

SADIA S.A.
Form 6-K
October 29, 2007

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

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

For the month of October 2007

Commission File Number 1-15184

SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of Registrant's Name)

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

SIGNATURES

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

Date: October 26, 2007

SADIA S.A.

By:/s/Welson Teixeira Junior

Name: Welson Teixeira Junior
Title: Investor Relations Officer

Sadia S.A.

Interim financial information
Nine-month period ended
September 30, 2007 (Unaudited)

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

Sadia S.A.

Interim financial information (Unaudited)

Nine-month periods ended September 30, 2007

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Independent accountants review report

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

1. We have reviewed the interim financial information of Sadia S.A. and the consolidated interim financial information of Sadia S.A. and its subsidiaries, for the nine-month period ended September 30, 2007, which comprises the balance sheets, the income statements, management report and other relevant information, prepared in accordance with the accounting practices adopted in Brazil.
2. Our review was prepared in accordance with the review standards established by IBRACON - Brazilian Institute of Independent Auditors and the Federal Council of Accounting, and included, basically: (a) inquiry and discussion with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries, regarding the main criteria adopted in the preparation of the interim financial information; and (b) review of the information and subsequent events, which have, or may have, a material effect on the financial situation and the operations of the Company and its subsidiaries.
3. Based on our special review, we are not aware of any material change which should be made to the interim financial information above for it to be in accordance with accounting practices adopted in Brazil and regulations issued by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of interim financial information.
4. Our review was performed with the objective of issuing a review report on the interim financial information referred to in the first paragraph. The statements of cash flows and added value for the period ended September 30, 2007 are supplementary to the aforementioned financial information, which are not required under accounting practices adopted in Brazil and have been included to facilitate additional analysis. This supplementary information was subject to the same review procedures as applied to the interim financial information and, we are not aware of any material change which should be made to those statements for them to be in accordance with the accounting practices adopted in Brazil and rules issued by the Brazilian Securities and Exchange Commission (CVM).

October 24, 2007

KPMG Auditores Independentes
CRC 2SP014428/O-6-S-SC

Adelino Dias Pinho
Accountant CRC 1SP097869/O-6-S-SC

Sadia S.A.

Balance sheets (Unaudited)

September 30, 2007 and June 30, 2007

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 86,463 | 187,470 | 96,036 | 199,621 |
| Short-term investments | 375,968 | 374,387 | 2,174,631 | 2,166,468 |
| Accounts receivable from future contracts | 7 | - | 24,796 | 23,540 |
| Trade accounts receivable | 370,528 | 334,016 | 366,764 | 358,465 |
| Inventories | 1,216,621 | 1,130,900 | 1,267,312 | 1,175,361 |
| Recoverable taxes | 207,283 | 184,252 | 236,577 | 192,981 |
| Deferred tax credits | 13,831 | 10,665 | 16,086 | 12,399 |
| Other credits | 137,183 | 159,490 | 173,797 | 195,841 |
| | <u>2,407,884</u> | <u>2,381,180</u> | <u>4,355,999</u> | <u>4,324,676</u> |
| Noncurrent assets | | | | |
| Long-term investments | 141,260 | 137,553 | 141,260 | 137,553 |
| Recoverable taxes | 183,103 | 171,103 | 184,579 | 172,582 |
| Deferred tax credits | 94,219 | 86,171 | 94,219 | 86,171 |
| Judicial deposits | 42,120 | 54,485 | 42,226 | 54,591 |
| Advances to suppliers | 66,390 | 65,225 | 66,390 | 65,225 |
| Related parties | 905 | 739 | - | - |
| Other credits | 19,089 | 18,813 | 26,825 | 26,949 |
| | <u>547,086</u> | <u>534,089</u> | <u>555,499</u> | <u>543,071</u> |
| Permanent assets | | | | |
| Investments | 1,470,115 | 1,273,298 | 45,029 | 48,290 |
| Property, plant and equipment | 2,523,298 | 2,334,901 | 2,535,326 | 2,346,866 |
| Deferred charges | 132,924 | 134,663 | 137,935 | 139,124 |
| | <u>4,126,337</u> | <u>3,742,862</u> | <u>2,718,290</u> | <u>2,534,280</u> |
| Total assets | <u>7,081,307</u> | <u>6,658,131</u> | <u>7,629,788</u> | <u>7,402,027</u> |

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

Sadia S.A.

Balance sheets (Unaudited)

September 30, 2007 and June 30, 2007

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Liabilities and shareholders equity | | | | |
| Current liabilities | | | | |
| Loans and financing | 426,210 | 403,413 | 869,88 | 990,86 |
| Accounts payable from future contracts | 8 | - | 12,67 | 17,97 |
| Trade accounts payable | 477,737 | 470,172 | 482,69 | 470,97 |
| Salaries, social charges and accrued vacation payable | 165,997 | 141,583 | 168,80 | 143,80 |
| Taxes payable | 35,936 | 31,912 | 48,76 | 40,21 |
| Dividends payable | 46,913 | 52,12 | 46,91 | 52,12 |
| Employees profit sharing | 20,842 | 10,882 | 21,75 | 11,59 |
| Deferred taxes | 10,993 | 11,93 | 10,99 | 11,93 |
| Advances from subsidiaries | 1,050,192 | 951,334 | - | - |
| Other accounts payable | 100,792 | 95,89 | 169,76 | 156,60 |
| | <u>2,335,620</u> | <u>2,169,257</u> | <u>1,832,24</u> | <u>1,896,09</u> |
| Noncurrent liabilities | | | | |
| Loans and financing | 1,186,658 | 993,072 | 2,762,59 | 2,624,56 |
| Employee benefit plan | 105,186 | 101,110 | 105,18 | 101,11 |
| Provision for contingencies | 53,349 | 43,46 | 54,88 | 44,96 |
| Deferred taxes | 97,536 | 99,409 | 97,53 | 99,40 |
| Advances from subsidiaries | 520,409 | 611,569 | - | - |
| Other accounts payable | 22,455 | 22,283 | 20,82 | 20,57 |
| | <u>1,985,593</u> | <u>1,870,90</u> | <u>3,041,02</u> | <u>2,890,61</u> |
| Minority interest in subsidiaries | - | - | 784 | 702 |
| Shareholders equity | | | | |
| Capital | 1,500,000 | 1,500,000 | 1,500,00 | 1,500,00 |
| Capital reserves | 16,562 | 10,597 | 16,56 | 10,59 |
| Profit reserves | 999,430 | 999,430 | 999,43 | 999,43 |
| Treasury shares | (33,757) | (33,757) | (33,757) | (33,757) |
| Retained earnings | 277,859 | 141,696 | 273,50 | 138,34 |

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| | | | | |
|--|------------------|------------------|-----------------|-----------------|
| | <u>2,760,094</u> | <u>2,617,966</u> | <u>2,755,73</u> | <u>2,614,61</u> |
| Total liabilities and shareholders equity | <u>7,081,307</u> | <u>6,658,13</u> | <u>7,629,78</u> | <u>7,402,02</u> |

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

Sadia S.A.

Income statements (Unaudited)

September 30, 2007 and 2006

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

| | Parent company | | Parent company | | Consolidated | | Consolidated | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Three month ended | | Nine month ended | | Three month ended | | Nine month ended | |
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Gross operating revenue: | | | | | | | | |
| Domestic market | 1,312,406 | 1,101,243 | 3,694,80 | 3,152,545 | 1,312,406 | 1,101,243 | 3,694,808 | 3,152,545 |
| Foreign market | 916,302 | 844,961 | 2,782,569 | 2,210,833 | 1,142,732 | 953,188 | 3,231,188 | 2,432,666 |
| | 2,228,70 | 1,946,204 | 6,477,377 | 5,363,37 | 2,455,13 | 2,054,431 | 6,925,996 | 5,584,211 |
| Sales deductions: | | | | | | | | |
| Value-added tax on sales and sales deductions | (273,248) | (223,385) | (759,716) | (648,472) | (304,798) | (259,744) | (862,991) | (747,217) |
| Net operating revenue | 1,955,460 | 1,722,819 | 5,717,66 | 4,714,906 | 2,150,340 | 1,794,687 | 6,063,005 | 4,836,994 |
| Cost of goods sold | (1,549,339) | (1,320,727) | (4,437,945) | (3,721,540) | (1,553,646) | (1,342,433) | (4,458,183) | (3,733,073) |
| Gross profit | 406,12 | 402,092 | 1,279,716 | 993,366 | 596,694 | 452,254 | 1,604,822 | 1,103,921 |
| Operating income (expenses): | | | | | | | | |
| Selling expenses | (337,382) | (304,015) | (946,645) | (837,497) | (369,643) | (334,180) | (1,039,260) | (914,692) |
| Administrative and general expenses | (24,403) | (12,206) | (59,793) | (40,939) | (24,268) | (12,206) | (59,369) | (40,939) |
| Management fees | (4,037) | (3,243) | (11,673) | (9,598) | (4,037) | (3,243) | (11,673) | (9,598) |
| Other operating expenses | (24,684) | (15,567) | (35,113) | (27,716) | (24,400) | (15,633) | (37,626) | (27,716) |
| Financial income (expenses), net | (53,207) | (50,971) | 11,83 | (67,033) | (11,696) | (3,683) | (15,473) | 40,971 |
| Equity in income (loss) of subsidiaries | 201,384 | 66,129 | 195,21 | 137,510 | - | - | - | - |
| Operating income (loss) | 163,792 | 82,219 | 433,54 | 148,093 | 162,650 | 83,309 | 441,421 | 151,056 |
| Non-operating expenses | (4,120) | (1,454) | (1,507) | (4,734) | (2,889) | (1,500) | (368) | (5,238) |
| Income (loss) before income and social contribution taxes | 159,672 | 80,765 | 432,034 | 143,359 | 159,76 | 81,809 | 441,053 | 146,818 |
| Current income and social contribution taxes | 15,662 | (4,771) | - | (8,005) | 14,11 | (5,444) | (3,823) | (11,776) |
| Deferred income and social contribution taxes | 14,029 | (7,268) | (41,515) | 18,136 | 14,550 | (7,468) | (43,252) | 18,136 |
| Net income before minority interest | 189,363 | 68,726 | 390,519 | 153,490 | 188,429 | 68,897 | 393,978 | 152,178 |
| Minority interest | - | - | - | - | (77) | 215 | (82) | - |
| Net income | 189,363 | 68,726 | 390,519 | 153,490 | 188,352 | 69,112 | 393,896 | 152,178 |

