

SADIA S.A.
Form 6-K
July 31, 2008

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

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

For the month of July 2008

Commission File Number 1-15184

SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of Registrant's Name)

Rua Fortunato Ferraz, 659
Vila Anastacio, Sao Paulo, SP
05093-901 Brazil
(Address of principal executive offices) (Zip code)

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

Form 20-F Form 40-F

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

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

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

Yes No

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

SIGNATURES

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

Date: July 31, 2008

SADIA S.A.

By:/s/Welson Teixeira Junior

Name: Welson Teixeira Junior
Title: Investor Relations Director

Sadia S.A.
(Public-held company)

Interim financial information
Six-month period ended
June 30, 2008

Sadia S.A.

Publicly-held company

Interim financial information

Six-month periods ended June 30, 2008

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Independent auditors' review report

To

The Board of Directors and Shareholders of

Sadia S.A.

Concórdia - SC

1.

We have reviewed the Quarterly Financial Information of Sadia S.A (the Company) and the consolidated Quarterly Financial Information of the Company and its subsidiaries for the quarter ended June 30, 2008, comprising the balance sheets, the statements of income, of cash flows, of added value and the management report, which are the responsibility of its management.

2.

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

3.

Based on our review, we are not aware of any material modifications that should be made in the Quarterly Financial Information described above, for it to be in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Financial Information, including the Instruction CVM n° 469/08.

4.

As mentioned in note 3q, on December 28, 2007 Law N° 11638 was enacted, and effective from January 1, 2008. This Law modified, amended and introduced new rules to the existing Corporate Law (Law N° 6404/76) and resulted in changes to certain accounting practices currently adopted in Brazil. Despite the fact that the new Law is already in force, the changes required depend on the issuance of further normatization by local regulators, in order for them to be fully adopted by the companies. Consequently, in this transition phase, the Brazilian Securities and Exchange Commission (CVM), through CVM Instruction 469/08, permitted the non-application of all of the provisions of Law 11638/07 in the preparation of the quarterly information. Accordingly, the accounting information in the Quarterly Information for the quarter ended June 30, 2008 was prepared in accordance with specific instructions issued by the CVM and did not include all of the changes in the accounting practices introduced by Law 11638/07.

July 29, 2008

KPMG Auditores Independentes

CRC 2SP014428/O-6-F-SC

Adelino Dias Pinho

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

Sadia S.A.

Balance sheets

June 30, 2008 and March 31, 2008*(In thousands of Reais)*

| | Parent company | | Consolidated | |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| | June 30, 2008 | March 31, 2008 | June 31, 2008 | March 31, 2008 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 49,340 | 144,564 | 60,017 | 161,759 |
| Short-term investments | 5 417,096 | 440,421 | 1,824,185 | 2,074,573 |
| Accounts receivable from future contracts | 4,810 | - | 59,770 | 37,945 |
| Trade accounts receivable | 6 376,819 | 356,993 | 485,480 | 427,252 |
| Inventories | 7 1,469,025 | 1,365,223 | 1,621,286 | 1,488,829 |
| Recoverable taxes | 8 329,361 | 305,224 | 464,496 | 394,761 |
| Deferred tax credits | 22 50,393 | 60,269 | 51,370 | 60,799 |
| Other credits | <u>72,780</u> | <u>96,920</u> | <u>102,001</u> | <u>119,143</u> |
| | <u>2,769,624</u> | <u>2,769,614</u> | <u>4,668,605</u> | <u>4,765,061</u> |
| Noncurrent assets | | | | |
| Long-term investments | 5 311,395 | 186,987 | 121,003 | 98,953 |
| Recoverable taxes | 8 226,166 | 187,084 | 303,366 | 188,587 |
| Deferred tax credits | 22 101,099 | 89,433 | 101,436 | 97,005 |

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| | | | | | |
|-------------------------------|----|-------------------------|-------------------------|-------------------------|-------------------------|
| Judicial deposits | 16 | 44,090 | 41,873 | 45,004 | 54,955 |
| Related parties | 9 | 14,006 | 21,757 | - | - |
| Advances to suppliers | | 60,387 | 58,932 | 60,387 | 58,932 |
| Other credits | | <u>59,917</u> | <u>45,960</u> | <u>65,408</u> | <u>50,645</u> |
| | | <u>817,060</u> | <u>632,026</u> | <u>696,604</u> | <u>549,077</u> |
| Permanent assets | | | | | |
| Investments | 10 | 2,145,227 | 2,060,622 | 89,330 | 104,148 |
| Property, plant and equipment | 11 | 3,401,915 | 3,039,239 | 3,637,974 | 3,273,104 |
| Deferred charges | 12 | <u>76,577</u> | <u>76,804</u> | <u>105,583</u> | <u>94,401</u> |
| | | <u>5,623,719</u> | <u>5,176,665</u> | <u>3,832,887</u> | <u>3,471,653</u> |
| | | <u>9,210,403</u> | <u>8,578,305</u> | <u>9,198,096</u> | <u>8,785,791</u> |

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

Sadia S.A.

Balance sheets

June 30, 2008 and March 31, 2008*(In thousands of Reais)*

| | | Parent company | | Consolidated | |
|---|----|------------------|-------------------|------------------|-------------------|
| | | June 30, 2008 | March 31, 2008 | June 30, 2008 | March 31, 2008 |
| Liabilities and shareholders equity | | | | | |
| Current liabilities | | | | | |
| Loans and financing | 13 | 534,924 | 500,792 | 1,066,263 | 1,122,714 |
| Payables from future contracts | | 674 | 527 | 38,555 | 12,354 |
| Suppliers | | 838,097 | 709,787 | 844,578 | 735,472 |
| Advances from subsidiaries | 9 | 667,001 | 1,198,431 | - | - |
| Salaries, social charges and accrued vacation payable | | 168,392 | 134,269 | 175,505 | 138,750 |
| Taxes payable | | 34,597 | 43,573 | 139,373 | 92,025 |
| Dividends payable | | 88,798 | 48,908 | 88,798 | 48,908 |
| Employees profit sharing | 19 | 35,768 | 24,689 | 37,500 | 25,549 |
| Deferred taxes | 22 | 10,709 | 10,611 | 11,898 | 10,611 |
| Other accounts payable | | <u>125,609</u> | <u>146,877</u> | <u>213,464</u> | <u>226,836</u> |
| | | | | - | |
| | | <u>2,504,569</u> | <u>2,818,464</u> | <u>2,555,934</u> | <u>2,413,219</u> |
| Noncurrent liabilities | | | | | |
| Loans and financing | 14 | 1,559,466 | 1,449,755 | 3,149,565 | 2,951,997 |
| Advances from subsidiaries | 9 | 1,691,075 | 929,996 | - | - |

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| | | | | | |
|--|----|------------------|------------------|------------------|------------------|
| Employee benefit plan | 15 | 116,418 | 111,918 | 116,418 | 111,918 |
| Provision for contingencies | 16 | 53,186 | 49,826 | 57,879 | 62,752 |
| Deferred taxes | 22 | 96,385 | 95,198 | 96,385 | 95,198 |
| Other accounts payable | | <u>53,629</u> | <u>48,820</u> | <u>51,751</u> | <u>48,329</u> |
| | | <u>3,750,159</u> | <u>2,685,513</u> | <u>3,471,998</u> | <u>3,270,194</u> |
| Minority interest in subsidiaries | | | | <u>22,519</u> | <u>29,064</u> |
| Shareholders equity | 17 | | | | |
| Capital | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Capital reserve | | 20,507 | 20,507 | 20,507 | 20,507 |
| Profit reserve | | 980,828 | 980,828 | 980,828 | 980,828 |
| Treasury stock | | (84,118) | (84,118) | (84,118) | (84,118) |
| Retained earnings | | <u>218,458</u> | <u>157,111</u> | <u>230,428</u> | <u>156,097</u> |
| | | <u>3,135,675</u> | <u>3,074,328</u> | <u>3,147,645</u> | <u>3,073,314</u> |
| | | <u>9,210,403</u> | <u>8,578,305</u> | <u>9,198,096</u> | <u>8,785,791</u> |

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

Sadia S.A.

Income statements

Three-month period ended June 30, 2008 and 2007*(In thousands of Reais, except for information on shares)*

| | Parent company | | Consolidated | |
|---|--------------------|--------------------|--------------------|--------------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Gross operating revenue: | | | | |
| Domestic market | 1,490,675 | 1,218,928 | 1,507,072 | 1,218,928 |
| Foreign market | <u>1,173,114</u> | <u>959,312</u> | <u>1,411,543</u> | <u>1,088,862</u> |
| | <u>2,663,789</u> | <u>2,178,240</u> | <u>2,918,615</u> | <u>2,307,790</u> |
| Sales deductions: | | | | |
| Value-added tax on sales and sales deductions | (296,622) | (253,183) | (333,647) | (289,194) |
| Net operating revenue | <u>2,367,167</u> | <u>1,925,057</u> | <u>2,584,968</u> | <u>2,018,596</u> |
| Cost of goods sold | <u>(2,013,287)</u> | <u>(1,491,420)</u> | <u>(1,968,687)</u> | <u>(1,498,903)</u> |
| Gross profit | 353,880 | 433,637 | 616,281 | 519,693 |
| Operating income (expenses): | | | | |
| Selling expenses | (369,054) | (323,783) | (402,349) | (351,721) |

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| | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Administrative and general expenses | (29,620) | (20,182) | (30,495) | (20,042) |
| Management fees | (4,802) | (3,811) | (4,802) | (3,811) |
| Other operating expenses | (25,937) | (12,049) | (30,411) | (12,100) |
| Financial income (expenses), net | 116,826 | 50,733 | (12,174) | 2,667 |
| Equity in income (loss) of subsidiaries | <u>69,215</u> | <u>7,238</u> | <u>-</u> | <u>-</u> |
| Operating income (loss) | 110,508 | 131,783 | 136,050 | 134,686 |
| Nonoperating expenses | (4,083) | 4,085 | (6,625) | 4,032 |
| Income (loss) before income and social contribution taxes | 106,425 | 135,868 | 129,425 | 138,718 |
| Current income and social contribution taxes | (2) | (15,662) | (3,628) | (17,244) |
| Deferred income and social contribution taxes | 505 | (11,649) | (7,472) | (12,070) |
| Net income before minority interest | 106,928 | 108,557 | 118,325 | 109,404 |
| Minority interest | <u>-</u> | <u>-</u> | <u>1,587</u> | <u>(29)</u> |
| Net income | <u>106,928</u> | <u>108,557</u> | <u>119,912</u> | <u>109,375</u> |
| Outstanding shares net of treasury stock (thousands) | 672,741 | 677,076 | 672,741 | 677,076 |
| Earnings per share - In Reais | 0.15894 | 0.16033 | 0.17824 | 0.16154 |

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

Sadia S.A.

