

SADIA S.A.
Form 6-K
August 17, 2009

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 2009

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, 659
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: August 14, 2009

SADIA S.A.

By: /s/ José Luís Magalhães Salazar

Name: José Luís Magalhães Salazar

Title: Investor Relations Officer

Sadia S.A.
(Public-held company)

Interim financial information
Six-month period ended
June 30, 2009

Sadia S.A.

Publicly-held company

Interim financial information

Six-month period ended June 30, 2009

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Independent auditors' 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. (the Company) and the consolidated Interim Financial Information of the Company and its subsidiaries for the quarter ended June 30, 2009, comprising the balance sheets, the statements of income, changes in shareholders' equity, cash flows and added value, the notes to the Interim Financial Information and the management report, which are the responsibility of its management.

2.

Our review was conducted in accordance with the specific rules set forth by the IBRACON - The Brazilian Institute of Independent Auditors, in conjunction with the Federal Accounting Council - CFC, and consisted mainly of the following: (a) inquiries and discussions with the persons responsible for the Accounting, Finance and Operational areas of the Company and its subsidiaries as to the main criteria adopted in the preparation of the Interim Financial Information; and (b) reviewing information and subsequent events that have or may have relevant effects on the financial position and operations of the Company and its subsidiaries.

3.

Based on our review, we are not aware of any material modifications that should be made in the Interim Financial Information described above, for it to be in accordance with the accounting practices adopted in Brazil and the rules issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Interim Financial Information.

4.

As described in Note 2, due to the changes occurred in the accounting practices adopted in Brazil during 2008, the statements of income, cash flows and added value, related to the quarter ended June 30, 2008, presented for comparison purposes, were adjusted and are being restated as required by NPC 12 - Accounting Policies, Changes in the Accounting Estimates and Correction of Errors, approved by CVM Resolution nº 506/06.

5.

As described in note 26, on July 8, 2009, the Company became subsidiary of BRF - Brasil Foods S.A. (formerly named Perdigão S.A.). The operation is still under analysis of the Brazilian Economic Defense Council (CADE) where both parties signed an Agreement for Preservation of Reversibility of the Operation (APRO) aiming to ensure the reversibility of the operation until the final decision to be handed down by CADE

August 14, 2009

KPMG Auditores IndependentesCRC SP014428/O-6-F-SC

Marcos Antonio Boscolo

Accountant CRC SP-198789/O-0 S-SC

Sadia S.A.

Balance sheets

June 30, 2009 and March 31, 2009*(In thousands of Reais)*

| | Note | Parent company | | Consolidated | |
|-----------------------------------|------|------------------|-------------------|------------------|-------------------|
| | | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 5 | 290,188 | 116,453 | 639,686 | 1,360,434 |
| Short-term investments | 6 | 1,009,302 | 595,706 | 1,120,040 | 845,875 |
| Receivables from future contracts | 23 | - | 7,718 | 3,474 | 222,302 |
| Trade accounts receivable | 7 | 917,355 | 757,286 | 627,575 | 559,013 |
| Inventories | 8 | 1,491,743 | 1,546,283 | 1,658,611 | 1,720,965 |
| Recoverable taxes | 9 | 385,021 | 382,997 | 404,477 | 428,380 |
| Deferred taxes | 22 | 76,185 | 63,400 | 76,849 | 65,306 |
| Other credits | | 176,345 | 87,749 | 107,404 | 115,808 |
| | | 4,346,139 | 3,557,592 | 4,638,116 | 5,318,083 |

Noncurrent assets**Long-term receivables**

| | | | | | |
|--------------------------------------|----|------------|------------|------------|------------|
| Long-term investments | 6 | 192,333 | 159,945 | 192,333 | 159,945 |
| Recoverable taxes | 9 | 240,446 | 253,336 | 242,852 | 323,048 |
| Deferred taxes | 22 | 644,293 | 901,799 | 659,916 | 879,456 |
| Judicial deposits | 17 | 34,507 | 38,615 | 35,469 | 39,560 |
| Related parties | 10 | 2,120,711 | 2,090,106 | - | - |
| Advances to suppliers | | 69,872 | 68,818 | 69,872 | 68,818 |
| Other credits | | 75,762 | 72,277 | 89,538 | 99,761 |
| | | 3,377,924 | 3,584,896 | 1,289,980 | 1,570,588 |
| Investments | 11 | 253,184 | 497,715 | 14,716 | 15,184 |
| Property, plant and equipment | 12 | 3,918,142 | 3,946,342 | 4,177,577 | 4,218,207 |
| Intangible assets | 14 | 133,016 | 134,139 | 134,101 | 135,194 |
| Deferred charges | 13 | 75,727 | 79,844 | 91,715 | 120,534 |
| | | 4,380,069 | 8,242,936 | 4,418,109 | 4,489,119 |
| Total | | 12,104,132 | 11,800,528 | 10,346,205 | 11,377,790 |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Balance sheets

June 30, 2009 and March 31, 2009*(In thousands of Reais)*

| | Note | Parent company | | Consolidated | |
|---|------|------------------|-------------------|------------------|-------------------|
| | | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Liabilities and shareholders equity | | | | | |
| Current liabilities | | | | | |
| Loans and financing | 15 | 4,080,569 | 4,079,420 | 4,425,116 | 4,272,166 |
| Payables from future contracts | 23 | - | 9,355 | 92,448 | 1,396,354 |
| Suppliers | | 850,039 | 848,801 | 889,313 | 876,485 |
| Advances from subsidiaries | 10 | 825,653 | 1,108,206 | - | - |
| Salaries, social charges and accrued vacation payable | | 187,297 | 149,475 | 197,924 | 157,966 |
| Taxes payable | | 62,586 | 36,776 | 80,026 | 59,436 |
| Dividends payable | | 830 | 832 | 830 | 832 |
| Deferred taxes | 22 | 10,368 | 13,861 | 12,695 | 16,780 |
| Other accounts payable | | 135,748 | 163,253 | 252,892 | 229,921 |
| | | 6,153,090 | 6,409,979 | 5,951,244 | 7,009,940 |

Noncurrent liabilities

| | | | | | |
|-----------------------------|----|-----------|-----------|-----------|-----------|
| Loans and financing | 16 | 1,776,252 | 1,554,006 | 3,503,567 | 3,734,866 |
| Advances from subsidiaries | 10 | 3,194,379 | 3,416,772 | - | - |
| Employee benefit plan | 25 | 127,295 | 122,795 | 127,295 | 122,795 |
| Provision for contingencies | 17 | 56,146 | 53,818 | 59,765 | 57,532 |
| Deferred taxes | 22 | 93,315 | 97,212 | 93,865 | 125,227 |
| Stock option plan | 19 | 8,118 | 5,311 | 8,118 | 5,311 |
| Other accounts payable | | 236,033 | 92,554 | 101,310 | 94,549 |
| | | 5,491,538 | 5,342,468 | 3,893,920 | 4,140,280 |

Minority interest in subsidiaries

| | | | | | |
|--|--|--|--|--------|--------|
| | | | | 41,811 | 50,601 |
|--|--|--|--|--------|--------|

Shareholders equity

| | | | | | |
|--------------------------------------|----|-------------|-------------|-------------|-------------|
| | 18 | | | | |
| Capital | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Treasury stock | | (97,064) | (97,064) | (97,064) | (97,064) |
| Equity valuation adjustments | | - | (76,156) | - | 54,383 |
| Cumulative translation adjustment | | (25,507) | (15,826) | (25,507) | (15,826) |
| Retained earnings (accumulated loss) | | (1,417,925) | (1,762,873) | (1,418,199) | (1,764,524) |
| | | 459,504 | 48,081 | 459,230 | 176,969 |
| | | 12,104,132 | 11,800,528 | 10,346,205 | 11,377,790 |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of income

June 30, 2009 and 2008*(In thousands of Reais, except for information on shares)*

| | Note | Parent company | | Parent company | | Consolidated | | Consolidated |
|---|------|---------------------------|--------------------|-------------------------|--------------------|---------------------------|--------------------|-------------------------|
| | | <u>Three months ended</u> | | <u>Six months ended</u> | | <u>Three months ended</u> | | <u>Six months ended</u> |
| | | June | June | June | June | June | June | June |
| | | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 | 30, 2009 |
| Gross operating revenue: | | | | | | | | |
| Domestic market | | 1,715,356 | 1,490,675 | 3,389,950 | 2,866,863 | 1,740,036 | 1,507,072 | 3,442,397 |
| Foreign market | | <u>1,030,641</u> | <u>1,173,114</u> | <u>2,019,573</u> | <u>2,143,862</u> | <u>1,234,714</u> | <u>1,434,606</u> | <u>2,394,888</u> |
| | | <u>2,745,997</u> | <u>2,663,789</u> | <u>5,409,523</u> | <u>5,010,725</u> | <u>2,974,750</u> | <u>2,941,678</u> | <u>5,837,285</u> |
| Sales deductions: | | | | | | | | |
| Value-added tax on sales and sales deductions | | (322,184) | (296,622) | (653,531) | (569,349) | (402,004) | (333,647) | (806,406) |
| Net operating revenue | | <u>2,423,813</u> | <u>2,367,167</u> | <u>4,755,992</u> | <u>4,441,376</u> | <u>2,572,746</u> | <u>2,608,031</u> | <u>5,030,879</u> |
| Cost of goods sold | | <u>(1,951,443)</u> | <u>(2,013,287)</u> | <u>(3,982,643)</u> | <u>(3,726,738)</u> | <u>(2,001,832)</u> | <u>(1,968,687)</u> | <u>(4,073,728)</u> |
| Gross profit | | 472,370 | 353,880 | 773,349 | 714,638 | 570,914 | 639,344 | 957,151 |
| Operating income | | | | | | | | |

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(expenses):

| | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Selling expenses | (358,521) | (369,054) | (726,330) | (689,607) | (400,546) | (402,349) | (814,319) |
| Administrative and general expenses | (32,871) | (36,775) | (64,275) | (66,875) | (34,021) | (37,650) | (67,466) |
| Management fees | (4,733) | (4,802) | (9,187) | (9,333) | (4,733) | (4,802) | (9,187) |
| Other operating expenses | (13,655) | (30,020) | (7,127) | (42,325) | (19,215) | (37,036) | (12,346) |
| Financial income (expenses), net | 858,464 | 117,995 | 728,592 | 89,184 | 606,504 | 6,473 | 346,463 |
| Equity in income (loss) of subsidiaries | <u>(265,411)</u> | <u>109,756</u> | <u>(352,347)</u> | <u>362,225</u> | <u>678</u> | <u>-</u> | <u>443</u> |
| Income (loss) before income and social contribution taxes | 655,643 | 140,980 | 342,675 | 357,907 | 719,581 | 163,980 | 400,739 |
| Current income and social contribution taxes | (112,596) | (2) | (112,596) | (25) | (179,652) | (3,628) | (184,788) |
| Deferred income and social contribution taxes | (198,099) | 107 | (120,465) | 25,786 | (197,158) | (7,870) | (117,294) |
| Net income before minority interest | 344,948 | 109,614 | 109,614 | 383,668 | 342,771 | 152,482 | 98,657 |
| Minority interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,554</u> | <u>1,587</u> | <u>8,472</u> |
| Net income | <u>344,948</u> | <u>109,614</u> | <u>109,614</u> | <u>383,668</u> | <u>346,325</u> | <u>154,069</u> | <u>107,129</u> |
| Outstanding shares net of treasury stock (thousands) | 672,951 | 672,741 | 672,951 | 672,741 | 672,951 | 672,741 | 672,951 |
| Earnings per share - In | 0.51259 | 0.20972 | 0.16289 | 0.57031 | 0.51464 | 0.22902 | 0.15919 |

Reais

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of changes in shareholders' equity (parent company)

June 30, 2009 and March 31, 2009*(In thousands of Reais)*

| | Capital | Treasury shares | Equity valuation adjustments | Retained earnings | Total |
|--------------------------------------|----------------|----------------------------|---|------------------------------|--------------|
| Balances at March 31, 2009 | 2,000,000 | (97,064) | (91,982) | (1,762,873) | 48,081 |
| Equity valuation adjustments | - | - | 76,156 | - | 76,156 |
| Cumulative translation adjustment | - | - | (9,681) | - | (9,681) |
| Net profit for the period | - | - | - | 344,948 | 344,948 |
| Balances at June 30, 2009 | 2,000,000 | (97,064) | (25,507) | (1,417,925) | 459,504 |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of changes in shareholders' equity (consolidated)