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| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Outstanding shares net of treasury stock (thousands) | 677,076 | 680,496 | 677,076 | 680,496 | 677,076 | 680,496 | 677,076 | 680,496 |
| Earnings per share - In Reais | 0.27968 | 0.10099 | 0.57677 | 0.22556 | 0.27818 | 0.10156 | 0.58176 | 0.27968 |

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

Sadia S.A.

Notes to the interim financial information (unaudited)

Nine-month period ended September 30, 2007

(In thousands of Reais)

1 Operations

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

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

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

The Company has a corporate governance tier one listing for its shares on the São Paulo Stock Exchange, in compliance with Level I of Corporate Governance, the Madrid Stock Exchange (Latibex) and ADRs negotiated on the New York Stock Exchange (NYSE).

2 Presentation of the interim financial information

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

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

a. Statement of cash flows

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. Statement of added value

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

3 Description of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis. Revenue from the Company's sales is recognized upon shipment of the products and when the following conditions are met: i) the ownership is transferred and therefore risk of loss has passed to the client; ii) collection is probable; iii) there is evidence of an arrangement; and iv) the sales price is fixed or determinable. In addition, the Company offers sales and incentives and discounts through various programs to customers, which are accounted for as a reduction of revenue in Sales deductions. Sales incentives include volume-based incentive programs and payments to customers for performing marketing activities on our behalf.

b. Foreign currency

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

c. Accounting estimates

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

d. Long and short-term investments

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

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

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

e. Trade accounts receivable

Trade accounts receivable are recorded at the amount invoiced and interest is not levied. The allowance for doubtful accounts is the best estimate the Company has and is considered sufficient by management to cover any losses arising on collection of accounts receivable. Accounts receivable are written off against the allowance for doubtful accounts after all means of collection have been exhausted and the possibility of recovery of the amounts receivable is considered remote.

f. Inventories

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

g. Investments

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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

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

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

h. Property, plant and equipment

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

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

i. Impairment of long lived assets

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

j. Deferred charges

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

k. Current and noncurrent liabilities

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

l. Provisions

A provision is recognized in the interim financial information when the Company and its subsidiaries have a long term liability of uncertain value or as a result of a past event and it is probable that financial resources will have to be used to settle this obligation.

m. Income and social contribution taxes

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

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

n. Employees benefits

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

o. Environmental questions

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. Management believes that no provision for losses related to environmental questions are currently necessary, based on existing Brazilian laws and regulations.

p. Investment subsidies

The Company has investment subsidies programmed to expire between 2014 and 2020, granted by the governments of the states of Minas Gerais and Mato Grosso where some of its industrial plants are located. Until March 31, 2007, these subsidies were recognized in the income for the year, since they were not directly related to the Company's investment projects. As amply disclosed to the market, the Company has been investing in a project for expanding and modernizing its production units, which consists of an increase in installed capacity, expansion of its industrial park, an increase in production and generation of jobs. As from April 1st, 2007, these states have tied the subsidies to investments, which led the Company to record the aforementioned subsidy in Capital Reserves in shareholders' equity. The amount recorded for these subsidies at September 30, 2007 was R\$15,090. (R\$ 10,575 on June 30, 2007)

4 Interim consolidated financial information

The transactions and balances between the Parent company and its subsidiaries included in the consolidation process have been eliminated and the non-realized profit arising from the sales to the subsidiaries were excluded and incorporated to the inventory balances for each period. Minority interests were excluded from shareholders' equity and net income and are presented separately in the consolidated balance sheets and income statements.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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, delegating to a third party the administrative functions. As of September 30, 2007 and June 30, 2007, this investment fund was consolidated in the Company's financial statements as they had loans collateralized by its own financial assets.

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

| | Shareholdings in % at | |
|---|-------------------------------|--------------------------|
| | September 30, 2007 | June 30, 2007 |
| Sadia International Ltd. | <u>100.00%</u> | <u>100.00%</u> |
| 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 UK Ltd. | 100.00% | 100.00% |
| Concórdia S.A. C.V.M.C.C. (i) | - | <u>99.99%</u> |
| Rezende Óleo Ltda. | <u>100.00%</u> | <u>100.00%</u> |
| Rezende Marketing e Comunicações Ltda. | 0,09% | 0,09% |
| Rezende Marketing e Comunicações Ltda. | 99.91% | 99.91% |
| Sadia Overseas Ltd. (i) | 100.00% | 100.00% |
| Concórdia Holding Financeira S.A. | 100.00% | 99.70% |
| Concórdia S.A. C.V.M.C.C. (i) | 99.99% | - |
| Sadia GmbH | <u>100.00%</u> | <u>100.00%</u> |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 100.00% | 100.00% |
| Sadia Foods GmbH | 100.00% | 100.00% |
| Qualy B. V. | 100.00% | 100.00% |
| Sadia Panamá S.A. | 100.00% | 100.00% |
| Sadia Japan Ltd. | 100.00% | 100.00% |

(i) Shareholding control changed on August 27, 2007.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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

| | Net income | | Shareholders equity | |
|--|-----------------------|-----------------------|-----------------------|------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | June 30, 2007 |
| Company's financial statements | 390,519 | 153,490 | 2,760,094 | 2,617,966 |
| Elimination of unrealized profits on inventories in intercompany operations, net of taxes | (4,359) | (4,233) | (12,095) | (11,084) |
| Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at December 31, 2006 and 2005 | <u>7,736</u> | <u>4,391</u> | <u>7,736</u> | <u>7,736</u> |
| Consolidated financial statements | <u>393,896</u> | <u>153,648</u> | <u>2,755,735</u> | <u>2,614,618</u> |

5 Long and short-term investments*Short-term investments*

| | Interest % (annual average) | Parent company | | Consolidated | |
|-----------------------------------|-----------------------------------|-----------------------|------------------|----------------------|------------------|
| | | September 30, 2007 | June 30, 2007 | September 30 2007 | June 30 2007 |
| Local currency | | | | | |
| Investment funds | 11.15 | <u>229,833</u> | <u>224,780</u> | <u>304,756</u> | <u>288,358</u> |
| | | <u>229,833</u> | <u>224,780</u> | <u>304,756</u> | <u>288,358</u> |
| Foreign currency | | | | | |
| Investment funds | 9.86 | 146,135 | 149,607 | 1,675,510 | 1,820,507 |
| Interest-bearing current accounts | 5.35 | - | - | 192,474 | 57,603 |
| Interest rate swap contracts | | = | = | <u>1,891</u> | = |
| | | <u>146,135</u> | <u>149,607</u> | <u>1,869,875</u> | <u>1,878,110</u> |
| Total short-term | | <u>375,968</u> | <u>374,387</u> | <u>2,174,631</u> | <u>2,166,468</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***Long-term investments**

| | Interest % (annual average) | Parent company | | Consolidated | |
|-------------------------------------|-----------------------------------|----------------|----------------|----------------|----------------|
| | | September | June | September | June |
| | | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 |
| Local currency | | | | | |
| Investment funds | 11.15 | 58,368 | 57,453 | 58,368 | 57,453 |
| Treasury bills - LFT | 12.00 | 49,364 | 48,020 | 49,364 | 48,020 |
| National Treasury Certificate - CTN | 12.00 | <u>33,528</u> | <u>32,080</u> | <u>33,528</u> | <u>32,080</u> |
| Total long-term | | <u>141,260</u> | <u>137,553</u> | <u>141,260</u> | <u>137,553</u> |

