

SADIA S.A.  
Form 6-K  
May 15, 2009

---

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

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

For the month of May 2009

Commission File Number 1-15184

**SADIA S.A.**

(Exact Name as Specified in its Charter)

N/A

-----  
(Translation of Registrant's Name)

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

**SIGNATURES**

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

Date: May 14, 2009

**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  
Three-month period ended  
March 31, 2009

Sadia S.A.

**Publicly-held company**

Interim financial information

**Three-month period ended March 31, 2009**

Contents

|  |         |
|--|---------|
| <u>Independent auditors' report</u>                  | 3       |
| <u>Balance sheets</u>                                | 4 - 5   |
| <u>Statements of income</u>                          | 6       |
| <u>Statements of changes in shareholders' equity</u> | 7 - 8   |
| <u>Statements of cash flows</u>                      | 9 - 10  |
| <u>Statements of consolidated added value</u>        | 11      |
| <u>Notes to the interim financial information</u>    | 12 - 72 |



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 March 31, 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.**

Edgar Filing: SADIA S.A. - Form 6-K

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 March 31, 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.

May 14, 2008

KPMG Auditores Independentes

CRC SP014428/O-6-F-SC

Marcos A. Boscolo

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

Sadia S.A.

Balance sheets

**March 31, 2009 and December 31, 2008***(In thousands of Reais)*

|                                   | Note | Parent company       |                         | Consolidated         |                         |
|-----------------------------------|------|----------------------|-------------------------|----------------------|-------------------------|
|                                   |      | March<br>31,<br>2009 | December<br>31,<br>2008 | March<br>31,<br>2009 | December<br>31,<br>2008 |
| <b>Assets</b>                     |      |                      |                         |                      |                         |
| <b>Current assets</b>             |      |                      |                         |                      |                         |
| Cash and cash equivalents         | 5    | 116,453              | 144,015                 | 1,360,434            | 2,163,998               |
| Short-term investments            | 6    | 595,706              | 755,324                 | 845,875              | 1,345,330               |
| Receivables from future contracts | 23   | 7,718                | 300,874                 | 222,302              | 813,319                 |
| Trade accounts receivable         | 7    | 757,286              | 1,049,156               | 559,013              | 790,467                 |
| Inventories                       | 8    | 1,546,283            | 1,660,685               | 1,720,965            | 1,851,020               |
| Recoverable taxes                 | 9    | 382,997              | 379,476                 | 428,380              | 441,818                 |
| Deferred taxes                    | 22   | 63,400               | 129,561                 | 65,306               | 132,969                 |
| Other credits                     |      | 87,749               | 84,269                  | 115,808              | 98,255                  |
|                                   |      | 3,557,592            | 4,503,360               | 5,318,083            | 7,637,176               |
| <b>Noncurrent assets</b>          |      |                      |                         |                      |                         |
| <b>Long-term receivables</b>      |      |                      |                         |                      |                         |
| Long-term investments             | 6    | 159,945              | 270,332                 | 159,945              | 270,332                 |
| Recoverable taxes                 | 9    | 253,336              | 282,502                 | 323,048              | 352,168                 |
| Deferred taxes                    | 22   | 901,799              | 760,381                 | 879,456              | 728,597                 |
| Judicial deposits                 | 17   | 38,615               | 40,693                  | 39,560               | 41,609                  |
| Related parties                   | 10   | 2,090,106            | 1,845,098               | -                    | -                       |
| Advances to suppliers             |      | 68,818               | 61,693                  | 68,818               | 61,693                  |
| Other credits                     |      | 72,277               | 78,740                  | 99,761               | 85,383                  |



|                                      |    |                          |                          |                          |                          |
|--------------------------------------|----|--------------------------|--------------------------|--------------------------|--------------------------|
|                                      |    | <u>3,584,896</u>         | <u>3,339,439</u>         | <u>1,570,588</u>         | <u>1,539,782</u>         |
| <b>Investments</b>                   | 11 | 497,715                  | 588,654                  | 15,184                   | 15,304                   |
| <b>Property, plant and equipment</b> | 12 | 3,946,342                | 3,906,750                | 4,218,207                | 4,199,901                |
| <b>Intangible assets</b>             | 14 | 134,139                  | 137,671                  | 135,194                  | 138,113                  |
| <b>Deferred charges</b>              | 13 | 79,844                   | 82,274                   | 120,534                  | 128,715                  |
|                                      |    | 8,242,936                | 8,054,788                | 6,059,707                | 6,021,815                |
| <b>Total</b>                         |    | <b><u>11,800,528</u></b> | <b><u>12,558,148</u></b> | <b><u>11,377,790</u></b> | <b><u>13,658,991</u></b> |

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

Sadia S.A.

Balance sheets

**March 31, 2009 and December 31, 2008***(In thousands of Reais)*

|  | Note | Parent company    |                      | Consolidated      |                      |
|--|------|-------------------|----------------------|-------------------|----------------------|
|  |      | March<br>31, 2009 | December<br>31, 2008 | March<br>31, 2009 | December<br>31, 2008 |
| <b>Liabilities and shareholders equity</b>               |      |                   |                      |                   |                      |
| <b>Current liabilities</b>                               |      |                   |                      |                   |                      |
| Loans and financing                                      | 15   | 4,079,420         | 3,896,045            | 4,272,166         | 4,164,391            |
| Payables from future contracts                           | 23   | 9,355             | 295,241              | 1,396,354         | 2,777,054            |
| Suppliers  |      | 848,801           | 906,091              | 876,485           | 918,687              |
| Advances from subsidiaries                               | 10   | 1,108,206         | 934,727              | -                 | -                    |
| Salaries, social charges and accrued<br>vacation payable |      | 149,475           | 147,479              | 157,966           | 164,453              |
| Taxes payable  |      | 36,776            | 35,414               | 59,436            | 57,661               |
| Dividends payable  |      | 832               | 3,901                | 832               | 3,901                |
| Deferred taxes   | 22   | 13,861            | 10,861               | 16,780            | 12,907               |
| Other accounts payable                                   |      | <u>163,253</u>    | <u>222,310</u>       | <u>229,921</u>    | <u>318,963</u>       |
|  |      | <u>6,409,979</u>  | <u>6,452,069</u>     | <u>7,009,940</u>  | <u>8,418,017</u>     |
| <b>Noncurrent liabilities</b>                            |      |                   |                      |                   |                      |
| Loans and financing                                      | 16   | 1,554,006         | 1,938,849            | 3,734,866         | 4,384,745            |
| Advances from subsidiaries                               | 10   | 3,416,772         | 3,522,560            | -                 | -                    |
| Employee benefit plan                                    | 25   | 122,795           | 118,295              | 122,795           | 118,295              |
| Provision for contingencies                              | 17   | 53,818            | 51,811               | 57,532            | 55,517               |
| Deferred taxes   | 22   | 97,212            | 97,753               | 125,227           | 120,931              |
| Stock option plan  | 19   | 5,311             | 8,067                | 5,311             | 8,067                |
| Other accounts payable                                   |      | <u>92,554</u>     | <u>90,610</u>        | <u>94,549</u>     | <u>88,580</u>        |
|  |      | <u>5,342,468</u>  | <u>5,827,945</u>     | <u>4,140,280</u>  | <u>4,776,135</u>     |
| <b>Minority interest in subsidiaries</b>                 |      | <u>-</u>          | <u>-</u>             | <u>50,601</u>     | <u>53,955</u>        |
| <b>Shareholders equity</b>                               | 18   |                   |                      |                   |                      |
| Capital  |      | 2,000,000         | 2,000,000            | 2,000,000         | 2,000,000            |