June 30, 2009 and March 31, 2009*(In thousands of Reais)*

| Consolidated | Capital | Treasury shares | Equity valuation adjustments | Retained earnings | Total |
|---------------------------------------|----------------|----------------------------|---|------------------------------|--------------|
| Balances at March 31, 2009 | 2,000,000 | (97,064) | 38,557 | (1,764,524) | 176,969 |
| Equity valuation adjustments | - | - | (54,383) | - | (54,383) |
| Cumulative translation adjustment | - | - | (9,681) | - | (9,681) |
| Net loss for the period | - | - | - | 346,325 | 346,325 |
| Balances at June 30, 2009 | 2,000,000 | (97,064) | (25,507) | (1,418,199) | 459,230 |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of cash flows

Six months ended June 30, 2009 and 2008*(In thousands of Reais)*

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Net income for the period | <u>109,614</u> | <u>383,668</u> | <u>107,129</u> | <u>402,335</u> |
| Adjustments to reconcile net income to cash | | | | |
| generated by operating activities | | | | |
| Variation in minority interest | - | - | (12,144) | (12,080) |
| Depreciation, amortization and depletion | 243,671 | 187,231 | 247,837 | 189,709 |
| Accrued interest, net of paid interest | (202,987) | 85,195 | (542,503) | 426,180 |
| Result of allocated derivative instruments, net | - | (31,314) | - | (230,799) |
| Goodwill amortization | - | 10,481 | - | 10,481 |
| Equity in earnings of subsidiaries | 352,347 | (362,225) | (443) | - |
| Deferred taxes | 164,533 | (25,786) | 97,523 | (75,600) |
| Contingencies | 4,335 | 1,316 | 4,248 | (8,915) |
| Result from the disposal of permanent assets | 1,974 | 2,048 | 2,436 | 2,095 |
| Variation in operating assets and liabilities | | | | |
| Trade accounts receivable | 131,801 | 63,125 | 162,892 | 1,106 |
| Inventories | 168,942 | (382,081) | 192,409 | (452,350) |
| Recoverable taxes and other | (271,542) | (117,403) | (237,373) | (423,957) |
| Interests and exchange variation | (202,292) | (61,140) | (256,242) | (118,789) |
| Judicial deposits | 6,186 | (2,308) | 6,140 | (3,000) |
| Suppliers | (56,052) | 254,132 | (29,374) | 250,627 |
| Advances from subsidiaries | (437,255) | 564,949 | - | - |

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| | | | | |
|---|------------------|------------------|--------------------|------------------|
| Taxes payable, salaries payable and others | <u>323,023</u> | <u>32,650</u> | <u>11,543</u> | <u>148,818</u> |
| Net cash generated by operating activities | 336,298 | 602,538 | (245,922) | 105,861 |
| Investment activities | | | | |
| Funds from the sale of permanent assets | 1,943 | 1,017 | 1,943 | 1,048 |
| Investments in subsidiaries | - | (53,868) | - | - |
| Goodwill | - | (51,803) | - | (51,803) |
| Interests and exchange variation | 58,882 | 20,789 | 68,166 | 20,792 |
| Purchase of property, plant and equipment | (271,914) | (807,573) | (294,204) | (919,576) |
| Purchase of intangible assets | (6,942) | (45) | (7,708) | (45) |
| Purchase of deferred charges | - | (9,720) | - | (33,115) |
| Acquisition of subsidiary, net cash | - | (40,290) | - | (40,290) |
| Receivables from future contracts | 15,879 | 9,462 | 402,647 | 271,596 |
| Short-term investments | (2,766,944) | (229,138) | (2,889,950) | (810,231) |
| Redemption of investments | 2,619,522 | 20,071 | 3,164,058 | 801,609 |
| Dividends received | <u>105,553</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash applied in investments activities | <u>244,021</u> | <u>1,141,098</u> | <u>444,952</u> | <u>(760,015)</u> |
| Loan activities | | | | |
| Loans received | 2,321,270 | 656,960 | 2,456,783 | 1,007,435 |
| Loans paid | (1,953,382) | (182,455) | (2,325,127) | (439,310) |
| Payables from future contracts | (38,367) | 8,748 | (1,854,986) | (108,826) |
| Dividends paid | (12) | (137,669) | (12) | (137,669) |
| Loans with subsidiaries | <u>(275,613)</u> | <u>(8,726)</u> | <u>-</u> | <u>-</u> |
| Net cash from loan activities | <u>53,896</u> | <u>336,858</u> | <u>(1,723,342)</u> | <u>321,630</u> |
| Cash at beginning of the period | 144,015 | 251,587 | 2,163,998 | 680,655 |
| Cash at end of the period | <u>290,188</u> | <u>49,885</u> | <u>639,686</u> | <u>348,131</u> |
| Net decrease of cash | <u>146,173</u> | <u>(201,702)</u> | <u>(1,524,312)</u> | <u>(332,524)</u> |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of consolidated added value

Six months ended June 30, 2009 and 2008*(In thousands of Reais)*

| | Parent company | | Consolidated | |
|---|-----------------------|------------------|---------------------|------------------|
| | June | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Revenues/income | | | | |
| Sale of products, goods and services | 5,337,072 | 4,962,800 | 5,734,140 | 5,464,772 |
| Raw materials acquired from third parties | (2,936,268) | (2,706,655) | (3,027,353) | (2,684,837) |
| Services rented from third parties | (813,013) | (870,858) | (869,254) | (921,901) |
| Gross added value | 1,587,791 | 1,385,287 | 1,837,533 | 1,858,034 |
| Depreciation/amortization/depletion | (243,671) | (197,712) | (247,837) | (200,190) |
| Net added value produced by the company | 1,344,120 | 1,187,575 | 1,589,696 | 1,657,844 |
| Transferred added value | | | | |
| Equity in net income of subsidiaries and associated companies | (352,347) | 362,225 | 443 | - |
| Financial income | 18,893 | (26,542) | 198,803 | 63,599 |
| Other operating results | (1,894) | (1,655) | (6,341) | (6,962) |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Total added value to be distributed | 1,008,772 | 1,521,603 | 1,782,601 | 1,714,481 |
| Distribution of added value | | | | |
| Employees | 791,392 | 755,837 | 814,960 | 773,283 |
| Payroll and related charges | 515,311 | 483,727 | 534,232 | 495,098 |
| Benefits | 99,068 | 87,344 | 99,879 | 75,152 |
| FGTS (Government Severance Indemnity) | 35,070 | 30,895 | 35,073 | 30,919 |
| Others | 141,943 | 153,871 | 145,776 | 172,114 |
| Taxes | 814,139 | 495,577 | 893,187 | 511,682 |
| Federal | 536,081 | 234,601 | 609,874 | 248,065 |
| State | 278,058 | 260,976 | 283,313 | 263,617 |
| Financiers | (709,699) | (115,726) | (147,660) | (33,043) |
| Interest | (709,699) | (115,726) | (147,660) | (33,043) |
| Shareholders' equity | 109,614 | 383,668 | 98,657 | 402,035 |
| Interest on shareholders' equity | - | 91,165 | - | 91,165 |
| Dividends | - | 6,473 | - | 6,473 |
| Retained earnings/loss for the period | 109,614 | 286,030 | 107,129 | 304,697 |
| Minority interest | - | - | (8,472) | (300) |
| Others | 3,326 | 2,247 | 123,457 | 60,524 |

See the accompanying notes to the interim financial statements.

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

June 30, 2009 and March 31, 2009

(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, Middle East, Eurasia, Asia and Americas. The Company has 18 industrial units of its own, 4 leased 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's shares are listed on the São Paulo stock exchange, responding to Corporate Governance Level I under the codes SDIA3 and SDIA4, and deposit receipts of its preferred shares are listed on the Madrid stock exchange (Latibex) and the New York stock exchange (NYSE).

Partnership Agreement

According to the material fact released on May 19, 2009, the management of Sadia and Perdigão jointly informed the execution of the partnership agreement between the two Companies that will allow, by means of the successive transactions, the business combination between Perdigão and Sadia (business combination). The business combination will not include the subsidiary Concórdia Holding Financeiras S.A. and its subsidiaries Banco Concórdia S.A and Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities, which will be sold by Sadia.

The business combination will result in the creation of a new company, BRF - Brasil Foods S.A. (BRF), with official head office in Itajaí, Santa Catarina.

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

The business combination will be submitted to approval by the Brazilian antitrust authorities (Economic Defense Administration Council – CADE; Secretariat for Economic Rights – SDE; and Secretariat for Economic Monitoring SEAE). The implementation of the business combination will depend on the submission of the examination of the transaction by the Antitrust Authorities of other jurisdictions, to the extent required by the applicable law, on account of the running of business between Perdigão and Sadia.

2

Preparation and presentation of the interim financial information

The individual and consolidated interim financial information are presented in thousands of Reais, unless otherwise states and were prepared in accordance with accounting practices adopted in Brazil, which are derived from the Brazilian Corporation Law, pronouncements, guidelines and interpretation of the Accounting Pronouncements Committee (CPC), and the rules of the Brazilian Securities Commission (CVM).

As disclosed in the financial statements of the year ended on December 31, 2008, for the first time when preparing the Parent Company only and consolidated financial statements for 2008, the Company adopted the amendments to the Corporate Law introduced by Law 11638, which was approved on December 28, 2007 with the respective changes introduced by Provisional Measure

449 on December 3, 2008. Accordingly, the income statements of the parent company and consolidated for the period ended June 30, 2008 were adjusted for the purpose of maintaining comparability with the income statements for the period ended June 30, 2009. The adjustments that were made are presented as follows:

| | Net Income | |
|--|-----------------------|---------------------|
| | Parent company | Consolidated |
| Net income as of June 30, 2008 - without the effects of Law 11638/07 | 316,096 | 334,763 |
| Fair value of future contracts, net of tax | 771 | 78,947 |
| Stock Options | (11,375) | (11,375) |
| Equity accounting of the adjustments of the Law recorded in the subsidiaries | 78,176 | - |
| Net income as of June 30, 2008 - With the effects of Law 11638/07 | 383,668 | 402,335 |

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Notes to the interim financial information

(In thousands of Reais)

Authorization for the issuance of these financial statements was given by Fiscal Council and Board of directors on August 13 and 14, 2009, respectively, authorizing their disclosure to the market.

3

Description of significant accounting policies

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 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.

The shipping and handling costs are classified as selling expenses and effectively recognized in the income statement at the time of transfer of the products to the client. In the period ended June 30, 2009 the shipping and handling expenses totaled the amount of R\$321,294 (R\$293,757 in the same period of 2008).

Research and development costs are recognized as an expense in the measure that they are incurred and in the period ended June 30, 2009 totalled the amount of R\$2,689 (R\$4,216 in the same period of 2008).

Expenses with publicity and promotions are recognized when incurred and in the period ended June 30, 2009 totalled the amount of R\$63,911 (R\$ 71,688 in the same period of 2008).

Accounting estimates

The preparation of the interim financial statements 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,

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Notes to the interim financial information

(In thousands of Reais)

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.

Foreign currency

In accordance with the rules established in Accounting Pronouncements Committee - CPC 02 - Effects of Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution 534, the Company's management defined that the functional currency of its subsidiaries abroad is the Real, except for its subsidiary in Russia, which has the local currency as its functional currency.

Transactions in foreign currency are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income.

The gains and losses arising from changes in investments abroad are recognized directly in shareholders' equity under equity valuation adjustments and recognized in the statement of income when these investments are fully or partially disposed of.

Cash and cash equivalents

Cash and cash equivalents include bank accounts and investments with immediate liquidity and low market variation risk with maturities in up to 90 days at the time of acquisition and which run a low risk of market change

Long and short-term investments

In accordance with the rules of Accounting Pronouncements Committee - CPC 14 - Recognition, Valuation and Proof of Financial Instruments, short and long-term investments must be classified in one of three categories, according to the purpose for which the investment was acquired:

- (i) held to maturity, when management has the intention and financial ability to hold the investment until its maturity;
- (ii) held for trading, when the purpose of the acquisition of the investment is to obtain short-term gains and (iii) securities available for sale when the intention is not classified in any of the categories above.

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Notes to the interim financial information

(In thousands of Reais)

The held to maturity securities are valued at cost of acquisition, plus interest and exchange or monetary variations, less eventual reductions in the recoverable value, when applicable.

The held for trading are securities valued at their fair value, according to the Company's investment strategy and risk management. The variations arising from valuation to fair value are recognized in the income statement.

The available for sale securities are valued at their fair value, and the unrealized gains and losses are classified in shareholders' equity, net of tax effects, as equity valuation adjustments. Gains and losses realized or losses considered as permanent are recognized in the statement of income when incurred.

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.

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), or 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 in hog stock and poultry are inventoried and abnormal losses are expensed immediately as cost of goods sold.

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 disclosed in Note 11.

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

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Notes to the interim financial information

(In thousands of Reais)

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Balance sheet accounts at the exchange rate at the end of the period.

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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 considered as permanent.

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, adjusted in keeping with the work shifts, as disclosed in Note 12. Depletion of forestry resources is calculated based on the extraction of timber and the average costs of the forests.