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

| | |
|--------------|----------------|
| Maturity | |
| 2008 | 49,364 |
| 2009 | 58,368 |
| 2012 onwards | <u>33,528</u> |
| | <u>141,260</u> |

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

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***6 Accounts receivable**

| | Parent company | | Consolidated | |
|-------------------------------------|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Foreign | | | | |
| Customers | 101,850 | 111,018 | 206,366 | 196,698 |
| Subsidiaries | <u>104,894</u> | <u>57,184</u> | = | = |
| Total of foreign | <u>206,744</u> | <u>168,202</u> | <u>206,366</u> | <u>196,698</u> |
| Domestic customers | 171,397 | 173,481 | 171,405 | 173,489 |
| (-) Allowance for doubtful accounts | <u>(7,613)</u> | <u>(7,667)</u> | <u>(11,007)</u> | <u>(11,722)</u> |
| | <u>370,528</u> | <u>334,016</u> | <u>366,764</u> | <u>358,465</u> |

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

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Balance at the beginning of the period | (7,667) | (7,359) | (11,722) | (11,320) |
| Additions | (403) | (462) | (538) | (758) |
| Write offs | <u>457</u> | <u>154</u> | <u>1,253</u> | <u>356</u> |
| Balance at the end of the period | <u>(7,613)</u> | <u>(7,667)</u> | <u>(11,007)</u> | <u>(11,722)</u> |

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

As of September 30, 2007, the amount of receivables sold under this agreement amounted to approximately R\$312 million (R\$327 million as of June 30, 2007). During the period ended September 30, 2007, the Company received cash proceeds of approximately R\$2,743 million (R\$ 1,440 million in September 30, 2006) and incurred expenses of R\$13 million (R\$10,5 million in September 30, 2006) with respect to this agreement.

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

The Company also assigned receivables to a Credit Assignment Investment Fund (FIDC), administered by Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities. As of September 30, 2007, the net equity of this fund was R\$288,925 (R\$281,549 at June 30, 2007), of which R\$247,265 (R\$227,974 at June 30, 2007) was represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent to 95% of the CDI per senior quota. The assignment of the receivables is made without right of recourse, and the eventual losses from default for Sadia are limited to the value of the subordinated quotas, which at September 30, 2007, represented R\$57,785 (R\$56,310 at June 30, 2007).

During the period ended September 30, 2007, the Company received cash proceeds related to the local receivables sold of approximately R\$2,428 million (R\$2,034 million for the period ended September 30, 2006) and incurred expenses of R\$20 million (R\$22 million for the period ended September 30, 2006) with respect to this agreement.

For the remaining trade accounts receivable from clients on the domestic market the Company has a credit insurance contract, which guarantees an indemnity being received in the event of defaults, of 90% for clients with approved credit limits and up to R\$ 100 for new clients or for those without approved credit limits.

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***7 Inventories**

| | Parent company | | Consolidated | |
|--------------------------------------|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Finished goods and products for sale | 375,322 | 326,714 | 425,131 | 370,347 |
| Livestock and poultry for slaughter | 286,685 | 302,084 | 286,685 | 302,084 |
| Raw materials | 264,005 | 190,778 | 264,409 | 191,158 |
| Work in process | 203,530 | 227,316 | 203,530 | 227,316 |
| Packaging materials | 41,694 | 44,321 | 41,694 | 44,321 |
| Storeroom | 26,592 | 25,737 | 26,592 | 25,737 |
| Advances to suppliers | 10,690 | 12,352 | 10,902 | 12,562 |
| Imports in transit | 8,098 | 1,588 | 8,098 | 1,588 |
| Products in transit | <u>5</u> | <u>10</u> | <u>271</u> | <u>248</u> |
| | <u>1,216,621</u> | <u>1,130,900</u> | <u>1,267,312</u> | <u>1,175,361</u> |

8 Recoverable taxes

| | Parent company | | Consolidated | |
|--------------------------------------|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| ICMS | 209,677 | 188,013 | 236,502 | 195,503 |
| PIS and COFINS | 99,199 | 102,124 | 99,528 | 102,453 |
| IPI | 49,207 | 49,108 | 49,240 | 49,141 |
| Income and social contribution taxes | 32,275 | 16,110 | 35,855 | 18,461 |
| Other | <u>28</u> | <u>=</u> | <u>31</u> | <u>5</u> |
| | <u>390,386</u> | <u>355,355</u> | <u>421,156</u> | <u>365,563</u> |
| Short-term portion | <u>207,283</u> | <u>184,252</u> | <u>236,577</u> | <u>192,981</u> |
| Long-term portion | <u>183,103</u> | <u>171,103</u> | <u>184,579</u> | <u>172,582</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(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. Social contributions - PIS/COFINS

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

c. Excise tax - IPI

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

d. Income and social contribution taxes

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***9 Related party transactions and balances**

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

| | Balance sheet | |
|--|----------------------|--------------------|
| | September | June |
| | 30, 2007 | 30, 2007 |
| Accounts receivable | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 87,693 | 42,029 |
| Sadia International Ltd. | 10,650 | 10,277 |
| Sadia Alimentos S.A. | 2,919 | 2,640 |
| Sadia Uruguay S.A. | 1,726 | 1,860 |
| Sadia Chile S.A. | <u>1,906</u> | <u>378</u> |
| | <u>104,894</u> | <u>57,184</u> |
| Interest on shareholders equity | | |
| Concórdia C.V.M.C.C. | 4,226 | 4,226 |
| | <u>4,226</u> | <u>4,226</u> |
| Loans | | |
| Concórdia Holding Financeira S.A. | 164 | - |
| Sadia International Ltd. | (199) | (208) |
| Rezende Óleo Ltda. | 881 | 881 |
| Concórdia S.A. CVMCC | - | 7 |
| Rezende Marketing e Comunicação Ltda. | <u>59</u> | <u>59</u> |
| | <u>905</u> | <u>739</u> |
| Advances from subsidiaries | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | (1,569,011) | (1,561,239) |
| Sadia International Ltd. | <u>(1,590)</u> | <u>(1,664)</u> |
| Curent and noncurrent | <u>(1,570,601)</u> | <u>(1,562,903)</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Statement of income (nine-months) | |
|---|--------------------------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 |
| Sales | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 1,622,243 | 1,334,688 |
| Sadia International Ltd. | 167,563 | 109,541 |
| Sadia Chile S.A. | 10,019 | 10,547 |
| Sadia Alimentos S.A. | 10,391 | 7,094 |
| Sadia Uruguay S.A. | 4,360 | 4,046 |
| Qualy B. V. | <u>28,558</u> | <u>23,640</u> |
| | <u>1,843,134</u> | <u>1,489,556</u> |
| Net financial result | | |
| Wellax Food Logistics C. P. A. S. U. Lda. | 157,997 | (5,728) |
| Sadia International Ltd. | <u>255</u> | <u>140</u> |
| | <u>158,252</u> | <u>(5,588)</u> |

10 Investments

| Investments | Ownership | Shareholders equity | Net income (loss) for the period | Equity result | Investment balances | |
|--|-----------|------------------------|--|------------------|-----------------------|--------------------|
| | | | | | September 30, 2007 | June 30, 2007 |
| Sadia G.m.b.H. | 100,00% | 1,291,276 | 265,490 | 188,275 | 1,291,276 | 1,096,568 |
| Sadia International Ltd. | 100,00% | 88,909 | 13,475 | 74 | 88,909 | 86,992 |
| Concórdia Holding Financeira S.A. | 100,00% | 74,954 | 5,392 | 5,392 | 74,954 | 10 |
| Rezende Óleo Ltda. | 100,00% | 368 | (744) | (744) | 368 | 368 |
| Concórdia S.A. CVMCC | 99,99% | - | 4,534 | 7,608 | - | 69,551 |
| Rezende Marketing e Comun. Ltda. | 99,91% | (28) | (1) | (1) | - | - |
| Sadia Overseas Ltd. | 100,00% | (1,607) | (1,688) | <u>(1,609)</u> | = | = |
| Total in subsidiaries | | | | <u>198,995</u> | <u>1,455,507</u> | <u>1,253,489</u> |
| Goodwill in acquisition of investments | | | | - | 13,249 | 18,442 |
| Other investments | | | | = | <u>1,359</u> | <u>1,367</u> |
| Total investments of the Company | | | | <u>198,995</u> | <u>1,470,115</u> | <u>1,273,298</u> |
| Other investments of subsidiaries/affiliates | | | | - | 30,421 | 28,481 |
| Investments eliminated on consolidation | | | | <u>(284,636)</u> | <u>(1,455,507)</u> | <u>(1,253,489)</u> |
| Total consolidated investments | | | | <u>(85,641)</u> | <u>45,029</u> | <u>48,290</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)****Movement of the investments in the quarter:***

| | Acquisition/ incorporation/ subscription | Amortization | Disposal | Shareholding result | |
|--|--|----------------|-----------------|---------------------|-------------------|
| | | | | Operating | Non- operating |
| Sadia G.m.b.H. | - | - | - | 194,708 | - |
| Concórdia Holding Financeira S.A. | 69,551 | - | - | 4,682 | 711 |
| Sadia International Ltd. | - | - | - | 1,917 | - |
| Sadia Overseas Ltd. | - | - | - | 77 | - |
| Concórdia S.A. CVMCC | = | = | (69,551) | = | = |
| | <u>69,551</u> | = | <u>69,551</u> | <u>201,384</u> | <u>711</u> |
| Goodwill in acquisition of investments | - | (5,193) | - | - | - |
| Other investments | = | = | (8) | = | = |
| | <u>69,551</u> | <u>(5,193)</u> | <u>(69,559)</u> | <u>201,384</u> | <u>711</u> |

The accumulated loss from equity interest on the consolidated financial statements is represented by translation gains of R\$90,607 and a non-operating income of R\$ 4,966.