Edgar Filing: SADIA S.A. - Form 6-K

|                                      |                          |                          |                          |                          |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Treasury stock                       | (97,064)                 | (97,064)                 | (97,064)                 | (97,064)                 |
| Equity valuation adjustments         | (76,156)                 | (85,545)                 | 54,383                   | 44,994                   |
| Cumulative translation adjustment    | (15,826)                 | (11,718)                 | (15,826)                 | (11,718)                 |
| Retained earnings (accumulated loss) | <u>(1,762,873)</u>       | <u>(1,527,539)</u>       | <u>(1,764,524)</u>       | <u>(1,525,328)</u>       |
|                                      | <u>48,081</u>            | <u>278,134</u>           | <u>176,969</u>           | <u>410,884</u>           |
|                                      | <b><u>11,800,528</u></b> | <b><u>12,558,148</u></b> | <b><u>11,377,790</u></b> | <b><u>13,658,991</u></b> |

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

Sadia S.A.

## Statements of income

**Three months ended March 31, 2009 and 2008***(In thousands of Reais, except for information on earning per share)*

|   |      | <u>Parent company</u> |                   | <u>Consolidated</u> |                   |
|---|------|-----------------------|-------------------|---------------------|-------------------|
|   | Note | March<br>31, 2009     | March<br>31, 2008 | March<br>31, 2009   | March<br>31, 2008 |
| <b>Gross operating revenue</b>                            |      |                       |                   |                     |                   |
| Domestic market   |      | 1,674,594             | 1,376,188         | 1,702,361           | 1,387,507         |
| Foreign market  |      | <u>988,932</u>        | <u>970,748</u>    | <u>1,160,174</u>    | <u>1,199,776</u>  |
|   |      | <u>2,663,526</u>      | <u>2,346,936</u>  | <u>2,862,535</u>    | <u>2,587,283</u>  |
| <b>Sales deductions</b>                                   |      |                       |                   |                     |                   |
| Sales deductions  |      | <u>(331,347)</u>      | <u>(272,727)</u>  | <u>(404,402)</u>    | <u>(312,754)</u>  |
| <b>Net operating revenue</b>                              |      |                       |                   |                     |                   |
|   |      | <u>2,332,179</u>      | <u>2,074,209</u>  | <u>2,458,133</u>    | <u>2,274,529</u>  |
| Cost of goods sold  |      | (2,031,200)           | (1,713,451)       | (2,071,896)         | (1,736,233)       |
| <b>Gross profit</b>                                       |      |                       |                   |                     |                   |
|   |      | <u>300,979</u>        | <u>360,758</u>    | <u>386,237</u>      | <u>538,296</u>    |
| Selling expenses  |      | (367,809)             | (320,553)         | (413,773)           | (355,445)         |
| Administrative and general expenses                       |      | (31,404)              | (30,100)          | (33,445)            | (31,078)          |
| Management fees   |      | (4,454)               | (4,531)           | (4,454)             | (4,531)           |
| Other operating income (expense)                          |      | 6,528                 | 9,026             | 7,260               | 9,648             |
| Employees' profit sharing                                 |      | -                     | (21,331)          | (391)               | (23,113)          |
| Financial income (expenses), net                          | 21   | (129,872)             | (28,811)          | (260,041)           | 90,169            |
| Equity in income of subsidiaries                          |      | <u>(86,936)</u>       | <u>252,469</u>    | <u>(235)</u>        | <u>-</u>          |
| <b>Income before income and social contribution taxes</b> |      |                       |                   |                     |                   |
|   |      | <u>(312,968)</u>      | <u>216,927</u>    | <u>(318,842)</u>    | <u>223,946</u>    |
| Current income and social contribution taxes              |      | -                     | (23)              | (5,136)             | (4,715)           |
| Deferred income and social contribution taxes             |      | <u>77,634</u>         | <u>25,679</u>     | <u>79,864</u>       | <u>30,322</u>     |

Edgar Filing: SADIA S.A. - Form 6-K

|  |                  |                |                  |                |
|--|------------------|----------------|------------------|----------------|
| <b>Net income for the period</b>   | <u>(235,334)</u> | <u>242,583</u> | <u>(244,114)</u> | <u>249,553</u> |
| Minority interest  | -                | -              | 4,918            | (1,287)        |
| <b>Controlling shareholder equity interest</b>                             | <u>(235,334)</u> | <u>242,583</u> | <u>(239,196)</u> | <u>248,266</u> |
| <b>Earning (loss) per lot of a thousand shares - R\$</b>                   | <u>(0,34970)</u> | <u>0,36059</u> |                  |                |
| <b>Number of thousand of shares at the end of the period - outstanding</b> | 672,951          | 672,741        |                  |                |

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

Sadia S.A.

Statements of changes in shareholders' equity (parent company)

March 31, 2009 and December 31, 2008

*(In thousands of Reais)*

| Parent Company                       | Capital                 | Treasury shares        | Equity valuation adjustments | Retained earnings         | Total                |
|--------------------------------------|-------------------------|------------------------|------------------------------|---------------------------|----------------------|
| <b>Balances at December 31, 2008</b> | 2,000,000               | (97,064)               | (97,263)                     | (1,527,539)               | 278,134              |
| Equity valuation adjustments         | -                       | -                      | 9,389                        | -                         | 9,389                |
| Cumulative translation adjustment    | -                       | -                      | (4,108)                      | -                         | (4,108)              |
| Net loss for the period              | <u>-</u>                | <u>-</u>               | <u>-</u>                     | <u>(235,334)</u>          | <u>(235,334)</u>     |
| <b>Balances at December 31, 2008</b> | <b><u>2,000,000</u></b> | <b><u>(97,064)</u></b> | <b><u>(91,982)</u></b>       | <b><u>(1,762,873)</u></b> | <b><u>48,081</u></b> |

See the accompanying notes to the interim financial statements.



Sadia S.A.

## Statements of changes in shareholders' equity (consolidated)

March 31, 2009 and December 31, 2008

*(In thousands of Reais)*

| <b>Consolidated</b>                      | <b>Capital</b>          | <b>Treasury<br/>shares</b> | <b>Equity<br/>valuation<br/>adjustments</b> | <b>Retained<br/>earnings</b> | <b>Total</b>          |
|--|-------------------------|----------------------------|---|------------------------------|-----------------------|
| <b>Balances at December<br/>31, 2008</b> | 2,000,000               | (97,064)                   | 33,276                                      | (1,525,328)                  | 410,884               |
| Equity valuation<br>adjustments          | -                       | -                          | 9,389                                       | -                            | 9,389                 |
| Cumulative translation<br>adjustment     | -                       | -                          | (4,108)                                     | -                            | (4,108)               |
| Net loss for the period                  | <u>-</u>                | <u>-</u>                   | <u>-</u>                                    | <u>(239,196)</u>             | <u>(239,196)</u>      |
| <b>Balances at December<br/>31, 2008</b> | <b><u>2,000,000</u></b> | <b><u>(97,064)</u></b>     | <b><u>38,557</u></b>                        | <b><u>(1,764,524)</u></b>    | <b><u>176,969</u></b> |



See the accompanying notes to the interim financial statements.

