

SADIA S.A.
Form 6-K
August 03, 2006

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 August 2006

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: Aug 3, 2006

SADIA S.A.

By:/s/ Luiz Gonzaga Murat Junior

Name: Luiz Gonzaga Murat Junior
Title: Director of Finance and Investor Relations

Sao Paulo, August 2, 2006- **SADIA S.A.**
 (BOVESPA: SDIA4; NYSE: SDA; LATIBEX: XSDI), the Brazilian leader in the processed food, poultry and pork industries, today announces the results for the second quarter of 2006 (2Q06). The Company's operating and financial information are shown in thousands of Brazilian Reais, unless stated otherwise, and are based on consolidated figures, as required by Brazilian corporate law. All comparisons made in this release are based on the same period in 2005 (2Q05), except where stated otherwise.

| | |
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| | <p><i>“As expected, all the market difficulties shown in the first quarter were intensified in the 2Q06, such as the restriction on poultry consumption – due to the avian influenza that hit Europe, Asia and some African countries, and the Russian ban on imports of Brazilian pork. 2Q06 was one the most difficult ones in the past years. Export prices reached historical lows and resulted in 30% lower revenues as compared to the 2Q05, even though volumes had a reduction, of 11.4%. The efforts to increase sales in the domestic market led to a 22% increase in volumes sold, but revenues had a lower growth of 4.9%, pressured by excess supply and price deterioration. The advantages obtained with the reduction of grain prices did not neutralized the impact of export reduction, the valuation of the real and the worsening of the product portfolio sold in the domestic market. As a consequence, the 20.6% gross margin obtained is lower than the 27% average of last five years (3Q01 – 2Q06). Even though volumes directed towards the domestic market were larger than expected, there was a decrease in the distribution expenses. Due to low operating performance, the Company presented in the second quarter, on net income as a percentage of net revenues of 1.1%. The 37% increase in net debt is a result of lesser operating cash generation and maintenance of the level of investments. We are building on new units in the state of Mato Grosso and adapting the existing ones to bake and grill products to be exported already in the second semester. This will improve our competitive advantage and will reduce risk in an eventual Avian Influenza outbreak in Brazil. We believe that in the second semester the international demand and prices ought to improve due to lower levels of inventories and the return to normal levels of poultry consumption. Moreover, it is expected that Egypt will begin importing poultry</i></p> |
| <p>Information on 08/01/06</p> | |
| <p>Sadia ON (SDIA3) = R\$ 6.65/share</p> | |
| <p>Sadia PN (SDIA4) = R\$</p> | |

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|--|--|
| <p>6.00/share</p> <p>Sadia ADR (SDA) = US\$ 27.45 (1 ADR = 10 shares)</p> <p>Sadia Latibex (XSDI) = € 2.16</p> <p>Market Value - Bovespa</p> <p>R\$ 4.1 billion</p> <p>US\$ 1.9 billion</p> | <p><i>meat, Iraq will resume its purchases, the demand in Europe will start to pick up, besides the fact that there was a new Avian Influenza outbreak in Thailand, an important competitor to Brazilian exports, and that Russia will resume its pork imports from Brazil. We are confident in price and markets recovery and will continue learning with the challenges, always focusing in results and committed to providing products of the highest quality. We thank all our collaborators and shareholders for the support given to the administration in one of the toughest periods of our history” - Gilberto Tomazoni – CEO</i></p> |
| <p>Investor Relations</p> | |
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Highlights – R\$ thousand

| | 1S05 | 1S06 | 1S06/ 1S05 | 2Q05 | 2Q06 | 2Q06/ 2Q05 |
|--------------------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| Gross Operating Revenue | 3,946,989 | 3,530,513 | -10.6% | 2,044,410 | 1,779,151 | -13.0% |
| Domestic Market | 1,975,474 | 2,051,302 | 3.8% | 980,251 | 1,028,282 | 4.9% |
| Export Market | 1,971,515 | 1,479,211 | -25.0% | 1,064,159 | 750,869 | -29.4% |
| Net Operating Revenue | 3,443,800 | 3,042,821 | -11.6% | 1,801,942 | 1,536,802 | -14.7% |
| Gross Profit | 898,499 | 651,309 | -27.5% | 477,441 | 316,982 | -33.6% |
| <i>Gross Margin</i> | 26.1% | 21.4% | | 26.5% | 20.6% | |
| EBIT | 250,797 | 23,865 | -90.5% | 139,869 | 3,078 | -97.8% |
| <i>EBIT Margin</i> | 7.3% | 0.8% | | 7.8% | 0.2% | |
| Net Income | 245,126 | 84,536 | -65.5% | 144,553 | 17,573 | -87.8% |
| <i>Net Margin</i> | 7.1% | 2.8% | | 8.0% | 1.1% | |
| EBITDA | 353,767 | 150,776 | -57.4% | 193,432 | 68,102 | -64.8% |
| <i>EBITDA Margin</i> | 10.3% | 5.0% | | 10.7% | 4.4% | |
| Exports / Gross Revenue | 49.9% | 41.9% | | 52.1% | 42.2% | |
| Net Debt to Equity | 32.7% | 45.2% | | 32.7% | 45.2% | |
| Net Debt to EBITDA* | 1.0 | 1.5 | | 1.0 | 1.5 | |