On August 27, 2007, Concórdia Holding Financeira S.A. increased its capital with the issue of 6,955,134 ordinary, nominative shares, with no par value, which were subscribed in full by Sadia S.A., through the exchange of 999,990 shares it owned, representing 99.99% of the capital in Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities.

In the Extraordinary General Shareholders Meeting held on September 27, 2007, in the subsidiary Concórdia S.A., Corretora de Valores Mobiliários, Câmbio e Commodities, the Company was authorized to participate in the sale of up to 3,827,551 ordinary shares issued by Bovespa Holding S.A., originating from the demutualization process of Bovespa, for the initial public offer of the secondary distribution of ordinary shares, to be made by this institution.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

As of September 30, 2007 the net balance of goodwill under the acquisition of investments amounted to R\$13,249, consisting of: i) goodwill paid in the acquisition of S6 Frango Produtos Alimentícios Ltda. to the amount of R\$62,505, net of accumulated amortization to the amount of R\$57,311 (R\$52,118 as of June 30, 2007) and ii) the goodwill paid on the acquisition of Empresa Matogrossense de Alimentos Ltda. (at the pre-operating stage) to the amount of R\$8,055, which will be amortized as from commencement of operations, scheduled for beginning of 2008. This goodwill was based on expected future earnings.

11 Property, plant and equipment

| | Parent company | | | | |
|-------------------------------|----------------|---------------------|-----------------------|-----------------------|-----------------------|
| | | Cost | Depreciation | Carrying amount | |
| | | Annual average % | September 30, 2007 | September 30, 2007 | September 30, 2007 |
| Lands | - | 107,454 | - | 107,454 | 106,001 |
| Buildings | 4% | 1,039,157 | (379,544) | 659,613 | 644,080 |
| Machinery and equipment | 15% | 1,360,219 | (659,092) | 701,127 | 687,461 |
| Installations | 10% | 401,100 | (160,499) | 240,601 | 240,731 |
| Vehicles | 27% | 11,585 | (7,711) | 3,874 | 4,380 |
| Breeding stock | - | 419,517 | (270,651) | 148,866 | 135,502 |
| Construction in progress | | 623,273 | - | 623,273 | 478,276 |
| Forestation and reforestation | | 38,096 | (5,077) | 33,019 | 30,226 |
| Advances to suppliers | | 5,395 | - | 5,395 | 8,140 |
| Other | | <u>1,137</u> | <u>(1,061)</u> | <u>76</u> | <u>104</u> |
| | | <u>4,006,933</u> | <u>(1,483,635)</u> | <u>2,523,298</u> | <u>2,334,901</u> |

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Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Consolidated | | | | |
|-------------------------------|---------------------|-----------------------|-----------------------|-----------------------|------------------|
| | | Cost | Depreciation | Carrying amount | |
| | Annual average % | September 30, 2007 | September 30, 2007 | September 30, 2007 | June 30, 2007 |
| Lands | - | 107,559 | - | 107,559 | 106,106 |
| Buildings | 4% | 1,040,035 | (380,114) | 659,921 | 644,407 |
| Machinery and equipment | 15% | 1,363,031 | (660,489) | 702,542 | 688,848 |
| Installations | 10% | 404,929 | (161,091) | 243,838 | 243,995 |
| Vehicles and airplanes | 20% | 19,114 | (8,933) | 10,181 | 10,655 |
| Breeding stock | - | 419,582 | (270,651) | 148,931 | 135,568 |
| Construction in progress | - | 623,275 | - | 623,275 | 478,278 |
| Forestation and reforestation | - | 38,096 | (5,077) | 33,019 | 30,226 |
| Advances to suppliers | - | 5,395 | - | 5,395 | 8,140 |
| Other | - | <u>2,767</u> | <u>(2,102)</u> | <u>665</u> | <u>643</u> |
| | | <u>4,023,783</u> | <u>(1,488,457)</u> | <u>2,535,326</u> | <u>2,346,866</u> |

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

| | Consolidated | | | | Position on |
|-------------------------------|------------------------------|----------------|-----------------|----------------|-----------------------|
| | Position on June 30, 2007 | Acquisitions | Disposal | Transfers | September 30, 2007 |
| Land | 106,106 | - | - | 1,453 | 107,559 |
| Buildings | 1,015,564 | 4,547 | (17) | 19,941 | 1,040,035 |
| Machinery and equipment | 1,336,615 | 6,462 | (13,106) | 33,060 | 1,363,031 |
| Installations | 398,872 | 2,033 | (121) | 4,145 | 404,929 |
| Vehicles and airplane | 19,438 | 226 | (578) | 28 | 19,114 |
| Breeding stock | 379,997 | 39,585 | - | - | 419,582 |
| Construction in progress | 478,278 | 207,397 | (360) | (62,040) | 623,275 |
| Forestation and reforestation | 34,986 | 842 | - | 2,268 | 38,096 |
| Advances to suppliers | 8,140 | 1,194 | - | (3,939) | 5,395 |
| Other | <u>2,675</u> | <u>94</u> | <u>(8)</u> | <u>6</u> | <u>2,767</u> |
| Total cost of acquisition | <u>3,780,671</u> | <u>262,380</u> | <u>(14,190)</u> | <u>(5,078)</u> | <u>4,023,783</u> |

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

- b. In accordance with CVM Deliberation 193/96 the interest incurred in the period arising from financing of projects for modernization and expansion of the industrial units has been recorded in the respective costs of the construction in progress account in the amount of R\$40,613 as of September 30, 2007 (R\$30,181 in the same period of 2006).

12 Deferred charges**Parent company**

| | Rate | Cost | | Amortization | | Carrying amount | |
|---------------------------------|------|----------------|-----------------|----------------|----------------|-----------------|----------|
| | | September | | September | | September | |
| | | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 |
| Software implementation | 20% | 109,795 | (44,024) | 65,771 | 69,992 | | |
| Pre operational costs | 20% | 42,507 | (5,264) | 37,243 | 31,493 | | |
| Reorganization expenses | 20% | 29,863 | (8,540) | 21,323 | 23,345 | | |
| Product development and markets | 20% | 17,481 | (9,331) | 8,150 | 9,207 | | |
| Other | 20% | <u>1,087</u> | <u>(650)</u> | <u>437</u> | <u>626</u> | | |
| | | <u>200,733</u> | <u>(67,809)</u> | <u>132,924</u> | <u>134,663</u> | | |

Consolidated

| | Rate | Cost | | Amortization | | Carrying amount | |
|---------------------------------|------|----------------|-----------------|----------------|----------------|-----------------|----------|
| | | September | | September | | September | |
| | | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 | 30, 2007 |
| Software implementation | 20% | 110,748 | (44,668) | 66,080 | 70,330 | | |
| Pre operational costs | 20% | 42,632 | (5,273) | 37,359 | 31,596 | | |
| Reorganization expenses | 20% | 29,863 | (8,540) | 21,323 | 23,545 | | |
| Product development and markets | 20% | 22,112 | (9,660) | 12,452 | 12,858 | | |
| Other | 20% | <u>1,602</u> | <u>(881)</u> | <u>721</u> | <u>795</u> | | |
| | | <u>206,957</u> | <u>(69,022)</u> | <u>137,935</u> | <u>139,124</u> | | |