Breeding stock is recorded at the cost of formation which includes the appropriation 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 off springs. The productive cycle ranges from fifteen to thirty months.

Intangible assets

Intangible assets comprise assets generated internally by the Company and they are valued at cost of formation, less accumulated amortization. These assets are recognized only in the development stage, provided that the following criteria are met: (i) technical viability to conclude the intangible asset so that it is available for use or sale; (ii) ability to use or sell the intangible asset; (iii) existence of ways of gaining economic benefits and (iv) ability to measure with certainty the expenses attributable to the intangible asset during its development.

Deferred charges

Deferred charges are represented substantially by pre-operating costs and reorganization charges, which are amortized on a straight-line basis over 5 years as from the beginning of operation. Provisional Measure 449/08 extinguished this group of accounts and the Company opted to maintain the balance of deferred charges until their total realization through amortization or write-off against the statement of income.

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Notes to the interim financial information

(In thousands of Reais)

Impairment of long lived assets

The Company reviews its non current assets 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. Until now, these reviews have not indicated the need to recognize impairment losses.

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 interim financial information date.

Derivative financial instruments

The derivatives are valued at their fair value and the gains and losses recognized in the statements of income. The fair value recognized in the financial statements takes into consideration market conditions and assumptions on the base date of these statements and does not necessarily represent the outflow or receipt of cash, supposing the transactions were settled on the date of the interim financial statements.

Grants and subsidies

Grants and subsidies received by the Company, with assumed future obligations, are recognized as liabilities at their fair value and will be appropriated to the income statement in the measure that the assumed obligation is fulfilled, as contra entries to the receipt of the grants and/or subsidies.

Government subsidies and donations that do not have assumed obligations are recognized in the income statement and collated with the expenses that it is intended to offset, provided that the conditions of Accounting Pronouncements Committee - CPC 07 - Government Subsidies and Assistance, are met.

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Notes to the interim financial information

(In thousands of Reais)

Share based payments

The Company adopted the provisions of the Accounting Pronouncements Committee - CPC 10 - Share based payments, recognizing as an expense, on a straight-line basis, the fair value of the options granted during the period of service required by the plan, as corresponding entries against liabilities. The fair value of the options is updated on the base date of the financial statements, based on assumptions available on the market.

Provisions

A provision is recognized in the interim financial information when the Company and its subsidiaries have 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.

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 and take into consideration past profitability and expectations of generation of future taxable income based on a technical viability study approved by management.

Other 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.

Environmental

The Company's production facilities and forestry activities are subject to government environmental regulations. The risks associated with environmental questions are reduced through operational controls and procedures, as well as investments in equipment and systems for pollution control. In the management evaluation no provision for losses related to environmental questions is currently necessary, based on existing Brazilian laws and regulations.

Sadia S.A.

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Notes to the interim financial information

(In thousands of Reais)

4

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 fund Concórdia Foreign Investment Fund Class A, where it is the wholly investment holder. This investment fund has the sole purpose of centralizing the foreign investment fund portfolio and delegating to a third party the administrative functions.

The consolidated interim financial information includes the accounts of Sadia S.A. and its direct and indirect subsidiaries. The accounting policies were applied consistently in all the subsidiaries. The consolidated direct or indirect subsidiaries and the corresponding shareholdings of the Company are as follows:

| | Shareholdings in % at | |
|---|------------------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 |
| Sadia International Ltd. | 100.00% | 100.00% |
| Sadia Uruguay S.A. | 100.00% | 100.00% |
| Sadia Chile S.A. | 60.00% | 60.00% |
| Sadia Alimentos S.A. | 95.00% | 95.00% |
| Concórdia Foods Ltd. | 100.00% | 100.00% |
| Sadia U. K. Ltd. | 100.00% | 100.00% |
| | | |
| Big Foods Indústria de Produtos Alimentícios Ltda. | 100.00% | 100.00% |
| | | |
| Baumhardt Comércio e Participações Ltda. | 73.94% | 73.94% |
| Excelsior Alimentos S.A. | 25.10% | 25.10% |
| Excelsior Alimentos S.A. | 46.01% | 46.01% |
| | | |
| K&S Alimentos S.A. | 49.00% | 49.00% |

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Notes to the interim financial information

(In thousands of Reais)

| | Shareholdings in % at | |
|---|------------------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 |
| Sadia Industrial Ltda. | 100.00% | 100.00% |
| Rezende Marketing e Comunicações Ltda. | 0.09% | 0.09% |
| Rezende Marketing e Comunicações Ltda. | 99.01% | 99.91% |
| Sadia Overseas Ltd. | 100.00% | 100.00% |
| Concórdia Holding Financeira S.A. | 100.00% | 100.00% |
| Concórdia S.A. C.V.M.C.C. | 99.99% | 99.99% |
| Concórdia Banco S.A. | 100.00% | 100.00% |
| Sadia GmbH | 100.00% | 100.00% |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 100.00% | 100.00% |
| Sadia Foods G.m.b.H. | 100.00% | 100.00% |
| Qualy B. V. (a) | 100.00% | 100.00% |
| Sadia Panamá S.A. | 100.00% | 100.00% |
| Sadia Japan Ltd. | 100.00% | 100.00% |

| | | |
|-----------------|---------|---------|
| Badi Ltd. | 100,00% | 100,00% |
| Investeast Ltd. | 60.00% | 60.00% |
| Concórdia Ltd. | 100.00% | 100.00% |

(a)

Holding for 48 subsidiaries in the Netherlands, for the purpose of operating in the European market on a quota basis.

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

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

| | Net income | | Shareholders equity | |
|---|----------------|----------------|---------------------|---------------|
| | June | June | June | March |
| | 30, 2009 | 30, 2008 | 30, 2009 | 31, 2009 |
| Company's interim financial statements | 109,614 | 383,668 | 459,504 | 48,081 |
| Elimination of unrealized profits on inventories in intercompany operations, net of taxes | (275) | (1,880) | 1,936 | 558 |
| Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at June 30, 2009 | (2,210) | 6,697 | (2,210) | (2,210) |
| Unrealized gain on available for sale securities, net of taxes | - | - | - | 54,383 |
| Elimination of the unrealized gain or loss on available for sale securities, net of taxes | - | 13,850 | - | 76,157 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Consolidated interim financial statements | 107,129 | 402,335 | 459,230 | 176,969 |
|---|----------------|----------------|----------------|----------------|

5

Cash and cash equivalents

| | Interest % (annual average) | Parent company | | Consolidated | |
|--|--|-----------------------|-----------------|---------------------|------------------|
| | | June | March | June | March |
| | | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| Local currency | | | | | |
| Cash and cash equivalents | - | 240,796 | 56,009 | 265,411 | 73,547 |
| Investment funds | 9.16 | <u>-</u> | <u>-</u> | <u>104,349</u> | <u>76,260</u> |
| | | <u>240,796</u> | <u>56,009</u> | <u>369,760</u> | <u>149,807</u> |
| Foreign currency | | | | | |
| Cash and cash equivalents | - | 49,135 | 60,129 | 93,078 | 84,531 |
| Interest-bearing current account | 0.31 | 257 | 315 | 104,513 | 132,363 |
| Interest-bearing accounts in guarantee | 0.31 | <u>-</u> | <u>-</u> | <u>72,335</u> | <u>993,733</u> |
| | | <u>49,392</u> | <u>60,444</u> | <u>269,926</u> | <u>1,210,627</u> |
| | | <u>290,188</u> | <u>116,453</u> | <u>639,686</u> | <u>1,360,434</u> |

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Notes to the interim financial information

(In thousands of Reais)

Interest-bearing accounts in guarantee refer to margin deposits of operations with derivative contracts which are not available for other purposes other than the settlement of these contracts.

6

Long and short-term investments

| | Interest % | Parent company | | Consolidated | |
|-------------------------------|-------------------------|-----------------------|-----------------|---------------------|-----------------|
| | | June | March | June | March |
| | | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| | (annual average) | | | | |
| Short-term investments | | | | | |
| Held for trading | | | | | |
| Local currency | | | | | |
| Investment funds | 8.96 | <u>272.085</u> | <u>169.424</u> | <u>315.448</u> | <u>215.999</u> |
| | | <u>272.085</u> | <u>169.424</u> | <u>315.448</u> | <u>215.999</u> |

Available for sale**Local currency**

| | | | | | |
|--------------------------------|------|----------------|----------------|----------------|----------------|
| Bank Deposit Certificate - CDB | 8.99 | 606,330 | 212,582 | 614,644 | 236,673 |
| Treasury bills - LFT | 9.16 | 99,688 | 77,804 | 133,674 | 117,244 |
| Stocks | - | <u>-</u> | <u>99,016</u> | <u>-</u> | <u>99,016</u> |
| | | <u>706,018</u> | <u>389,402</u> | <u>748,318</u> | <u>452,933</u> |

Foreign currency

| | | | | | |
|------------------|--|----------------|----------------|----------------|----------------|
| Investment funds | | <u>31,199</u> | <u>36,880</u> | <u>56,574</u> | <u>176,943</u> |
| | | <u>737,217</u> | <u>426,282</u> | <u>804,592</u> | <u>629,876</u> |

Long-term investments**Available for sale****Local currency**

| | | | | | |
|-----------------------------------|-------|----------------|----------------|----------------|----------------|
| Investment funds | 8.96 | 71,202 | 69,008 | 71,202 | 69,008 |
| Treasury bills LFT | 9.16 | 46,674 | 45,139 | 46,674 | 45,139 |
| National Treasury Certificate CTN | 12.00 | 46,222 | 45,798 | 46,222 | 45,798 |
| Bank Deposit Certificates (CDB) | 8.90 | <u>28,235</u> | <u>-</u> | <u>28,235</u> | <u>-</u> |
| | | <u>192,333</u> | <u>159,945</u> | <u>192,333</u> | <u>159,945</u> |

Long-term investments as of June 30, 2009 mature as follows:

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Notes to the interim financial information

(In thousands of Reais)

Maturity

| | |
|--------------|-----------------------|
| 2010 | 71,202 |
| 2011 | 10,129 |
| 2012 | 46,222 |
| 2014 onwards | <u>64,780</u> |
| | <u>192,333</u> |

The financial investments used by the Company are subject to typical market fluctuations, credit risks, systems risks, adverse liquidity situations and atypical negotiations in the respective operating markets and even with risk management systems there is no assurance of complete elimination of losses.

Held for trading

The securities held for trading are represented by the portfolio of investments in an investment fund in local currency composed basically of quotas of open investment funds that have as assets: Bank Deposit Certificates (CDB), National Treasury Bills (LFT) and shares. The financial obligations of these funds are limited to the management fee and

management expenses.

Available for sale

The securities classified as available for sale, except investments in shares, due to their trading characteristics have their valuation pegged to market interest rates and there is no difference between their corrected cost and the market value. Accordingly, the effective interest rate is recognized directly in the income statement for the period.

The investment fund in foreign currency has project financing with first-line financial institutions rated in accordance with the risk classification prepared by specialized rating agencies.

The financial operations portfolio, as well as a description of the main financial instruments used by the exclusive fund in a foreign currency, is presented as follows:

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Notes to the interim financial information

(In thousands of Reais)

| | Consolidated | |
|--------------------|----------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 |
| Structured notes | 51,062 | 86,183 |
| Collateral | 5,916 | 76,497 |
| Swap range accrual | (4,464) | (74,758) |
| Money market | 242 | 197 |
| Other assets | <u>3,518</u> | <u>88,824</u> |
| | <u>56,274</u> | <u>176,943</u> |

Credit Linked Notes - CLN's

Credit notes issued by financial institutions abroad, divided into three types of risk, as follows: a) Brazil risk; and b) company risk. These structured notes paid periodic interest (Libor + spread).

Libor swap range accrual - Brazil Credit default swap - CDS 5Y

Operations structured on a notional value, where the Company receives on a six month basis interest (Libor + spread), when the Libor is within a range of 1.5% to 6% p.a., and pays prefixed interest rate. If the Libor is outside this range there is no accrual of interest. These operations were settled on July, 2009.

Credit default swap - CDS 5Y Brasil

Structured operations on a notional base, where the Company receives on a six-month basis interest (CDS + spread), when the Brazil credit default swap - CDS 5Y is within 20 and 350 basis point, paying periodic interest. If the Brazil risk is outside this range there is no receipt of interest. These operations were settled on July, 2009.

As a result of the international crisis and the consequent increase in the volatility of financial assets, as from September 2008 the portfolio for investments in the investment fund in foreign currency have been undergoing material changes in their composition, either through mark-to-market or settlement of transactions. At June 30 2009 the loss made on the sale of the fund's assets in the amount R\$52,239 was recorded under financial results (See note 21).