*12 last months

Gross Operating Revenue - R\$ million

The Company is still facing an unfavorable environment, with reductions on world poultry consumption, due to avian influenza, and reductions on pork exports, due to import bans imposed by Russia – the main buyer of this segment.

However, the performance of the beef and processed products segment diminished the impact on total sales.

Total Sales

| | 1S05 | 1S06 | 1S06/ 1S05 | 2Q05 | 2Q05 | 2Q06/ 2Q05 |
|---------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| Tons | 880,290 | 895,577 | 1.7% | 454,719 | 467,458 | 2.8% |
| Processed Products | 355,931 | 377,074 | 5.9% | 175,253 | 191,695 | 9.4% |
| Poultry | 450,619 | 449,372 | -0.3% | 234,074 | 238,243 | 1.8% |
| Pork | 67,682 | 47,346 | -30.0% | 40,422 | 25,416 | -37.1% |
| Beef | 6,058 | 21,785 | 259.6% | 4,970 | 12,104 | 143.5% |
| R\$ thousand | 3,946,989 | 3,530,513 | -10.6% | 2,044,410 | 1,779,151 | -13.0% |
| Processed Products | 1,771,428 | 1,811,367 | 2.3% | 881,302 | 913,862 | 3.7% |
| Poultry | 1,616,322 | 1,251,200 | -22.6% | 833,752 | 632,643 | -24.1% |
| Pork | 376,375 | 192,347 | -48.9% | 228,505 | 107,120 | -53.1% |
| Beef | 40,207 | 116,634 | 190.1% | 31,483 | 66,226 | 110.4% |
| Others | 142,657 | 158,965 | 11.4% | 69,368 | 59,300 | -14.5% |

Sadia's total sales volumes in 2Q06 amounted to 467.5 thousand tons, which represents a slight increase of 2.8% as compared to the same period of last year, when volumes reached 454.7 thousand tons.

As a consequence of the price reduction in the domestic and foreign markets, in all segments, total gross operating revenues were 13.0% below as compared to the 2Q05, and amounted R\$ 1.8 billion.

Led by domestic market performance, processed products volumes registered a 9.4% increase in 2Q06, from 175.3 thousand tons in 2Q05 to 191.7 thousand tons. Gross operating revenues increased 3.7% in the quarter, reaching R\$ 913.9 million. Domestic market represents 90% of the volumes sold in this segment.

The beef segment, which the Company resumed its activities last year, continued as the main highlight in both domestic and foreign markets. Beef volumes increased 143.5% in the quarter amounting to 12.1 thousand tons, generating R\$ 66.2 million in gross revenues. The participation of the beef segment in Sadia's gross revenues increased 3.7% in 2Q06, as compared to 1.5% in the same period of last year.

In the poultry segment, volumes sold had a slight increase of 1.8% in the quarter, reaching 238.2 thousand tons, as compared to 234.1 thousand tons in 2Q05. Gross operating revenues in this segment amounted to R\$ 632.6 million, a 24.1% decrease. Even though avian influenza has harmed exports during the first three months of the year, the most severe impact was felt in the second quarter. However, the market has started to recover and there are positive perspectives for the second semester.

In the pork segment, volumes sold amounted to 25.4 thousand tons – a 37.1% reduction. Gross operating revenues had a 53.1% decrease, adding up to R\$ 107.1 million. The suspension of shipments to Russia resulted in a loss of participation of this segment in the Company's consolidated gross operating revenues, as of the second quarter of last year, it accounted for 11.2%, whereas in the second quarter of 2006 it represented 6.0%. In the domestic market, volumes sold had a 10.3% increase in the quarter, but revenues fell 5.5% as due to the market excess supply.