Sadia S.A.

Statements of cash flows

**Three months ended March 31, 2009 and 2008***(In thousands of Reais)*

|  | Parent company    |                   | Consolidated      |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | March<br>31, 2009 | March<br>31, 2008 | March<br>31, 2009 | March<br>31, 2008 |
| <b>Net income for the period</b>                     | <b>(235,334)</b>  | <b>242,583</b>    | <b>(239,196)</b>  | <b>248,266</b>    |
| <b>Adjustments to reconcile net income to cash</b>   |                   |                   |                   |                   |
| <b>generated by operating activities</b>             |                   |                   |                   |                   |
| Variation in minority interest                       | -                 | -                 | (3,354)           | (5,535)           |
| Depreciation, amortization and depletion             | 117,824           | 91,325            | 120,068           | 92,510            |
| Accrued interest, net of paid interest               | 114,059           | 27,262            | 294,855           | 139,925           |
| Result of allocated derivative instruments, net      | -                 | (20,728)          | -                 | (117,429)         |
| Goodwill amortization                                | -                 | 4,880             | -                 | 4,880             |
| Equity in earnings of subsidiaries                   | 86,936            | (252,469)         | 235               | -                 |
| Deferred taxes                                       | (72,798)          | (25,679)          | (75,025)          | (71,246)          |
| Contingencies  | 2,007             | (2,044)           | 2,016             | (4,042)           |
| Result from the disposal of permanent assets         | 599               | 1,042             | 1,005             | 1,072             |
| <b>Variation in operating assets and liabilities</b> |                   |                   |                   |                   |
| Trade accounts receivable                            | 291,870           | 82,951            | 231,454           | 59,334            |
| Inventories  | 114,402           | (278,279)         | 130,055           | (319,893)         |
| Recoverable taxes and other                          | 30,488            | (59,430)          | (42,565)          | (193,274)         |
| Interests and exchange variation                     | (150,107)         | (34,269)          | (169,254)         | (62,913)          |
| Judicial deposits                                    | 2,078             | (91)              | 2,049             | (12,951)          |

Edgar Filing: SADIA S.A. - Form 6-K

|   |             |           |             |           |
|---|-------------|-----------|-------------|-----------|
| Suppliers   | (57,290)    | 125,822   | (42,202)    | 141,521   |
| Advances from subsidiaries                        | 67,691      | 335,300   | -           | -         |
| Taxes payable, salaries payable and others        | (52,011)    | (5,263)   | (86,047)    | 44,571    |
| <b>Net cash generated by operating activities</b> | 260,414     | 232,913   | 124,094     | (55,204)  |
| <b>Investment activities</b>                      |             |           |             |           |
| Funds from the sale of permanent assets           | 270         | 501       | 270         | 528       |
| Investments in subsidiaries                       | -           | (53,868)  | -           | -         |
| Goodwill  | -           | (43,242)  | -           | (43,242)  |
| Interests and exchange variation                  | 52,367      | 20,784    | 60,238      | 20,785    |
| Purchase of property, plant and equipment         | (152,929)   | (342,748) | (167,431)   | (410,676) |
| Purchase of intangible assets                     | (2,154)     | (33)      | (2,826)     | (44)      |
| Purchase of deferred charges                      | -           | (5,730)   | -           | (16,345)  |
| Acquisition of subsidiary, net cash               | -           | (33,800)  | -           | (33,800)  |
| Receivables from future contracts                 | (36,707)    | 5,004     | 267,331     | 134,948   |
| Short-term investments                            | (1,411,768) | (88,034)  | (1,489,852) | (481,575) |
| Redemption of investments                         | 1,657,565   | 20,071    | 2,027,070   | 428,036   |

Sadia S.A.

Statements of cash flows

**Three months ended March 31, 2009 and 2008***(In thousands of Reais)*

|   | Parent company         |                         | Consolidated            |                         |
|---|------------------------|-------------------------|-------------------------|-------------------------|
|   | March<br>31, 2009      | March<br>31, 2008       | March<br>31, 2009       | March<br>31, 2008       |
| <b>Cash applied in investments activities</b> | <b>106,644</b>         | <b>(521,095)</b>        | <b>694,800</b>          | <b>(401,385)</b>        |
| <b>Loan activities</b>                        |                        |                         |                         |                         |
| Loans received                                | 1,068,662              | 432,390                 | 1,106,355               | 633,378                 |
| Loans paid                                    | (1,239,864)            | (109,976)               | (1,601,700)             | (172,537)               |
| Payables from future contracts                | 21,600                 | 7,219                   | (1,127,103)             | (48,805)                |
| Dividends paid                                | (10)                   | (131,978)               | (10)                    | (131,978)               |
| Loans with subsidiaries                       | (245,008)              | (16,477)                | -                       | -                       |
| <b>Net cash from loan activities</b>          | <b>(394,620)</b>       | <b>181,178</b>          | <b>(1,622,458)</b>      | <b>280,058</b>          |
| Cash at beginning of the period               | 144,015                | 251,587                 | 2,163,998               | 680,655                 |
| Cash at end of the period                     | 116,453                | 144,583                 | 1,360,434               | 504,124                 |
| <b>Net decrease of cash</b>                   | <b><u>(27,562)</u></b> | <b><u>(107,004)</u></b> | <b><u>(803,564)</u></b> | <b><u>(176,531)</u></b> |

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



Sadia S.A.

## Statements of consolidated added value

**Three months ended March 31, 2009 and 2008***(In thousands of Reais)*

|   | Parent company    |                   | Consolidated      |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2009 | March 31,<br>2008 | March 31,<br>2009 | March 31,<br>2008 |
| <b>Revenues/income</b>  |                   |                   |                   |                   |
| Sale of products, goods and services                          | 2,621,666         | 2,325,280         | 2,809,014         | 2,555,174         |
| <b>Raw materials acquired from third parties</b>              | (1,521.78)        | (1,226,976)       | (1,562,47)        | (1,249,75)        |
| <b>Services rendered by third parties</b>                     | (401.603)         | (406,167)         | (431,780)         | (434,107)         |
| <b>Gross added value</b>                                      | 698.282           | 692,237           | 814,757           | 871,309           |
| Depreciation/amortization/depletion                           | (117.518)         | (96,204)          | (120,066)         | (97,390)          |
| <b>Net added value produced by the company</b>                | 580.764           | 595,933           | 694,691           | 773,919           |
| <b>Transferred added value</b>                                |                   |                   |                   |                   |
| Equity in net income of subsidiaries and associated companies | (86,936)          | 252,469           | (235)             | -                 |
| Financial income  | 24,436            | 40,343            | 67,131            | 136,850           |
| Other operating results                                       | 6,528             | 9,026             | 7,260             | 9,648             |
| <b>Total added value to be distributed</b>                    | <b>524.792</b>    | <b>897,771</b>    | <b>768,847</b>    | <b>920,417</b>    |
| <b>Distribution of added value</b>                            |                   |                   |                   |                   |
| <b>Employees</b>  |                   |                   |                   |                   |
| Payroll and related charges                                   | 253,851           | 226,473           | 264,105           | 231,636           |
| Benefits  | 51,671            | 46,234            | 52,077            | 33,760            |
| FGTS (Government Severance Indemnity Fund for Employees)      | 17,337            | 14,433            | 17,339            | 14,453            |
| Others  | 67,442            | 71,597            | 69,336            | 87,517            |
| <b>Taxes</b>  |                   |                   |                   |                   |
| Federal   | 72,238            | 99,359            | 77,663            | 100,388           |