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Notes to the interim financial information

(In thousands of Reais)

7

Accounts receivable

| | Parent company | | Consolidated | |
|-------------------|-----------------------|-----------------|---------------------|-----------------|
| | June | March | June | March |
| | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| Foreign | | | | |
| Customers | 86,621 | 118,656 | 368,208 | 291,475 |
| Subsidiaries | <u>573,005</u> | <u>374,842</u> | <u>-</u> | <u>-</u> |
| Total of foreign | <u>659,626</u> | <u>493,498</u> | <u>368,208</u> | <u>291,475</u> |
| Domestic | | | | |
| Customers | 263,259 | 268,035 | 276,378 | 281,410 |
| Subsidiaries | <u>832</u> | <u>3,018</u> | <u>-</u> | <u>-</u> |
| Total of domestic | <u>264,091</u> | <u>271,053</u> | <u>276,378</u> | <u>281,410</u> |

| | | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| (-) Allowance for doubtful accounts | (6,362) | <u>(7,265)</u> | <u>(17,011)</u> | (13,872) |
| | <u>917,355</u> | <u>757,286</u> | <u>627,575</u> | <u>559,013</u> |

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

| | Parent company | | Consolidated | |
|--|----------------|----------------|-----------------|-----------------|
| | June | March | June | March |
| | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| Balance at the beginning of the period | (7,265) | (4,969) | (13,872) | (9,100) |
| Additions to the provision | (298) | (2,296) | (3,590) | (5,094) |
| Write offs | <u>1,201</u> | <u>-</u> | <u>451</u> | <u>322</u> |
| Balance at the end of the period | <u>(6,362)</u> | <u>(7,265)</u> | <u>(17,011)</u> | <u>(13,872)</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\$200 million, with interest rate of 0.25% p.a. + LIBOR.

As of June 30, 2009, the amount of receivables sold under this agreement amounted to approximately R\$272 million (R\$353 million as of March 31, 2009). During the period ended June 30, 2009, the Company received cash proceeds of approximately R\$1,947 million (R\$1,889

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Notes to the interim financial information

(In thousands of Reais)

million in the same period of 2008) and incurred expenses of R\$3.2 million (R\$5.7 million in the same period of 2008) 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 Mobiliários, Câmbio e Commodities. As of June 30, 2009, the net equity of this fund was R\$354,668 (R\$344,586 at March 31, 2009), of which R\$266,675 (R\$246,205 at March 31, 2009) were represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent 120% 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, 2009, represented R\$70,934 (R\$68,917 at March 31, 2009).

During the period ended June 30, 2009, the Company received cash proceeds related to the local receivables sold of approximately R\$2,206 million (R\$1,901 million in the same period of 2008) and incurred expenses of R\$15.9 million (R\$12.7 million in the same period of 2008) 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.

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Notes to the interim financial information

*(In thousands of Reais)***8****Inventories**

| | Parent company | | Consolidated | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | June | March | June | March |
| | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| Finished goods and products for resale | 522,062 | 546,027 | 665,349 | 689,838 |
| Livestock and poultry for slaughter | 465,630 | 437,322 | 465,630 | 437,322 |
| Raw materials | 183,670 | 233,134 | 196,489 | 248,050 |
| Work in process | 185,638 | 188,515 | 185,827 | 188,662 |
| Packaging materials | 58,251 | 54,246 | 59,515 | 55,405 |
| Storeroom | 32,853 | 34,144 | 38,130 | 39,404 |
| Products in transit | 10 | 121 | 2,075 | 6,066 |
| Advances to suppliers | 41,636 | 49,654 | 41,636 | 49,654 |
| Imports in transit | <u>1,993</u> | <u>3,120</u> | <u>3,960</u> | <u>6,564</u> |
| | <u>1,491,743</u> | <u>1,546,283</u> | <u>1,658,611</u> | <u>1,720,965</u> |

9

Recoverable taxes

| | Parent company | | Consolidated | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | March | June | March |
| | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| ICMS | 340,545 | 328,244 | 342,268 | 329,537 |
| PIS and COFINS | 211,002 | 218,084 | 212,318 | 219,231 |
| IPI | 43,944 | 44,045 | 44,280 | 44,086 |
| Income and social contribution taxes | 29,584 | 45,534 | 39,202 | 122,882 |
| IVA and tax credits on imports | - | - | 8,434 | 35,065 |
| INSS | 254 | 313 | 254 | 313 |
| Other | <u>138</u> | <u>113</u> | <u>573</u> | <u>314</u> |
| | <u>625,467</u> | <u>636,333</u> | <u>647,329</u> | <u>751,428</u> |
| Short-term portion | 385,021 | 382,997 | 404,477 | 428,380 |
| Long-term portion | 240,446 | 253,336 | 242,852 | 323,048 |

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

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.

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.

c.

Social contributions - PIS/COFINS

The balance is composed from noncumulative collection of PIS and COFINS, and these credits may be compensated with other federal taxes.

d.

Value-added tax - IVA and Tax Credits on imports

Composed of credits generated by the commercial operations in the foreign subsidiaries, which will be compensated with taxes of the same nature or cash reimbursements.

e.

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.

f.

National Institute of Social Security - INSS

The balance relates to credits originated from the Funrural charge on operations related to the production of poultry, which can be compensated with contributions of the same nature.

In 2008 the Company made a formal inquiry to the Brazilian Internal Revenue Service challenging its interpretation as refers to the possibility of discounting full credits from the contribution to PIS/PASEP and of COFINS in relation to the acquisitions of agricultural inputs for agribusiness in the period between August 2004 and April 2006. In June 2009 the Company obtained a favorable answer to inquiry, allowing it the restated full credit. In view of this response, the Company recognized in this quarter the credit relating to PIS/COFINS in the amount of R\$55,498 in contra-account to the cost of products sold.

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

*(In thousands of Reais)***10****Related party transactions**

Related party transactions refers to mainly of sales operations between the Company and its subsidiaries, which were performed under normal market conditions for similar types of operations. The balance sheet and income statement transactions between related parties are shown below:

| | Balance sheet | |
|---|----------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 |
| Accounts receivable | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 544,517 | 339,780 |
| Concórdia Ltd. | 9,326 | 10,493 |
| Sadia Alimentos S.A. | 7,431 | 9,300 |
| Qualy B.V. | 6,341 | 10,708 |
| Sadia Chile S.A. | 4,728 | 3,595 |
| Sadia Uruguay S.A. | 662 | 769 |

| | | |
|--|-------------------------|-------------------------|
| Excelsior Alimentos S.A. | 565 | 93 |
| Big Foods Ind. Prod. Alimentícios Ltda. | 267 | 2,925 |
| Sadia International Ltd. | <u>-</u> | <u>197</u> |
| | <u>573,837</u> | <u>377,860</u> |
| Dividends receivable | | |
| Concórdia Holding Financeira S.A. | <u>105,553</u> | <u>-</u> |
| | <u>105,553</u> | <u>-</u> |
| Loans | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 2,117,240 | 2,085,796 |
| Sadia GmbH | 2,574 | 3,054 |
| Sadia Industrial Ltda. | 890 | 890 |
| Excelsior Alimentos S.A. | 73 | 46 |
| Rezende Marketing e Comunicação Ltda. | 61 | 61 |
| Big Foods Ind. Prod. Alimentícios Ltda. | 59 | 43 |
| Concórdia Holding Financeira S.A. | 25 | 466 |
| Sadia International Ltd. | <u>(211)</u> | <u>(250)</u> |
| | <u>2,120,711</u> | <u>2,090,106</u> |

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

| | Balance sheet | |
|--|---------------------------|---------------------------|
| | June 30, 2009 | March 31, 2009 |
| Suppliers | | |
| Big Foods Ind. Prod. Alimentícios Ltda. | 2,864 | 8,371 |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 591 | - |
| Sadia Uruguay S.A. | <u>26</u> | <u>-</u> |
| | <u>3,481</u> | <u>-</u> |
| | | <u>8,371</u> |
| Advances from subsidiaries | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | (4,018,342) | (4,522,973) |
| Sadia International Ltd. | <u>(1,690)</u> | <u>(2,005)</u> |
| Total current and non current | <u>(4,020,032)</u> | <u>(4,524,978)</u> |

The loans and advances between the parent company and its subsidiaries abroad are updated by Libor + interest 3% p.a.

Income statement

| | June 30, 2009 | June 30, 2008 |
|--|-------------------------|-------------------------|
| Sales | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 1,429,542 | 1,308,818 |
| Qualy B. V. | 37,144 | 21,601 |
| Sadia Chile S.A. | 15,214 | 9,966 |
| Big Foods Ind. Prod. Alimentícios Ltda. | 13,434 | 7,341 |
| Sadia Alimentos S.A. | 11,114 | 9,473 |
| Concórdia Ltd. | 6,609 | - |
| Sadia Uruguay S.A. | 3,773 | 4,612 |
| Excelsior Alimentos S.A. | 2,010 | - |
| Sadia International Ltd. | 82 | 139,735 |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>-</u> | <u>2,524</u> |
| | <u>1,518,922</u> | <u>1,504,070</u> |
| Cost of goods sold | | |
| Big Foods Ind. Prod. Alimentícios Ltda. | (50,345) | (35,466) |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>-</u> | <u>(10,064)</u> |
| | <u>(50,345)</u> | <u>(45,530)</u> |

Sadia S.A.

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Notes to the interim financial information

(In thousands of Reais)

| | Income statement | |
|---|-------------------------|-----------------------|
| | June 30, 2009 | June 30, 2008 |
| Net financial result | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 683,073 | 170,739 |
| Sadia International Ltd. | 464 | 154 |
| Sadia GmbH | <u>(508)</u> | <u>-</u> |
| | <u>683,029</u> | <u>170,893</u> |

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Investments

| Investments | Ownership | Shareholders Equity | Net income (loss) in the period | Equity result | Investment Balances | |
|--------------------|------------------|----------------------------|--|----------------------|----------------------------|-----------------------|
| | | | | | June 30, 2009 | March 31, 2009 |

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| | | | | | | |
|--|---------|-----------|-----------|------------------|----------------|----------------|
| Sadia International Ltd. | 100.00% | 105,900 | (38) | (20,716) | 105,900 | 123,327 |
| Concórdia Holding Financeira S.A. | 100.00% | 84,103 | 108,408 | 109,092 | 84,103 | 81,480 |
| Big Foods Ind. de Prod. Alimentícios Ltda. | 100.00% | 45,778 | 5,902 | 5,902 | 45,778 | 43,342 |
| K&S Alimentos S.A. | 49.00% | 26,083 | (238) | (116) | 12,781 | 12,780 |
| Excelsior Alimentos S.A. | 46.01% | 7,295 | 224 | (12) | 3,357 | 3,549 |
| Baumhardt Comércio e Participações Ltda. | 73.94% | 1,149 | 45 | 33 | 850 | 927 |
| Sadia Industrial Ltda. | 100.00% | 356 | (6) | (5) | 358 | 355 |
| Sadia GmbH | 100.00% | (136,419) | (427,739) | (446,848) | - | 231,898 |
| Rezende Marketing e Comun. Ltda. | 99.91% | (31) | (1) | (1) | - | - |
| Sadia Overseas Ltd. | 100.00% | (1,723) | (15) | 324 | - | - |
| Total in subsidiaries | | | | (352,347) | 253,127 | 497,658 |
| Other investments | | | | - | 57 | 57 |
| Total investments of the Parent Company | | | | (352,347) | 253,184 | 497,715 |
| Other investments of subsidiaries/affiliates | | | | - | 1,878 | 2,347 |
| Investments eliminated on consolidation | | | | 352,790 | (240,346) | (484,878) |
| Total consolidated investments | | | | 443 | 14,716 | 15,184 |

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

*(In thousands of Reais)***Changes in the investments:**

| | Balances as of March 31, 2009 | Acquisition | Equity valuation adjustment | Unsecured Liabilities | Shareholding result | Balances as of June 30, 2009 |
|--|--|--------------------|--|----------------------------------|--------------------------------|---|
| Sadia International Ltd. | 123,327 | - | - | - | (17,427) | 105,900 |
| Concórdia Holding Financeira S.A. | 81,480 | - | - | (105,553) | 108,176 | 84,103 |
| Big Foods Ind. de Prod. Alimentícios Ltda. | 43,342 | - | - | - | 2,436 | 45,778 |
| K&S Alimentos S.A. | 12,780 | - | - | - | 1 | 12,781 |
| Excelsior Alimentos S.A. | 3,549 | - | - | - | (192) | 3,357 |
| Baumhardt Comércio e Participações Ltda. | 927 | - | - | - | (77) | 850 |
| Sadia Industrial Ltda. | 355 | - | - | - | 3 | 358 |
| Sadia GmbH | 231,898 | (9,681) | 136,114 | - | (358,331) | - |
| | 497,658 | (9,681) | 136,114 | (105,553) | (265,411) | 253,127 |

As of June 30, 2009 the subsidiary Sadia GmbH had shareholders deficit in the amount of R\$136,114, which is being recorded in the Other accounts payable in the non-current liabilities of the parent company.