Gross Operating Revenue

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|--|--|
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Sales Breakdown

| Tons | 1S05 | 1S06 | 1S06/ 1S05 | 2Q05 | 2Q05 | 2Q06/ 2Q05 |
|------------------------|----------------|----------------|-----------------------|----------------|----------------|-----------------------|
| Domestic Market | 390,136 | 446,368 | 14.4% | 193,020 | 235,594 | 22.1% |
| Processed Products | 309,244 | 338,211 | 9.4% | 154,986 | 173,215 | 11.8% |
| Poultry | 64,163 | 84,688 | 32.0% | 29,306 | 50,687 | 73.0% |
| Pork | 16,547 | 18,718 | 13.1% | 8,546 | 9,427 | 10.3% |

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|----------------------|----------------|----------------|--------------|----------------|----------------|---------------|
| Beef | 182 | 4,751,251 | 10.4% | 182 | 2,265,114 | 4.5% |
| Export Market | 490,154 | 449,209 | -8.4% | 261,699 | 231,864 | -11.4% |
| Processed Products | 46,687 | 38,863 | -16.8% | 20,267 | 18,480 | -8.8% |
| Poultry | 386,456 | 364,684 | -5.6% | 204,768 | 187,556 | -8.4% |
| Pork | 51,135 | 28,628 | -44.0% | 31,876 | 15,989 | -49.8% |
| Beef | 5,876 | 17,034 | 189.9% | 4,788 | 9,839 | 105.5% |
| Total | 880,290 | 895,577 | 1.7% | 454,719 | 467,458 | 2.8% |

| R\$ thousand | 1S05 | 1S06 | 1S06/ 1S05 | 2Q05 | 2Q06 | 2Q06/ 2Q05 |
|------------------------|------------------|------------------|---------------|------------------|------------------|---------------|
| Domestic Market | 1,975,474 | 2,051,302 | 3.8% | 980,251 | 1,028,282 | 4.9% |
| Processed Products | 1,557,808 | 1,638,095 | 5.2% | 777,067 | 826,673 | 6.4% |
| Poultry | 207,776 | 197,034 | -5.2% | 96,719 | 108,995 | 12.7% |
| Pork | 72,300 | 69,825 | -3.4% | 38,271 | 36,174 | -5.5% |
| Beef | 1,163 | 20,782 | 1686.9% | 1,163 | 8,713 | 649.2% |
| Others | 136,427 | 125,566 | -8.0% | 67,031 | 47,727 | -28.8% |
| Export Market | 1,971,515 | 1,479,211 | -25.0% | 1,064,159 | 750,869 | -29.4% |
| Processed Products | 213,620 | 173,272 | -18.9% | 104,235 | 87,189 | -16.4% |
| Poultry | 1,408,546 | 1,054,166 | -25.2% | 737,033 | 523,648 | -29.0% |
| Pork | 304,075 | 122,522 | -59.7% | 190,234 | 70,946 | -62.7% |
| Beef | 39,044 | 95,852 | 145.5% | 30,320 | 57,513 | 89.7% |
| Others | 6,230 | 33,399 | 436.1% | 2,337 | 11,573 | 395.2% |
| Total | 3,946,989 | 3,530,513 | -10.6% | 2,044,410 | 1,779,151 | -13.0% |

Domestic Market

In the second quarter, volumes sold in the domestic market grew in all segments Sadia is present. Total volumes amounted to 235.6 thousand tons, a 22.1% increase as compared to the same period of last year. Gross operating revenues surpassed once more the R\$ 1.0 billion mark, showing a 4.9% increase. The directing of products towards the domestic market that would have otherwise been exported pressured the prices of other products.

Processed products volumes were 11.8% above in the quarter and added up to 173.2 thousand tons, leading to 6.4% greater revenues of R\$ 826.7 million. This segment represents 80% of domestic market revenues. Even though average prices of this segment have also fallen, they had the least decrease. Average prices had a 4.8% decrease in the quarter, and 4.0% in the semester.

The poultry segment was also a highlight, with a 73.0% growth in volumes, reaching 50.7 thousand tons. With excess supply in the domestic market, due to the reshifting of exports, average prices of poultry had a 34.8% decrease and revenues had a 12.7% increase, adding up to R\$ 108.9 million, representing 10.6% of domestic market gross revenues.

In the pork segment, volumes sold grew 10.3% in the quarter, adding up to 9.4 thousand tons. However, the segment revenues fell 5.5% to R\$ 36.2 million, as a result of domestic excess supply, that led to a 14.3% decrease in prices.

In the beef segment, volumes grew 1,145% in the quarter, reaching 2.3 thousand tons, as compared to 182 tons sold in the second quarter of last year. Revenues had also an impressive development, despite average prices having fallen 40% in the quarter – the largest retraction in all segments. Gross operating revenues of beef amounted to R\$ 8.7 million, with a 649.2% growth. The participation of this segment in the Company's domestic market revenues grew from 0.12% in the second quarter of 2005 to 0.85% in the second quarter of 2006. The participation of this segment in the Company's domestic market volumes grew from 0.09% in the second quarter of 2005 to almost 1% in the second quarter of 2006.