Edgar Filing: SADIA S.A. - Form 6-K

|                                       |           |         |           |         |
|---------------------------------------|-----------|---------|-----------|---------|
| State                                 | 139,614   | 107,025 | 142,349   | 108,198 |
| <b>Financiers</b>                     |           |         |           |         |
| Interest                              | 154,308   | 69,154  | 327,172   | 46,681  |
| <b>Shareholders' equity</b>           |           |         |           |         |
| Interest on shareholders' equity      | -         | 45,582  | -         | 45,582  |
| Dividends                             | -         | 6,475   | -         | 6,475   |
| Retained earnings/loss for the period | (235,334) | 190,526 | (239,196) | 196,209 |
| Minority interest                     | -         | -       | (4,918)   | 1,287   |
| <b>Others</b>                         | 3,665     | 20,913  | 62,920    | 48,231  |

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

**March 31, 2009 and December 31, 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, 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).

***Management plans***

As a result of the international crisis, which generated a high degree of volatility in the financial market in the second half of 2008, particularly by the appreciation of the US dollar against the Real, the Company's short-term liquidity situation was affected, which is reflected in a loss in the period.

Company management has adopted certain measures in a number of areas as a way of solving the current financial situation and enabling the settlement and/or renegotiation of its short term obligations, summarized as follows:

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**a.**

In the financial area the Company has been negotiating the structuring of its short-term financial liabilities, which are in the process of having their terms renewed or lengthened, as follows:

.

The advances on export contracts (ACC), in the amount of R\$2,130,061, are being negotiated with the creditor banks and the amounts with maturities in April and May, in the amount of R\$625,000, were renegotiated for a period of 120 and 360 days at market rates.

.

In the financing line for exports, referring to the export credit notes (NCE), the amount of R\$1,234,341 with maturities concentrated in September 2009, were renegotiated in the amount of R\$35,000 for the term of 180 days.

.

Additionally, the Company signed a financing contract with Banco do Nordeste in an approved amount of R\$244,393 for a term of 12 years with a four-year waiting period. The timetable for reimbursement forecasts: R\$161,800 in May 2009, R\$44,200 in June 2009 and R\$38,393 in August 2009. The amount will be used for cash recomposition as the investment in Vitória de Santo Antão was paid in advance with its own resources.

**b.**

In the operating area, the decisions taken in the end of 2009 and in the beginning of 2009, in the Company's evaluation, will start to generate positive impacts as from the second quarter of 2009.

**c.**

In the corporate area possible capitalization transactions are under analysis through sale of corporate interests and/or association with other companies.

The Company's strategic plan is in progress and the results should generate a positive impact in the future, however, the Company depends on its ability to re-negotiate its short term debt and/or on the success of the actions described above in order to continue its operations.

Company Management believes that all these measures will bring the expected results and will bring about the balancing of the short-term cash flow.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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 March 31, 2008 were adjusted for the purpose of maintaining comparability with the income statements for the period ended March 31, 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 March 31, 2008 - without the effects of Law 11638/07</b> | 209,168               | 214,851             |

|  |                       |                       |
|--|-----------------------|-----------------------|
| Fair value of future contracts, net of tax                                   | -                     | 37,635                |
| Stock Options  | (4,220)               | (4,220)               |
| Equity accounting of the adjustments of the Law recorded in the subsidiaries | <u>37,635</u>         | <u>-</u>              |
| <b>Net income as of March 31, 2008 - with the effects of Law 11638/07</b>    | <b><u>242,583</u></b> | <b><u>248,266</u></b> |

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**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 March 31, 2009 the shipping and handling expenses totaled the amount of R\$172,245 (R\$142,536 in 2008).

Research and development costs are recognized as an expense in the measure that they are incurred and in the period ended March 31, 2009 totalled the amount of R\$1,202 (R\$2,492 in 2008).

Expenses with publicity and promotions: are recognized when incurred and in the period ended March 31, 2009 totalled the amount of R\$34,064 (R\$26,400 in 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, valuation of derivative instruments, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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 equivalent***

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.

Sadia S.A.

**Publicly-held Company**

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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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 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.

***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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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.

***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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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.

***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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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.

**4**

#### **Consolidated financial information**

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

In accordance with the CVM Instruction 408/04, the Company consolidated the financial statements of its investment fund Concórdia Foreign Investment Fund Class A, where it is the wholly investment holder. This investment fund has the sole purpose of centralizing the foreign investment fund portfolio 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>March 31, 2009</b>        | <b>December 31, 2008</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>45.62 %</b>  |
| <b>K&amp;S Alimentos S.A.</b>                 | <b>49.00 %</b>  | <b>49.00 %</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>99.91 %</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%         |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|   | <b>Shareholdings in % at</b> |                          |
|---|------------------------------|--------------------------|
|   | <b>March 31, 2009</b>        | <b>December 31, 2008</b> |
| <b>Sadia GmbH</b>                         | <b>100.00%</b>               | <b>100.00%</b>           |
| 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. <b>(b)</b>                    | 100.00%                      | 100.00%                  |
| Sadia Panamá S.A.                         | 100.00%                      | 100.00%                  |
| Sadia Japan Ltd.                          | 100.00%                      | 100.00%                  |
| Badi Ltd. <b>(a)</b>                      | 100.00%                      | -                        |
| Investeast Ltd.                           | 60.00%                       | 60.00%                   |
| Concórdia Ltd.                            | 100.00%                      | 100.00%                  |

(a) Formation and payment of capital made on February 1, 2009

(b)