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Property, plant and equipment

| | Annual Average | Parent company | | | |
|-------------------------------|-------------------|------------------|--------------------------|------------------|-------------------|
| | | Cost June, 30 | Depreciation June, 30 | Carrying amount | |
| | | 2009 | 2009 | June, 30 2009 | March, 31 2009 |
| Lands | - | 122,262 | - | 122,262 | 119,505 |
| Buildings | 4% | 1,745,841 | (466,587) | 1,279,254 | 1,164,541 |
| Machinery and equipment | 15% | 2,143,694 | (853,869) | 1,289,825 | 1,206,899 |
| Installations | 10% | 747,770 | (241,109) | 506,661 | 470,715 |
| Vehicles | 20% | 4,691 | (3,700) | 991 | 2,248 |
| Construction in progress | - | 451,631 | - | 451,631 | 726,491 |
| Breeding stock | - | 741,113 | (520,816) | 220,297 | 207,803 |
| Forestation and reforestation | - | 50,446 | (5,353) | 45,093 | 43,706 |
| Advances to suppliers | - | 2,128 | - | 2,128 | 4,389 |
| Other | - | - | - | - | 45 |
| | | 6,009,576 | (2,091,434) | 3,918,142 | 3,946,342 |

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Notes to the interim financial information

(In thousands of Reais)

| | Annual Average | Cost June, 30 2009 | Consolidated Depreciation June, 30 2009 | Carrying amount June, 30 2009 | March, 31 2009 |
|-------------------------------|---------------------------|-------------------------------|--|--|-------------------------------|
| Lands | - | 123,071 | - | 123,071 | 120,314 |
| Buildings | 4% | 1,758,241 | (472,563) | 1,285,678 | 1,171,251 |
| Machinery and equipment | 15% | 2,178,947 | (869,317) | 1,309,630 | 1,225,610 |
| Installations | 10% | 922,366 | (251,208) | 671,158 | 636,202 |
| Vehicles and plane | 15% | 13,456 | (6,499) | 6,957 | 9,063 |
| Construction in progress | - | 475,654 | - | 475,654 | 476,977 |
| Breeding stock | - | 742,265 | (520,816) | 221,449 | 208,955 |
| Forestation and reforestation | - | 50,446 | (5,353) | 45,093 | 43,706 |
| Advances to suppliers | - | 37,446 | - | 37,446 | 38,586 |
| Other | - | 2,903 | (1,462) | 1,441 | 1,543 |
| | | 6,304,795 | (2,127,218) | 4,177,577 | 4,218,207 |

We present the changes in the cost of property, plant and equipment below:

| | March, 31 | Consolidated | | | June, 30 |
|----------------------------------|------------------|---------------------|---------------------|-----------------|------------------|
| | | 2009 | Acquisitions | Disposal | |
| Lands | 120,314 | - | (18) | 2,775 | 123,071 |
| Buildings | 1,625,288 | 6,126 | (26,011) | 152,838 | 1,758,241 |
| Machinery and equipment | 2,053,705 | 5,611 | (7,101) | 126,732 | 2,178,947 |
| Installations | 875,214 | 4,660 | (12,684) | 55,176 | 922,366 |
| Vehicles and plane | 16,159 | 131 | (2,834) | - | 13,456 |
| Construction in progress | 762,977 | 54,196 | (2,335) | (339,184) | 475,654 |
| Breeding stock | 689,498 | 52,767 | - | - | 742,265 |
| Forestation and reforestation | 48,900 | 71 | (188) | 1,663 | 50,446 |
| Advances to suppliers | 38,586 | 3,249 | (4,389) | - | 37,446 |
| Other | 2,959 | (38) | (18) | - | 2,903 |
| Total cost of acquisition | 6,233,600 | 126,773 | (55,578) | - | 6,304,795 |

a.

The construction in progress is mainly represented by projects related to the expansion and modernization of industrial units, mainly Lucas do Rio Verde and Vitória de Santo Antão units.

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 in the amount of R\$31,293 (R\$32,429 in the same period of 2008).

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

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Deferred charges

| | | Parent company | | | |
|-------------------------|-------------|-----------------------------------|---|--------------------------|---------------------------|
| | Rate | Cost June 30, 2009 | Amortization June 30, 2009 | Carrying amount | |
| | | | | June 30, 2009 | March 31, 2009 |
| Reorganization expenses | 20% | 78,653 | (12,751) | 65,902 | 68,874 |
| Pre operational costs | 20% | <u>28,797</u> | <u>(18,972)</u> | <u>9,825</u> | <u>10,970</u> |
| | | <u>107,450</u> | <u>(31,723)</u> | <u>75,727</u> | <u>79,844</u> |

Consolidated

| | Rate | Cost June | Amortization June | Carrying amount | |
|--|-------------|----------------------|------------------------------|------------------------|--------------|
| | | | | June | March |

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| | | 30, 2009 | 30, 2009 | 30, 2009 | 31, 2009 |
|-------------------------|-----|-----------------------|------------------------|----------------------|-----------------------|
| Reorganization expenses | 20% | 102,682 | (20,792) | 81,890 | 109,564 |
| Pre operational costs | 20% | <u>28,797</u> | <u>(18,972)</u> | <u>9,825</u> | <u>10,970</u> |
| | | <u>131,479</u> | <u>(39,764)</u> | <u>91,715</u> | <u>120,534</u> |

The reorganization expenses refer to the implementation of the shared service center in the city of Curitiba and the preoperating expenses refer basically to expenses incurred with the Lucas do Rio Verde Project MT, Rússia and Vitória do Santo Antão.

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

*(In thousands of Reais)***14****Intangible asset**

| | Rate | Parent company | | | |
|----------|------|-----------------------|------------------------|-----------------------|-----------------------|
| | | Cost | Amortization | Carrying amount | |
| | | June | June | June | March |
| | | 30, 2009 | 30, 2009 | 30, 2009 | 31, 2009 |
| Goodwill | - | 98,083 | (22,571) | 75,512 | 75,512 |
| Software | 20% | <u>125,267</u> | <u>(67,763)</u> | <u>57,504</u> | <u>58,627</u> |
| | | <u>223,350</u> | <u>(90,334)</u> | <u>133,016</u> | <u>134,139</u> |

| | Rate | Consolidated | | | |
|----------|------|--------------|--------------|-----------------|----------|
| | | Cost | Amortization | Carrying amount | |
| | | June | June | June | March |
| | | 30, 2009 | 30, 2009 | 30, 2009 | 31, 2009 |
| Goodwill | - | 98,083 | (22,571) | 75,512 | 75,512 |

| | | | | | |
|----------|-----|-----------------------|------------------------|-----------------------|-----------------------|
| Software | 20% | <u>126,951</u> | <u>(68,362)</u> | <u>58,589</u> | <u>59,682</u> |
| | | <u>225,034</u> | <u>(90,933)</u> | <u>134,101</u> | <u>135,194</u> |

Below we present the consolidated change in the cost of acquisition of the intangible assets:

| | Consolidated | | | |
|----------|---|---------------------|-----------------------|---|
| | Residual value in 03/31/2009 | Acquisition | Disposal | Residual value in 06/30/2009 |
| Goodwill | 98,083 | - | - | 98,083 |
| Software | <u>123,108</u> | <u>4,882</u> | <u>(1,039)</u> | <u>126,951</u> |
| | <u>221,191</u> | <u>4,882</u> | <u>(1,039)</u> | <u>225,034</u> |

At June 30, 2009 and March 31, 2009, the net balance of goodwill on the acquisition of investments is composed of:

| | |
|--|----------------------|
| Avícola Industrial Buriti Alegre Ltda. Goiaves | 35,311 |
| Big Foods Indústria de Produtos Alimentícios Ltda. | 24,096 |
| Empresa Matogrossense de Alimentos Ltda. | 8,054 |
| Excelsior Alimentos S.A. | <u>8,051</u> |
| | <u>75,512</u> |

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Notes to the interim financial information

(In thousands of Reais)

This goodwill was based on expectations of future profitability, supported by appraisal reports prepared by a specialized consulting company, after allocation in the identified assets. The book amortization of the balance of goodwill has not being performed as from January 1, 2009, and it is being submitted to the recoverability test in conformity with Accounting Pronouncements Committee - CPC 01 - Decrease to Recoverable Value of Assets.

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Loans and financing - Short-term

| | Parent company | | Consolidated | |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Short-term | | | | |
| Foreign currency | | | | |
| Advances on export contracts - ACC, with interest rates of 6.87% p.a., guaranteed by promissory notes or sureties | 2,247,058 | 2,130,061 | 2,247,058 | 2,130,061 |
| Advanced collection relating to the receivables sold, with no interest | - | - | 19,873 | 30,817 |

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| | | | | |
|--|---|---|-------|-------|
| Financing for investments in Russia, to be made in property, plant and equipment, with interest of 11.4% p.a., guaranteed by surety according to the investment interest | - | - | 1,871 | 3,268 |
|--|---|---|-------|-------|

(60% for Sadia and 40% for the partner)

| | | | | |
|--------|------------------|------------------|------------------|------------------|
| Others | - | - | 319 | 330 |
| | 2,247,058 | 2,130,061 | 2,269,121 | 2,164,476 |

Local currency

| | | | | |
|--|---------|---------|---------|---------|
| Rural credit lines with interest of 6.75% p.a. for the finance of the production of the integration system in the swine and poultry farming. | 237,771 | 264,491 | 237,771 | 264,491 |
|--|---------|---------|---------|---------|

| | | | | |
|--|--------|--------|--------|--------|
| Working capital loans subjected to the variation of 125% do CDI, free of guarantees. | 46,561 | 96,821 | 46,561 | 96,821 |
|--|--------|--------|--------|--------|

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Other financings with interest of 1.19%p.a. | - | - | 1,426 | 858 |
| | 284,332 | 361,312 | 285,758 | 362,170 |
| | 2,531,390 | 2,491,373 | 2,554,879 | 2,526,646 |

At June 30, 2009 the weighted average interest in short-term loans was 7.81% p.a. (8.50% p.a. at March 31, 2009).

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|-----------------------|---------------------------|--------------------------|---------------------------|
| | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Short-term portion of the long-term debt | | | | |
| Foreign currency | | | | |
| Export financing composed of prepayment in amount of R\$20,360, of which R\$840 is subject to LIBOR variation for 6-month deposits (1,90% in June 2009) and interest of 1.75% p.a. and an amount of R\$19,520 subject to LIBOR variation for 3-month deposits (0.96% in June 2009) and interest of 4.31% p.a. and a line focused on the incentive for foreign trade activities in the amount of R\$306,101, subject to LIBOR (average of 1.97% in June 2009) and interest of 1.52% p.a. , guaranteed by promissory notes or sureties. | 20,360 | 116,640 | 326,461 | 259,885 |
| BNDES (National Bank for Economic and Social Development), for investments and exports credit lines, composed as follows: FINEM in the amount of R\$31,865 subject to the weighted average of exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 2.29% p.a., guaranteed by mortgage bonds and real estate mortgage and BNDES Exim - pre shipment in the amount of R\$4.914 subject to fixed interests of 8.69% p.a., guaranteed by promissory notes. | 36,779 | 36,357 | 36,779 | 36,357 |

International Finance Corporation - IFC, to investments in fixed assets, subject to interests off 11.4% p a, guaranteed by immobile mortgages.

- - 11,302 -

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 inventories and financial assets pledges.

- - 3,354 13,927
57,139 152,997 377,896 310,169

Local currency

Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2010, where: R\$1,223,269 subject to variation of 115,83% of the CDI (interbank deposit certificate) p.a. and R\$35,471 subject to variation of TR with interest of 11.11% p.a., guaranteed by equipment pledge and mortgage bonds

1,258,740 1,234,341 1,258,740 1,234,341

BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, composed as follows: FINAME in the amount of R\$588 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in June 2009) and interest of 2% p.a., FINEM in the amount of R\$203,855 subject to TJLP and interest of 3.07% p.a., guaranteed by mortgage bonds and real estate mortgages and BNDES Exim - pre shipment in the amount of R\$18,415 subject to TJLP and interest of 2.64% p.a., guaranteed by promissory notes.

222,557 192,125 222,858 192,426

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Sadia S.A.