Gross Operating Revenue – Domestic Market

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Average Prices – R\$/Kg – Domestic Market

External Market

The 10% appreciation of the real as compared to the 2Q05 and the reduction of poultry and pork exports, due to the avian influenza and the embargos, respectively, resulted in a 11.4% decrease in volumes in the quarter, which amounted to 261.7 thousand tons. Operating revenues had a 29.4% decrease in the period, amounting to R\$ 750.9 million.

Domestic Market

Volumes in the poultry segment added up to 187.6 thousand tons, 8.4% inferior as compared to 2Q05. Gross revenues registered a 29.0% decrease, amounting to R\$ 523.6 million. Avian influenza continued to harm Brazilian poultry exports, segment in which Sadia is the market leader.

Pork exports were 49.8% below in volumes and 62.7% in revenues, which amounted to R\$ 70.9 million. Volumes sold added up to 15.9 thousand tons. Even though Sadia has a unit in one of the main pork producing states –Rio Grande do Sul, which was cleared to export to Russia – sales in this segment fell as Russia is responsible for the majority of the Brazilian pork exports.

Despite the embargos that were imposed on Brazilian beef, this segment - that has the smallest participation in the Company's revenues – was the only one that saw an increase and its prices were the ones that least suffered in the quarter. As Sadia slaughters its beef in the state of Mato Grosso, free of foot and mouth disease, the performance of this segment was considered as a highlight. Volumes sold amounted to 9.8 thousand tons, 105.5% above as compared to 2Q05. Revenues had an 89.7% growth, reaching R\$ 57.5 million. The participation of this segment in volumes exported increased from 1.8% to 4.2%, while in revenues the participation increased from 2.9% to 7.7%.

In the processed products segment, revenues amounted to R\$ 87.2 million in the quarter, a reduction of 16.4% as compared to 2Q05. Volumes sold fell 8.8%, reaching 18.5 thousand tons.

Gross Operating Revenue – Export Market

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Average Prices – R\$/Kg – Export Market

Sadia is in complete compliance with the National Plan for the Prevention of Avian Influenza and the Control and Prevention of the Newcastle Disease as it has readapted its farms in order to avoid the risk of contamination of its commercial flock with wild birds.

The Plan follows the International Animal Health Organization (OIE) recommendations for zoning. All measures are aimed to assure international markets that Brazil maintains sanitary barriers between states and permit them to petition OIE to consider them as autonomous regions. Therefore, these measures should avoid generalized suspensions on exports in the event of outbreaks of local sanitary crisis.

Exports By Region

| | |
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Operating Results

Net revenues in the 2Q06 amounted to R\$ 1.5 billion, 14.7% below compared to the same period of last year. This performance is due mainly to the restriction of the international poultry trade due to avian influenza, of the ban of pork imports by Russia and the appreciation of the real. Exports had a decrease in its dollar average prices, and also suffered from the average devaluation of the closing prices of the dollar to real exchange rate of 10% from the 2Q06 to the 2Q05 that together led to a negative impact in the composition of export revenues and reflected in a decrease of its participation on the Company's total net operating revenues, from 59% to 49% in the 2Q06. In the semester, net revenues reached R\$ 3,042.8 million, 11.6% below the first semester of 2005.

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| <p>Costs per ton sold had an 11% decrease as compared to 2Q05 and a 4% decrease as compared to 1Q06, mainly due to the reduction in grain prices. The difficulty in generating revenues in higher levels did not allow the dilution of fixed costs and led to a retraction of 5.9% in the gross margin, which decreased from 26.5% in 2Q05 to 20.6% in 2Q06.</p> | <p>Gross Margin</p> |
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Operating expenses – sales expense, general, administrative and others – of R\$ 313.9 million in 2Q06, were 7% below that of 2Q05, but the as a percentage of net revenues, it reached a ratio of 20.4%, higher than the 18.7% achieved in the 2Q05.

Sales expenses, that answers for 92.8% of all expenses, also had a 7% decrease as compared to 2Q05 as compared to 2Q06. Pressured by the decrease of net revenues, the sales expenses over net revenues ratio reached 19.0% as compared to the 17.5% in 2Q05.

General and administrative expenses over net revenues were stable in 1%.

Earnings before Interest and Taxes (EBIT) showed a loss in margins of 7.6%, which reached 0.2%

Earnings before Interest, Tax, Depreciation and Amortization registered R\$ 68.1 million and its margin was 4.4%, inferior to the 10.7% shown in 2Q05.