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:

|                   |                             |
|-------------------|-----------------------------|
| <b>Net income</b> | <b>Shareholders' equity</b> |
|-------------------|-----------------------------|

|  | <b>March 31,</b>        | <b>March 31,</b>      | <b>March 31, December 31,</b> |                       |
|--|-------------------------|-----------------------|-------------------------------|-----------------------|
|  | <b>2009</b>             | <b>2008</b>           | <b>2009</b>                   | <b>2008</b>           |
| Company's interim financial statements   | (235,334)               | 242,583               | 48,081                        | 278,134               |
| Elimination of unrealized profits on inventories in intercompany operations, net of taxes  | (1,652)                 | (1,014)               | 558                           | (4,485)               |
| Reversal of the elimination of unrealized results in inventories, net of taxes, resulting from intercompany operations at December 31, 2008 and 2007 | (2,210)                 | 6,697                 | (2,210)                       | 6,697                 |
| Unrealized gain on available for sale securities, net of taxes   | -                       | -                     | 54,383                        | 44,993                |
| Elimination of the unrealized gain or loss on available for sale securities, net of taxes  | <u>-</u>                | <u>-</u>              | <u>76,157</u>                 | <u>85,545</u>         |
| Consolidated interim financial statements  | <b><u>(239,196)</u></b> | <b><u>248,266</u></b> | <b><u>176,969</u></b>         | <b><u>410,884</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***5****Cash and cash equivalents**

|  | Interest %<br>(annual<br>average) | Parent company        |                       | Consolidated            |                         |
|--|-----------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|  |                                   | March 31,<br>2009     | December<br>31, 2008  | March 31,<br>2009       | December<br>31, 2008    |
| <b>Local currency</b>                  |                                   |                       |                       |                         |                         |
| Cash and cash equivalents              | -                                 | 56,009                | 33,831                | 73,547                  | 56,074                  |
| Investment funds                       | 11.08                             | <u>-</u>              | <u>31,178</u>         | <u>76,260</u>           | <u>35,790</u>           |
|  |                                   | <b><u>56,009</u></b>  | <b><u>65,009</u></b>  | <b><u>149,807</u></b>   | <b><u>91,864</u></b>    |
| <b>Foreign currency</b>                |                                   |                       |                       |                         |                         |
| Cash and cash equivalents              | -                                 | 60,129                | 78,687                | 84,531                  | 115,394                 |
| Interest-bearing current account       | 0.16                              | 315                   | 319                   | 132,363                 | 190,254                 |
| Interest-bearing accounts in guarantee | 0.16                              | <u>-</u>              | <u>-</u>              | <u>993,733</u>          | <u>1,766,486</u>        |
|  |                                   | <u>60,444</u>         | <u>79,006</u>         | <u>1,210,627</u>        | <u>2,072,134</u>        |
|  |                                   | <b><u>116,453</u></b> | <b><u>144,015</u></b> | <b><u>1,360,434</u></b> | <b><u>2,163,998</u></b> |



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

**6**

**Long and short-term investments**

|                               | <b>Interest %</b> | <b>Parent company</b> |                       | <b>Consolidated</b>   |                       |
|-------------------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                               |                   | <b>March</b>          | <b>December</b>       | <b>March</b>          | <b>December</b>       |
|                               |                   | <b>31, 2009</b>       | <b>31, 2008</b>       | <b>31, 2009</b>       | <b>31, 2008</b>       |
| <b>Short-term investments</b> |                   |                       |                       |                       |                       |
| <b>Held for trading</b>       |                   |                       |                       |                       |                       |
| <b>Local currency</b>         |                   |                       |                       |                       |                       |
| Investment funds              | 11.08             | <u>169,424</u>        | <u>425,652</u>        | <u>215,999</u>        | <u>495,654</u>        |
|                               |                   | <b><u>169,424</u></b> | <b><u>425,652</u></b> | <b><u>215,999</u></b> | <b><u>495,654</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|                                | Interest<br>% | Parent company        |                       | Consolidated          |                       |
|--------------------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                |               | March                 | December              | March                 | December              |
|                                |               | 31, 2009              | 31, 2008              | 31, 2009              | 31, 2008              |
| <b>Available for sale</b>      |               |                       |                       |                       |                       |
| <b>Local currency</b>          |               |                       |                       |                       |                       |
| Bank Deposit Certificate - CDB | 10.91         | 212,582               | 55,600                | 236,673               | 149,501               |
| Treasury bills - LFT           | 11.16         | 77,804                | 141,072               | 117,244               | 180,283               |
| Stocks                         | -             | <u>99,016</u>         | <u>84,790</u>         | <u>99,016</u>         | <u>84,790</u>         |
|                                |               | <b><u>389,402</u></b> | <b><u>281,462</u></b> | <b><u>452,933</u></b> | <b><u>414,574</u></b> |
| <b>Foreign currency</b>        |               |                       |                       |                       |                       |
| Investment funds               |               | <u>36,880</u>         | <u>48,210</u>         | <u>176,943</u>        | <u>435,102</u>        |
|                                |               | <b><u>426,282</u></b> | <b><u>329,672</u></b> | <b><u>629,876</u></b> | <b><u>849,676</u></b> |
| <b>Long-term investments</b>   |               |                       |                       |                       |                       |
| <b>Available for sale</b>      |               |                       |                       |                       |                       |
| <b>Local currency</b>          |               |                       |                       |                       |                       |
| Investment funds               | 11.08         | 69,008                | 119,173               | 69,008                | 119,173               |
| Treasury bills - LFT           | 11.16         | 45,139                | 106,505               | 45,139                | 106,505               |

Edgar Filing: SADIA S.A. - Form 6-K

|                                     |       |                       |                       |                       |                       |
|-------------------------------------|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| National Treasury Certificate - CTN | 12.00 | <u>45,798</u>         | <u>44,654</u>         | <u>45,798</u>         | <u>44,654</u>         |
|                                     |       | <b><u>159,945</u></b> | <b><u>270,332</u></b> | <b><u>159,945</u></b> | <b><u>270,332</u></b> |

Long-term investments as of March 31, 2009 mature as follows:

**Maturity**

|              |                       |
|--------------|-----------------------|
| 2010         | 69,008                |
| 2012         | 45,139                |
| 2014 onwards | <u>45,798</u>         |
|              | <b><u>159,945</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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)****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 results for the period.

|                   | <b>Parent company</b>     |                              | <b>Consolidated</b>           |                              |
|-------------------|---------------------------|------------------------------|-------------------------------|------------------------------|
|                   | <b>March 31,<br/>2009</b> | <b>December<br/>31, 2008</b> | <b>March<br/>31,<br/>2009</b> | <b>December<br/>31, 2008</b> |
| <b>Book value</b> | 701,616                   | 729,619                      | 707,423                       | 1,051,838                    |

|                     |                       |                               |                         |
|---------------------|-----------------------|-------------------------------|-------------------------|
| Unrealized gains    | -                     | - 82,398                      | 68,170                  |
| Unrealized losses   | <u>(115,389)</u>      | (129,615)_____ -              | _____ -                 |
| <b>Market value</b> | <b><u>586,227</u></b> | <b><u>600,004 789,821</u></b> | <b><u>1,120,008</u></b> |

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. At December 31, 2008 the fund had financing raised from financial institutions that are custodians of credit linked notes in the amounts of R\$157,073, respectively, recorded under loans and financing. At March 31, 2009 these loans and financing were settled.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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:

|                    | <b>Consolidated</b>       |                              |
|--------------------|---------------------------|------------------------------|
|                    | <b>March 31,<br/>2009</b> | <b>December 31,<br/>2008</b> |
| Structured notes   | 86,183                    | 391,509                      |
| Collateral         | 76,497                    | 99,590                       |
| Swap range accrual | (74,758)                  | (73,112)                     |
| Money market       | 197                       | 7,009                        |
| Other assets       | <u>88,824</u>             | <u>10,106</u>                |
|                    | <b><u>176,943</u></b>     | <b><u>435,102</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; b) large Brazilian companies risk; and c) first tier American and European financial institutions risk. These structured notes paid periodic interest (Libor + spread); however, if any of these companies, financial institutions or governmental institutions entered into default, the Company delivers the principal and receives securities of the company or institution in default.