Income statements

Six-month period ended June 30, 2008 and 2007*(In thousands of Reais, except for information on shares)*

| | Parent company | | Consolidated | |
|---|--------------------|--------------------|--------------------|--------------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Gross operating revenue: | | | | |
| Domestic market | 2,866,863 | 2,382,402 | 2,894,579 | 2,382,402 |
| Foreign market | <u>2,143,862</u> | <u>1,866,267</u> | <u>2,627,097</u> | <u>2,088,456</u> |
| | <u>5,010,725</u> | <u>4,248,669</u> | <u>5,521,676</u> | <u>4,470,858</u> |
| Sales deductions: | | | | |
| Value-added tax on sales and sales deductions | (569,349) | (486,468) | (646,401) | (558,193) |
| Net operating revenue | <u>4,441,376</u> | <u>3,762,201</u> | <u>4,875,275</u> | 3,912,665 |
| Cost of goods sold | <u>(3,726,738)</u> | <u>(2,888,606)</u> | <u>(3,704,920)</u> | <u>(2,904,537)</u> |
| Gross profit | 714,638 | 873,595 | 1,170,355 | 1,008,128 |
| Operating income (expenses): | | | | |
| Selling expenses | (689,607) | (609,263) | (757,794) | (669,617) |
| Administrative and general expenses | (55,500) | (35,390) | (57,353) | (35,101) |
| Management fees | (9,333) | (7,636) | (9,333) | (7,636) |
| Other operating expenses | (40,670) | (10,773) | (43,539) | (13,226) |
| Financial income (expenses), net | 88,015 | 65,045 | 2,320 | (3,777) |

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| | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Equity in income (loss) of subsidiaries | <u>284,049</u> | <u>(6,173)</u> | <u>-</u> | <u>-</u> |
| Operating income (loss) | 296,573 | 269,749 | 329,238 | 278,771 |
| Nonoperating expenses | (6,636) | 2,613 | (9,282) | 2,521 |
| Income (loss) before income and social contribution taxes | 289,937 | 272,362 | 319,956 | 281,292 |
| Current income and social contribution taxes | (25) | (15,662) | (8,343) | (17,941) |
| Deferred income and social contribution taxes | 26,184 | (55,544) | 22,850 | (57,802) |
| Net income before minority interest | 316,096 | 201,156 | 334,463 | 205,549 |
| Minority interest | <u>-</u> | <u>-</u> | <u>300</u> | <u>(5)</u> |
| Net income | <u>316,086</u> | <u>201,156</u> | <u>334,763</u> | <u>205,544</u> |
| Outstanding shares net of treasury stock (thousands) | 672,741 | 677,076 | 672,741 | 677,076 |
| Earnings per share - In Reais | 0.46986 | 0.29710 | 0.49761 | 0.30358 |

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

Sadia S.A.

Statements of cash flows

Six months ended June 30, 2008 and 2007*(In thousands of Reais)*

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | June | June | June |
| | 30, 2008 | 30, 2007 | 30, 2008 | 30, 2007 |
| Net income for the period | 316,096 | 201,156 | 334,463 | 205,549 |
| Adjustments to reconcile net income to cash generated by operating activities | | | | |
| Variation in minority interest | - | - | (11,780) | (268) |
| Accrued interest, net of paid interest | 59,711 | (34,799) | (84,000) | (124,925) |
| Depreciation, amortization and depletion allowances | 187,231 | 144,447 | 189,709 | 145,209 |
| Goodwill amortization | 10,481 | 10,386 | 10,481 | 10,386 |
| Investment Subsidy | - | 10,575 | - | 10,575 |
| Equity in earnings of subsidiaries | (283,069) | 3,099 | 980 | (3,026) |
| Exchange variations on foreign investments | - | - | 76,214 | 92,657 |
| Deferred taxes | (26,184) | 55,545 | (22,850) | 57,802 |
| Contingencies | 1,316 | (151) | (8,915) | 197 |
| Result from the disposal of permanent assets | <u>2,048</u> | <u>1,505</u> | <u>2,095</u> | <u>1,550</u> |

Variation in operating assets and liabilities

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| | | | | |
|---|--------------------|------------------|------------------|------------------|
| Trade accounts receivable | 63,125 | 283,392 | 1,106 | 320,133 |
| Inventories | (382,081) | (119,209) | (452,350) | (90,907) |
| Recoverable taxes and other | (156,635) | 57,511 | (355,883) | (35,229) |
| Judicial deposits | (2,308) | (7,517) | (3,000) | (7,623) |
| Suppliers | 254,132 | (24,471) | 250,627 | (32,307) |
| Advances from subsidiaries | 564,949 | (183,660) | - | - |
| Taxes payable, salaries payable and others | <u>14,437</u> | <u>(59,385)</u> | <u>130,609</u> | <u>(55,351)</u> |
| Net cash generated by operating activities | <u>623,249</u> | <u>338,424</u> | <u>57,506</u> | <u>494,422</u> |
| Investment activities | | | | |
| Funds from the sale of permanent assets | 1,017 | 2,790 | 1,048 | 2,790 |
| Investments in subsidiaries | (67,417) | (12) | - | - |
| Purchase of property, plant and equipment | (817,338) | (349,476) | (952,736) | (352,572) |
| Acquisition of subsidiary, net cash | (40,290) | - | (40,290) | - |
| Short-term investments | (326,842) | (24,098) | (1,039,224) | (1,489,358) |
| Redemption of investments | <u>20,072</u> | <u>1,860</u> | <u>1,101,389</u> | <u>1,398,041</u> |
| Cash applied in investments activities | <u>(1,230,798)</u> | <u>(368,936)</u> | <u>(929,813)</u> | <u>(441,099)</u> |

Sadia S.A.

Statements of cash flows (cont.)

Six months ended June 30, 2008 and 2007

(In thousands of Reais)

| | Parent company | | Consolidated | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | June 30, 2007 |
| Loan activities | | | | |
| Loans received | 727,335 | 211,511 | 1,182,823 | 1,399,107 |
| Loans paid | (182,455) | (227,672) | (439,695) | (1,428,631) |
| Dividends paid | (130,832) | (57,831) | (130,832) | (57,831) |
| Loans to subsidiaries | (8,726) | 92,213 | - | - |
| Sale of treasury share | - | 463 | - | 463 |
| Acquisition of treasury share | <u>-</u> | <u>(879)</u> | <u>-</u> | <u>(879)</u> |
| Net cash from loan activities | <u>405,322</u> | <u>17,805</u> | <u>612,296</u> | <u>(87,771)</u> |
| Cash at beginning of year | 251,567 | 200,177 | 320,028 | 234,069 |
| Cash at end of year | <u>49,340</u> | <u>187,470</u> | <u>60,017</u> | <u>199,621</u> |
| Net decrease of cash | <u>(202,227)</u> | <u>(12,707)</u> | <u>(260,011)</u> | <u>(34,448)</u> |

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

Sadia S.A.

Statements of consolidated added value

Six months ended June 30, 2008 and 2007*(In thousands of Reais)*

| | Consolidated | |
|--|--------------------------|--------------------------|
| | June 30, 2008 | June 30, 2007 |
| Revenues/income | 5,365,850 | 4,394,836 |
| Wealth generated by operations | <u>5,457,487</u> | <u>4,419,204</u> |
| Sale of products, goods and services | 5,457,487 | 4,419,204 |
| Wealth from third parties | <u>(91,637)</u> | <u>(24,368)</u> |
| Other operating results | 2,320 | (1,240) |
| Financial income | (8,462) | 67,009 |
| Equity in earnings of subsidiaries | (980) | 3,026 |
| Exchange variations on foreign investments | (76,214) | (92,657) |
| Other nonoperating results | (8,301) | (506) |
| Raw materials acquired from third parties | (2,684,837) | (2,078,713) |
| Services rendered by third parties | <u>(921,872)</u> | <u>(819,943)</u> |

| | | |
|--------------------------------------|----------------|----------------|
| Added value to be distributed | 1,759,141 | 1,496,180 |
| Distribution of added value | | |
| Human resources | 761,909 | 575,411 |
| Interest on third-party capital | (109,229) | (40,642) |
| Government | 568,609 | 601,442 |
| Shareholders (dividends) | 97,638 | 59,460 |
| Retention | <u>440,214</u> | <u>300,509</u> |
| Depreciation/amortization/depletion | 200,190 | 155,595 |
| Retained profits | 236,826 | 146,088 |
| Other | 3,198 | (1,174) |

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

Sadia S.A.

Publicly-held Company

Notes to the interim financial information

Six-month period ended June 30, 2008

(In thousands of Reais)

1 Operations

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

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

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

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

2 Preparation and presentation of the interim financial information

The individual and consolidated interim financial information 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).

In order to provide additional information, the Company has presented the statements of cash flows and value added 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.

Publicly-held Company

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 São 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 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.

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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), or replacement or realization. The cost of finished goods and work-in-progress includes raw materials acquired, labor, production expenses, transport and storage relating to the purchase and production of inventories. Normal production losses in hog stock and poultry are inventoried and abnormal losses are expensed immediately as cost of goods sold.

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 disclosed in Note 10.

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The interim financial information of 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 considered as permanent.

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, adjusted in keeping with the work shifts, 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 appropriation of costs of the breeding hens, animal feed, medication and labor. These costs are accumulated for approximately six months until the breeding stock initiates the breeding cycle. From then on, the costs of the breeding stock begin to be amortized by the estimated

number of off springs. The productive cycle ranges from fifteen to thirty months.

i.

Impairment of long lived assets

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

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j.

Deferred charges

Deferred charges are represented substantially by pre-operating costs, 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 has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 carryforward and negative basis of social contribution.

n.

Employees benefits

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

o.

Environmental

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

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p.

Tax incentives

The Company has tax incentives granted by the governments of the states of Minas Gerais and Mato Grosso where some of its industrial plants are located, which will expire between 2014 and 2020. During the financial year 2007 these subsidies were recorded in the account Capital Reserve in net equity. Law 11638/07, amongst other changes, revoked item d) in paragraph 1 of article 182 of Law 6404/76, which implies that the amounts received by way of a subsidy for investment should be recorded in an income account and no longer as Capital Reserve. Accordingly the Company recorded the amount of R\$13,978 in the income statement for the period ended June 30, 2008.

q.

Alteration to Corporate Law - Law 11638/07

On December 28, 2007, Law 11638/07 was issued, which introduced important changes to Law 6404/76 with respect to the preparation and disclosure of financial statements for public companies. The main changes introduced by the new law requires that international accounting standards be adopted, with the standards to be published by the Brazilian Securities and Exchange Commission - CVM, and prepared in accordance with the standards issued by the *International Accounting Standard Board - IASB*.