EBITDA CALCULATION = EBIT + DEPRECIATION/AMORTIZATION + EMPLOYEE PROFIT SHARING

| | 1S05 | 1S06 | 2Q05 | 2Q06 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| EBIT | 250,797 | 23,865 | 139,869 | 3,078 |
| (+)DEPRECIATION/AMORTIZATION | 88,861 | 122,476 | 44,772 | 64,698 |
| (+)EMPLOYEE PROFIT SHARING | 14,109 | 4,435 | 8,791 | 326 |
| EBITDA | 353,767 | 150,776 | 193,432 | 68,102 |
| EBITDA MARGIN | 10.3% | 5.0% | 10.7% | 4.4% |

Financial Results

Net financial results were negative in R\$ 56.5 million in 2Q06, as compared to a net revenue of R\$ 104 million in 1Q06, due to a higher level of indebtedness and lower cash generation.

At the end of 2Q06, Sadia's net debt amounted to R\$ 1,021.2 million, 37% greater than the one at the end of 1Q06. Net debt to equity increased and ended the quarter at 45.2% as compared to 33.3% of the end of 1Q06.

Financial Indebtedness – R\$ Million

| | 1Q06 | % | 2Q06 | % | Var.% |
|-----------------------------------|----------------|-------------|----------------|-------------|--------------|
| Short Term | 1,124.3 | 37% | 1,188.5 | 32% | 5.7% |
| Local Currency | 398.2 | 35% | 468.4 | 39% | 17.6% |
| Foreign Currency | 726.1 | 65% | 720.1 | 61% | -0.8% |
| Long Term | 1,928.0 | 63% | 2,522.5 | 68% | 30.8% |
| Local Currency | 419.4 | 22% | 641.5 | 25% | 53.0% |
| Foreign Currency | 1,508.6 | 78% | 1,881.0 | 75% | 24.7% |
| Total Debt | 3,052.3 | 100% | 3,711.0 | 100% | 21.6% |
| Financial Investments | 2,306.7 | 100% | 2,689.8 | 100% | 16.6% |
| Local Currency | 665.9 | 29% | 611.3 | 23% | -8.2% |
| Foreign Currency | 1,640.8 | 71% | 2,078.5 | 77% | 26.7% |
| Net Financial Indebtedness | 745.6 | 100% | 1,021.2 | 100% | 37.0% |
| Local Currency | 151.7 | 20% | 498.6 | 49% | 228.6% |

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|---------------------|-------|-------|-------|------------|
| Foreign Currency | 593.9 | 80% | 522.6 | 51% -12.0% |
| Net Debt to Equity | | 33.3% | | 45.2% |
| Net Debt to EBITDA* | | 0.9 | | 1.5 |

* *Last 12 months*

| Net Debt to Equity | Net Debt to Ebitda* |
|--------------------|--|
| | <p style="text-align: right;"><i>*Last 12 Months</i></p> |

Equity Pick Up

The positive result on equity pick up of R\$ 46.6 million in 2Q06 resulted from the exchange rate variation on the equity amount of Sadia's subsidiaries abroad.

Net Income

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| <p>Net income reached R\$ 17.6 million in 2Q06, an 87.8% decrease as compared to the results achieved in the same period of last year. In the semester, net income amounted to R\$ 84.5 million This performance is below the Management expectations.</p> | |
|--|--|

Investments

| | |
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| <p>The R\$ 273 million investments disbursed In 2Q06 are in accordance with growth plans established. In the semester, the Company disbursed R\$ 489 million. Sadia kept its investment program in new units and modernization of the existing ones, with the belief that the sanitary crisis is momentary and will not change the domestic and international demand in the future.</p> <p>Of the total amount invested in the quarter, R\$ 100.6 million (36.8%) were directed towards the processed products segment, R\$ 95.1 million (34.8%) towards the poultry segment, R\$ 20.5 million (7.5%) towards pork, R\$ 1.9 million (0.8%) towards beef and the remaining R\$ 55 million (20.1%) mainly towards logistics.</p> | <p style="text-align: center;">Capital Expenditures</p> <p style="text-align: center;">R\$ million</p> |
|--|--|

Perspectives

For the second semester we expect a recovery in the international demand, mainly due to the return to normal levels of poultry consumption. Sadia also expects the lift of the ban on of Brazilian pork imports by Russia and the recovery of demand in Europe. The opening of new markets, such as Egypt and the lift the ban imposed by Iraq should also contribute.

