

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

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## FORM 6-K

# U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the month of August 2009

Commission File Number 1-15184

## SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

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(Translation of Registrant's Name)

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

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

Form 20-F       Form 40-F

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

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

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

Yes       No

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

**SIGNATURES**

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

Date: August 14, 2009

**SADIA S.A.**

By:/s/José Luís Magalhães Salazar

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Name: José Luís Magalhães Salazar

Title: Investor Relations Officer

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**Sadia S.A.**  
**(Public-held company)**

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

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Sadia S.A.

**Publicly-held company**

Interim financial information

**Six-month period ended June 30, 2009**

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Independent auditors' report

To

The Board of Directors and Shareholders of

Sadia S.A.

Concórdia - SC

**1.**

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

**2.**

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

**3.**

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

**4.**

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

**5.**

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

August 14, 2009

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

Marcos Antonio Boscolo

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

Sadia S.A.

Balance sheets

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

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

**Noncurrent assets****Long-term receivables**

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

See the accompanying notes to the interim financial statements.



Sadia S.A.

Balance sheets

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

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

**Noncurrent liabilities**

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

**Minority interest in subsidiaries**

				41,811	50,601
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**Shareholders equity**

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

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of income

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

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

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(expenses):

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

Reais

See the accompanying notes to the interim financial statements.

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Sadia S.A.

Statements of changes in shareholders' equity (parent company)

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

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

See the accompanying notes to the interim financial statements.



Sadia S.A.

Statements of changes in shareholders' equity (consolidated)

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

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



See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of cash flows

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

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

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

See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of consolidated added value

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

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

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

See the accompanying notes to the interim financial statements.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

**June 30, 2009 and March 31, 2009**

*(In thousands of Reais)*

**1**

**Operations**

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

The Company distributes its products through a large number of sales points in the local market and exports to countries in Europe, Middle East, Eurasia, Asia and Americas. The Company has 18 industrial units of its own, 4 leased units and 16 distribution centers located in 14 Brazilian states.

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

The Company's shares are listed on the São Paulo stock exchange, responding to Corporate Governance Level I under the codes SDIA3 and SDIA4, and deposit receipts of its preferred shares are listed on the Madrid stock exchange (Latibex) and the New York stock exchange (NYSE).

Partnership Agreement

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

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

2

**Preparation and presentation of the interim financial information**

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

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



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

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

**3**

**Description of significant accounting policies**

***Statement of income***

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

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

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

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

***Accounting estimates***

The preparation of the interim financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, deferred charges, allowance for doubtful accounts, inventories, deferred tax assets and liabilities, provision for contingencies,

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valuation of derivative instruments, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

***Foreign currency***

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

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

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

***Cash and cash equivalents***

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

***Long and short-term investments***

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

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

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

***Trade accounts receivable***

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

***Inventories***

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

***Investments***

Investments in subsidiaries in Brazil and abroad are valued using the equity method based on the respective net equity calculated on the same date, as disclosed in Note 11.

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

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Statement of income accounts at the exchange rate at the end of each month.

Other investments are valued at cost less a provision for devaluation considered as permanent.

***Property, plant and equipment***

Property, plant and equipment are recorded at cost of acquisition, formation or construction, including the interest incurred on financing, during the period of construction, modernization and expansion of the industrial units. Expenditures that materially extend the useful lives of existing facilities and equipment are capitalized. Depreciation is calculated using the straight-line method at rates that take into account the estimated useful life of the assets, adjusted in keeping with the work shifts, as disclosed in Note 12. Depletion of forestry resources is calculated based on the extraction of timber and the average costs of the forests.



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

*Intangible assets*

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

*Deferred charges*

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

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Notes to the interim financial information

*(In thousands of Reais)*

***Impairment of long lived assets***

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

***Current and noncurrent liabilities***

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

***Derivative financial instruments***

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

***Grants and subsidies***

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

***Share based payments***

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

***Provisions***

A provision is recognized in the interim financial information when the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

***Income and social contribution taxes***

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

of tax losses and negative basis of social contribution, limited to 30% of taxable income.

The deferred tax assets were recorded in accordance with CVM Instruction 371/02 and are represented significantly by temporary differences arising from non-deductible provisions, including tax loss carry forward and negative basis of social contribution and take into consideration past profitability and expectations of generation of future taxable income based on a technical viability study approved by management.

***Other employees benefits***

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

***Environmental***

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

Sadia S.A.

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Notes to the interim financial information

*(In thousands of Reais)*

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**Consolidated financial information**

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

In accordance with the CVM Instruction 408/04, the Company consolidated the financial statements of its investment fund Concórdia Foreign Investment Fund Class A, where it is the wholly investment holder. This investment fund has the sole purpose of centralizing the foreign investment fund portfolio and delegating to a third party the administrative functions.

