets | <u>531,638</u> | <u>1,995,544</u> | <u>2,527,182</u> | <u>469,057</u> | <u>2,213,880</u> | <u>2,682,937</u> |
| Liabilities | | | | | | |
| Short-term financing | 365,276 | 625,585 | 990,861 | 343,886 | 750,977 | 1,094,863 |
| Accounts paybles from future contracts | - | 17,978 | 17,978 | - | 15,162 | 15,162 |
| Swap contracts - Short-term | 11,997 | (11,997) | - | 12,453 | (12,453) | - |
| Total current liabilities | 377,273 | 631,566 | 1,008,839 | 356,339 | 753,686 | 1,110,025 |
| Long-term Financing | 790,786 | 1,833,777 | 2,624,563 | 829,462 | 1,930,379 | 2,759,841 |
| Swap contracts - long-term | 3,607 | (3,607) | - | 6,437 | (6,437) | - |
| Total noncurrent liabilities | <u>794,393</u> | <u>1,830,170</u> | <u>2,624,563</u> | <u>835,899</u> | <u>1,923,942</u> | <u>2,759,841</u> |
| Total Financial liabilities | <u>1,171,666</u> | <u>2,461,736</u> | <u>3,633,402</u> | <u>1,192,238</u> | <u>2,677,628</u> | <u>3,869,866</u> |

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Net debt (640,028) (466,192) (1,106,220) (723,181) (463,748) (1,186,929)

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

23 Insurance

The Company and its subsidiaries adopt insurance engagement policy at levels that Management considers adequate to cover risks resulting from the claims of its assets. Due to the characteristics of multilocated operations, Management engages its policies with a limit of maximum loss possible in the same event, with amounts calculated based on risk inspections and potential losses. The policies engaged guarantee coverage against fire, general civil liability, windstorms, disorders and electric damage, as well as insurance for merchandise transport, personal and vehicle damage. The amount currently insured provides for the comprehensive coverage of the Company's fixed assets.

The assumptions adopted, given their nature, are not part of the scope of a review of financial statements and, accordingly, they were not examined by our independent auditors.

24 Private pension plan

a. Defined benefit plan

The Company and its subsidiary Concórdia S.A. C.V.M.C.C. are the sponsors of a defined contribution pension plan for employees, managed by Fundação Atílio Francisco Xavier Fontana.

The supplementary pension benefit is defined as the difference between (i) the benefit wage (updated average of the last 12 participation salaries, limited to 80% of the last participation salary) and (ii) the amount of the pension paid by the National Institute of Social Security.

The supplementary benefit is updated annually by the National Consumer Price Index (INPC).

The actuarial system is that of capitalization for supplementary retirement and pension benefits and of simple apportionment for supplementary disability compensation. The Company's contribution is based on a fixed percentage of the payroll of active participants as annually recommended by independent actuaries and approved by the trustees of Fundação Atílio Francisco Xavier Fontana.

According to the Foundation's statutes, the sponsoring companies are jointly liable for the obligations undertaken by the Foundation on behalf of its participants and dependents.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

At June 30, 2007 the Foundation had a total of 19,898 participants (20,125 at March 31, 2007), of which 16,131 were active participants (16,386 at March 31, 2007).

The Parent contributions totaled R\$990 and 994 for the period ended June 30, 2007 and June 30, 2006 respectively and the consolidated totaled R\$ 1,019 and 1,013 for the same periods.

b. Defined contribution plan

As from January 1, 2003, the Company began to adopt new supplementary pension plans under the defined contribution modality for all employees hired by Sadia and its subsidiaries.

As from January 1, 2007 these plans are only available to employees earning over R\$1,800 per month. Under the terms of the regulations, plans are funded on an equitable basis so that the portion paid by the Company is equal to the payment made by the employee in accordance with a contribution scale based on salary bands that vary between 1.5% and 6% of the employee's remuneration, observing a contribution limit that is updated annually. The contributions made by the Company at June 30, 2007 and 2006 totaled R\$648 and R\$1,336 respectively. As of June 30, 2007 this plan had 8,627 participants (9,125 in March 31, 2007).