Among the changes introduced, management emphasizes the following issues which may have an impact on the Company's financial statements and the criteria for calculating the results for the year and the financial position of the Company (parent company and consolidated), as of the year ending December 31, 2008:

A change in the criteria for classifying and valuing investments in financial instruments, including derivatives, which are classified as available for sale or held to maturity, and their valuation will be made based upon this classification.

In corporate transactions between independent parties where there is effective transfer of control, the valuation of the assets and liabilities to market value will be mandatory.

Tax incentives will no longer be classified as capital reserve, but will be included in the income statement. The General meeting can allocate a part of gain, corresponding to these incentives, to form the Tax Incentives Reserve, which can be excluded from the calculation base for the dividends.

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Creation of the account Comprehensive Income in shareholders equity, for recording the valuation adjustments, while they are not computed in the results for the year in accordance with the accrual basis and the marking of prices to market.

Based on the evaluation prepared by Company s Management, the changes introduced and their respective effects on the net equity and the results for the period ended June 30, 2008 are summarized as follows:

| | Net income | | Shareholders equity | |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| | Parent company | Consolidated | Parent company | Consolidated |
| Balances at June 30, 2008 - Law 6404/76 | 316,096 | 334,763 | 3,135,675 | 3,147,645 |
| Fair value of long and short-term investments, net of taxes (note 23) | - | 125,659 | - | 125,659 |
| Fair value of derivatives (note 23) | 208,050 | 208,050 | 208,050 | 208,050 |
| Stock Option (note 18) | (9,465) | (9,465) | (24,227) | (24,227) |
| Balances at June 30, 2008 - Estimated according to Law 11638/07 | <u>514,681</u> | <u>659,007</u> | <u>3,319,498</u> | <u>3,457,127</u> |

Management considers that the regulations and orientations to be issued by the regulatory agencies are preponderant factors in the applicability of these changes and may substantively change the amounts estimated by the Company.

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4 Consolidated interim 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 year. Minority interests were excluded from shareholders' equity and net income and are presented separately in the consolidated balance sheets and income statements in the line of minority interest in subsidiaries .

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 and maximizing shareholder returns. As of June 30, 2008 and March 31, 2008, these investment funds were consolidated in the Company's financial statements as they had loans collateralized by its own financial assets.

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

| | Shareholdings in % at | |
|---------------------------------|------------------------------|-----------------------|
| | June 30, 2008 | March 31, 2008 |
| Sadia International Ltd. | 100.00 | 100.00 |
| Sadia Uruguay S.A. | 100.00 | 100.00 |
| Sadia Chile S.A. | 60.00 | 60.00 |
| Sadia Alimentos S.A. | 95.00 | 95.00 |
| Concórdia Foods Ltd. | 100.00 | 100.00 |

| | | |
|---|---------------|---------------|
| Sadia U. K. Ltd. | 100.00 | 100.00 |
| Big Foods Indústria de Produtos Alimentícios Ltda. | 100.00 | 100.00 |
| Avícola Industrial Buriti Alegre Ltda. Goiaves | 100.00 | 100.00 |
| Baumhardt Comércio e Participações Ltda. (a) | 73.94 | - |
| Excelsior Alimentos S.A. (a) | 43.69 | - |
| Excelsior Alimentos S.A. (a) | 9.06 | - |
| Sadia Industrial Ltda. | 100.00 | 100.00 |
| Rezende Marketing e Comunicações Ltda. | 0.09 | 0.09 |
| Rezende Marketing e Comunicações Ltda. | 99.91 | 99.91 |
| Sadia Overseas Ltd. | 100.00 | 100.00 |

Sadia S.A.

Publicly-held Company**Shareholdings in % at**

| | June 30, 2008 | March 31, 2008 |
|---|--------------------------|---------------------------|
| Concórdia Holding Financeira S.A. | 100.00 | 100.00 |
| Concórdia S.A. C.V.M.C.C. | 99.99 | 99.99 |
| Sadia GmbH | 100.00 | 100.00 |
| Wellax Food Logistics C. P. A. S. U. Lda. | 100.00 | 100.00 |
| Sadia Foods G.m.b.H. | 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 |
| Investeast Ltd. | 60.00 | 60.00 |
| Concórdia Ltd. | 100.00 | 100.00 |

(a) Acquired on June 26, 2008

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

| | Net income | | Shareholders' equity | |
|---------------------------------------|--------------------------|--------------------------|-----------------------------|---------------------------|
| | June 30, 2008 | June 30, 2007 | June 30, 2008 | March 31, 2008 |
| Company's financial statements | 316,096 | 201,156 | 3,135,675 | 3,074,328 |

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| | | | | |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| Elimination of unrealized profits on inventories in intercompany operations, net of taxes | (1,880) | (3,348) | (8,577) | (7,711) |
| Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at December 31, 2007 and 2006 | 6,697 | 7,736 | 6,697 | 6,697 |
| Elimination of the adjustment to market value not made on short-term financial investments, net of taxes | <u>13,850</u> | <u>-</u> | <u>13,850</u> | <u>-</u> |
| Consolidated financial statements | <u>334,763</u> | <u>205,544</u> | <u>3,147,645</u> | <u>3,073,314</u> |

Sadia S.A.

Publicly-held Company**5 Long and short-term investments**

| | Interest % (annual average) | Parent company | | Consolidated | |
|-----------------------------------|-----------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | | June 30, 2008 | March 31, 2008 | June 30, 2008 | March 31, 2008 |
| <i>Short-term investments</i> | | | | | |
| Local currency | | | | | |
| Investment funds | 11.09 | 227,048 | 239,272 | 322,136 | 495,449 |
| Bank Deposit Certificate - CDB | 12.56 | - | - | 198,300 | - |
| Treasury bills - LFT | 10.67 | 53,416 | 51,984 | 89,242 | 51,984 |
| Other | 11.09 | - | - | 5 | 5,042 |
| Interest rate swap contracts | - | <u>84</u> | <u>98</u> | <u>84</u> | <u>98</u> |
| | | <u>280,548</u> | <u>291,354</u> | <u>609,767</u> | <u>552,573</u> |
| Foreign currency | | | | | |
| Investment funds | 10.47 | 134,919 | 144,395 | 926,736 | 1,179,974 |
| Interest-bearing current accounts | 2.46 | 545 | 19 | 285,544 | 337,323 |
| Interest rate swap contracts | - | <u>1,084</u> | <u>4,653</u> | <u>2,138</u> | <u>4,703</u> |
| | | <u>136,548</u> | <u>149,067</u> | <u>1,214,418</u> | <u>1,522,000</u> |
| Total short-term | | <u>417,096</u> | <u>440,421</u> | <u>1,824,185</u> | <u>2,074,573</u> |

*Long-term investments***Local currency**

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| | | | | | |
|-------------------------------------|-------|-----------------------|-----------------------|-----------------------|----------------------|
| Investment funds | 11.99 | 63,095 | 61,102 | 63,095 | 61,102 |
| National Treasury Certificate - CTN | 12.00 | 40,146 | 37,851 | 40,146 | 37,851 |
| Stocks | - | <u>208,154</u> | <u>88,034</u> | <u>17,762</u> | <u>-</u> |
| Total long-term | | <u>311,395</u> | <u>186,987</u> | <u>121,003</u> | <u>98,953</u> |

Long-term investments as of June 30, 2008 mature as follows:

| Maturity | Parent company | Consolidated |
|-----------------|-----------------------|-----------------------|
| 2009 | 271,249 | 80,857 |
| 2013 onwards | <u>40,146</u> | <u>40,146</u> |
| | <u>311,395</u> | <u>121,003</u> |

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

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

6 Trade accounts receivable

| | Parent company | | Consolidated | |
|-------------------------------------|-----------------------|-----------------|---------------------|-----------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Foreign | | | | |
| Customers | 120,284 | 122,433 | 313,237 | 262,716 |
| Subsidiaries | <u>90,752</u> | <u>71,541</u> | <u>-</u> | <u>-</u> |
| Total of foreign | <u>211,036</u> | <u>193,974</u> | <u>313,237</u> | <u>262,716</u> |
| Domestic | | | | |
| Customers | 166,909 | 164,988 | 180,023 | 172,146 |
| Subsidiaries | <u>1,763</u> | <u>2,160</u> | <u>-</u> | <u>-</u> |
| Total of domestic | <u>168,672</u> | <u>167,148</u> | <u>180,023</u> | <u>172,146</u> |
| (-) Allowance for doubtful accounts | <u>(2,889)</u> | <u>(4,129)</u> | <u>(7,780)</u> | <u>(7,610)</u> |

376,819 **356,993** **485,480** **427,252**

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

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Balance at the beginning of the period | (4,129) | (3,565) | (7,610) | (7,112) |
| Additions to the provision | (769) | (854) | (2,217) | (1,267) |
| Write offs | <u>2,009</u> | <u>290</u> | <u>2,047</u> | <u>769</u> |
| Balance at the end of the period | <u>(2,889)</u> | <u>(4,129)</u> | <u>(7,780)</u> | <u>(7,610)</u> |

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The Company and its subsidiaries abroad (Sadia International Ltd. and Wellax Food Logistics C.P.A.S.U. Ltda.) entered into an agreement for sale of its receivables with an outside financial institution up to the maximum amount of US\$200 million, with interest rate of 0.26% p.a. + LIBOR.

As of June 30, 2008, the amount of receivables sold under this agreement amounted to approximately R\$ 318 million (R\$ 343 million as of March 31, 2008). During the period ended June 30, 2008, the Company received cash proceeds of approximately R\$ 1,889 million (R\$ 1,940 million as of June 30, 2007) and incurred expenses of R\$ 5.7 million (R\$ 8.0 million as of June 30, 2007) with respect to this agreement.

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

The Company also assigned receivables to a Credit Assignment Investment Fund (FIDC), administered by Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities. As of June 30, 2008, the net equity of this fund was R\$ 313,204 (R\$ 304,248 at March 31, 2008), of which R\$ 314,875 (R\$ 249,740 at March 31, 2008) were represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent to 95% of the CDI per senior quota. The assignment of the receivables is made without right of recourse, and the eventual losses from default for Sadia are limited to the value of the subordinated quotas, which at June 30, 2008, represented R\$ 62,640 (R\$ 60,850 at March 31, 2008).

During the period ended June 30, 2008, the Company received cash proceeds related to the local receivables sold of approximately R\$ 1,901 million (R\$ 1,564 million for the period ended on June 30, 2007) and incurred expenses of R\$ 12.7 million (R\$ 14 million for the period ended on June 31, 2007) with respect to this agreement.

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

Sadia S.A.