***Libor swap range accrual or 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.

***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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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 March 31 2009 the loss made on the sale of the fund's assets in the amount R\$54,513 was recorded under financial results. (See note 21).

7

**Accounts receivable**

|                  | <b>Parent company</b> |                 | <b>Consolidated</b> |                 |
|------------------|-----------------------|-----------------|---------------------|-----------------|
|                  | <b>March</b>          | <b>December</b> | <b>March</b>        | <b>December</b> |
|                  | <b>31, 2009</b>       | <b>31, 2008</b> | <b>31, 2009</b>     | <b>31, 2008</b> |
| <b>Foreign</b>   |                       |                 |                     |                 |
| Customers        | 118,656               | 210,514         | 291,475             | 344,085         |
| Subsidiaries     | <u>374,842</u>        | <u>396,944</u>  | <u>      -</u>      | <u>      -</u>  |
| Total of foreign | <u>493,498</u>        | <u>607,458</u>  | <u>291,475</u>      | <u>344,085</u>  |
| <b>Domestic</b>  |                       |                 |                     |                 |



Edgar Filing: SADIA S.A. - Form 6-K

|                                     |                |                  |                 |                |
|-------------------------------------|----------------|------------------|-----------------|----------------|
| Customers                           | 268,035        | 443,350          | 281,410         | 455,482        |
| Subsidiaries                        | <u>3,018</u>   | <u>3,317</u>     | <u>-</u>        | <u>-</u>       |
| Total of domestic                   | <u>271,053</u> | <u>446,667</u>   | <u>281,410</u>  | <u>455,482</u> |
| (-) Allowance for doubtful accounts | <u>(7,265)</u> | <u>(4,969)</u>   | <u>(13,872)</u> | <u>(9,100)</u> |
|                                     | <u>757,286</u> | <u>1,049,156</u> | <u>559,013</u>  | <u>790,467</u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|  | <b>Parent company</b> |                       | <b>Consolidated</b>    |                       |
|--|-----------------------|-----------------------|------------------------|-----------------------|
|  | <b>March</b>          | <b>December</b>       | <b>March</b>           | <b>December</b>       |
|  | <b>31, 2009</b>       | <b>31, 2008</b>       | <b>31, 2009</b>        | <b>31, 2008</b>       |
| Balance at the beginning of the period | (4,969)               | (3,565)               | (9,100)                | (7,112)               |
| Additions to the provision             | (2,296)               | (5,175)               | (5,094)                | (8,789)               |
| Write offs                             | <u>-</u>              | <u>3,771</u>          | <u>322</u>             | <u>6,801</u>          |
| Balance at the end of the period       | <u><b>(7,265)</b></u> | <u><b>(4,969)</b></u> | <u><b>(13,872)</b></u> | <u><b>(9,100)</b></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 0.26% p.a. + LIBOR.

As of March 31, 2009, the amount of receivables sold under this agreement amounted to approximately R\$353 million (R\$447 million as of December 31, 2008). During the period ended March 31, 2009, the Company received cash

proceeds of approximately R\$1,072 million (R\$1,033 million as of March 31, 2008) and incurred expenses of R\$1.1 million (R\$4.3 million as of March 31, 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 March 31, 2009, the net equity of this fund was R\$344,586 (R\$334,526 at December 31, 2008), of which R\$246,205 (R\$295,162 at December 31, 2008) were represented by acquisitions of the Company's receivables on the domestic market, with a discounted cost equivalent between 95% e 104.5% 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 March 31, 2009, represented R\$68,917 (R\$66,905 at December 31, 2008).

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

During the period ended March 31, 2009, the Company received cash proceeds related to the local receivables sold of approximately R\$1,065 million (R\$914 million for the period ended March 31, 2008) and incurred expenses of R\$7.8 million (R\$6.1 million for the period ended March 31, 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.

**8****Inventories**

|  | <b>Parent company</b> |                 | <b>Consolidated</b> |                 |
|--|-----------------------|-----------------|---------------------|-----------------|
|  | <b>March</b>          | <b>December</b> | <b>March</b>        | <b>December</b> |
|  | <b>31, 2009</b>       | <b>31, 2008</b> | <b>31, 2009</b>     | <b>31, 2008</b> |
| Finished goods and products for sale         | 546,027               | 622,526         | 689,838             | 787,326         |
| Livestock and poultry for slaughter and sale | 437,322               | 439,999         | 437,322             | 439,999         |
| Raw materials                                | 233,134               | 237,236         | 248,050             | 252,416         |

Edgar Filing: SADIA S.A. - Form 6-K

|                       |                         |                         |                         |                         |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Work in process       | 188,515                 | 219,026                 | 188,662                 | 219,183                 |
| Packaging materials   | 54,246                  | 51,500                  | 55,405                  | 52,607                  |
| Advances to suppliers | 49,654                  | 40,845                  | 49,654                  | 40,845                  |
| Storeroom             | 34,144                  | 32,342                  | 39,404                  | 37,650                  |
| Imports in transit    | 3,120                   | 16,780                  | 6,564                   | 18,494                  |
| Products in transit   | <u>121</u>              | <u>431</u>              | <u>6,066</u>            | <u>2,500</u>            |
|                       | <b><u>1,546,283</u></b> | <b><u>1,660,685</u></b> | <b><u>1,720,965</u></b> | <b><u>1,851,020</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***9****Recoverable taxes**

|                                      | <b>Parent company</b> |                       | <b>Consolidated</b>   |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | <b>March</b>          | <b>December</b>       | <b>March</b>          | <b>December</b>       |
|                                      | <b>31, 2009</b>       | <b>31, 2008</b>       | <b>31, 2009</b>       | <b>31, 2008</b>       |
| ICMS                                 | 328,244               | 335,446               | 329,537               | 336,707               |
| PIS and COFINS                       | 218,084               | 226,043               | 219,231               | 227,343               |
| Income and social contribution taxes | 45,534                | 39,280                | 122,882               | 117,370               |
| IPI                                  | 44,045                | 44,033                | 44,086                | 44,072                |
| IVA and Tax Credits on imports       | -                     | -                     | 35,065                | 51,001                |
| INSS                                 | 313                   | 17,176                | 313                   | 17,176                |
| Other                                | <u>113</u>            | <u>-</u>              | <u>314</u>            | <u>317</u>            |
|                                      | <b><u>636,333</u></b> | <b><u>661,978</u></b> | <b><u>751,428</u></b> | <b><u>793,986</u></b> |
| Short-term portion                   | 382,997               | 379,476               | 428,380               | 441,818               |
| Long-term portion                    | 253,336               | 282,502               | 323,048               | 352,168               |

*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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

*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.