25 Additional information***a. Statement of cash flow***

| | Parent company | | Consolidated | |
|---|------------------|------------------|------------------|------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Net income for the period | 201,156 | 84,764 | 205,549 | 83,937 |
| Adjustments to reconcile net income to cash generated by operating activities: | | | | |
| Variation in minority interest | - | - | (268) | 235 |
| Accrued interest, net of paid interest | (34,799) | 36,820 | (124,925) | 3,924 |
| Depreciation, amortization and depletion allowances | 144,447 | 109,099 | 145,209 | 109,337 |
| Amortization of Goodwill in acquisition of investments | 10,386 | 13,139 | 10,386 | 13,139 |
| Investment Subsidy | 10,575 | - | 10,575 | - |
| Equity in income of subsidiaries | 3,099 | (73,765) | 89,631 | 645 |
| Deferred taxes | 55,545 | (25,404) | 57,802 | (25,521) |
| Contingencies | (151) | 4,873 | 197 | 3,984 |
| Disposal of permanent assets | 1,505 | 4,532 | 1,550 | 5,098 |
| | 48 | | | |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|------------------------|----------------------|------------------------|-----------------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Variation in operating assets and liabilities | | | | |
| Inventories | (119,209) | (165,404) | (90,907) | (224,862) |
| Recoverable taxes and others | 57,511 | (9,363) | (35,229) | (23,892) |
| Judicial deposits | (7,517) | (725) | (7,623) | (725) |
| Suppliers | (24,471) | (33,985) | (32,307) | (33,909) |
| Advances from customers | (183,660) | 573,755 | - | - |
| Taxes payable, salaries payable and others | (54,220) | (70,732) | (55,351) | (50,747) |
| Net cash generated by operating activities | 343.589 | 561,910 | 494.422 | 16.816 |
| <u>Investment activities</u> | | | | |
| Funds from the sale of permanent assets | 2,790 | 544 | 2,790 | 572 |
| Investments in subsidiaries | (12) | (1,000) | - | - |
| Purchase of property, plant and equipment | (349,476) | (484,955) | (352,572) | (489,036) |
| Portion paid in the acquisition of a subsidiary, net of cash | - | (485) | - | (485) |
| Short-term investments | (24,098) | (552,701) | (1,489,358) | (2,602,723) |
| Redemption of investments | 1,860 | 548,362 | 1,398,041 | 2,414,338 |
| Net cash from investment activities | (368,936) | (490,235) | (441,099) | (677,334) |
| Loans received | 211,511 | 647,035 | 1,399,107 | 1,799,420 |
| Loans repaid | (227,672) | (516,268) | (1,428,631) | (925,954) |
| Dividends paid | (62,996) | (127,290) | (57,831) | (127,290) |
| Loans with subsidiaries | 92,213 | 4,882 | - | - |
| Sale of treasury share | 463 | - | 463 | - |
| Acquisition of treasury share | (879) | - | (879) | - |
| Net cash from loans | <u>12,640</u> | <u>8,359</u> | <u>(87,771)</u> | <u>746,176</u> |
| Cash at beginning of period | 200,177 | 148,716 | 234,069 | 196,306 |
| Cash at end of period | 187,470 | 228,750 | 199,621 | 281,964 |
| Net decrease in cash | <u>(12,707)</u> | <u>80,034</u> | <u>(34,448)</u> | <u>85,658</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***b. Statement of consolidated added value**

| | Consolidated | |
|--|----------------------|----------------------|
| | June, 30 2007 | June 30, 2006 |
| Revenues/income | 4,394,836 | 3,550,737 |
| Revenues generated by operations | 4,419,204 | 3,463,058 |
| Sale of products, goods and services | 4,419,204 | 3,463,058 |
| Income from third parties | <u>(24,368)</u> | <u>87,679</u> |
| Other operating results | (1,240) | (7,311) |
| Financial income | 67,009 | 101,899 |
| Equity pickup | (89,631) | (645) |
| Other nonoperating results | (506) | (6,264) |
| Raw materials acquired from third parties | (2,078,713) | (1,695,195) |
| Services rendered by third parties | <u>(819,943)</u> | <u>(700,214)</u> |
| Added value to be distributed | 1,496,180 | 1,155,328 |
| Distribution of added value | | |
| Human resources | 575,411 | 490,597 |
| Interest on third-party capital | (40,642) | 37,419 |
| Government | 601,442 | 418,465 |
| Shareholders (dividends) | 59,460 | 50,000 |
| Retention | <u>300,509</u> | <u>158,847</u> |
| Depreciation/amortization/depletion | 155,595 | 122,476 |
| Retained profits | 146,088 | 33,938 |
| Others | (1,174) | 2,433 |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Officers

| | |
|-----------------------------------|---|
| Gilberto Tomazoni | Chief Executive Officer |
| Adriano Lima Ferreira | Chief Financial Officer |
| Alexandre de Campos | International Sales Director |
| Alfredo Felipe da Luz Sobrinho | Director of Institutional Relations, Sustainability and Legal Matters |
| Antonio Paulo Lazzaretti | Technology and Quality Guarantee Director |
| Artêmio Listoni | Bovine Activities Director |
| Eduardo Nunes de Noronha | Human Resources and Management Director |
| Ernest Sícoli Petty | Supply Director |
| Flávio Luís Fávero | Regional Production Director |
| Gilberto Meirelles Xandó Baptista | Internal Market Commercial Director |
| Guilherme Henderson Larrobla | International Sales Director |
| José Augusto Lima de Sá | International Relationships Director |
| Osório Dal Bello | Farming Technology Director |
| Paulo Francisco Alexandre Striker | Logistics Director |
| Ricardo Fernando Thomas Fernandes | Grain Purchase Director |
| Roberto Banfi | International Sales Director |
| Ronaldo Korbag Muller | Poultry Production Director |
| Sérgio Carvalho Mandin Fonseca | National Sales Director |
| Valmor Savoldi | Planning, Logistics and Supplies Director |
| Welson Teixeira Junior | Investor Relations Director |
| Gustavo Teixeira de Freitas | Giovanni F. Lipari Accountant |
| Controllership Manager | CRC 1SP201389/0-7-S-SC |

Sadia S.A.

Board of Directors

Walter Fontana Filho
Chairman

Eduardo Fontana d'Avila
Member

Alcides Lopes Tápias
Member

Diva Helena Furlan
Member

Everaldo Nigro dos Santos
Member

Francisco Silverio Morales Cespede
Member

José Marcos Konder Comparato
Member

Luiza Helena Trajano Inácio Rodrigues
Member

Marcelo Fontana
Member

Norberto Fatio
Member

Vicente Falconi Campos
Member