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

	<b>Shareholdings in % at</b>	
	<b>June 30, 2009</b>	<b>March 31, 2009</b>
<b>Sadia International Ltd.</b>	<b>100.00%</b>	<b>100.00%</b>
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%
<b>Big Foods Indústria de Produtos Alimentícios Ltda.</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Baumhardt Comércio e Participações Ltda.</b>	<b>73.94%</b>	<b>73.94%</b>
Excelsior Alimentos S.A.	25.10%	25.10%
<b>Excelsior Alimentos S.A.</b>	<b>46.01%</b>	<b>46.01%</b>
<b>K&amp;S Alimentos S.A.</b>	<b>49.00%</b>	<b>49.00%</b>

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Notes to the interim financial information

*(In thousands of Reais)*

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



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

(a)

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

Consolidated interim financial statements	<b>107,129</b>	<b>402,335</b>	<b>459,230</b>	<b>176,969</b>
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**Cash and cash equivalents**

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

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**Long and short-term investments**

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

**Available for sale****Local currency**

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

**Foreign currency**

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

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

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

**Maturity**

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

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

***Held for trading***

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

management expenses.

*Available for sale*

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

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

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

***Credit Linked Notes - CLN's***

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



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

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

***Credit default swap - CDS 5Y Brasil***

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

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

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Notes to the interim financial information

*(In thousands of Reais)*

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**Accounts receivable**

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>June</b>	<b>March</b>	<b>June</b>	<b>March</b>
	<b>30, 2009</b>	<b>31, 2009</b>	<b>30, 2009</b>	<b>31, 2009</b>
<b>Foreign</b>				
Customers	86,621	118,656	368,208	291,475
Subsidiaries	<u>573.005</u>	<u>374.842</u>	<u>-</u>	<u>-</u>
Total of foreign	<u>659.626</u>	<u>493.498</u>	<u>368.208</u>	<u>291.475</u>
<b>Domestic</b>				
Customers	263,259	268,035	276,378	281,410
Subsidiaries	<u>832</u>	<u>3.018</u>	<u>-</u>	<u>-</u>
Total of domestic	<u>264.091</u>	<u>271.053</u>	<u>276.378</u>	<u>281.410</u>

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

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

	Parent company		Consolidated	
	June	March	June	March
	30, 2009	31, 2009	30, 2009	31, 2009
Balance at the beginning of the period	(7,265)	(4,969)	(13,872)	(9,100)
Additions to the provision	(298)	(2,296)	(3,590)	(5,094)
Write offs	<u>1,201</u>	<u>-</u>	<u>451</u>	<u>322</u>
Balance at the end of the period	<u>(6,362)</u>	<u>(7,265)</u>	<u>(17,011)</u>	<u>(13,872)</u>

The Company and its subsidiaries abroad (Sadia International Ltd. and Wellax Food Logistics C.P.A.S.U. Lda.) entered into an agreement for sale of its receivables with an outside financial institution up to the maximum amount of US\$200 million, with interest rate of 0.25% p.a. + LIBOR.

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

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Notes to the interim financial information

*(In thousands of Reais)*

million in the same period of 2008) and incurred expenses of R\$3.2 million (R\$5.7 million in the same period of 2008) with respect to this agreement.

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

The Company also assigned receivables to a Credit Assignment Investment Fund (FIDC), administered by Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities. As of June 30, 2009, the net equity of this fund was R\$354,668 (R\$344,586 at March 31, 2009), of which R\$266,675 (R\$246,205 at March 31, 2009) were represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent 120% of the CDI per senior quota. The assignment of the receivables is made without right of recourse, and the eventual losses from default for Sadia are limited to the value of the subordinated quotas, which at June 30, 2009, represented R\$70,934 (R\$68,917 at March 31, 2009).

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

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

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Notes to the interim financial information

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

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

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**Recoverable taxes**

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**a.**

***Value-added tax on sales and services - ICMS***

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

**b.**

***Income and social contribution taxes***

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

**c.**

***Social contributions - PIS/COFINS***



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

*d.*

***Value-added tax - IVA and Tax Credits on imports***

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

*e.*

***Excise tax - IPI***

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

*f.*

***National Institute of Social Security - INSS***

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

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



Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

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

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

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

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

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

**Income statement**

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

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**Investments**

<b>Investments</b>	<b>Ownership</b>	<b>Shareholders Equity</b>	<b>Net income (loss) in the period</b>	<b>Equity result</b>	<b>Investment Balances</b>	
					<b>June 30, 2009</b>	<b>March 31, 2009</b>

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



Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

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

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

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

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**Property, plant and equipment**

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

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

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

**a.**

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

**b.**

In accordance with CVM Deliberation 193/96 the interest incurred in the period arising from financing of projects for modernization and expansion of the industrial units has been recorded in the respective costs of the construction in progress in the amount of R\$31,293 (R\$32,429 in the same period of 2008).

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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**Deferred charges**

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