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Notes to the interim financial information

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|---------------------|------------------|
| PESA - Special Aid for Agribusiness payable in installments, subject to IGPM variation and annual interest of 9.89%, guaranteed by sureties | 3,356 | 1,705 | 3,356 | 1,705 |
| Fundo Constitucional de Financiamento do Nordeste - FNE, payable from 2009 to 2021 subject to interests of 10% p.a, guaranteed by equipment pledge and mortgage bonds. | 2,157 | - | 2,157 | - |
| Others subject to interest rate from 1% to 12% p.a. | 5,230 | 6,879 | 5,230 | 6,879 |
| | 1,492,040 | 1,435,050 | 1,492,341 | 1,435,351 |
| Short-term portion of long-term debt | 1,549,179 | 1,588,047 | 1,870,237 | 1,745,520 |
| Total short-term | 4,080,569 | 4,079,420 | 4,425,116 | 4,272,166 |

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Loans and financing - Long-term**Parent company****Consolidated**

| | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
|---|--------------------------|---------------------------|------------------------------|---------------------------|
| Foreign currency | | | | |
| Export financing composed of prepayment, payable in amount of R\$196,004 in instalments up to 2013, in which R\$78,904 subject to LIBOR variation for 6-month deposits (1.90% in June 2009) plus annual interest of 1.75% p.a. and R\$117,100 subject to LIBOR variation for 3-month deposits (0.96% in June 2009) plus annual interest of 4.31% p.a., and a line focused on the incentive for foreign trade in amount of R\$1,432,174, subject to LIBOR of 1.97% plus interest of 1.52% p.a., guaranteed by promissory notes or sureties | 196,004 | 325,008 | 628,178 | 1,943,035 |
| 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 financial assets pledges | - | - | 491,254 | 588,267 |
| BNDES (National Bank for Economic and Social Development), payable from 2009 to 2019 composed as follows: FINEM in the amount of R\$207,007 subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 2.29% p.a. guaranteed by mortgage bonds and real estate mortgages and BNDES Exim - pre shipment in the amount of R\$9,793 subject to the weighted average of the exchange variation of currencies and fixed interest of 8.69% p.a., guaranteed by promissory notes. | 216,800 | 265,813 | 216,800 | 265,813 |
| IFC (International Finance Corporation) for investments in property, plant and equipment, subject to interest at the rate of 11.4% p.a., guaranteed by real estate mortgages | <u>-</u> | <u>-</u> | <u>124,326</u> | <u>138,517</u> |
| | <u>412,804</u> | <u>590,822</u> | <u>1,460,558</u> | <u>2,928,317</u> |

Sadia S.A.

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Notes to the interim financial information

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|--------------------------|---------------------------|------------------------------|---------------------------|
| | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Local currency | | | | |
| Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2011, in which R\$1,223,269 is subject to variation of 115,83% of the CDI (interbank deposit certificate) p.a., R\$ 35,471 is subject to interest of 11.11% p.a and R\$ 210,000 subject to interest of 11.25% p.a, guaranteed by real estate mortgages and financial assets pledge in the amount of R\$758 million. | 1,468,740 | 1,234,341 | 1,468,740 | 1,234,341 |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, payable from 2009 to 2015, composed as follows: FINAME in the amount of R\$1,151 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in June 2009) and interest of 2% p.a., FINEM in the amount of R\$1,077,035 subject to TJLP and interest of 3.07% p.a., guaranteed by mortgage bonds and real estate mortgages and BNDES Exim pre shipment special in the amount of R\$36,703 subject to TJLP and interest of 2.64% p.a., guaranteed by promissory notes | 1,114,540 | 1,150,033 | 1,114,889 | 1,150,458 |
| Fundo Constitucional de Financiamento do Nordeste - FNE, payable from 2009 to 2021 subject to interests of 10% p.a, guaranteed by equipment pledge and mortgage bonds. | 164,045 | - | 164,045 | - |

PESA - Special Sanitation Program of the Agroindustry to be paid in installments from 2009 to 2020, subject to the variation of the IGPM (General Market Price Index) and interest of 9.89% p.a., guaranteed by endorsement and public debt securities (CTN)
 Others subject to interest rate from 1% to 12% p.a.

| | | | | |
|---|--------------------|--------------------|------------------|--------------------|
| | 156,720 | 156,564 | 156,720 | 156,564 |
| | <u>8,582</u> | <u>10,294</u> | <u>8,852</u> | <u>10,706</u> |
| | <u>2,912,627</u> | <u>2,551,232</u> | <u>2,913,246</u> | <u>2,552,069</u> |
| | <u>3,325,431</u> | <u>3,142,053</u> | <u>3,373,804</u> | <u>3,480,386</u> |
| Short-term portion of long-term debt | <u>(1,549,179)</u> | <u>(1,588,047)</u> | <u>1,870,237</u> | <u>(1,745,520)</u> |
| Total long-term | <u>1,776,252</u> | <u>1,554,006</u> | <u>3,503,567</u> | <u>3,734,866</u> |

The noncurrent portions of financings at June 30, 2009 mature as follows:

| | Parent | Consolidated |
|--------------|-------------------------|-------------------------|
| | company | |
| Maturity | | |
| 2010 | 261,575 | 482,385 |
| 2011 | 397,653 | 824,004 |
| 2012 | 398,258 | 601,204 |
| 2013 | 232,447 | 491,178 |
| 2014 onwards | <u>486,319</u> | <u>1,104,796</u> |
| | <u>1,776,252</u> | <u>3,503,567</u> |

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Notes to the interim financial information

(In thousands of Reais)

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Commitments and contingencies

Commitments

The Company has leasing agreements for industrial units that expire over the next three years. These leasing are subject to renewal for 1 more year 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 rental expenses totaled R\$55,612 in June 30, 2009 (R\$82,953 in the same period of 2008).

The table below shows the future payments related to the leasing agreement at June 30, 2009:

| | |
|-------|-----------------------|
| 2009 | 55,612 |
| 2010 | 111,224 |
| 2011 | 111,224 |
| 2012 | <u>111,224</u> |
| Total | <u>389,284</u> |

In addition the Company signed purchase agreements for production purposes (packaging) in the approximate amount of R\$101 million on June 30, 2009, payable until 2012.

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 unfavourable 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.

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Notes to the interim financial information

(In thousands of Reais)

| | Parent company | | Consolidated | |
|-----------------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 | June 30, 2009 | March 31, 2009 |
| Tax proceedings | 40,627 | 35,988 | 55,574 | 51,091 |
| Labor proceedings | 30,932 | 28,926 | 31,863 | 29,797 |
| Civil proceedings | <u>11,329</u> | <u>11,104</u> | <u>11,332</u> | <u>11,105</u> |
| Provision for contingencies | <u>82,888</u> | <u>76,018</u> | <u>98,769</u> | <u>91,993</u> |
| Related legal deposits | <u>(26,742)</u> | <u>(22,200)</u> | <u>(39,004)</u> | <u>(34,461)</u> |
| Provision for contingencies - Net | <u>56,146</u> | <u>53,818</u> | <u>59,765</u> | <u>57,532</u> |

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

| | Consolidated | | | | |
|-----------------|-------------------------------|------------------|------------------|-------------------------|-------------------------------|
| | Balances at 03/31/2009 | Additions | Disposals | Monetary updates | Balances at 06/30/2009 |
| Tax proceedings | 51,091 | 4,211 | (174) | 446 | 55,574 |

| | | | | | |
|---------------------------------|-----------------|----------------|----------------|------------|-----------------|
| Labor proceedings | 29,797 | 2,084 | (18) | - | 31,863 |
| Civil proceedings | <u>11,105</u> | <u>1,609</u> | <u>(1,721)</u> | <u>339</u> | <u>11,332</u> |
| Provision for contingencies | <u>91,993</u> | <u>7,904</u> | <u>(1,913)</u> | <u>785</u> | <u>98,769</u> |
| Related legal deposits | <u>(34,461)</u> | <u>(4,543)</u> | <u>-</u> | <u>-</u> | <u>(39,004)</u> |
| Provision for contingencies Net | <u>57,532</u> | <u>3,361</u> | <u>(1,913)</u> | <u>785</u> | <u>59,765</u> |

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\$28,444, of which R\$9,864 recorded on the acquisition of the subsidiary Granja Rezende (incorporated in 2002), R\$9,017 of income tax and R\$3,246 on contribution taxes of Concórdia S.A. CVMCC, R\$4,485 on withholding income tax on investments of Granja Rezende and R\$1,832 for other provisions.

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Notes to the interim financial information

(In thousands of Reais)

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 Paraná, totalling a probable contingency estimated at R\$12,022.

c.

Other tax contingencies

Several cases related to payment of Social security contribution, PIS (Social Integration Program Tax), Import Duty and others totalling a provision of R\$15,108.

The Company has other contingencies of a tax nature in the amount of R\$1,374,568 in June 30, 2009, which was evaluated as representing a possible loss by the legal advisors and by Company management, therefore, no provision has been recorded. These contingencies refers mainly to questions raised regarding ICMS credits in the amount of R\$776,173, IPI Credit premium, in the amount of R\$274,504, payment of social security contributions, in the amount of R\$129,187 and others in the amount of R\$204,274.

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\$57,943, which were assessed as possible losses by the legal advisors and by Management and, therefore, no provision was recorded.

The Company, as well as certain directors and officers, were appointed as defendants in five collective lawsuits brought by investors in American Depositary Receipts (ADR) issued by the Company, acquired between April 30, 2008 and September 26, 2008 (Class Period). These lawsuits were filed in the court of the Southern District of New York, in the United States of America, and are seeking remediation in accordance with the rule of the Securities Exchange Act of 1934, arising from the losses with the exchange derivative contracts during the class period. By order of the American court, the five lawsuits were consolidated into one single class action on behalf of the group of investors of Sadia. At the current stage of the proceedings it is not possible to determine the probability of an eventual loss and the amounts involved and, therefore, no provision was recorded.

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Notes to the interim financial information

(In thousands of Reais)

Labor claims

The company is involved in approximately 4,451 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\$77,981, for which the provision in the amount of R\$31,863 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, 2009 was R\$35,469 (R\$39,560 on March 31, 2009).

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, 2009 amounted R\$539,255 (R\$589,637 in March 31, 2009).

b.

The Company is a guarantor for a loan taken out by Instituto Sadia de Sustentabilidade from the National Bank for Economic and Social Development (BNDES). The object of this loan is to set up biodigesters on the properties of the rural producers that are taking part in the Sadia integration system, within the ambit of the Sadia sustainable pig breeding program, seeking a mechanism for clean development and reduction in emission of carbon gases. The total amount of these guarantees at June 30, 2009 was R\$81,956 (R\$80,789 on March 31, 2009).

c.

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, a

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Notes to the interim financial information

(In thousands of Reais)

writ of mandamus was filed under which an injunction was obtained staying this notice of collection.

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Shareholders equity

a.

Capital

Subscribed and paid-in capital is represented by the following shares with no par value as of June 30, 2009:

| | |
|------------------|--------------------|
| Common shares | 257,000,000 |
| Preferred shares | <u>426,000,000</u> |
| Total shares | 683,000,000 |

| | |
|------------------------------|---------------------|
| Preferred shares in treasury | <u>(10,049,288)</u> |
| Total outstanding shares | <u>672,950,712</u> |

b.

Treasury stock

As of June 30, 2009 the Company held treasury stock, for future sale and/or cancellation, 4,700,000 ordinary shares and 5,349,288 preferred shares, at an average acquisition cost of R\$97,064. The market value as of June 30, 2009 was R\$48,117.

c.

Market value

The market value of Sadia S.A. shares according to the average quotation of shares traded on the São Paulo Stock Exchange - BOVESPA, corresponded to R\$4.82 per thousand of ordinary shares and R\$4.76 per thousand of preferred shares at June 30, 2009 (R\$4.76 per thousand of ordinary shares and R\$3.14 per thousand of preferred shares at March 31, 2009). Net equity on that date was R\$0.68 per thousand shares (R\$0.07 at March 31, 2009).

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Notes to the interim financial information

(In thousands of Reais)

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Stock option plan

The Company has a granting plan of option of purchase of shares, which contemplates nominative ordinary and preferred shares issued by the Company, available in treasury. 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:

| Date | Quantity | Price of shares of Shares |
|-------------|-----------------|--------------------------------------|
|-------------|-----------------|--------------------------------------|

| Cycle | Grant | Start | Final | Granted options | Outstanding options | Grant date | Update - INPC |
|--|----------|----------|----------|-----------------|---------------------|------------------|---------------|
| 2005 | 06/24/05 | 06/24/08 | 06/24/10 | 2,200,000 | 1,090,000 | 4.55 | 5.47 |
| 2006 | 09/26/06 | 09/26/09 | 09/26/11 | 3,520,000 | 2,000,000 | 5.68 | 6.63 |
| 2007 | 09/27/07 | 09/27/10 | 09/27/12 | 5,000,000 | 3,725,000 | 10.03 | 11.16 |
| | | | | | June | March | |
| | | | | | 30, 2009 | 31, 2009 | |
| Balances in the beginning of the period | | | | | 7,530,000 | 9,275,000 | |
| Cancelled options - Cycle 2005 | | | | | - | (400,000) | |
| Cancelled options - Cycle 2006 | | | | | (325,000) | (665,000) | |
| Cancelled options - Cycle 2007 | | | | | (390,000) | (680,000) | |
| Balances in the end of the period | | | | | <u>6,815,000</u> | <u>7,530,000</u> | |

In accordance with Accounting Pronouncements Committee - CPC 10 - Share based Payment, on June 30, 2009 and March 31, 2009 the Company recognized under stock option plan the fair value in the amount of R\$8,118 and R\$5,311, respectively. The cost of compensation was recognized in the results for the period, under administrative expenses, totalling in June 30, 2009 a reversion of expenses of R\$51.