Publicly-held Company**7 Inventories**

| | Parent company | | Consolidated | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Finished goods and products for sale | 480,444 | 419,116 | 610,640 | 526,036 |
| Livestock and poultry for slaughter and sale | 446,985 | 399,260 | 448,720 | 400,407 |
| Raw materials | 214,348 | 215,710 | 224,090 | 224,540 |
| Work in process | 203,609 | 219,247 | 203,772 | 219,275 |
| Packaging materials | 46,089 | 40,159 | 47,103 | 41,403 |
| Storeroom | 29,780 | 29,162 | 35,853 | 33,058 |
| Advances to suppliers | 35,865 | 29,914 | 36,065 | 30,135 |
| Imports in transit | 11,744 | 10,275 | 14,332 | 10,879 |
| Products in transit | <u>161</u> | <u>2,380</u> | <u>711</u> | <u>3,096</u> |
| | <u>1.469.025</u> | <u>1.365,223</u> | <u>1.621.286</u> | <u>1,488,829</u> |

8 Recoverable taxes

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |

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| | | | | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| ICMS | 313,424 | 271,575 | 315,458 | 272,551 |
| Income and social contribution taxes | 28,325 | 29,453 | 181,012 | 60,072 |
| PIS and COFINS | 164,077 | 128,372 | 166,166 | 129,814 |
| IVA | - | - | 55,379 | 57,930 |
| IPI | 43,962 | 43,964 | 44,061 | 43,999 |
| INSS | 5,739 | 18,944 | 5,739 | 18,947 |
| Other | <u>-</u> | <u>-</u> | <u>47</u> | <u>35</u> |
| | <u>555,527</u> | <u>492,308</u> | <u>767,862</u> | <u>583,348</u> |
| Short-term portion | 329,361 | 305,224 | 464,496 | 394,761 |
| Long-term portion | 226,166 | 187,084 | 303,366 | 188,587 |

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a.

Value-added tax on sales and services - ICMS

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

b.

Income and social contribution taxes

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

c.

Social contributions - PIS/COFINS

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

d.

Value-added tax - IVA

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

e.

Excise tax - IPI

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

f.

National Institute of Social Security INSS

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

9 Related party transactions

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

Sadia S.A.

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| | Balance sheet | |
|--|----------------------|----------------------|
| | June | March |
| | 30, 2008 | 31, 2008 |
| Accounts receivable | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 73,208 | 53,160 |
| Qualy B.V. | 5,019 | - |
| Sadia Alimentos S.A. | 4,837 | 3,645 |
| Sadia International Ltd. | 2,851 | 8,480 |
| Sadia Chile S.A. | 2,478 | 3,886 |
| Sadia Uruguay S.A. | 2,234 | 2,370 |
| Big Foods Ind. Prod. Alimentícios Ltda. | 1,832 | 1,306 |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>56</u> | <u>854</u> |
| | <u>92,515</u> | <u>73,701</u> |
| Loans | | |
| Concórdia Holding Financeira S.A. | 10,121 | 6,454 |
| Sadia GmbH | 2,307 | 2,307 |
| Sadia Industrial Ltda. | 885 | 886 |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | 805 | 10,326 |
| Rezende Marketing e Comunicação Ltda. | 60 | 60 |
| Sadia International Ltd. | (172) | (184) |
| Big Foods Ind. Prod. Alimentícios Ltda | - | 1,872 |
| Concórdia S.A. CCVMCC | <u>-</u> | <u>36</u> |
| | <u>14,006</u> | <u>21,757</u> |

Suppliers

| | | |
|--|---------------------------|---------------------------|
| Big Foods Ind. Prod. Alimentícios Ltda. | 12,458 | 10,031 |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>3,790</u> | <u>80</u> |
| | <u>16,248</u> | <u>10,111</u> |
| Advances from subsidiaries | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | (2,356,698) | (2,126,913) |
| Sadia International Ltd. | <u>(1,378)</u> | <u>(1,514)</u> |
| Total current and non current | <u>(2,358,076)</u> | <u>(2,128,427)</u> |

Sadia S.A.

Publicly-held Company

| | Statement of income | |
|--|----------------------------|-------------------------|
| | June | June |
| | 30, 2008 | 30, 2007 |
| Sales | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 1,308,818 | 1,072,212 |
| Sadia International Ltd. | 139,735 | 108,398 |
| Qualy B. V. | 21,601 | 12,141 |
| Sadia Chile S.A. | 9,966 | 6,388 |
| Sadia Alimentos S.A. | 9,473 | 6,171 |
| Big Foods Ind. Prod. Alimentícios Ltda. | 7,341 | - |
| Sadia Uruguay S.A. | 4,612 | 2,707 |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>2,524</u> | <u>-</u> |
| | <u>1,504,070</u> | <u>1,208,017</u> |
| Cost of goods sold | | |
| Big Foods Ind. Prod. Alimentícios Ltda. | (35,466) | - |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>(10,064)</u> | <u>-</u> |
| | <u>(45,530)</u> | <u>-</u> |
| Net financial result | | |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 170,739 | 114,512 |
| Sadia International Ltd. | <u>154</u> | <u>181</u> |
| | <u>170.893</u> | <u>114,693</u> |

Sadia S.A.

Publicly-held Company**10 Investments**

| Investments | Ownership | Shareholder s equity | Net income (loss) for the period | Equity result | Investment balances | |
|---|-----------|-------------------------|--|------------------|---------------------|-------------------|
| | | | | | June 30, 2008 | March 31, 2008 |
| Sadia GmbH | 100.00 | 1,732,720 | 333,297 | 265,945 | 1,732,720 | 1,670,631 |
| Concórdia Hoding Financeira S.A. | 100.00 | 183,856 | 8,977 | 9,339 | 183,856 | 178,096 |
| Sadia International Ltd. | 100.00 | 87,288 | 5,643 | (3,761) | 87,288 | 90,757 |
| Big Foods Ind. de Produtos Alimentícios Ltda. | 100.00 | 30,074 | 13,230 | 13,230 | 30,074 | 25,227 |
| Avícola Ind.l Buriti Alegre Ltda. - Goiaves | 100.00 | 23,685 | (489) | (489) | 23,685 | 9,926 |
| Sadia Industrial Ltda. | 100.00 | 363 | (6) | (6) | 363 | 362 |
| Rezende Marketing e Comunicações Ltda. | 99.91 | (29) | (1) | (1) | - | - |
| Sadia Overseas Ltd. | 100.00 | (1,395) | (3) | 154 | - | - |
| Baumhardt Comércio e Participações Ltda. | 73.94 | (2,174) | - | - | - | - |
| Excelsior Alimentos S.A. | 9.06 | (3,419) | - | - | - | - |
| Total in subsidiaries | | | | <u>284,411</u> | <u>2,057,986</u> | <u>1,974,999</u> |
| Goodwill | | | | - | 87,224 | 84,264 |
| Other investments | | | | <u>(1,342)</u> | <u>17</u> | <u>1,359</u> |
| Total investments of the Parent Company | | | | <u>283,069</u> | <u>2,145,227</u> | <u>2,060,622</u> |
| Other investments of subsidiaries/affiliates | | | | - | 2,089 | 18,525 |

| | | | |
|---|------------------|--------------------|--------------------|
| Investments eliminated on consolidation | <u>(360,263)</u> | <u>(2,057,986)</u> | <u>(1,974,999)</u> |
| Total consolidated investments | <u>(77,194)</u> | <u>89,330</u> | <u>104,148</u> |

Changes in the investments:

| | Acquisition | Capital Increase | Amortization | Negative equity | Shareholding result | |
|--|----------------|------------------|----------------|-----------------|---------------------|-----------------|
| | | | | | Operational | Non-Operational |
| Sadia GmbH | - | - | - | - | 62,089 | - |
| Concórdia Holding Financeira S.A. | - | - | - | - | 5,398 | 362 |
| Big Foods Indústria de Prod. Alim. Ltda. | - | - | - | - | 4,847 | - |
| Avícola Ind. Buriti Alegre Ltda. - Goiaves | - | 13,549 | - | - | 210 | - |
| Sadia Overseas Ltd. | - | - | - | (138) | 138 | - |
| Sadia Industrial Ltda. | - | - | - | - | 1 | - |
| Rezende Marketing e Comun. Ltda. | - | - | - | 1 | (1) | - |
| Sadia International Ltd. | - | - | - | - | (3,469) | - |
| Baumhardt Comércio e Participações Ltda. | (1,607) | - | - | 1,607 | - | - |
| Excelsior Alimentos S.A. | (310) | - | - | 310 | - | - |
| | (1,917) | 13,549 | - | 1,780 | 69,213 | 362 |
| Goodwill | 8,561 | - | (5,601) | - | - | - |
| Other investments | - | - | - | - | - | (1,342) |
| | 6,644 | 13,549 | (5,601) | 1,780 | 69,213 | (980) |

Sadia S.A.

Publicly-held Company

On June 26, 2008 the Company acquired 73.94% of the quotas of the capital of Baumhardt Comércio e Participações Ltda. for the amount of R\$5,425, and 9.06% of the shares of the capital of Excelsior Alimentos S.A. (16.63% of the voting capital) for the amount of R\$1.219. Baumhardt holds 80.10% of the common shares and 43.67% of the capital of Excelsior Alimentos S.A., which added to the direct interests means that the Company holds 75.86% of the voting capital and 41.35% of the total capital of Excelsior Alimentos S.A. Goodwill, based on expectations of future profitability, in the amount of R\$8,561, which is forecast to be amortized over five years, was paid on this acquisition. Excelsior's industrial park is located in Santa Cruz do Sul, in the State of Rio Grande do Sul, and includes a plant for industrialized products with its own cool store.

In the terms of article 254-A of Law 6404/76 and CVM Instruction 361/02, within the period of 30 days as from the date of acquisition, the Company will submit for recording in the Brazilian Securities and Exchange Commission (CVM) a mandatory public offering for acquisition of the other outstanding shares for the price of R\$4.48 per share, a price which is equivalent to 80% of the amount paid to the controlling shareholder.

At June 30, 2008 the net balance of goodwill on the acquisition of investments was R\$87,224 (R\$84,264 at March 31, 2008), comprising:

| | June 30, 2008 | March 31, 2008 | Amortization | |
|--|---------------|----------------|------------------|---------|
| | | | Beginning | Term |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | 39,637 | 41,800 | February, 2008 | 5 years |
| Big Foods Indústria de Produtos Alimentícios Ltda. | 30,972 | 34,410 | January, 2008 | 3 years |
| Empresa Matogrossense de Alimentos Ltda. | 8,054 | 8,054 | Forecast to 2009 | 5 years |
| Excelsior Alimentos S.A. | 8,561 | - | July, 2008 | 5 years |
| | 87,224 | 84,264 | | |

These amounts of goodwill were based on the expectation of future profitability, with amortization forecast in up to five years.