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

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

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

| | Parent company | | Consolidated | |
|---|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Short-term | | | | |
| Foreign currency | | | | |
| Financing obtained from financial institutions custodians of structured notes belonging to the Company, with Libor 01 month being charged. (5.12% in September 2007) plus interest of 0.15% p.a., guaranteed by its own investments | - | - | 295,836 | 442,354 |
| Advanced collection relating to the receivables sold, with no interest | - | - | 67,226 | 65,644 |
| Credit lines for the development of foreign trade, with interest rates of 6.88% p.a., guaranteed by promissory notes or sureties | - | - | 4,065 | 4,126 |
| Currency swap contracts | <u>2,981</u> | <u>3,044</u> | <u>2,981</u> | <u>3,044</u> |
| | <u>2,981</u> | <u>3,044</u> | <u>370,108</u> | <u>515,168</u> |
| Local currency | | | | |
| Rural credit lines and working capital loans with interest of 7,34% p.a. for the finance of the production of the integration system in the swine and poultry farming. | 236,723 | 228,381 | 236,723 | 228,381 |
| Currency swap contracts | <u>6,897</u> | <u>7,236</u> | <u>6,897</u> | <u>7,236</u> |
| | <u>243,620</u> | <u>235,617</u> | <u>243,620</u> | <u>235,617</u> |
| | <u>246,601</u> | <u>238,661</u> | <u>613,728</u> | <u>750,785</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Foreign currency | | | | |
| Export financing composed of prepayment in amount of R\$1,821 subject to LIBOR variation for 6-month deposits (5.13% in September 2007) and interest of 0.50% p.a. and an amount of R\$65,222 of a line focused on the incentive for foreign trade activities, plus annual interest of 1.18% p.a., guaranteed by promissory notes or sureties | 1,821 | 645 | 67,043 | 72,566 |
| BNDES (National Bank for Economic and Social Development), for investments and exports credit lines, composed as follows: FINEM in the amount of R\$8,044 subject to the weighted average of exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 3.50% p.a. and FINAME in the amount of R\$18,468 subject to the weighted average of exchange variation of currencies traded by BNDES-UMBNDES and fixed interest of 3.50%, guaranteed by mortgage bonds and real estate mortgage. | 26,552 | 24,172 | 26,552 | 24,172 |
| The raising of funds on the international capitals market through the issuing of bonds with interest of 6.88% per annum and the principal to be paid in one lump sum in 2017, guaranteed by endorsement. | - | - | 11,326 | 3,403 |
| IFC (International Finance Corporation) funding in foreign currency for investment in property, plant and equipment, subject to interest at the rate of 9.05% p.a., guaranteed by real estate mortgages | <u>7,581</u> | <u>10,276</u> | <u>7,581</u> | <u>10,276</u> |
| | <u>35,954</u> | <u>35,093</u> | <u>112,502</u> | <u>110,417</u> |
| Local currency | | | | |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, composed as follows: FINAME in the amount of R\$121,303 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in September 2007) and interest of 3.42% p.a., and FINEM in the amount of R\$11,430 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages | 132,733 | 115,997 | 132,733 | 115,997 |
| PESA - Special Aid for Agribusiness payable in installments, subject to IGPM variation and annual interest of 9.89%, guaranteed by sureties | 4,331 | 2,904 | 4,331 | 2,904 |
| Other subject to interest rate from 1% to 4% p.a. | <u>6,591</u> | <u>10,758</u> | <u>6,591</u> | <u>10,758</u> |
| | <u>143,655</u> | <u>129,659</u> | <u>143,655</u> | <u>129,659</u> |
| Short-term portion of long-term debt | <u>179,609</u> | <u>164,752</u> | <u>256,157</u> | <u>240,076</u> |
| Total short-term | <u>426,210</u> | <u>403,413</u> | <u>869,885</u> | <u>990,861</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

At September 30, 2007 the weighted average interest in short-term loans was 6.15% p.a. (6.49 % p.a. at June 30, 2007).

14 Loans and financing - Noncurrent

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Foreign currency | | | | |
| Export financing composed of prepayment, payable in amount of R\$185,711 in installments up to 2012, subject to LIBOR variation for 6-month deposits (5.13% p.a. September de 2007) plus annual interest of 0.50% p.a. and a line focused on the incentive for foreign trade in amount of R\$1,181,434, subject to LIBOR variation for 6-month plus interest of 1.18%p.a., guaranteed by promissory notes or sureties. | 185,711 | 96,955 | 1,367,145 | 1,318,817 |
| The raising of funds on the international capitals market through the issuing of bonds to be paid in 2017 with interest of 6.88% per annum, guaranteed by endorsement. | - | - | 471,051 | 484,953 |
| BNDES (National Bank for Economic and Social Development), payable from 2007 to 2015, composed as follows: FINEM in the amount of R\$8,755, subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 3.50% p.a. and FINAME in the amount of R\$151,962 subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed annual interest of 3.50% p.a, guaranteed by mortgage bonds and real estate mortgages | 160,717 | 129,233 | 160,717 | 129,233 |
| IFC (International Finance Corporation) for investments in property, plant and equipment, subject to interest at the rate of 9.05% p.a., guaranteed by real estate mortgages | 7,581 | 10,276 | 7,581 | 10,276 |
| Currency swap contracts | <u>499</u> | <u>915</u> | <u>499</u> | <u>915</u> |
| | <u>354,508</u> | <u>237,379</u> | <u>2,006,993</u> | <u>1,944,194</u> |
| | 27 | | | |

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Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|---|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Local currency | | | | |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, payable from 2007 to 2015, composed as follows: FINAME in the amount of R\$841,418 subject to the Long-Term Interest Rate -TJLP (6.25% p.a, September 2007) and interest of 3.42% p.a., and FINEM in the amount of R\$11,430 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages. | 852,848 | 752,169 | 852,848 | 752,129 |
| PESA - Special Sanitation Program of the Agroindustry to be paid in installments from 2007 to 2020, subject to the variation of the IGPM (General Market Price Index) and interest of 9.89% p.a., guaranteed by endorsement. | 139,045 | 135,589 | 139,045 | 135,589 |
| Others subject to interest rate from 1% to 4% p.a. | 18,712 | 30,511 | 18,712 | 30,511 |
| Currency swap contracts | 1,154 | 2,176 | 1,154 | 2,176 |
| | <u>1,011,759</u> | <u>920,445</u> | <u>1,011,759</u> | <u>920,445</u> |
| | 1,366,267 | 1,157,824 | 3,018,752 | 2,864,639 |
| Short-term portion of long-term debt | <u>(179,609)</u> | <u>(164,752)</u> | <u>(256,157)</u> | <u>(240,076)</u> |
| Total long-term | <u>1,186,658</u> | <u>993,072</u> | <u>2,762,595</u> | <u>2,624,563</u> |

The noncurrent portions of financings at at September 30, 2007 mature as follows:

| Maturity | Parent | Consolidated |
|--------------|------------------|------------------|
| | Company | |
| 2008 | 43,594 | 43,594 |
| 2009 | 258,832 | 258,835 |
| 2010 | 188,638 | 556,421 |
| 2011 | 187,615 | 625,115 |
| 2012 onwards | <u>507,979</u> | <u>1,278,630</u> |
| | <u>1,186,658</u> | <u>2,762,595</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

15 Pension plans for employees

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

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

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

16 Commitments and contingencies

Commitments

The Company has non-cancelable leasing agreements for industrial units that expire over the next two years. These leases are subject to renewal for 4 more years and do not require any penalty if the Company does not renew them. The Company does not pay execution costs, such as maintenance and insurance. The costs and rental expenses totaled R\$87,116 in the period ended September 2007 (R\$47,223 in the same period of 2006).

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

| | |
|-------|----------------|
| 2007 | 28,500 |
| 2008 | <u>114,100</u> |
| Total | <u>142,600</u> |

In addition, the Company had purchase commitments for production purposes (packaging), of approximately R\$64 million at September 30, 2007, which have to be fulfilled by 2010.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Contingencies

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

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

| | Parent company | | Consolidated | |
|-----------------------------------|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Tax proceedings | 37,014 | 3 | 38,546 | 36,943 |
| Labor proceedings | 29,745 | 3 | 29,746 | 30,130 |
| Civil proceedings | <u>14,506</u> | | <u>14,506</u> | <u>7,864</u> |
| Provision for contingencies | 81,265 | 7 | 82,798 | 74,937 |
| Related legal deposits | <u>(27,916)</u> | <u>(2)</u> | <u>(27,916)</u> | <u>(29,975)</u> |
| Provision for contingencies - Net | <u>53,349</u> | <u>4</u> | <u>54,882</u> | <u>44,962</u> |

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

| | Position on | Additions | Disposals | Monetary updates | Position on |
|-----------------------------------|-----------------|----------------|----------------|---------------------|-----------------------|
| | June 30, 2007 | | | | September 30, 2007 |
| Tax proceedings | 36,943 | 1,398 | (159) | 364 | 38,546 |
| Civil proceedings | 7,864 | 6,551 | (404) | 495 | 14,506 |
| Labor proceedings | <u>30,130</u> | <u>1,214</u> | <u>(1,690)</u> | <u>92</u> | <u>29,746</u> |
| Provision for contingencies | <u>74,937</u> | <u>9,163</u> | <u>(2,253)</u> | <u>951</u> | <u>82,798</u> |
| Related legal deposits | <u>(29,975)</u> | <u>(9,423)</u> | <u>11,482</u> | = | <u>(27,916)</u> |
| Provision for contingencies - Net | <u>44,962</u> | <u>(260)</u> | <u>9,229</u> | <u>951</u> | <u>54,882</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Tax litigation

The main tax contingencies involve the following cases:

a. Income and social contribution taxes on net income

Provision for income and social contribution taxes on net income amounting to R\$16,097, of which R\$11,283 recorded on the acquisition of the subsidiary Granja Rezende (incorporated in 2002), R\$4,037 on withholding income tax on investments of Granja Rezende and R\$777 for other provisions.