Capital Markets

Sao Paulo Stock Exchange

Sadia's preferred shares price [Sdia4] had a 26.4% increase in the last 12 months (until 06/30/06), as compared to a 46.2% positive variation of the Ibovespa in the same period.

Sadia's preferred shares are part of the theoretical portfolio of the Sao Paulo Stock Exchange Index (IBOVESPA). The Ibovespa lists 56 shares and for a four month period (may-august) of 2006, the relative weight of Sadia has increased to 1.237%.

FINANCIAL VOLUME – FOOD SECTOR - BOVESPA – 2Q06

Sadia's preferred shares kept its distribution amongst the several investor categories of Bovespa. The main highlight worth mentioning is the rise in foreign investor participation, which helped to increase the stock liquidity.

Breakdown By Investor – Bovespa

(June 2006)

New York Stock Exchange

In the last 12 months, Sadia's level II ADRs [SDA], presented a 35.3% increase. The daily average financial volume of Sadia's ADRs in NYSE, during the 2Q06, was US\$ 2,038.6 thousand, against US\$ 474.1 thousand in the 2Q05. The volume of shares traded in the period represented 20.6% of the total volume negotiated of Sadia's preferred shares.

Latibex

Sadia preferred shares are listed since November 15, 2004 in Latibex [XSDI], a market that trades shares from Latin American companies in Madrid Stock Exchange. During 2Q06, the daily average traded volume was € 239.6 thousand, a 754% increase as compared to the volume registered in the 2Q05 that was € 28.5 thousand. In the last 12 months, share prices had a 29% increase.

| MARKET DATA - BOVESPA | 2Q05 | 2Q06 | Chg. |
|---|----------------|----------------|---------------|
| Sadia Common Shares / SDIA3 - thousands (Free Float = 46.8%) | 257,000 | 257,000 | 0.0% |
| Sadia Preferred Shares / SDIA4 - thousands (Free Float = 89.6%) | 426,000 | 426,000 | 0.0% |
| Total Outstanding Shares - thousands (Float = 73.5%)(1) | 683,000 | 683,000 | 0.0% |
| Closing Price - R\$/share SDIA3 (1) | 4.30 | 6.20 | 44.2% |
| Closing Price - R\$/share SDIA4 (1) | 4.55 | 5.75 | 26.4% |
| Mkt. Capitalization - R\$ millions (1) | 3,107.7 | 3,927.3 | 26.4% |
| Volume of Shares Traded - thousand | 104,035 | 162,310 | 56.0% |
| Daily Average Volume of Shares Traded - thousand | 1,651 | 2,660 | 61.1% |
| Financial Volume Traded - R\$ million | 422.1 | 949.8 | 125.0% |
| Daily Average Financial Volume Traded - R\$ million | 6.7 | 15.5 | 131.3% |

| MARKET DATA - NYSE | 2Q05 | 2Q06 | Chg. |
|---|---------------|---------------|---------------|
| Total Outstanding ADR's - thousands (1) | 191412% | 421406% | 120.2% |
| Participations in Trading Sessions | 1.00 | 1.00 | 0.0% |
| Closing Prices - US\$/ADR (1) | 19.4 | 26.2 | 35.3% |
| Mkt. Capitalization - US\$ millions(1) | 37 | 110 | 197.8% |
| Volume of Shares Traded | 1,815,300 | 4,889,000 | 169.3% |
| Daily Average Volume of Shares Traded | 28,364 | 77,060 | 171.7% |
| Financial Volume Traded - US\$ thousand | 30,342.0 | 128,430.0 | 323.3% |
| Daily Average Financial Volume Traded - US\$ thousand | 474.1 | 2038.6 | 330.0% |

(1) At the end of the period

Sources: Sadia, Bovespa and NYSE

Highlights

Animal Production Award – GV Consult

Sadia was elected as the best in the category of animal production that analyzed 25 subsectors according to criteria of economic representativeness, sustainability and social responsibility.

Customer Service Benchmark

Sadia was first placed among the perishable food companies in the research conducted by the Logistics Study Center of the COPPEAD Administration Institute, from the Federal University of Rio de Janeiro.

The Great Ideas of Marketing 2006

For its marketing strategy and effectiveness with consumers, Sadia was the winner in the Consumption Products – Food Category.

Top of Mind Rio Grande do Sul state

Sadia was elected as one of the five most important brands in the Rio Grande do Sul state, in the annual award that analyses 100 product categories.

10 Largest Exporters in the Federal District

Sadia was the leader among the ten largest exporting companies in the Federal District.