**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:

32

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***Balance sheet**

|  | <b>March 31, 2008</b> | <b>December 31, 2008</b> |
|--|-----------------------|--------------------------|
| <b>Accounts receivable</b>                 |                       |                          |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 339,780               | 368,698                  |
| Qualy B.V.                                 | 10,708                | -                        |
| Concórdia Ltd.                             | 10,493                | 7,075                    |
| Sadia Alimentos S.A.                       | 9,300                 | 10,874                   |
| Sadia Chile S.A.                           | 3,595                 | 7,987                    |
| Big Foods Ind. Prod. Alimentícios Ltda.    | 2,925                 | 3,307                    |
| Sadia Uruguay S.A.                         | 769                   | 2,199                    |
| Sadia International Ltd.                   | 197                   | 112                      |
| Excelsior Alimentos S.A.                   | <u>93</u>             | <u>9</u>                 |
|  | <b><u>377,860</u></b> | <b><u>400,261</u></b>    |
| <b>Dividends receivable</b>                |                       |                          |
| Concórdia Holding Financeira S.A.          | <u>-</u>              | <u>20,000</u>            |
|  | <b><u>-</u></b>       | <b><u>20,000</u></b>     |
| <b>Loans</b>                               |                       |                          |
| Wellax Food Logistics C. P. A. S. U. Ltda. | 2,085,796             | 1,840,936                |
| Sadia GmbH                                 | 3,054                 | 3,083                    |
| Sadia Industrial Ltda.                     | 890                   | 885                      |

Edgar Filing: SADIA S.A. - Form 6-K

|  |                           |                           |
|--|---------------------------|---------------------------|
| Concórdia Holding Financeira S.A.          | 466                       | 231                       |
| Rezende Marketing e Comunicação Ltda.      | 61                        | 60                        |
| Excelsior Alimentos S.A.                   | 46                        | 5                         |
| Big Foods Ind. Prod. Alimentícios Ltda.    | 43                        | 150                       |
| Sadia International Ltd.                   | <u>(250)</u>              | <u>(252)</u>              |
|  | <b><u>2,090,106</u></b>   | <b><u>1,845,098</u></b>   |
| <b>Suppliers</b>                           |                           |                           |
| Big Foods Ind. Prod. Alimentícios Ltda.    | <u>8,371</u>              | <u>8,371</u>              |
|  | <b><u>8,371</u></b>       | <b><u>8,371</u></b>       |
| <b>Advances from subsidiaries</b>          |                           |                           |
| Wellax Food Logistics C. P. A. S. U. Ltda. | (4,522,973)               | (4,455,264)               |
| Sadia International Ltd.                   | <u>(2,005)</u>            | <u>(2,023)</u>            |
| Total current and non current              | <b><u>(4,524,978)</u></b> | <b><u>(4,457,287)</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|  | <b>Income statement</b>   |                           |
|--|---------------------------|---------------------------|
|  | <b>March 31,<br/>2009</b> | <b>March 31,<br/>2008</b> |
| <b>Sales</b>                                     |                           |                           |
| Wellax Food Logistics C. P. A. S. U. Ltda.       | 685,075                   | 591,600                   |
| Qualy B. V.                                      | 14,094                    | 10,629                    |
| Sadia Chile S.A.                                 | 7,482                     | 4,118                     |
| Big Foods Ind. Prod. Alimentícios Ltda.          | 6,039                     | 2,541                     |
| Sadia Alimentos S.A.                             | 5,434                     | 3,927                     |
| Concórdia Ltd.                                   | 3,533                     | 368                       |
| Sadia Uruguay S.A.                               | 1,975                     | 2,055                     |
| Excelsior Alimentos S.A.                         | 504                       | -                         |
| Sadia International Ltd.                         | 81                        | 65,894                    |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>-</u>                  | <u>856</u>                |
|  | <b><u>724,217</u></b>     | <b><u>681,988</u></b>     |
| <b>Cost of goods sold</b>                        |                           |                           |
| Big Foods Ind. Prod. Alimentícios Ltda.          | (24,761)                  | (14,615)                  |
| Avícola Industrial Buriti Alegre Ltda. - Goiaves | <u>-</u>                  | <u>(3,106)</u>            |

|   |                   |                       |
|---|-------------------|-----------------------|
|   | <u>(24,761)</u>   | <u>(17,721)</u>       |
| <b>Net financial result</b>               |                   |                       |
| Wellax Food Logistics C. P. A. S. U. Lda. | 555               | ( 9,602)              |
| Sadia International Ltd.                  | 94                | 53                    |
| Sadia GmbH                                | <u>(29)</u>       | <u>-</u>              |
|   | <u><b>620</b></u> | <u><b>(9,549)</b></u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***11****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>March 31, 2009</b>      | <b>December 31, 2008</b> |
| Sadia GmbH                                 | 100,00%          | 231,898                    | (75,541)                               | (88,213)             | 231,898                    | 324,219                  |
| Sadia International Ltd.                   | 100,00%          | 123,327                    | (2,115)                                | (3,289)              | 123,327                    | 126,616                  |
| Concórdia Holding Financeira S.A.          | 100,00%          | 81,480                     | 910                                    | 915                  | 81,480                     | 80,565                   |
| Big Foods Ind. de Prod. Alimentícios Ltda. | 100,00%          | 43,342                     | 3,466                                  | 3,466                | 43,342                     | 39,876                   |
| K&S Alimentos S.A.                         | 49,00%           | 26,081                     | (1,344)                                | (118)                | 12,780                     | 12,898                   |
| Excelsior Alimentos S.A.                   | 46,01%           | 7,713                      | 642                                    | 179                  | 3,549                      | 3,245                    |
| Baumhardt Comércio e Participações Ltda.   | 73,94%           | 1,254                      | 150                                    | 111                  | 927                        | 816                      |
| Sadia Industrial Ltda.                     | 100,00%          | 355                        | (7)                                    | (7)                  | 355                        | 362                      |
| Rezende Marketing e Comun. Ltda.           | 99,91%           | (31)                       | 1                                      | 1                    | -                          | -                        |
| Sadia Overseas Ltd.                        | 100,00%          | (2,028)                    | -                                      | 19                   | -                          | -                        |
| <b>Total in subsidiaries</b>               |                  |                            |  | (86,936)             | 497,658                    | 588,597                  |

|  |                     |                      |                      |
|--|---------------------|----------------------|----------------------|
| Other investments                              | —                   | 57                   | 57                   |
| <b>Total investments of the Parent Company</b> | <b>(86,936)</b>     | <b>497,715</b>       | <b>588,654</b>       |
| Other investments of subsidiaries/affiliates   | (2)                 | 2,347                | 2,349                |
| Investments eliminated on consolidation        | <u>86,703</u>       | <u>(484,878)</u>     | <u>(575,699)</u>     |
| <b>Total consolidated investments</b>          | <b><u>(235)</u></b> | <b><u>15,184</u></b> | <b><u>15,304</u></b> |