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

The Company is a defendant in several administrative cases involving ICMS, mainly in the States of São Paulo, Rio de Janeiro and Paraná, totaling a probable contingency estimated at R\$12,755.

c. Other tax contingencies

Several cases related to payment of social security contributions, PIS (Social Integration Program Tax), import taxes and others totaling a provision of R\$9,694.

The Company has other contingencies of a tax nature, in the amount of R\$714,402, 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\$174,459, IPI Credit premium, in the amount of R\$185,148, and payment of social security contributions, in the amount of R\$174,458.

On March 9, 2007 the Company obtained the appeal decision from the Federal Regional Court referring to its PIS proceeding contesting the constitutionality of Law 9718/98 which amended the PIS and COFINS calculation base, including operating and financial revenue. The Federal High Court of Justice ruled this matter was unconstitutional on November 9, 2005. The Company has been calculating and paying this tax in accordance with the law. When the final decision has been published the Company may recognize a credit for the amount of approximately R\$14 million.

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Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Civil litigation

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

The Company has other contingencies of a civil nature with a claimed amount of R\$16,326, which were assessed as possible losses by the legal advisors and by management and, therefore, no provision was recorded.

Labor claims

The company is involved in approximately 2,414 labor claims. These labor lawsuits refer mainly to claims for overtime, and health exposure and hazard claims, none of which involve a significant amount on an individual basis. The total amount involved is R\$51,117, for which the provision in the amount of R\$29,746 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 September 30, 2007 was R\$42,226 (R\$54,591 at June 30, 2007).

Guarantees

- a. The Company provides guarantees to loans obtained by certain out growers located in the central region of the country as part of a special development program for that region. Such loans are used to improve the out growers farms installations and will be repaid in 10 years, where the Company obtain from the out growers their farms and installations as a collateral for such guarantees provided. The amount for such guarantees provided as of September 30, 2007 amounted R\$ 188,720 (R\$107,509 in June 30, 2007).
- b. The Company offered a lien on the industrial property it owns in the city of Concórdia, state of Santa Catarina, as a guarantee to a notice of collection from the Federal Revenue Service questioning the compensation in prior years of R\$74 million in IPI premium credit against other federal taxes, which the right was given to the Company (a right recognized by the final and unappealable decision). Management and its legal advisors deem this charge to be misplaced and to prevent this dispute from prejudicing the Company's image and rights, a writ of mandamus was filed under which an injunction was obtained staying this notice of collection.

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Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***17 Shareholders equity*****a. Capital***

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

| | September 30, 2007 | June 30, 2007 |
|------------------------------|-------------------------------|--------------------------|
| Common shares | 257,000,000 | 257,000,000 |
| Preferred shares | <u>426.000.000</u> | <u>426.000.000</u> |
| Total shares | <u>683.000.000</u> | <u>683.000.000</u> |
| Preferred shares in treasury | <u>(5.924.288)</u> | <u>(5.924.288)</u> |
| Total outstanding shares | <u>677.075.712</u> | <u>677.075.712</u> |

b. Changes in shareholders equity

| | Capital | Profit reserves | Treasury stock | Retained earnings | Total |
|---|------------------|----------------------------|---------------------------|------------------------------|------------------|
| Balances as of December 31, 2006 | <u>1,500.000</u> | <u>999.435</u> | <u>(33.341)</u> | = | <u>2,466.094</u> |
| Interest on shareholders equity | - | - | - | (25,036) | (25,036) |
| Net income for the first quarter | = | = | = | <u>92.599</u> | <u>92.599</u> |
| Balances as of March 31, 2007 | <u>1,500.000</u> | <u>999.435</u> | <u>(33.341)</u> | <u>67.563</u> | <u>2,533.657</u> |
| Acquisition of own shares | - | - | (879) | - | (879) |
| Sale of own shares | - | - | 463 | - | 463 |
| Result from sale of shares | - | 17 | - | - | 17 |
| Investment subsidy | - | 10,575 | - | - | 10,575 |
| Interest on shareholders equity | - | - | - | (34,424) | (34,424) |
| Net income for the second quarter | = | = | = | <u>108.557</u> | <u>108.557</u> |
| Balances as of June 30, 2007 | <u>1,500.000</u> | <u>1,010.027</u> | <u>(33.757)</u> | <u>141.696</u> | <u>2,617.966</u> |
| Investment subsidy | - | 5,965 | - | - | 5,965 |
| Interest on shareholders equity | - | - | - | (53,200) | (53,200) |
| Net income for the third quarter | = | = | = | <u>189.363</u> | <u>189.363</u> |

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Notes to the interim financial information (Unaudited)

(In thousands of Reais)

c. Treasury stock

As of September 30, 2007 and June 30, 2007 the Company held treasury stock of 5,924,288 preferred shares, at an average acquisition cost of R\$33,757, held for future sale and/or cancellation. The market value as of September 30, 2007 was R\$ 60,309.

d. Market value

The market value of Sadia S,A, shares according average quotation of shares negotiated on the São Paulo Stock Exchange - BOVESPA, corresponded to R\$10.18 per share at September 30, 2007 (R\$8.98 at June 30, 2007). Net equity on that date was R\$4.08 per share (R\$3.87 at June 30, 2007).

18 Stock option plan

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

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.

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Notes to the interim financial information (Unaudited)

(In thousands of Reais)

The composition of the options granted is presented as follows:

| Cycle | Date | | | Quantity of shares | Price of shares | |
|-------|----------|---------------|----------------|-----------------------|-----------------|---------------|
| | Grant | Final vesting | Final exercise | | Grant date | Update - INPC |
| 2005 | 06/24/05 | 06/24/08 | 06/24/10 | 1,700,000 | 4.55 | 4.92 |
| 2006 | 09/26/06 | 09/26/09 | 09/26/11 | 3,320,000 | 5.68 | 5.96 |

| | September 30, 2007 | June 30, 2007 |
|--|-----------------------|------------------|
| Balance at the beginning of the period | 5,020,000 | 5,320,000 |
| Exercised options - Cycle 2005 | - | (100,000) |
| Forfeited options - Cycle 2005 | - | (100,000) |
| Forfeited options - Cycle 2006 | (65,000) | (100,000) |
| Balance the end of the period | <u>4,955,000</u> | <u>5,020,000</u> |

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

19 Employees profit sharing

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

*(In thousands of Reais)***20 Financial result**

| | Parent company | | Consolidated | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Financial expenses | | | | |
| Interest | (151,604) | (135,149) | (181,497) | (172,427) |
| Monetary variation - Liabilities | (6,447) | (9,390) | (6,447) | (9,390) |
| Foreign exchange variation - Liabilities | 200,882 | 29,845 | 302,731 | 71,897 |
| Foreign exchange variation on overseas investments | - | - | (90,607) | (6,252) |
| Other | <u>(42,326)</u> | <u>(37,966)</u> | <u>(63,906)</u> | <u>(47,983)</u> |
| | <u>505</u> | <u>(152,660)</u> | <u>(39,726)</u> | <u>(164,155)</u> |
| Financial income | | | | |
| Interest | 41,029 | 49,649 | 141,203 | 156,078 |
| Monetary variation - Assets | 6,486 | 1,535 | 6,486 | 1,535 |
| Foreign exchange variation - Assets | (61,926) | (24,998) | (163,501) | (22,039) |
| Other | <u>25,744</u> | <u>59,441</u> | <u>40,065</u> | <u>69,304</u> |
| | <u>11,333</u> | <u>85,627</u> | <u>24,253</u> | <u>204,878</u> |
| | <u>11,838</u> | <u>(67,033)</u> | <u>(15,473)</u> | <u>40,723</u> |

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Notes to the interim financial information (Unaudited)

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

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

| | Parent company | | Consolidated | |
|---------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Local | 432,034 | 143,359 | 162,084 | 6,184 |
| Foreign | = | = | <u>278.969</u> | <u>140.016</u> |
| | <u>432.034</u> | <u>143.359</u> | <u>441.053</u> | <u>146.200</u> |

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

| | Parent company | | Consolidated | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Local | | | | |
| Current | - | (8,005) | (4,210) | (11,007) |
| Deferred | <u>(36.933)</u> | <u>18.657</u> | <u>(38.670)</u> | <u>18.574</u> |
| | <u>(36.933)</u> | <u>10.652</u> | <u>(42.880)</u> | <u>7.567</u> |
| Foreign | | | | |
| Current | - | - | 387 | (412) |
| Deferred | <u>(4.582)</u> | <u>(521)</u> | <u>(4.582)</u> | <u>(521)</u> |
| | <u>(4.582)</u> | <u>(521)</u> | <u>(4.195)</u> | <u>(933)</u> |
| | <u>(41.515)</u> | <u>10.131</u> | <u>(47.075)</u> | <u>6.634</u> |