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Notes to the interim financial information

(In thousands of Reais)

The fair value of the share options was estimated based on the following assumptions:

| | June 30, 2009 | March 31, 2009 |
|---|----------------------|-----------------------|
| Expectations of term of life of the option | 5 years | 5 years |
| Interest rate free of risk | 9.04% | 9.83% |
| Volatility | 77.79 | 76.05 |
| Expected dividends on the shares | 3.0% | 3.0% |
| Expectations of accumulated average inflation | 27.04% | 29.83% |
| Weighted average of the fair value | R\$1.40 | R\$0.71 |

Pricing model - The Company uses Black-Scholes as a pricing model for options for calculation of the fair value.

Expectation of term - The term of life of the option expected by the Company represents the period in which it believes that the options will be exercised and was determined under the assumption that the beneficiaries will exercise their options at the limit of the term.

Interest rate free of risk - For the interest rate free of risk the Company uses the projected average SELIC rate furnished by the Central Bank of Brazil (BACEN), weighted by the number of months from the base date of the interim financial statements until the maturity of the options.

Volatility - The estimated volatility takes into consideration past trading and the implicit volatility of its preferred shares in the determination of the estimated volatility factor.

Expected dividends - The percentage of dividends used was obtained based on the average payment of dividends per share with respect to the market value of the shares for the last three years.

Expectations of inflation - The expectations for inflation are determined based on the projections of the National Consumer Price Index (INPC) provided by the Central Bank of Brazil (BACEN), accumulated from the date of the grant until the estimated expiration of the option.

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(In thousands of Reais)

The Company has treasury shares entailed to the plan for granting share purchase options, sufficient to cover the future exercises of the options granted.

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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.

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Financial result

Parent company

Consolidated

| | June | June | June | June |
|--|-----------------------|------------------------|-----------------------|----------------------|
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Financial expenses | | | | |
| Interest | (298,561) | (119,842) | (285,106) | (115,830) |
| Loss on investment funds | (10,831) | - | (52,329) | - |
| Loss on the share sale | (67,112) | - | - | - |
| Monetary variations - Liabilities | (3,002) | (10,598) | (3,002) | (10,598) |
| Exchange variations - Liabilities | 1,102,927 | 257,069 | 547,218 | 252,834 |
| Exchange variations on foreign investments | - | - | (42,305) | (76,214) |
| Other | <u>(13,722)</u> | <u>(10,903)</u> | <u>(16,816)</u> | <u>(17,149)</u> |
| | <u>709,699</u> | <u>115,726</u> | <u>147,660</u> | <u>33,043</u> |
| Financial income | | | | |
| Interest | 43,172 | (14,359) | 45,085 | 31,995 |
| Gains on share sale | - | - | 130,673 | - |
| Exchange variations - Assets | 1,861 | 2,667 | 1,843 | 2,668 |
| Monetary variations - Assets | (43,277) | (36,984) | 24,963 | (83,136) |
| Gains on derivatives instruments | - | 1,169 | - | 72,060 |
| Other | <u>17,137</u> | <u>20,965</u> | <u>(3,761)</u> | <u>40,012</u> |
| | <u>18,893</u> | <u>(26,542)</u> | <u>198,803</u> | <u>63,599</u> |
| | <u>728,592</u> | <u>89,184</u> | <u>346,463</u> | <u>96,642</u> |

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Notes to the interim financial information

*(In thousands of Reais)***22****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 | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Local | 342,675 | 357,907 | 828,514 | 48,984 |
| Foreign | <u>-</u> | <u>-</u> | <u>(427,775)</u> | <u>338,942</u> |
| | <u>342,675</u> | <u>357,907</u> | <u>400,739</u> | <u>387,926</u> |

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

| | Parent company | | Consolidated | |
|----------------|-------------------------|----------------------|-------------------------|----------------------|
| | June | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Local | | | | |
| Current | (112,596) | (25) | (182,257) | (6,321) |
| Deferred | <u>(120,452)</u> | <u>23,867</u> | <u>(121,515)</u> | <u>18,283</u> |
| | <u>(233,048)</u> | <u>23,842</u> | <u>(303,772)</u> | <u>11,962</u> |
| | | | | |
| | Parent company | | Consolidated | |
| | June | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Foreign | | | | |
| Current | - | - | (2,531) | (2,022) |
| Deferred | <u>(13)</u> | <u>1,919</u> | <u>4,221</u> | <u>4,169</u> |
| | <u>(13)</u> | <u>1,919</u> | <u>1,690</u> | <u>2,147</u> |
| | <u>(233,061)</u> | <u>25,761</u> | <u>(302,082)</u> | <u>14,109</u> |

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(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 | June | June | June |
| | 30, 2009 | 30, 2008 | 30, 2009 | 30, 2008 |
| Income before taxation/profit sharing | 342,675 | 357,907 | 400,739 | 387,926 |
| Interest on shareholders' equity | <u>-</u> | <u>(91,163)</u> | <u>-</u> | <u>(91,163)</u> |
| Income before income and social contribution taxes | 342,675 | 266,744 | 400,739 | 296,763 |
| Income and social contribution taxes at nominal rate - 34% | (116,510) | (90,693) | (136,251) | (100,899) |
| Adjustment to calculate the effective rate | | | | |
| Permanent differences | | | | |
| Equity in subsidiaries earnings | (119,798) | 121,238 | - | - |
| Loss on financial operations | (5,784) | - | (5,784) | - |
| Donations and subsidies for investments | 7,456 | - | 7,456 | - |
| Pre operative expenses reversion | - | - | (7,778) | - |
| Share purchase option plan - stock option | (17) | (3,868) | (17) | (3,868) |

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| | | | | |
|---|-------------------------|----------------------|-------------------------|----------------------|
| Exchange variation on investments abroad | - | - | (14,384) | (25,913) |
| Results of companies abroad | 13 | - | (144,052) | 140,683 |
| Recording of deferred IR/CS in subsidiaries | - | - | - | 6,070 |
| Others | <u>1,579</u> | <u>(916)</u> | <u>(1,272)</u> | <u>(1,964)</u> |
| Income and social contribution taxes at effective rate | <u>(233,061)</u> | <u>25,761</u> | <u>(302,082)</u> | <u>14,109</u> |

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

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Notes to the interim financial information

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | March | June | March |
| | 30, 2009 | 31, 2009 | 30, 2009 | 31, 2009 |
| Assets | | | | |
| Deferred taxes | | | | |
| Tax loss carryforwards and negative basis of social Contribution | 594,657 | 802,147 | 599,154 | 806,962 |
| Benefit plan | 43,280 | 41,750 | 43,280 | 41,750 |
| Provision for contingencies | 28,182 | 25,846 | 33,581 | 31,278 |
| Provision for realization of tax credits | 23,748 | 24,072 | 24,949 | 25,322 |
| Goodwill amortization | 9,012 | 10,809 | 9,012 | 10,809 |
| Allowance for doubtful accounts | 7,363 | 7,110 | 7,583 | 7,322 |
| Provision for loss on property, plant and equipment | 4,678 | 4,683 | 4,678 | 4,683 |
| Provision for lawyers fees | 3,917 | 4,444 | 3,917 | 4,444 |
| Employees profit sharing | 1,779 | - | 1,779 | - |
| Provision for loss in inventories | 1,712 | 3,186 | 1,712 | 3,186 |
| Unrealized results in inventories | - | - | 665 | 1,905 |
| Equity valuation adjustments | - | 39,232 | - | - |
| Others | <u>2,150</u> | <u>1,920</u> | <u>6,455</u> | <u>7,101</u> |
| Total assets deferred taxes | <u>720,478</u> | <u>965,199</u> | <u>736,765</u> | <u>944,762</u> |
| Assets short-term portion | 76,185 | 63,400 | 76,849 | 65,306 |

| | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets long-term portion | 644,293 | 901,799 | 659,916 | 879,456 |
| Liabilities | | | | |
| Deferred taxes | | | | |
| Depreciation on rural activities | 103,683 | 108,013 | 103,683 | 108,013 |
| Equity valuation adjustments | - | - | - | 28,015 |
| Unrealized gains with derivatives | - | 3,060 | - | 3,060 |
| Others | <u>-</u> | <u>-</u> | <u>2,877</u> | <u>2,919</u> |
| Total liabilities deferred taxes | <u>103,683</u> | <u>111,073</u> | <u>106,560</u> | <u>142,007</u> |
| Liabilities short-term portion | 10,368 | 13,861 | 12,695 | 16,780 |
| Liabilities long-term portion | 93,315 | 97,212 | 93,865 | 125,227 |

The 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 carryforwards and negative basis of social contribution in the amount of R\$599,154, represented by R\$593,699 in the parent company and

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(In thousands of Reais)

R\$5,455 in the subsidiaries, the realization of these credits will be carried out through the generation of future profits in the respective companies. Based on a technical viability study prepared by Management the realization of these tax assets will be estimated in the following manner:

| Period | Realization | % of realization |
|---------------|-----------------------|-------------------------|
| 2009 | 37,000 | 6% |
| 2010 | 42,000 | 7% |
| 2011 | 53,000 | 9% |
| 2012 | 71,000 | 12% |
| 2013 | 83,000 | 14% |
| Until 2016 | <u>313,154</u> | <u>52%</u> |
| | <u>599,154</u> | <u>100%</u> |

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Risk management and financial instruments

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations and interests, credit risks and variations in the prices of agricultural commodities. According to the treasury policy, these risks are managed by the Risk Management area, through identification of exposures and correlations between the different risk factors, using the specific calculation method, VAR - Value at Risk and simulations of scenarios (stress test), and are permanently monitored by the Financial and Investment Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, within the parameters for exposure limits and decision making levels proposed by the Finance Committee and RI of the Board of Directors, approved by them. At June 30, 2009, due to the high volatility of financial assets and to the remaining unsuitability of the financial policy, the VAR-Value at Risk for the operational assets and liabilities and financial instruments exposed to exchange rate variations for one year with 95% confidence, amounted to R\$126,282 (Information not reviewed by the independent auditors).

The objective of the treasury policy is to determine parameters for use of derivative instruments, including derivatives, in the hedging of operating and financial assets and liabilities exposed to variations in foreign exchange and interest rates and prices of commodities, as well as to establish credit limits with financial institutions. The responsibility for compliance with this policy is the job of the Financial, Administration and Information Technology director.

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(In thousands of Reais)

a. Exchange rate risk

The Company is exposed to market risks arising from the volatility of exchange and interest rates. The exchange and interest rate risks on loans, financings and other liabilities denominated in foreign currency are managed jointly with the financial investments also denominated in foreign currency, and by derivative financial instruments, when applicable, as well as accounts receivable in foreign currencies arising from exports, which also reduce the foreign exchange exposure as a natural hedge.

On March 27, 2009 the Board of Directors approved the new financial exchange policy, which took into consideration the projected exchange exposure for 12 months, observing the following limits:

i.

50% of the exchange exposure limited to two months net generation of cash;

ii.

VaR for one day with 95% reliability lower than or equal to 0.5% of the lowest market value for Sadia (market cap) for a 30 day moving window;

iii.

Value resulting from the stress test for a derivative position lower than 25% of the balance of readily available funds, calculated daily by Risk Management.

The exchange exposure concept consists of the projection for 12 months of net cash generation, less the financial net debt in foreign currency, plus or less the outstanding position of exchange derivatives. Net cash generation consists of exports, less imports and costs indexed to the exchange rate.

The control and management of exposures are carried out dynamically and updated with market quotations in real-time through a quotation system, and adjustments are made whenever necessary. In operations that involve options, the control and management of exposure takes into consideration the probability of exercise.

Within its exchange hedge strategy the Company used until June 30, 2009 exchange futures contracts (non deliverable forwards, target forwards and options, mainly in US dollars), as a way of mitigating the impacts of exchange rate variations on recognized assets and liabilities and expected transactions, under financial results and gross margin.

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(In thousands of Reais)

The results of the over the counter operations on the exchange future market, realized and not settled financially and the daily adjustments of positions of exchange futures contracts on the Futures and Commodities Exchange (BM&F) are recorded under Amounts receivable from futures contracts and Amounts payable for futures contracts , respectively.

In accordance with the Accounting Pronouncements Committee - CPC 14 - Recognition, Valuation and Proof of Financial Instruments , the derivative instruments were recognized in the interim financial statements at their fair value. At June 30, 2009, there were no Financial Instruments contracts opened exposed to the foreign currency variation.