Sadia S.A.

Publicly-held Company**11 Property, plant and equipment**

| | Annual average % | Parent company | | | |
|-------------------------------|---------------------|-------------------------|---------------------------|-------------------------|-------------------------|
| | | Cost | Depreciation | Carrying amount | |
| | | June 30, 2008 | June 30, 2008 | June 30, 2008 | March 31, 2008 |
| Lands | - | 109,755 | - | 109,755 | 109,055 |
| Buildings | 4 | 1,242,609 | (411,066) | 831,543 | 794,203 |
| Machinery and equipment | 15 | 1,605,713 | (721,323) | 884,390 | 835,718 |
| Installations | 10 | 537,072 | (188,142) | 348,930 | 321,724 |
| Software implementation | 20 | 105,318 | (44,832) | 60,486 | 58,371 |
| Vehicles | 20 | 9,086 | (6,751) | 2,335 | 2,809 |
| Construction in progress | - | 919,016 | - | 919,016 | 707,187 |
| Breeding stock | - | 561,885 | (364,428) | 197,457 | 172,772 |
| Forestation and reforestation | - | 41,928 | (5,091) | 36,837 | 35,836 |
| Advances to suppliers | - | 11,134 | - | 11,134 | 1,524 |
| Other | - | <u>960</u> | <u>(928)</u> | <u>32</u> | <u>40</u> |
| | | <u>5,144,476</u> | <u>(1,742,561)</u> | <u>3,401,915</u> | <u>3,039,239</u> |

Consolidated

| | Cost | Depreciation | Carrying amount | |
|--|------|--------------|-----------------|-------|
| | June | June | June | March |

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| | Annual average % | 30, 2008 | 30, 2008 | 30, 2008 | 31, 2008 |
|-------------------------------|-----------------------------|-------------------------|---------------------------|-------------------------|-------------------------|
| Lands | - | 111,244 | - | 111,244 | 110,113 |
| Buildings | 4 | 1,253,383 | (416,691) | 836,692 | 798,413 |
| Machinery and equipment | 15 | 1,641,612 | (735,477) | 906,135 | 853,266 |
| Installations | 10 | 565,073 | (189,915) | 375,158 | 329,785 |
| Software implementation | 20 | 105,646 | (44,995) | 60,651 | 58,444 |
| Vehicles and plane | 15 | 18,146 | (8,600) | 9,546 | 10,682 |
| Construction in progress | - | 1,071,675 | - | 1,071,675 | 872,136 |
| Breeding stock | - | 561,951 | (364,428) | 197,523 | 172,837 |
| Forestation and reforestation | - | 41,928 | (5,091) | 36,837 | 35,836 |
| Advances to suppliers | - | 31,549 | - | 31,549 | 30,498 |
| Other | - | <u>3,131</u> | <u>(2,167)</u> | <u>964</u> | <u>1,094</u> |
| | | <u>5,405,338</u> | <u>(1,767,364)</u> | <u>3,637,974</u> | <u>3,273,104</u> |

Sadia S.A.

Publicly-held Company

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

| | Consolidated | | | | |
|----------------------------------|-------------------------|-----------------------|------------------------|------------------------|-------------------------|
| | March | | | | June |
| | 31, 2008 | Acquisitions | Disposal | Tranfers | 30, 2008 |
| Lands | 110,113 | 431 | - | 700 | 111,244 |
| Buildings | 1,201,448 | 9,825 | (944) | 43,054 | 1,253,383 |
| Machinery and equipment | 1,560,415 | 17,797 | (9,419) | 72,819 | 1,641,612 |
| Installations | 508,835 | 17,612 | (898) | 39,524 | 565,073 |
| Software implementation | 98,291 | 387 | - | 6,968 | 105,646 |
| Vehicles and plane | 19,490 | 175 | (760) | (759) | 18,146 |
| Construction in progress | 872,136 | 381,449 | - | (181,910) | 1,071,675 |
| Breeding stock | 501,018 | 60,933 | - | - | 561,951 |
| Forestation and reforestation | 40,714 | 1,004 | (174) | 384 | 41,928 |
| Advances to suppliers | 30,498 | 19,239 | - | (18,188) | 31,549 |
| Other | <u>3,203</u> | <u>49</u> | <u>(26)</u> | <u>(95)</u> | <u>3,131</u> |
| Total cost of acquisition | <u>4,946,161</u> | <u>508,901</u> | <u>(12,221)</u> | <u>(37,503)</u> | <u>5,405,338</u> |

a.

The 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.

b.

In accordance with CVM Deliberation 193/96 the interest incurred in the period arising from financing of projects for modernization and expansion of the industrial units has been recorded in the respective costs of the construction in progress in the amount of R\$ 32,429 (R\$ 27,936 as of June 30, 2007).

12 Deferred charges

| | Rate | Parent company | | | |
|---------------------------------|------|-----------------------|------------------------|----------------------|----------------------|
| | | Cost | Amortization | Carrying amount | |
| | | June 30, 2008 | June 30, 2008 | June 30, 2008 | March 31, 2008 |
| Pre operational costs | 20 | 63,515 | (8,286) | 55,229 | 52,406 |
| Reorganization expenses | 20 | 29,114 | (13,391) | 15,723 | 17,349 |
| Product development and markets | 20 | 17,356 | (12,752) | 4,604 | 5,810 |
| Other | 20 | <u>2,154</u> | <u>(1,133)</u> | <u>1,021</u> | <u>1,239</u> |
| | | <u>112,139</u> | <u>(35,562)</u> | <u>76,577</u> | <u>76,804</u> |

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| | Rate | Consolidated | | | |
|---------------------------------|------|-----------------------|------------------------|-----------------------|----------------------|
| | | Cost | Amortization | Carrying amount | |
| | | June | June | June | March |
| | | 30, 2008 | 30, 2008 | 30, 2008 | 31, 2008 |
| Pre operational costs | 20 | 90,751 | (10,506) | 80,245 | 65,484 |
| Reorganization expenses | 20 | 29,114 | (13,391) | 15,723 | 17,349 |
| Product development and markets | 20 | 21,700 | (13,106) | 8,594 | 10,329 |
| Other | 20 | <u>2,154</u> | <u>(1,133)</u> | <u>1,021</u> | <u>1,239</u> |
| | | <u>143,719</u> | <u>(38,136)</u> | <u>105,583</u> | <u>94,401</u> |

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

13 Loans and financing - Short-term

| | Parent company | | Consolidated | |
|---|----------------|----------|--------------|----------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Short-term | | | | |
| Foreign currency | | | | |
| Financing obtained from financial institutions custodians of structured notes belonging to the Company, with Libor 01 month being charged (2.46% in June 2008) plus interest of 0.50% p.a., guaranteed by its own investments | - | - | 380,095 | 420,140 |

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| | | | | |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Financing for investments in Russia, to be made in property, plant and equipment, with interest 8% per annum, guaranteed by surety according to the investment interest (60% for Sadia and 40% for the partner) | - | - | 35,491 | 93,919 |
| Advanced collection relating to the receivables sold, with no interest | - | - | 20,743 | 71,256 |
| Credit lines for the development of foreign trade, with interest rates of 7.84% p.a., guaranteed by promissory notes or sureties | - | - | 3,430 | 4,527 |
| Advances on export contracts - ACC, with interest rates of 8.70% p.a., guaranteed by promissory notes or sureties | - | - | 419 | 419 |
| Currency swap contracts | 1,290 | 4,729 | 1,290 | 4,729 |
| Exchange interest rate contracts | <u>-</u> | <u>-</u> | <u>9,361</u> | <u>7,043</u> |
| | <u>1,290</u> | <u>4,729</u> | <u>450,829</u> | <u>602,033</u> |

Sadia S.A.

Publicly-held Company

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Local currency | | | | |
| Rural credit lines and working capital loans with interest of 6.75% p.a. for the finance of the production of the integration system in the swine and poultry farming. | 239,354 | 233,087 | 239,354 | 234,451 |
| Currency swap contracts | 2,822 | 1,939 | 2,822 | 1,939 |
| Others | _____ - | _____ - | _____ 5,418 | _____ - |
| | <u>242,176</u> | <u>235,026</u> | <u>247,594</u> | <u>236,390</u> |
| | <u>243,466</u> | <u>239,755</u> | <u>698,423</u> | <u>838,423</u> |
| Short-term portion of the long-term debt | | | | |
| Foreign currency | | | | |
| BNDES (National Bank for Economic and Social Development), for investments and exports credit lines, composed as follows: FINEM in the amount of R\$ 2,369 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\$ 18,660 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. | 21,029 | 24,901 | 21,029 | 24,901 |
| Export financing composed of prepayment in amount of R\$ 686 subject to LIBOR variation for 6-month deposits (3.1 1% in June 2008) and interest of 0.16% p.a. and an amount of R\$ 13,231, with Libor 06 months being charged of a line focused on the incentive for foreign trade activities, plus annual interest of 1.57% p.a., guaranteed by promissory | 686 | 1,013 | 13,917 | 13,130 |

notes or sureties

| | | | | |
|---|----------------|----------------|----------------|----------------|
| 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 | 2,847 | 4,133 | 2,847 | 4,133 |
| 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 2017, guaranteed by endorsement. | <u> -</u> | <u> -</u> | <u> 2,736</u> | <u> 10,522</u> |
| | <u> 24,562</u> | <u> 30,047</u> | <u> 40,529</u> | <u> 52,686</u> |

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| | Parent company | | Consolidated | |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| 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\$ 148,038 (R\$ 147,767 in the controlling company and R\$ 271 in the affiliated company) subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in June 2008) and interest of 3.25% p.a., and FINEM in the amount of R\$ 1,448 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages | 149,215 | 152,718 | 149,486 | 153,122 |
| Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2010, subject to variation of 90% of the CDI (interbank deposit certificate) p.a. | 107,625 | 70,079 | 107,625 | 70,079 |
| PESA - Special Aid for Agribusiness payable in installments, subject to IGPM variation and annual interest of 9.89%, guaranteed by sureties | 3,255 | 1,597 | 3,255 | 1,597 |
| Other subject to interest rate from 1% to 4% p.a. | <u>6,595</u> | <u>6,596</u> | <u>6,739</u> | <u>6,807</u> |
| | <u>266,690</u> | <u>230,990</u> | <u>267,105</u> | <u>231,605</u> |
| Short-term portion of long-term debt | <u>291,252</u> | <u>261,037</u> | <u>307,634</u> | <u>284,291</u> |
| Total short-term | <u>534,718</u> | <u>500,792</u> | <u>1,006,057</u> | <u>1,122,714</u> |

At June 30, 2008 the weighted average interest in short-term loans was 6.06% p.a. (5.94% p.a. at March 31, 2008).