August 3 Events (Thursday)

-

Local: Analyst and Investment Professionals meeting

Time: 11:00

Place: Rua Fortunato Ferraz, 616 – Vila Anastácio – Sao Paulo

-

International: Conference Call

Time: 15:00 (Local Time)

Telephone numbers for connection:

Brazil: (55 11) 4688-6301

USA: (1 800) 860-2442

Other Countries: (1 412) 858-4600

Password: 143

The audio from the meeting and from the conference call will be broadcasted live through the Internet, with the slide presentation posted in website, **www.sadia.com**.

The statements contained in this release relating to the outlook for the Company's business. Projections of operating and financial results, and its growth potential constitute mere forecasts and were based on management's expectations in relation to the future of the Company. These expectations are highly dependent on market changes, on general economic performance of Brazil, on the industry and on international markets – being therefore subject to change.

ANNEX I

INCOME STATEMENT - CONSOLIDATED

| | 1S05 | | 1S06 | | 1S06/ 1S05 | 2Q05 | | 2Q06 | | (R\$) |
|---|------------------|---------------|------------------|---------------|---------------|------------------|---------------|------------------|---------------|-------|
| | R\$ '000 | % | R\$ '000 | % | % | R\$ '000 | % | R\$ '000 | % | |
| Operating Revenue | 3,946,989 | 114.6% | 3,530,513 | 116.0% | -10.6% | 2,044,410 | 113.5% | 1,779,151 | 115.8% | |
| Market | 1,975,474 | 57.4% | 2,051,302 | 67.4% | 3.8% | 980,251 | 54.4% | 1,028,282 | 66.9% | |
| Market | 1,971,515 | 57.2% | 1,479,211 | 48.6% | -25.0% | 1,064,159 | 59.1% | 750,869 | 48.9% | |
| Tax and Services Rendered | (503,189) | -14.6% | (487,692) | -16.0% | -3.1% | (242,468) | -13.5% | (242,349) | -15.8% | |
| Operating Revenue | 3,443,800 | 100.0% | 3,042,821 | 100.0% | -11.6% | 1,801,942 | 100.0% | 1,536,802 | 100.0% | |
| Goods Sold and Services Rendered | (2,545,301) | -73.9% | (2,391,512) | -78.6% | -6.0% | (1,324,501) | -73.5% | (1,219,820) | -79.4% | |
| Profit | 898,499 | 26.1% | 651,309 | 21.4% | -27.5% | 477,441 | 26.5% | 316,982 | 20.6% | |
| Expenses | (601,551) | -17.5% | (580,610) | -19.1% | -3.5% | (314,451) | -17.5% | (291,379) | -19.0% | |
| Management Compensation | (6,293) | -0.2% | (6,355) | -0.2% | 1.0% | (3,111) | -0.2% | (3,176) | -0.2% | |
| Administrative Expenses | (25,998) | -0.8% | (28,733) | -0.9% | 10.5% | (12,627) | -0.7% | (16,067) | -1.0% | |
| Share Profit Sharing | (14,109) | -0.4% | (4,435) | -0.1% | -68.6% | (8,791) | -0.5% | (326) | 0.0% | |
| Operating Results | 249 | 0.0% | (7,311) | -0.2% | -3036.1% | 1,408 | 0.1% | (2,956) | -0.2% | |
| Before Interest and Taxes | 250,797 | 7.3% | 23,865 | 0.8% | -90.5% | 139,869 | 7.8% | 3,078 | 0.2% | |
| Result, Net | 167,183 | 4.9% | 47,436 | 1.6% | 71.6% | 175,336 | 9.7% | (56,546) | -3.7% | |
| (Loss) from investments in subsidiaries | (135,460) | -3.9% | (3,030) | -0.1% | -97.8% | (139,532) | -7.7% | 46,594 | 3.0% | |
| Profit | 282,520 | 8.2% | 68,271 | 2.2% | -75.8% | 175,673 | 9.7% | (6,874) | -0.4% | |
| Operating Income (expense) | 4,129 | 0.1% | (3,880) | -0.1% | -194.0% | (48) | 0.0% | (2,993) | -0.2% | |
| Before Taxes | 286,649 | 8.3% | 64,391 | 2.1% | -77.5% | 175,625 | 9.7% | (9,867) | -0.6% | |
| Tax and Social Contribution | (42,566) | -1.2% | 19,546 | 0.6% | 145.9% | (31,327) | -1.7% | 27,152 | 1.8% | |
| Income before Minority Interest | 244,083 | 7.1% | 83,937 | 2.8% | -65.6% | 144,298 | 8.0% | 17,285 | 1.1% | |
| Interest | (1,043) | 0.0% | (599) | 0.0% | 42.6% | (255) | 0.0% | (288) | 0.0% | |
| Income | 245,126 | 7.1% | 84,536 | 2.8% | -65.5% | 144,553 | 8.0% | 17,573 | 1.1% | |
| Income | 353,767 | 10.3% | 150,776 | 5.0% | -57.4% | 193,432 | 10.7% | 68,102 | 4.4% | |