Sensibility analysis of the Company - Cash effect

In the preparation of the sensitivity analysis, management considered its exchange derivative financial instruments and its net financial debt denominated in US dollars as material risks which may impact the income of the Company. The following assumptions were adopted in the preparation of the statement on the base date of June 30, 2009 and with results projected to the end of the year:

The net generation of cash in US dollars (revenues less costs) was estimated by management based on the information available at June 30, 2009 and takes into consideration the Company's gross invoicing resulting from exports made

based on the US dollar and the expenses and costs also denominated in US dollars.

The actual and estimated quantitative information used in the preparation of this analysis was based on the position at June 30, 2009. The future results may differ from these estimated amounts, in case the economic scenario is different from the assumptions considered by the Company.

| | US\$ thousand | | R\$ thousand | | |
|---|-----------------|-----------|--|---|--|
| | Risk | Base | Scenario 1 Probable US\$/R\$ - 1.98 | Scenario 2 Possible US\$/R\$ - 2.48 | Scenario 3 Remote US\$/R\$ - 2.97 |
| Debt /invoicing | | | | | |
| Exchange exposure in US\$ - average strike R\$/US\$ - 1.95 | High of US\$ | 2,153,409 | 64,602 | (1,141,307) | (2,196,477) |
| Net generation of cash in US dollars estimated for 6 months - average strike R\$ 1.95 | Fall of US\$ | 1,000,000 | <u>(30,000)</u> | <u>530,000</u> | <u>1,020,000</u> |
| Net cash effect in 2009 | | | <u>(34,602)</u> | <u>(611,307)</u> | <u>(1,176,477)</u> |

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*(In thousands of Reais)***Scenario 1** - In conformity with market expectations for 2009, available on the site of the Central Bank of Brazil

The Company's exposure to foreign currency variations (particularly US dollars), recorded in the quarterly information, is shown as follows:

| | Consolidated | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | June 30, 2009 | | March 31, 2009 | |
| | Current | Non current | Current | Non current |
| Assets and liabilities in foreign currency | | | | |
| Cash and cash equivalents | 269,926 | - | 1,210,627 | - |
| Short-term investments | 56,274 | - | 176,943 | - |
| Trade accounts receivable, net | 354,366 | - | 280,164 | - |
| Suppliers | (64,506) | - | (68,811) | - |
| Loan and financing | (2,647,017) | (2,082,662) | (2,474,645) | (2,618,148) |
| Future contracts - net | <u>(88,974)</u> | <u>-</u> | <u>(1,174,138)</u> | <u>-</u> |
| | <u>(2,119,931)</u> | <u>(2,082,662)</u> | <u>(2,049,860)</u> | <u>(2,618,148)</u> |

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 Treasury Policy limits the risk associated with these financial instruments by subjecting them to the control of highly rated financial institutions with a minimum of rating of Investment Grade and that operate within the limits pre-established by the risk, credit and financing committees. The criteria for maximum net exposure per financial institution (financial assets less financial liabilities) may not be greater than the lower of 10% of the financial institution's net equity or the company's equity.

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.

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(In thousands of Reais)

c. Grain purchase price risks

The Company's operations are exposed to the volatility in prices of grain (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 preponderantly through physical control, which includes acquiring grain at fixed prices and fixing it, pegged to commodity futures contracts (grain). The Company has a Commodities Committee and Risk Management, composed by 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.

The Company does not have outstanding commodities derivatives contracts at June 30, 2009.

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, 2009 and March 31, 2009:

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

Short-term financial investments - The fair value of short-term financial investments is estimated based on the market quotations of comparable contracts or discounted future cash flows - investment risk. For investments in shares the market values were obtained based on stock exchange quotations.

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.

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(In thousands of Reais)

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

The book values and the estimated fair values of the Company's financial instruments as of June 30, 2009 and March 31, 2009 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.

| | Consolidated | | | | | |
|---|----------------------|----------------|------------------|-----------------------|------------------|------------------|
| | June 30, 2009 | | | March 31, 2009 | | |
| | Currency | | Total | Currency | | Total |
| Local | Foreign | Local | | Foreign | | |
| Assets | | | | | | |
| Cash and cash equivalents | 369,760 | 269,926 | 639,686 | 149,807 | 1,210,627 | 1,360,434 |
| Short-term investments | 1,063,766 | 56,274 | 1,120,040 | 668,932 | 176,943 | 845,875 |
| Accounts receivable from future contracts | - | 3,474 | 3,474 | 86 | 222,216 | 222,302 |
| Total current assets | 1,433,526 | 329,674 | 1,763,200 | 818,825 | 1,609,786 | 2,428,611 |
| Long-term investments | 192,333 | - | 192,333 | 159,945 | - | 159,945 |
| Total long-term investments | 192,333 | - | 192,333 | 159,945 | - | 159,945 |

| | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total assets | 1,625,859 | 329,674 | 1,955,533 | 978,770 | 1,609,786 | 2,588,556 |
| Liabilities | | | | | | |
| Short-term financing | 1,778,099 | 2,647,017 | 4,425,116 | 1,797,521 | 2,474,645 | 4,272,166 |
| Accounts payables from future contracts | - | 92,448 | 92,448 | - | 1,396,354 | 1,396,354 |
| Total current liabilities | 1,778,099 | 2,739,465 | 4,517,564 | 1,797,521 | 3,870,999 | 5,668,520 |
| Long-term financing | 1,420,905 | 2,082,662 | 3,503,567 | 1,116,718 | 2,618,148 | 3,734,866 |
| Total non current liabilities | 1,420,905 | 2,082,662 | 3,503,567 | 1,116,718 | 2,618,148 | 3,734,866 |
| Total liabilities | 3,199,004 | 4,822,127 | 8,021,131 | 2,914,239 | 6,489,147 | 9,403,386 |
| Net financial debt | (1,573,145) | (4,492,453) | (6,065,598) | (1,935,469) | (4,879,361) | (6,814,830) |

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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 guarantees the comprehensive coverage of the Company's fixed assets.

The assumptions adopted, given their nature, are not part of the scope of an audit of interim financial statements and, accordingly, they were not revised by our independent auditors.

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Notes to the interim financial information

(In thousands of Reais)

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Private pension plan and other benefits

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 Attílio 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 every year 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 Attilio 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.

At June 30, 2009 the Foundation had a total of 17,872 participants (18,232 on March 31, 2009), of which 12,836 were active participants (13,368 on March 31, 2009).

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Notes to the interim financial information

(In thousands of Reais)

The contributions of the parent company, on June 30, 2009 and 2008, amounted to R\$990 and R\$1,047, and R\$1,038 and R\$1,092 in the consolidated, respectively.

b.

Other employee benefits

The Company has a human resources policy of offering the following benefits in addition to its private pension plan:

.

Payment of the fine referring to the Government Severance Indemnity Fund when the employee retires;

.

Payment of a tribute for time of service;

.

Payment of an indemnity for discharge from professional duties; and

.

Payment of an indemnity upon retirement.

These benefits are paid in one single payment at the time of retirement or termination of the employee and the amounts are calculated through an actuarial calculation and recorded in the results for the period.

c.

Defined contribution plan

As from January 1^o, 2003, the Company began to adopt new supplementary pension plans under the defined contribution modality managed by an open supplementary pension entity, for all employees hired by Sadia and its subsidiaries. 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. As from January 1^o, 2007 these plans are only available to employees earning over R\$1,800 per month. The contributions made by the Company at June 30, 2009 and 2008 totalled R\$1,313 and R\$1,025 respectively. As of June 30, 2009 this plan had 1,603 participants (1,680 participants as of March 31, 2009).

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Notes to the interim financial information

(In thousands of Reais)

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Subsequent Events

a.

Sale of equity interest

According to a public announcement released on July 5, 2009, the Company, through its subsidiary Sadia GmbH, signed an agreement for the sale of its interest of 60% in the capita of Investeast Ltd., controlling shareholder of all the stock issued by Concórdia Ltd (owner of the industrial plant located in Kaliningrad, Russia), to its partner Fomanto Investments Limited for the price of US\$77,500 thousand. The consummation of this transaction is bound to the release from all the financial obligations assumed by the joint venture with IFC – International Finance Corporation and approval by the Meeting of Shareholders of Sadia.

b.

Partnership Agreement

On July 8, 2009, during an Extraordinary General Meeting, the shareholders of BRF - Brasil Foods S.A. approved the takeover of all the 226,395,405 shares issued by HFF Participações S.A. (former parent company of Sadia S.A.) based

on their economic value in the amount of R\$1,482,889,902.75, through an exchange relation of 37,637,557 new nominative common shares, without certificate and with no par value, issued by BRF, at the issue price of R\$39.40 per share, with Sadia henceforth becoming a subsidiary of BRF.

At an Extraordinary General Meeting held on July 8, 2009 the participants approved the sale of equity interest in Concórdia Holding Financeira, parent company of Concórdia Banco S.A. and of Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities, through an exchange for 1,991,211 common shares issued by BRF - Brasil Foods S.A. (BRF) with the granting of a repurchase option of two equal lots of these shares, within 180 and 360 days after the option contracting date.

At an extraordinary meeting of the Board of Directors of Sadia held on July 8, 2009, the Board decided to submit to the examination and approval of the shareholders at an Extraordinary General Meeting, called on August 18, 2009, the following subject matters; i) sale of equity interest in Investeast Limited, ii) examination, discussion and approval of the Protocol and Justification of Takeover of Shares Issued by the Company by BRF - Brasil Foods S.A.; and iii) approval of the appraisal report containing the calculation of the ratios of substitution of shares of the non-controlling shareholders of the Company, by shares of BRF - Brasil Foods.

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(In thousands of Reais)

Certain loan and financing contracts of the Company have acceleration clauses in case of change in control, whereas the events mentioned activate said contracts and accelerate the maturities of the respective debts. The Company obtained 100% of waivers from the financial institutions, maintaining the original maturities of these loans and financings.

On July 27, 2009 the Company received as advance for future capital increase from its parent company BRF - Brasil Foods S.A. the amount of R\$950 million. These funds were used in the settlement of Export Credit Notes - NCE, with short-term maturity, in the amount of R\$930 million.

Continuing with the partnership process on July 7, 2009 the Economic Defense Administration Council - CADE and the companies Perdigão and Sadia signed the Agreement for Preservation of Reversibility of the Operation (APRO) between the two companies. Said agreement did not suspended the transaction, but aimed to ensure that the corporate steps for the Association are made still ensuring the reversibility of the operation until the final decision to be handed down by CADE, preserving the maintenance of competition during the evaluation of the competitive effects of the operation. After the evaluation of the Secretariat of Economic Assessment (SEAE) Secretariat of the Economic Defense (SDE), CADE will assess the impacts of the association on the competition to the consumers. Should CADE understands that the association limits the competition to the consumers, it may impose significant restrictions to the transaction, including sale of certain subsidiaries, line of products, brands or factories.

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(In thousands of Reais)

Board of Directors

Luiz Fernando Furlan

Chairman

Cassio Casseb Lima

Member

Celso Clemente Giacometti

Member

Diva Helena Furlan

Member

Eduardo Fontana d Avila

Member

Manoel Ferraz Whitaker Salles

Member

Marcelo Ganguçu de Almeida

Member

Martus Antonio Rodrigues Tavares

Member

Roberto Faldini

Member

Vicente Falconi Campos

Member

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(In thousands of Reais)

Officers

| | |
|------------------------------------|---|
| Gilberto Tomazoni | Chief Executive Officer |
| Alfredo Felipe da Luz Sobrinho | Institutional Relations and Legal Matters Director |
| Amaury Magalhães Maciel Filho | Industrial Operations Director |
| Antonio Paulo Lazzaretti | Guarantee of quality, R&D and sustainability Director |
| Eduardo Bernstein | Marketing Director |
| Ely David Mizrahi | National Food Service Director |
| Flávio Luís Fávero | Industrial Operations Technology Director |
| Guilherme Henderson Larrobla | International Operations Director |
| Helio Rubens Mendes dos Santos Jr. | Industrial Operations Director |
| Hugo Frederico Gauer | International Sales Director |
| José Eduardo Cabral Mauro | Domestic market business Director |
| Jose Luis Magalhães Salazar | Financial, Administrative, Investors Relation and Information Technology Director |
| Nelson Ricardo Teixeira | National Sales Director |
| Osório Dal Bello | Agribusiness Technology Director |
| Ralf Piper | Human Resource Director |
| Ricardo Lobato Faucon | Supply Director |
| Ricardo Fernando T. Fernandes | Grain Purchase Director |
| Ronaldo Korbagg Muller | Industrial Operations Director |

Augusto Ribeiro Junior

Giovanni F. Lipari

Controllership Manager

Accountant - CRC 1SP201389/0-7-S-SC