Sadia S.A.

Publicly-held Company**14 Loans and financing - Long-term**

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Foreign currency | | | | |
| Export financing composed of prepayment, payable in amount of R\$ 159,876 in installments up to 2012, subject to LIBOR variation for 6-month deposits (3.11% in June 2008) plus annual interest of 0.16% p.a, and a line focused on the incentive for foreign trade in amount of R\$ 1,138.704, subject to LIBOR variation for 6-month plus interest of 1.57% p.a., guaranteed by promissory notes or sureties | 159,876 | 175,923 | 1,298,580 | 1,249,744 |
| 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. | - | - | 400,711 | 447,797 |
| BNDES (National Bank for Economic and Social Development), payable from 2008 to 2015 composed as follows: FINEM in the amount of R\$ 2,369 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\$ 122,722 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 | 125,091 | 143,214 | 125,091 | 143,214 |

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| | | | | |
|---|----------------|----------------|------------------|------------------|
| IFC (International Finance Corporation) for investments in property, plant and equipment, with interest of 9.05% to 11.12% p.a, guaranteed by real estate mortgages | <u>2,847</u> | <u>4,133</u> | <u>66,228</u> | <u>4,133</u> |
| | <u>287,814</u> | <u>323,270</u> | <u>1,890,610</u> | <u>1,844,888</u> |

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| | Parent company | | Consolidated | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Local currency | | | | |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, payable from 2008 to 2015, composed as follows: FINAME in the amount of R\$ 986,027 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in June 2008) and interest of 3.25% p.a., and FINEM in the amount of R\$ 1,448 subject to TJLP and interest of 3.50% p.a., guaranteed by mortgage bonds and real estate mortgages | 987,475 | 1,025,972 | 989,609 | 1,028,237 |
| Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2010, subject to variation of 90% of the CDI (interbank deposit certificate) p.a. | 410,357 | 200,912 | 410,357 | 200,912 |
| PESA - Special Sanitation Program of the Agroindustry to be paid in installments from 2008 to 2020, subject to the variation of the IGPM (General Market Price Index) and interest of 9.89% p.a., guaranteed by endorsement. | 151,232 | 145,169 | 151,232 | 145,169 |
| Other subject to interest rate from 1% to 4% p.a. | <u>13,840</u> | <u>15,469</u> | <u>15,391</u> | <u>17,082</u> |
| | <u>1,562,904</u> | <u>1,387,522</u> | <u>1,566,589</u> | <u>1,391,400</u> |
| | <u>1,850,718</u> | <u>1,710,792</u> | <u>3,457,199</u> | <u>3,236,288</u> |
| Short-term portion of long-term debt | <u>(291,252)</u> | <u>(261,037)</u> | <u>(307,634)</u> | <u>(284,291)</u> |

| | | | | |
|-----------------|------------------|------------------|------------------|------------------|
| Total long-term | <u>1,559,466</u> | <u>1,449,755</u> | <u>3,149,565</u> | <u>2,951,997</u> |
|-----------------|------------------|------------------|------------------|------------------|

The noncurrent portions of financings at June 30, 2008 mature as follows:

| Maturity | Parent company | Consolidated |
|-----------------|-----------------------|---------------------|
| 2009 | 164,632 | 170,732 |
| 2010 | 526,229 | 855,990 |
| 2011 | 225,474 | 624,951 |
| 2012 | 301,769 | 473,604 |
| 2013 onwards | <u>341,362</u> | <u>1,024,288</u> |
| | <u>1,559,466</u> | <u>3,149,565</u> |

Sadia S.A.

Publicly-held Company

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 and recorded in the current profit and loss.

16 Commitments and contingencies

Commitments

The Company has non-cancelable leasing agreements for industrial units that expire over the next five years. These leasing are subject to renewal for 1 more year and do not require any penalty if the Company does not renew them. The Company does not pay execution costs, such as maintenance and insurance. The costs and expenses with these agreements totaled R\$ 82,953 as of June 30, 2008 (R\$ 57,042 as of June 30, 2007).

The table below shows the future payments related to the leasing agreement at June 30, 2008:

| | |
|-------|-----------------------|
| 2008 | 93,545 |
| 2009 | 181,200 |
| 2010 | 131,900 |
| 2011 | 131,900 |
| 2012 | <u>131,900</u> |
| Total | <u>670,445</u> |

In addition the Company signed purchase agreements for production purposes (packaging) in the approximate amount of R\$ 72 million on June 30, 2008, payable until 2010.

Sadia S.A.

Publicly-held Company***Contingencies***

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

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

| | Parent company | | Consolidated | |
|-----------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Tax proceedings | 35,204 | 34,809 | 51,296 | 46,192 |
| Labor proceedings | 29,991 | 28,884 | 30,855 | 30,427 |
| Civil proceedings | <u>14,734</u> | <u>14,327</u> | <u>14,734</u> | <u>14,327</u> |
| Provision for contingencies | <u>79,929</u> | <u>78,020</u> | <u>96,885</u> | <u>90,946</u> |
| Related legal deposits | <u>(26,743)</u> | <u>(28,194)</u> | <u>(39,006)</u> | <u>(28,194)</u> |
| Provision for contingencies - Net | <u>53,186</u> | <u>49,826</u> | <u>57,879</u> | <u>62,752</u> |

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

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| | March | | | | June |
|-----------------------------------|----------------------|----------------------|-----------------------|-------------------------|----------------------|
| | 31, 2008 | Additions | Disposals | Monetary updates | 30, 2008 |
| Tax proceedings | 46,192 | 4,705 | (52) | 451 | 51,296 |
| Labor proceedings | 30,427 | 1,119 | (691) | - | 30,855 |
| Civil proceedings | <u>14,327</u> | <u>5,944</u> | <u>(5,603)</u> | <u>66</u> | <u>14,734</u> |
| Provision for contingencies | <u>90,946</u> | <u>11,768</u> | <u>(6,346)</u> | <u>517</u> | <u>96,885</u> |
| Related legal deposits | <u>(28,194)</u> | <u>(12,263)</u> | <u>1,853</u> | <u>(402)</u> | <u>(39,006)</u> |
| Provision for contingencies - Net | <u>62,752</u> | <u>(495)</u> | <u>(4,493)</u> | <u>115</u> | <u>57,879</u> |

Sadia S.A.

Publicly-held Company

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\$27,579, of which R\$10,034 recorded on the acquisition of the subsidiary Granja Rezende (incorporated in 2002), R\$9,017 of income tax and R\$3,246 on contribution taxes of Concórdia S.A. CVMCC, R\$4,253 on withholding income tax on investments of Granja Rezende and R\$1,029 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\$11,731.

c.

Other tax contingencies

Several cases related to payment of Social security contribution, PIS (Social Integration Program Tax), Import Duty and others totaling a provision of R\$11,986.

The Company has other contingencies of a tax nature in the amount of R\$977,655 on June 30, 2008, 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\$343,671, IPI Credit premium, in the amount of R\$290,598, and payment of social security contributions, in the amount of R\$175,821.

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\$54,801, which were assessed as possible losses by the legal advisors and by Management and, therefore, no provision was recorded.

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Labor claims

The company is involved in approximately 2,437 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\$56,951, for which the provision in the amount of R\$30,855 was recorded based on historical information, representing the best estimate for probable losses.

Court deposits

The Company, as appropriate, performs legal deposits not related to provisions for contingencies, which balance as of June 30, 2008 was R\$45,004 (R\$54,955 on March 31, 2008).

Guarantees

a.

The Company provides guarantees to loans obtained by certain out growers located in the central region of the country as part of a special development program for that region. Such loans are used to improve the out growers farms installations and will be repaid in 10 years, where the Company obtain from the out growers their farms and installations as a collateral for such guarantees provided. The amount for such guarantees provided as of June 30, 2008 amounted R\$364,091 (R\$311,464 on March 31, 2008).

b.

The Company is a guarantor for a loan taken out by Instituto Sadia de Sustentabilidade from the National Bank for Economic and Social Development (BNDES). The object of this loan is to set up biodigesters on the properties of the rural producers that are taking part in the Sadia integration system, within the ambit of the Sadia sustainable pig breeding program, seeking a mechanism for clean development and reduction in emission of carbon gases. The total amount of these guarantees at June 30, 2008 was R\$61,131 (R\$56,855 at March 31, 2008).

c.

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

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17 Shareholders equity

a.

Capital

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

| | June | March |
|------------------------------|---------------------------|---------------------------|
| | 30, 2008 | 31, 2008 |
| 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 | (10,259,288) | (10,259,288) |
| Total outstanding shares | <u>672,740,712</u> | <u>672,740,712</u> |

b.

Statements of changes in shareholders equity

| | Capital | Reserve | Treasury shares | Retained earnings | Total |
|--|----------------|----------------|----------------------------|------------------------------|--------------|
|--|----------------|----------------|----------------------------|------------------------------|--------------|

| | | | | | |
|--|-------------------------|-------------------------|------------------------|-----------------------|-------------------------|
| Balances at December 31, 2007 | 2,000,000 | 1,001,335 | (84,118) | - | 2,917,217 |
| Interest on shareholders' equity/dividends | - | - | - | (52,057) | (52,057) |
| Net income of the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>209,168</u> | <u>209,168</u> |
| Balances at March 31, 2008 | <u>2,000,000</u> | <u>1,001,335</u> | <u>(84,118)</u> | <u>157,111</u> | <u>3,074,328</u> |
| Interest on shareholders' equity/dividends | - | - | - | (45,581) | (45,581) |
| Net income of the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>106,928</u> | <u>106,928</u> |
| Balances at June 30, 2008 | <u>2,000,000</u> | <u>1,001,335</u> | <u>(84,118)</u> | <u>218,458</u> | <u>3,135,675</u> |

c.

Treasury stock

As of June 30, 2008 the Company held treasury stock of 10,259,288 preferred shares, at an average acquisition cost of R\$84,118, held for future sale and/or cancellation. The market value as of June 30, 2008 was R\$ 116,546.

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d.

Book and market value

At June 30, 2008, the market value of the shares of Sadia S.A., according to the average quotation of the shares traded on the São Paulo stock exchange (BOVESPA), was R\$11.36 per share (R\$10.40 at March 31, 2008). The book value on the same date was R\$4.66 per share (R\$4.57 at March 31, 2008).

18 Stock option plan

The Company has a granting plan of option of purchase of shares, which contemplates nominative preferred shares of issue of the Company, available in treasury. The plan is managed by a Management Committee, composed of the Chief Executive Officer and the Human Resources Committee of the Board of Directors.