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Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Income before taxation/profit sharing | 432,034 | 143,359 | 441,053 | 146,200 |
| Interest on shareholders' equity | (112,660) | (50,000) | (112,660) | (50,000) |
| Income before income and social contribution taxes | 319,374 | 93,359 | 328,393 | 96,200 |
| Income and social contribution taxes at nominal rate - 34% | (108,587) | (31,742) | (111,654) | (32,708) |
| Adjustment to calculate the effective rate | | | | |
| Permanent differences | | | | |
| Equity in earnings of subsidiaries | 67,658 | 47,682 | 65,775 | 45,872 |
| Other | 3,996 | (5,287) | 3,386 | (6,008) |
| Provision for income and social contribution taxes on foreign subsidiary | (4,582) | (522) | (4,582) | (522) |
| Income and social contribution taxes at effective rate | <u>(41,515)</u> | <u>10,131</u> | <u>(47,075)</u> | <u>6,634</u> |

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

| | Parent company | | Consolidated | |
|--|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Assets | | | | |
| Deferred taxes | | | | |
| Employees' benefits plan | 35,763 | 34,378 | 35,763 | 34,378 |
| Provision for contingencies | 27,629 | 24,968 | 28,151 | 25,477 |
| Allowance for doubtful accounts | 12,650 | 12,246 | 12,650 | 12,246 |
| Tax loss carryforwards and negative basis of social contribution | 10,409 | 6,151 | 10,409 | 6,151 |
| Amortization of Goodwill | 9,216 | 8,513 | 9,216 | 8,513 |
| Employees' profit sharing | 7,087 | 3,699 | 7,406 | 3,949 |
| Provision for loss on property, plant and equipment | 5,009 | 4,999 | 5,009 | 4,999 |
| Summer Plan depreciation | 1,420 | 1,646 | 1,420 | 1,646 |
| Other | (1,133) | 236 | 281 | 1,211 |
| Total deferred tax asset | <u>108,050</u> | <u>96,836</u> | <u>110,305</u> | <u>98,570</u> |
| Short-term portion | 13,831 | 10,665 | 16,086 | 12,399 |
| Long-term portion | 94,219 | 86,171 | 94,219 | 86,171 |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|----------------------------------|-----------------------|------------------|-----------------------|------------------|
| | September 30, 2007 | June 30, 2007 | September 30, 2007 | June 30, 2007 |
| Liability | | | | |
| Deferred tax | | | | |
| Depreciation on rural activities | 108,529 | 111,344 | 108,529 | 111,344 |
| Total deferred tax liability | <u>108,529</u> | <u>111,344</u> | <u>108,529</u> | <u>111,344</u> |
| Short-term portion | <u>10,993</u> | <u>11,935</u> | <u>10,993</u> | <u>11,935</u> |
| Long-term portion | <u>97,536</u> | <u>99,409</u> | <u>97,536</u> | <u>99,409</u> |

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

Realization of the credits from deferred tax assets arising from tax losses and the negative social contribution base, represented by R\$6,311 in the parent company and R\$4,098 in the overseas subsidiary, will occur from future profits being generated in the respective companies. Management anticipates that the tax asset reported by the parent company will be realized in full during this year. Management anticipates that the tax asset reported by the overseas subsidiary will be realized within three years.

22 Risk management and financial instruments

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations, credit risks and variations in the prices of agricultural commodities – corn, soy bean and derivatives. 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, and are permanently monitored by the Financial Committee and by the Commodities and Risk Management Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, determining the limits for positions, exposure and authority for decision making. At September 30, 2007, 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\$70,366, representing 2.55% of shareholders' equity (Information not audited)

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

a. Exchange rate risk

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

The Company, within its hedge strategy, uses currency futures contracts (US dollars, Euros and Pounds), as a form of mitigating exchange rate risk over operating and financial assets and liabilities and expected transactions recorded under financial results and gross margin, The nominal value of these contracts is not recorded in the interim financial information.

The results from futures contracts, during the nine months ended September 30, 2007, resulted in a gain of R\$52,003 (R\$42,564 for the same period from 2006), represented by a loss of R\$20,885 reported to financial results as foreign exchange liability variations and a gain for the amount of R\$72,888 to operational results, recorded as gross operational income.

The results from over-the-counter operations on the currency futures market, realized and not liquidated and the daily adjustments of positions for future currency contracts on the Futures and Commodities Exchange BM&F have been registered in the quarterly information, respectively, as accounts receivable from futures contracts and accounts payable from futures contracts .

The unrealized results from over-the-counter operations contracted for future maturity, have not been recognized in the accounting records. As from December 2006, these contracts have been segregated and defined as operational or financial contracts, depending on the object they seek to protect. The value of these contracts, if they had been registered at September 30, 2007, would result in an expense of R\$27,608 to financial results and income of R\$109,507 to operational results.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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

| | September | June |
|--|------------------|------------------|
| Assets and liabilities in foreign currency | 30, 2007 | 30, 2007 |
| Cash and cash equivalents and short-term investments | 1,933,712 | 1,972,004 |
| Amounts receivable from futures contracts | 24,796 | 23,540 |
| Trade accounts receivable | 202,982 | 192,653 |
| Suppliers | (30,553) | (28,208) |
| Loans and financing | (2,377,101) | (2,459,362) |
| Amounts payable for futures contracts | (12,673) | (17,978) |
| Swap contracts (dollar for CDI) | <u>12,427</u> | <u>15,604</u> |
| | <u>(246,410)</u> | <u>(301,747)</u> |

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

| | Position | Maturity | |
|---------------------------------|-----------------|-------------------|-------------|
| | | 09/30/2007 | 2007 |
| Derivative contracts | | | |
| Currency swap contracts | | | |
| Base value - R\$ | 12,427 | 11,543 | 884 |
| Base value - US\$ | 4,185 | 3,887 | 298 |
| Receivables/payables | | | |
| Asset | - | - | - |
| Liability | (11,531) | (10,711) | (820) |
| Contract to change rates | | | |
| Base value R\$ | 827,505 | 827,505 | - |
| Base value US\$ | 450,000 | 450,000 | - |
| Receivables | 1,891 | 1,891 | - |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Position 09/30/2007 | Maturity | |
|--------------------------|------------------------|----------|------|
| | | 2007 | 2008 |
| Futures contracts | | | |
| Short position- US\$ | 561,000 | 561,000 | - |
| Long position - US\$ | 402,500 | 402,500 | - |
| Short position - Euro | 126,902 | 126,902 | - |
| Long position - Euro | 54,402 | 54,402 | - |
| Short position - GBP | 58,294 | 58,294 | - |
| Long position - GBP | 23,294 | 23,294 | - |

b. Credit risk

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

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

c. Grain purchase price risks

The Company's operations are exposed to the volatility in grain prices (corn, soy bean e derivatives) used in the preparation of animal feed for its breeding stock, where the price variation results from factors beyond the control of management, such as climate, the size of the harvest, transport and storage costs and government agricultural policies, among others, The Company maintains its risk management strategy, operating through physical control, which includes purchasing grain at fixed prices and prices to be fixed, The Company has a 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.

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 September 30, 2007 and June 30, 2007:

- **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.
- **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.

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

- **Future contracts and exchange and interest rate swap contracts** - The fair values of future contracts and exchange and interest rate swap contracts were estimated based on market quotations for comparable contracts, As of September 30, 2007 the contracted amounts in force totaled R\$ 1,453,310 (R\$ 1,139,655 at June 30, 2007) and the valuation of these contracts to fair value would result in losses of R\$ 20,984 in the period ended September 30, 2007 (loss of R\$45,229 in the same period of 2006) of which R\$ 11,431 as financial result and R\$ 32,415 as operating result, The effective cash settlements of the contracts occur on the respective maturities of each agreement, The Company does not intend to settle these contracts before their maturity.