ANNEX II

BALANCE SHEET - CONSOLIDATED

| | R\$ Thousand | |
|--|---------------------|------------------|
| | March | June |
| | 2006 | 2006 |
| ASSETS | | |
| Current Assets | 4,004,554 | 4,477,015 |
| Cash and Cash Equivalents | 99,411 | 281,964 |
| Trade Accounts Receivable | 302,107 | 353,442 |
| Recoverable Taxes | 122,353 | 116,247 |
| Inventories | 1,205,954 | 1,217,352 |
| Marketable Securities | 2,139,624 | 2,338,053 |
| Other Credits | 135,105 | 169,957 |
| Long Term Assets | 409,739 | 460,157 |
| Marketable Securities | 67,635 | 69,805 |
| Other Credits | 342,104 | 390,352 |
| Permanent | 1,885,396 | 2,090,823 |
| Investments | 70,682 | 66,367 |
| Property, Plant and Equipment | 1,706,879 | 1,909,877 |
| Deferred Charges | 107,835 | 114,579 |
| Total Assets | 6,299,689 | 7,027,995 |
| LIABILITIES | | |
| Current Liabilities | 1,909,758 | 2,013,377 |
| Loans and Financing | 1,124,259 | 1,188,499 |
| Suppliers | 432,815 | 461,849 |
| Salaries and Social Charges Payable | 103,424 | 125,010 |
| Taxes Payable | 35,252 | 26,557 |
| Dividends | 43,416 | 43,420 |
| Operating Liabilities | 170,592 | 168,042 |
| Long Term Liabilities | 2,147,986 | 2,754,981 |
| Loans and Financing | 1,927,993 | 2,522,590 |
| Operating Liabilities | 219,993 | 232,391 |
| Deferred Discount of Investments | - | - |
| Minority Interest in Subsidiaries | 1,333 | 1,452 |
| Shareholder's Equity | 2,240,612 | 2,258,185 |
| Paid - Up Capital | 1,500,000 | 1,500,000 |
| Income Reserve | 740,612 | 758,185 |
| Total Liabilities and Equity | 6,299,689 | 7,027,995 |

ANNEX III

CASH FLOW STATEMENT

| | R\$ Thousand | |
|---|------------------|------------------|
| | JUNE | JUNE |
| | 2005 | 2006 |
| Net result from the period | 245,126 | 84,536 |
| Adjustments to reconcile net income with cash generated from operating activities: | | |
| Variation in minority interest | 1,043 | (364) |
| Provisioned interest net of paid | (144,454) | 3,924 |
| Depreciation, amortization and exhaustion | 88,861 | 109,337 |
| Goodwill amortization from acquisition | - | 13,139 |
| Result of interest in companies | 133,582 | 645 |
| Deferred taxes | 18,446 | (25,421) |
| Contingencies | 8,582 | 3,984 |
| Result of sale or write-off of property, plan & equip. | 1,578 | 5,098 |
| Variations in operating assets and liabilities: | | |
| Customer accounts receivable | (170,997) | 156,173 |
| Inventories | (136,862) | (224,862) |
| Taxes recoverable and others | (191,322) | (23,892) |
| Judicial deposits | (2,126) | (725) |
| Suppliers | 82,143 | (33,909) |
| Taxes and contribns. To withhold, wages to pay, others | (7,912) | (50,746) |
| Net cash generated from operating activities | (74,312) | 16,816 |
| Investments activities: | | |
| Proceeds from sale of property, plant & equip. | 1,267 | 572 |
| Acquisition of prop., plan & equip. / deferred assets | (288,247) | (489,036) |
| Paid portion in subsidiary, net of cash | (26,807) | (485) |
| Financial investments | (867,305) | (2,602,723) |
| Financial investment redemptions | 1,014,352 | 2,414,338 |
| Net cash generated from investment activities | (166,740) | (677,334) |
| Financing activities: | | |
| Loans and financing | 1,103,407 | 1,799,420 |
| Payment of financing | (828,099) | (925,954) |
| Dividends paid | (82,227) | (127,290) |
| Purchase of shares in treasury | (991) | - |
| Net cash generated from financing activities | 192,090 | 746,176 |
| Cash at beginning of fiscal year | 155,600 | 196,306 |
| Cash at end of fiscal year | 106,638 | 281,964 |
| Net addition (deduction) in cash | (48,962) | 85,658 |