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

The composition of the options granted is presented as follows:

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

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| Cycle | Grant | Start | Final | of Shares | Grant date | Update - INPC |
|--------------|--------------|--------------|--------------|------------------|-------------------|----------------------|
| 2005 | 06/24/05 | 06/24/08 | 06/24/10 | 1,700,000 | 4.55 | 5.16 |
| 2006 | 09/26/06 | 09/26/09 | 09/26/11 | 3,155,000 | 5.68 | 6.27 |
| 2007 | 09/27/07 | 09/27/10 | 09/27/12 | 5,000,000 | 10.03 | 10.57 |

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| | June | March |
|--|-------------------------|-------------------------|
| | 30, 2008 | 31, 2008 |
| Balances in the beginning of the period | 9,955,000 | 9,955,000 |
| Cancelled options - Cycle 2006 | (100.000) | _____ - |
| Balances in the end of the period | <u>9,855,000</u> | <u>9,955,000</u> |

Since the Company has treasury shares earmarked for its stock option plan, the difference between the market value and the updated price for the year will not affect the Company's results. If the Company adopted international accounting standards, as commended by CVM Instruction 469/08, the shareholders' equity and the results for the period ended June 30, 2008 would be decreased by R\$9,465 and R\$24,227, respectively.

19 Employees profit sharing

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

20 Other operating income

On February 13, 2008, the Company obtained recognition of the final, favorable, unappealable decision on the PIS proceedings referring to the unconstitutionality of Law 9718/98, which changed the basis for the calculation of PIS and COFINS by including operating and financial income. This matter was judged and considered unconstitutional by the Superior court of Justice on November 9, 2005. The Company has been collecting the tax in accordance with legislation and, based on the final decision of this proceeding, recognized the tax credit in the amount of R\$14,628,

which net of attorneys' fees, in the amount of R\$ 878, represented a gain of R\$13,750.

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| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | June | June | June |
| | 30, 2008 | 30, 2007 | 30, 2008 | 30, 2007 |
| Financial expenses | | | | |
| Interest | (119,842) | (97,009) | (115,830) | (121,328) |
| Monetary variations - Liabilities | (10,598) | (3,833) | (10,598) | (3,833) |
| Exchange variations - Liabilities | 257,069 | 193,209 | 252,834 | 196,369 |
| Exchange variations on foreign investments | - | - | (76,214) | (92,657) |
| Other | <u>(10,903)</u> | <u>(29,451)</u> | <u>(17,149)</u> | <u>(49,337)</u> |
| | <u>115,726</u> | <u>62,916</u> | <u>33,043</u> | <u>(70,786)</u> |
| Financial income | | | | |
| Interest | (14,359) | 28,997 | 31,995 | 98,614 |
| Monetary variations - Assets | 2,667 | 2,156 | 2,668 | 2,156 |
| Exchange variations - Assets | (36,984) | (48,689) | (83,136) | (61,926) |
| Other | <u>20,965</u> | <u>19,665</u> | <u>40,012</u> | <u>28,165</u> |
| | <u>(27,711)</u> | <u>2,129</u> | <u>(8,461)</u> | <u>67,009</u> |
| | <u>88,015</u> | <u>65,045</u> | <u>24,582</u> | <u>(3,777)</u> |

22 Income and social contribution taxes

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

| | Parent company | | Consolidated | |
|---------|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | June | June | June |
| | 30, 2008 | 30, 2007 | 30, 2008 | 30, 2007 |
| Local | 289,937 | 272,362 | (18,986) | 197,078 |
| Foreign | <u>-</u> | <u>-</u> | <u>338,942</u> | <u>84,214</u> |
| | <u>289,937</u> | <u>272,362</u> | <u>319,956</u> | <u>281,292</u> |

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

| | Parent company | | Consolidated | |
|----------------|-----------------------|------------------------|----------------------|------------------------|
| | June | June | June | June |
| | 30, 2008 | 30, 2007 | 30, 2008 | 30, 2007 |
| Local | | | | |
| Current | (25) | (15,662) | (6,321) | (18,045) |
| Deferred | <u>24,265</u> | <u>(53,015)</u> | <u>18,681</u> | <u>(55,273)</u> |
| | <u>24,240</u> | <u>(68,677)</u> | <u>12,360</u> | <u>(73,318)</u> |
| Foreign | | | | |
| Current | - | - | (2,022) | 104 |
| Deferred | 1,919 | (2,529) | 4,169 | (2,529) |
| | <u>1,919</u> | <u>(2,529)</u> | <u>2,147</u> | <u>(2,425)</u> |
| | <u>26,159</u> | <u>(71,206)</u> | <u>14,507</u> | <u>(75,743)</u> |

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

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------|---------------------|-----------------|
| | June | June | June | June |
| | 30, 2008 | 30, 2007 | 30, 2008 | 30, 2007 |

| | | | | |
|---|----------------------|------------------------|----------------------|------------------------|
| Income before taxation/profit sharing | 289,937 | 272,362 | 319,956 | 281,292 |
| Interest on shareholders' equity | <u>(91,163)</u> | <u>(59,460)</u> | <u>(91,163)</u> | <u>(59,460)</u> |
| Income before income and social contribution taxes | 198,774 | 212,902 | 228,793 | 221,832 |
| Income and social contribution taxes at nominal rate - 34% | (67,583) | (72,387) | (77,790) | (75,423) |
| Adjustment to calculate the effective rate | | | | |
| Permanent differences | | | | |
| Equity in subsidiaries earnings | 94,658 | (3,583) | 88,191 | (4,263) |
| Recording of deferred IR/CS for prior years | - | - | 6,070 | - |
| Other | <u>(916)</u> | <u>4,764</u> | <u>(1,964)</u> | <u>3,943</u> |
| Income and social contribution taxes at effective rate | <u>26,159</u> | <u>(71,206)</u> | <u>14,507</u> | <u>(75,743)</u> |

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

| | Parent company | | Consolidated | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | June | March | June | March |
| | 30, 2008 | 31, 2008 | 30, 2008 | 31, 2008 |
| Assets | | | | |
| Deferred taxes | | | | |
| Benefit plan | 39,582 | 38,052 | 39,582 | 38,052 |
| Provision for contingencies | 28,365 | 26,844 | 28,877 | 32,069 |
| Employees profit sharing | 12,161 | 6,539 | 12,161 | 6,831 |
| Allowance for doubtful accounts | 19,975 | 17,281 | 20,120 | 17,281 |
| Goodwill amortization | 7,794 | 8,856 | 7,794 | 8,856 |
| Provision for loss on property, plant and equipment | 5,389 | 5,922 | 5,389 | 5,922 |
| Tax loss carryforwards and negative basis of social contribution | 26,483 | 41,114 | 29,600 | 41,114 |
| Summer Plan depreciation | 612 | 880 | 612 | 880 |
| Provision for market value adjustment | 7,135 | - | - | - |
| Others | <u>3,996</u> | <u>4,214</u> | <u>8,671</u> | <u>6,799</u> |
| Total assets deferred taxes | <u>151,492</u> | <u>149,702</u> | <u>152,806</u> | <u>157,804</u> |
| Assets short-term portion | 50,393 | 60,269 | 51,370 | 60,799 |
| Assets long-term portion | 101,099 | 89,433 | 101,436 | 97,005 |
| Liabilities | | | | |
| Deferred taxes | | | | |
| Depreciation on rural activities | 107,094 | 105,776 | 107,094 | 105,776 |

| | | | |
|----------------------------------|---|-----------------------|-----------------------|
| Others | <u> </u> - <u> </u> 33 | <u> </u> 1,189 | <u> </u> 33 |
| Total liabilities deferred taxes | <u>107,094</u> <u>105,809</u> | <u>108,283</u> | <u>105,809</u> |
| Liabilities short-term portion | 10,709 10,611 | 11,898 | 10,611 |
| Liabilities long-term portion | <u>96,385</u> <u>95,198</u> | <u>96,385</u> | <u>95,198</u> |
| Net | <u>44,398</u> <u>43,893</u> | <u>44,523</u> | <u>51,995</u> |

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

Realization of the credits from deferred tax assets arising from tax losses and the negative social contribution base in the amount of R\$29,600, represented by R\$26,483 in the parent company and R\$3,117 in subsidiaries, will occur from future profits being generated in the respective

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companies. Management anticipates that the tax asset reported by the parent company and by the subsidiaries will be realized in full during this year.

23 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 June 30, 2008, 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\$241,710, representing 7.68% of shareholders' equity (Information not reviewed).

a. Exchange rate risk

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

The Company, within its hedge strategy, uses currency futures contracts (US dollars, Euros and Pounds), as a form of mitigating exchange rate risk over operating and financial assets and liabilities. The nominal amounts of these

contracts are not recorded in the interim financial information.

The realized income of future contracts, for the period ended on June 30, 2008, generated a gain of R\$152,263 (R\$34,364 for the same period in 2007), represented by gain in the amount of R\$22,682 (R\$8.122 in the same period in 2007) accounted for as financial income in Monetary Variations Assets , and a gain in the amount of R\$ 129.581 (R\$26,242 in the same period of 2007) as operating income in Gross operating revenue .

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

The unrealized income of counter operations entered into with future maturity dates are not recognized in the interim financial information. These contracts are segregated and defined as operating or financial, in accordance with the item to be protected. The amount of these contracts, if recorded as of June 30, 2008, would result in an income of R\$153,809 in the financial income and an income of R\$172,301 in the operating income.

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

| | Consolidated | |
|--|-------------------------|-------------------------|
| | June | March |
| | 30, 2008 | 31, 2008 |
| Assets and liabilities in foreign currency | | |
| Cash and cash equivalents and short-term investments | 1,267,494 | 1,604,627 |
| Amounts receivable from futures contracts | 59,770 | 37,945 |
| Trade accounts receivable, net | 308,803 | 259,831 |
| Suppliers | (42,945) | (54,913) |
| Loans and financing | (2,341,439) | (2,446,921) |
| Amounts payable for futures contracts | (38,761) | (12,354) |
| Swap contracts (dollar for CDI (*)) | <u>3,607</u> | <u>6,437</u> |
| | <u>(783,471)</u> | <u>(605,348)</u> |

(* Interbank deposit interest.