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

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

Consolidated

| | September 30, 2007 | | June 30, 2007 | |
|--|---------------------------|---------------------|----------------------|---------------------|
| | Book value | Market value | Book value | Market value |
| Cash and cash equivalents | 96,036 | 96,036 | 199,621 | 199,621 |
| Short and long-term investments - Local currency | 446,016 | 446,016 | 425,911 | 425,911 |
| Short and long-term investments - Foreign currency | 1,869,875 | 1,869,875 | 1,878,110 | 1,878,110 |
| Trade accounts receivable | 377,771 | 377,771 | 370,187 | 370,187 |
| Loans and financing | 3,632,480 | 3,658,980 | 3,615,424 | 3,607,956 |
| Suppliers | 482,694 | 482,694 | 470,978 | 470,978 |
| Futures contracts, net | 12,123 | 12,123 | 5,562 | 5,562 |

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Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

e. Financial indebtedness

Consolidated

| | Consolidated | | | | | |
|---|--------------------|------------------|------------------|----------------|------------------|------------------|
| | September 30, 2007 | | | June 30, 2007 | | |
| | Currency | | | Currency | | |
| | Local | Foreign | Total | Local | Foreign | Total |
| Assets | | | | | | |
| Cash and cash equivalents | 32,199 | 63,837 | 96,036 | 105,727 | 93,894 | 199,621 |
| Short-term investments | 304,756 | 1,869,875 | 2,174,631 | 288,358 | 1,878,110 | 2,166,468 |
| Accounts receivable from future contracts | = | <u>24,796</u> | <u>24,796</u> | - | <u>23,540</u> | <u>23,540</u> |
| Total current assets | <u>336,955</u> | <u>1,958,508</u> | <u>2,295,463</u> | <u>394,085</u> | <u>1,995,544</u> | <u>2,389,629</u> |
| Long-term investments | 141,260 | - | 141,260 | 137,553 | = | 137,553 |
| Total long-term assets | <u>141,260</u> | = | <u>141,260</u> | <u>137,553</u> | = | <u>137,553</u> |
| Total Financial Assets | <u>478,215</u> | <u>1,958,508</u> | <u>2,436,723</u> | <u>531,638</u> | <u>1,995,544</u> | <u>2,527,182</u> |
| Liabilities | | | | | | |
| Short-term financing | 387,275 | 482,610 | 869,885 | 365,276 | 625,585 | 990,861 |
| Accounts payables from future contracts | - | 12,673 | 12,673 | - | 17,978 | 17,978 |
| Swap contracts - Short-term | 11,543 | (11,543) | - | 11,997 | (11,997) | = |
| Total current liabilities | 398,818 | 483,740 | 882,558 | 377,273 | 631,566 | 1,008,839 |
| Long-term Financing | 868,104 | 1,894,491 | 2,762,595 | 790,786 | 1,833,777 | 2,624,563 |
| Swap contracts - long-term | 884 | (884) | - | 3,607 | (3,607) | - |
| Total noncurrent liabilities | <u>868,988</u> | <u>1,893,607</u> | <u>2,762,595</u> | <u>794,393</u> | <u>1,830,170</u> | <u>2,624,563</u> |
| Total Financial liabilities | <u>1,267,806</u> | <u>2,377,347</u> | <u>3,645,153</u> | 1,171,666 | <u>2,461,736</u> | <u>3,633,402</u> |
| Net debt | (789,591) | (418,839) | (1,208,430) | (640,028) | (466,192) | (1,106,220) |

23 Insurance

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

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

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

24 Private pension plan

a. Defined benefit plan

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

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

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

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

At September 30, 2007 the Foundation had a total of 19,629 participants (19,898 at June 30, 2007), of which 15,824 were active participants (16,131 at June 30, 2007).

The Parent contributions totaled R\$ 1,489 and 1,496 for the period ended September 30, 2007 and September 30, 2006 respectively and the consolidated totaled R\$ 1,535 and R\$ 1,548 respectively.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

b. Defined contribution plan

As from January 1, 2003, the Company began to adopt new supplementary pension plans under the defined contribution modality for all employees hired by Sadia and its subsidiaries, As from January 1, 2007 these plans are only available to employees earning over R\$1,800 per month, Under the terms of the regulations, plans are funded on an equitable basis so that the portion paid by the Company is equal to the payment made by the employee in accordance with a contribution scale based on salary bands that vary between 1,5% and 6% of the employee's remuneration, observing a contribution limit that is updated annually, The contributions made by the Company at September 30, 2007 and 2006 totaled R\$1,070 and R\$2,068 respectively, As of September 30, 2007 this plan had 1,358 participants.

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

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Net income for the period | <u>390,519</u> | <u>153,490</u> | <u>393,978</u> | <u>152,834</u> |
| Adjustments to reconcile net income to cash generated by operating activities | | | | |
| Variation in minority interest | - | - | (262) | 277 |
| Accrued interest, net of paid interest | (63,163) | (1,549) | (201,651) | (63,205) |
| Depreciation, amortization and depletion allowances | 222,764 | 172,923 | 223,865 | 173,425 |
| Amortization of Goodwill in acquisition of investments | 15,579 | 19,451 | 15,579 | 19,451 |
| Investment subsidy | 15,090 | - | 15,090 | - |
| Equity in income of subsidiaries | (198,995) | (140,243) | 85,641 | 3,519 |
| Deferred taxes | 41,516 | (18,136) | 43,252 | (18,053) |
| Contingencies | 9,733 | 7,431 | 10,117 | 6,572 |
| Disposal of permanent assets | 5,369 | 3,692 | 5,414 | 4,421 |
| Variation in operating assets and liabilities | | | | |
| Trade notes receivable | 246,880 | 77,448 | 311,834 | 37,040 |
| Inventories | (204,930) | (152,961) | (182,858) | (181,538) |
| Recoverable taxes and others | 43,717 | (29,533) | (67,034) | (48,140) |
| Judicial deposits | 4,848 | 2,577 | 4,742 | 2,577 |
| Suppliers | (16,906) | 5,876 | (20,591) | 6,585 |
| Advances from customers | (175,962) | 729,436 | - | - |
| Taxes payable, salaries payable and others | (19,821) | (35,515) | (2,126) | (20,083) |

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Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 |
| Net cash generated by operating activities | <u>316.238</u> | <u>794.387</u> | <u>634.990</u> | <u>75.682</u> |
| Investment activities: | | | | |
| Funds from the sale of permanent assets | 3,394 | 5,434 | 3,394 | 5,462 |
| Investments in subsidiaries | (12) | (1,000) | - | - |
| Purchase of property, plant and equipment and deferred charges | (617,759) | (766,090) | (622,244) | (792,494) |
| Portion paid in the acquisition of a subsidiary, net of cash | - | (485) | - | (485) |
| Short-term investments | (25,921) | (590,949) | (2,581,974) | (3,048,991) |
| Redemption of investments | 1,860 | 558,449 | 2,450,975 | 2,897,643 |
| Net cash from investment activities | <u>(638.438)</u> | <u>(794.641)</u> | <u>(749.849)</u> | <u>(938.865)</u> |
| Financing activities: | | | | |
| Loans received | 643,182 | 951,350 | 2,033,842 | 2,272,544 |
| Loans repaid | (418,060) | (816,110) | (1,948,333) | (1,307,139) |
| Dividends paid | (108,267) | (169,704) | (108,267) | (169,704) |
| Loans with subsidiaries | 92,047 | 3,185 | - | - |
| Sale of treasury share | 463 | - | 463 | - |
| Acquisition of treasury share | (879) | - | (879) | - |
| Net cash from loans | <u>208.486</u> | <u>(31.279)</u> | <u>(23.174)</u> | <u>795.701</u> |
| Cash at beginning of period | 200,177 | 148,716 | 234,069 | 196,306 |
| Cash at end of period | <u>86.463</u> | <u>117.183</u> | <u>96.036</u> | <u>128.824</u> |
| Net decrease in cash | <u>(113.714)</u> | <u>(31.533)</u> | <u>(138.033)</u> | <u>(67.482)</u> |

Sadia S.A.

Notes to the interim financial information (Unaudited)

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

| | Consolidated | |
|--|-----------------------------|------------------|
| | January to September | |
| | September | September |
| | 30, 2007 | 30, 2006 |
| Revenues/income | <u>6,763,933</u> | <u>5,674,646</u> |
| Revenues generated by operations | <u>6,845,794</u> | <u>5,496,937</u> |
| Sale of products, goods and services | 6,845,794 | 5,496,937 |
| Income from third parties | <u>(81,861)</u> | <u>177,709</u> |
| Other operating results | (15,139) | (15,536) |
| Financial income | 24,253 | 204,878 |
| Equity pickup | (85,641) | (3,519) |
| Other nonoperating results | (5,334) | (8,114) |
| Raw materials acquired from third parties | (3,184,929) | (2,575,915) |
| Services rendered by third parties | (1,267,653) | (1,170,946) |
| Added value to be distributed | <u>2,311,351</u> | <u>1,927,785</u> |
| Distribution of added value | | |
| Human resources | 898,768 | 761,186 |
| Interest on third-party capital | (79,792) | 134,467 |
| Government | 859,408 | 677,362 |
| Shareholders (dividends) | 112,660 | 50,000 |
| Retention | 520,307 | 304,770 |
| Depreciation/amortization/depletion | 239,444 | 192,876 |
| Retained profits | 281,317 | 102,835 |
| Others | (454) | 9,059 |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Officers

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

| | |
|-----------------------------|------------------------|
| Gustavo Teixeira de Freitas | Giovanni F, Lipari |
| Controllership Manager | CRC 1SP201389/0-7-S-SC |
| | Accountant |

Sadia S.A.

Notes to the interim financial information (Unaudited)

(In thousands of Reais)

Executive Board

Walter Fontana Filho
Chairman

Eduardo Fontana d'Avila
Vice-president

Alcides Lopes Tápias
Vice-president

Diva Helena Furlan
Member

Everaldo Nigro dos Santos
Member

Francisco Silverio Morales Cespede
Member

José Marcos Konder Comparato
Member

Luiza Helena Trajano Inácio Rodrigues
Member

Marcelo Fontana
Member

Norberto Fatio
Member

Vicente Falconi Campos
Member