Consolidated hedge contracts outstanding at June 30, 2008 with their respective payment schedules are as follows:

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| | June | Maturity |
|---------------------------------------|-----------------|-----------------|
| | 30, 2008 | 2008 |
| Derivative contracts | | |
| Currency swap contracts | | |
| Base value - R\$ | 3,607 | 3,607 |
| Base value - US\$ | 1,215 | 1,215 |
| Receivables/payables amounts: | | |
| Asset | - | - |
| Liability | (4,112) | (4,112) |
| Rate swap contracts | - | |
| Base value - R\$ | 1,208,900 | 1,208,900 |
| Base value - US\$ | 759,407 | 759,407 |
| Amount receivable | 2,222 | 2,222 |
| Amount payable | (9,361) | (9,361) |
| Futures contracts - US dollars | | |
| Short position- US\$ | 3,941,500 | 3,941,500 |
| Long position - US\$ | 1,062,500 | 1,062,500 |
| Short position - Euro | 266,000 | 266,000 |
| Long position - Euro | 60,000 | 60,000 |
| Short position - Libra | 87,500 | 87,500 |
| Options | | - |
| Long call option US\$ | 200,000 | 200,000 |
| Long put option US\$ | 5,000 | 5,000 |
| Posição comprada venda US\$ | 100,000 | 100,000 |
| Amount receivable | 59,770 | 59,770 |

| | | |
|----------------|--------|--------|
| Amount payable | 38,555 | 38,555 |
|----------------|--------|--------|

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 risk, 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.

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c. Grain purchase price risks

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

The results realized with futures contracts for grain in the period ended June 30, 2008 generated a loss of R\$4.981 recorded as Financial results - Other and a gain in the amount of R\$24,862 recorded as Operating results under Costs of goods sold.

The unrealized results of futures contracts for grain are not recognized in the accounting. These contracts are separated and defined as Operating or Financial, according to the objective of the hedge. The amounts of these contracts, if they were recorded in the period ended June 30, 2008, would result in a gain of R\$2,674 recorded as Operating results under Cost of goods sold.

d. Estimated market values

The Company used the following methods and assumptions to estimate the disclosure of the fair value of its financial instruments as of June 30, 2008 and March 31, 2008:

.

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.

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

Investments: The market values of the investments were obtained from their market quotations.

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

Exchange and interest rate swap contracts - The fair values of exchange and interest rate swap contracts were estimated based on market quotations for comparable contracts. As of June 30, 2008 the contracted amounts in force totaled R\$6,438,079 (R\$3,120,782 as of March 31, 2008) and the valuation of these contracts to fair value would result in a gain of R\$208,050 as of June 30, 2008 (loss of R\$22,766 as of June 30, 2007), composed by a gain in the amount of R\$108,406 (loss of R\$21,811 as of June 30, 2007) accounted for as financial income, and a gain in the amount of R\$99,642 (loss of R\$955 on June 30, 2007) as operating income. The effective cash settlements of the contracts occur on the respective maturities of each agreement. The Company does not intend to settle these contracts before their maturity.

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

The book values and the estimated fair values of the Company's financial instruments as of June 30, 2008 and March 31, 2008 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.

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| | Consolidated | | | |
|---|----------------------|---------------|-----------------------|---------------|
| | June 30, 2008 | | March 31, 2008 | |
| | Book | Market | Book | Market |
| | value | value | value | value |
| Cash and cash equivalents | 60,017 | 60,017 | 161,759 | 161,759 |
| Short-term investments - Local Currency | 730,770 | 921,162 | 651,526 | 651,526 |
| Short-term investments - Foreign Currency | 1,214,418 | 1,214,418 | 1,522,000 | 1,522,000 |
| Trade accounts receivable | 493,260 | 493,260 | 434,862 | 434,862 |
| Investments | 2,106 | 2,106 | 19,884 | 244,105 |
| Loans and financing | 4,155,622 | 4,139,761 | 4,074,711 | 4,237,514 |
| Suppliers | 844,578 | 844,578 | 735,472 | 735,472 |
| Futures contracts, net | 21,009 | 21,009 | 25,591 | 25,591 |

e. Financial indebtedness

| | Consolidated | | | | | |
|--|----------------------|----------------|--------------|-----------------------|----------------|--------------|
| | June 30, 2008 | | | March 31, 2008 | | |
| | Currency | | | Currency | | |
| | Local | Foreign | Total | Local | Foreign | Total |
| | | | | | | |

Assets

| | | | | | | |
|---|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 6,941 | 53,076 | 60,017 | 79,132 | 82,627 | 161,759 |
| Short-term investments | 609,767 | 1,214,418 | 1,824,185 | 552,573 | 1,522,000 | 2,074,573 |
| Accounts receivable from future contracts | <u>-</u> | <u>59,770</u> | <u>59,770</u> | <u>-</u> | <u>37,945</u> | <u>37,945</u> |
| Total current assets | <u>616,708</u> | <u>1,327,264</u> | <u>1,943,972</u> | <u>631,705</u> | <u>1,642,572</u> | <u>2,274,277</u> |
| Long-term investments | <u>121,003</u> | <u>-</u> | <u>121,003</u> | <u>98,953</u> | <u>-</u> | <u>98,953</u> |
| Total long-term assets | <u>121,003</u> | <u>-</u> | <u>121,003</u> | <u>98,953</u> | <u>-</u> | <u>98,953</u> |
| Total Financial Assets | <u>737,711</u> | <u>1,327,264</u> | <u>2,064,975</u> | <u>730,658</u> | <u>1,642,572</u> | <u>2,373,230</u> |

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| | Consolidated | | | | | |
|---|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|---------------------------|
| | June 30, 2008 | | | March 31, 2008 | | |
| | Currency | | Total | Currency | | Total |
| Local | Foreign | Local | | Foreign | | |
| Liabilities | | | | | | |
| Short-term financing | 514,699 | 491,358 | 1,006,057 | 467,995 | 654,719 | 1,122,714 |
| Accounts payables from future contracts | - | 38,761 | 38,761 | - | 12,354 | 12,354 |
| Swap contracts - short-term | <u>3,607</u> | <u>(3,607)</u> | <u>-</u> | <u>6,437</u> | <u>(6,437)</u> | <u>-</u> |
| Total current liabilities | <u>518,306</u> | <u>526,512</u> | <u>1,044,818</u> | <u>474,432</u> | <u>660,636</u> | <u>1,135,068</u> |
| Long-term Financing | <u>1,299,484</u> | <u>1,850,081</u> | <u>3,149,565</u> | <u>1,159,795</u> | <u>1,792,202</u> | <u>2,951,997</u> |
| Total noncurrent liabilities | <u>1,299,484</u> | <u>1,850,081</u> | <u>3,149,565</u> | <u>1,159,795</u> | <u>1,792,202</u> | <u>2,951,997</u> |
| Total Financial liabilities | <u>1,817,790</u> | <u>2,376,593</u> | <u>4,194,383</u> | <u>1,634,227</u> | <u>2,452,838</u> | <u>4,087,065</u> |
| Net debt | <u>(1,080,079)</u> | <u>(1,049,329)</u> | <u>(2,129,408)</u> | <u>(903,569)</u> | <u>(810,266)</u> | <u>(1,713,835)</u> |

24 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 multilocal operations, Management engages its policies with a limit of maximum loss possible in the same event, with amounts calculated based on risk inspections and potential losses. The policies engaged guarantee coverage against fire, general civil liability, windstorms, disorders and electric damage, as well as insurance for merchandise transport, personal and vehicle damage. The amount currently insured guarantees the comprehensive coverage of the Company's fixed assets.

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

Sadia S.A.

Publicly-held Company

25 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 every year by the National Consumer Price Index - INPC.

The actuarial system is that of capitalization for supplementary retirement and pension benefits and of simple apportionment for supplementary disability compensation. The Company's contribution is based on a fixed percentage of the payroll of active participants, as annually recommended by independent actuaries and approved by the trustees of Fundação 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 June 30, 2008 the Foundation had a total of 19,042 participants (19,252 on March 31, 2008), of which 15,055 were active participants (15,317 on March 31, 2008).

The contributions of the parent company, on June 30, 2008 and 2007, amounted to R\$1,047 and R\$990 and R\$1,092 and R\$1,019 in the consolidated, respectively.

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

Sadia S.A.

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remuneration, observing a contribution limit that is updated annually. The contributions made by the Company on June 30, 2008 and 2007 totaled R\$1,125 and R\$648 respectively. As of June 30, 2008 this plan had 1,713 participants (1,555 participants on March 31, 2008).

* * *

Sadia S.A.

Publicly-held Company

Board of Directors

Walter Fontana Filho

Chairman

Eduardo Fontana D'Ávila

Vice-president

Cássio Casseb Lima

Member

Diva Helena Furlan

Member

Everaldo Nigro dos Santos

Member

Francisco Silvério Morales Céspedes

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Member

José Marcos Konder Comparato

Member

Luiza Helena Trajano Inácio Rodrigues

Member

Norberto Fatio

Member

Roberto Faldini

Member

Vicente Falconi Campos

Member

Sadia S.A.

Publicly-held Company

Officers

| | |
|------------------------------------|--|
| Gilberto Tomazoni | Chief Executive Officer |
| Adriano Lima Ferreira | Chief Financial Officer |
| Alexandre de Campos | International Sales Director |
| Alfredo Felipe da Luz Sobrinho | Institutional Relations and Legal Matters Director |
| Amaury Magalhães Maciel Filho | Agribusiness Operations Director |
| Andelaney Carvalho dos Santos | IT and Shared Services Director |
| Antonio Paulo Lazzaretti | Technology and Production Director |
| Eduardo Bernstein | Marketing Director |
| Eduardo Nunes de Noronha | Human Resources and Management Director |
| Ernest Sícoli Petty | Sustainability Director |
| Flávio Luís Fávero | Center for Innovation and Industrial Excellence Director |
| Gilberto Meirelles Xandó Baptista | International Sales Director |
| Guilherme Henderson Larroba | International Operations Director |
| Helio Rubens Mendes dos Santos Jr. | Industrial Technology Director |
| Hugo Frederico Gauer | Russia Operations Director |
| Jean Alphonse Karr | International Sales Director |
| José Augusto Lima de Sá | International Relationships Director |
| Jun Celso Eguti | Competitive Strategy Director |
| Licínio Antonio Hufenbaeher Jr. | Bovine Activities Director |
| Nelson Ricardo Teixeira | National Sales Director |
| Osório Dal Bello | Center for Innovation and Agribusiness Excellence Director |
| Paulo Francisco Alexandre Striker | Logistics Director |
| Ralf Piper | Quality Assurance Director |
| Ricardo Lobato Faucon | Supply Director |
| Ricardo Fernando T. Fernandes | Grain Purchase Director |
| Roberto Banfi | International Sales Director |

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| | |
|--------------------------------|---|
| Ronaldo Korbag Muller | Industrial Operations Director |
| Sérgio Carvalho Mandin Fonseca | National Sales Director |
| Valmor Savoldi | Planning and Integrated Operations Director |
| Welson Teixeira Junior | Controller, Administrative, Information Technology and Investor Relations Director |

Sadia S.A.

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Augusto Ribeiro Junior

Controllership Manager

Giovanni F. Lipari Accountant

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