*Changes in the investments:*

|   | Balances as<br>of<br>December<br>31, 2008 | Acquisition       | Equity<br>valuation<br>adjustment | Unsecured<br>Liabilities | Shareholding<br>result | Balances as<br>of March 31,<br>2008 |
|---|---|-------------------|-----------------------------------|--------------------------|------------------------|-------------------------------------|
| Sadia GmbH                                    | 324,219                                   | -                 | (4,108)                           | -                        | (88,213)               | 231,898                             |
| Sadia International Ltd.                      | 126,616                                   | -                 | -                                 | -                        | (3,289)                | 123,327                             |
| Concórdia Holding<br>Financeira S.A.          | 80,565                                    | -                 | -                                 | -                        | 915                    | 81,480                              |
| Big Foods Ind. de Prod.<br>Alimentícios Ltda. | 39,876                                    | -                 | -                                 | -                        | 3,466                  | 43,342                              |
| K&S Alimentos S.A.                            | 12,898                                    | -                 | -                                 | -                        | (118)                  | 12,780                              |
| Excelsior Alimentos S.A.                      | 3,245                                     | 125               | -                                 | -                        | 179                    | 3,549                               |
| Baumhardt Comércio e<br>Participações Ltda.   | 816                                       | -                 | -                                 | -                        | 111                    | 927                                 |
| Sadia Industrial Ltda.                        | 362                                       | -                 | -                                 | -                        | (7)                    | 355                                 |
| Rezende Marketing e<br>Comun. Ltda.           | -   | -                 | -                                 | (1)                      | 1                      | -                                   |
| Sadia Overseas Ltd.                           | —   | —                 | —                                 | (19)                     | 19                     | —                                   |
|   | <b><u>588,597</u></b>                     | <b><u>125</u></b> | <b><u>(4,108)</u></b>             | <b><u>(20)</u></b>       | <b><u>(86,936)</u></b> | <b><u>497,658</u></b>               |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

On November 28, 2008 the Board of Directors approved the setting up of a trading company in the United Arab Emirates for the distribution of the Company's products in that region. On February 1, 2009 Badi Ltd. was established, with Sadia GmbH paying in 100% of the quotas representing its capital in the amount of €2,000.

**12****Property, plant and equipment**

|                         | Annual<br>average<br>% | Parent company    |                   |                   |                      |
|-------------------------|------------------------|-------------------|-------------------|-------------------|----------------------|
|                         |                        | Cost              | Depreciation      | Carrying amount   |                      |
|                         |                        | March<br>31, 2009 | March<br>31, 2009 | March<br>31, 2009 | December<br>31, 2008 |
| Lands                   | -                      | 119,505           | -                 | 119,505           | 117,896              |
| Buildings               | 4                      | 1,612,691         | (448,150)         | 1,164,541         | 1,056,555            |
| Machinery and equipment | 15                     | 2,020,684         | (813,785)         | 1,206,899         | 1,162,159            |
| Installations           | 10                     | 701,217           | (230,502)         | 470,715           | 440,385              |



Edgar Filing: SADIA S.A. - Form 6-K

|                               |    |                         |                           |                         |                         |
|-------------------------------|----|-------------------------|---------------------------|-------------------------|-------------------------|
| Vehicles                      | 20 | 6,454                   | (4,206)                   | 2,248                   | 2,705                   |
| Construction in progress      | -  | 726,491                 | -                         | 726,491                 | 869,878                 |
| Breeding stock                | -  | 688,346                 | (480,543)                 | 207,803                 | 205,802                 |
| Forestation and reforestation | -  | 48,900                  | (5,194)                   | 43,706                  | 42,662                  |
| Advances to suppliers         | -  | 4,389                   | -                         | 4,389                   | 8,683                   |
| Other                         | -  | <u>45</u>               | <u>-</u>                  | <u>45</u>               | <u>25</u>               |
|                               |    | <b><u>5,928,722</u></b> | <b><u>(1,982,380)</u></b> | <b><u>3,946,342</u></b> | <b><u>3,906,750</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|                               | Annual<br>average % | Consolidated            |                           |   |
|-------------------------------|---------------------|-------------------------|---------------------------|---|
|                               |                     | Cost                    | Depreciation              | Carrying<br>amount                              |
|                               |                     | March<br>31, 2009       | March<br>31, 2009         | March<br>31, 2009    December<br>31, 2008       |
| Lands                         | -                   | 120,314                 | -                         | 120,314    118,705                              |
| Buildings                     | 4                   | 1,625,288               | (454,037)                 | 1,171,251    1,063,459                          |
| Machinery and equipment       | 15                  | 2,053,705               | (828,095)                 | 1,225,610    1,179,987                          |
| Installations                 | 10                  | 875,214                 | (239,012)                 | 636,202    604,118                              |
| Vehicles and plane            | 15                  | 16,159                  | (7,096)                   | 9,063    10,136                                 |
| Construction in progress      | -                   | 762,977                 | -                         | 762,977    928,699                              |
| Breeding stock                | -                   | 689,498                 | (480,543)                 | 208,955    205,867                              |
| Forestation and reforestation | -                   | 48,900                  | (5,194)                   | 43,706    42,662                                |
| Advances to suppliers         | -                   | 38,586                  | -                         | 38,586    44,684                                |
| Other                         | -                   | <u>2,959</u>            | <u>(1,416)</u>            | <u>1,543</u> <u>1,584</u>                       |
|                               |                     | <b><u>6,233,600</u></b> | <b><u>(2,015,393)</u></b> | <b><u>4,218,207</u></b> <b><u>4,199,901</u></b> |

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

|                                  | <b>Consolidated</b>          |                       |                        |                     |                           |
|----------------------------------|------------------------------|-----------------------|------------------------|---------------------|---------------------------|
|                                  | <b>December 31,<br/>2008</b> | <b>Acquisitions</b>   | <b>Disposal</b>        | <b>Tranfers</b>     | <b>March 31,<br/>2009</b> |
| Lands                            | 118,705                      | -                     | -                      | 1,609               | 120,314                   |
| Buildings                        | 1,502,886                    | 5,599                 | (2,318)                | 119,121             | 1,625,288                 |
| Machinery and equipment          | 1,973,014                    | 8,312                 | (3,414)                | 75,793              | 2,053,705                 |
| Installations                    | 820,681                      | 5,860                 | (16,702)               | 65,375              | 875,214                   |
| Vehicles and plane               | 17,362                       | 6                     | (1,209)                | -                   | 16,159                    |
| Construction in progress         | 928,699                      | 99,126                | (6,271)                | (258,577)           | 762,977                   |
| Breeding stock                   | 648,544                      | 39,867                | 1,087                  | -                   | 689,498                   |
| Forestation and reforestation    | 47,556                       | 473                   | -                      | 871                 | 48,900                    |
| Advances to suppliers            | 44,684                       | 8,167                 | (14,265)               | -                   | 38,586                    |
| Other                            | <u>2,943</u>                 | <u>21</u>             | <u>(5)</u>             | <u>-</u>            | <u>2,959</u>              |
| <b>Total cost of acquisition</b> | <b><u>6.105.074</u></b>      | <b><u>167.431</u></b> | <b><u>(43.097)</u></b> | <b><u>4.192</u></b> | <b><u>6.233.600</u></b>   |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

The balance of R\$4,192 refers to the transfer of goods intended for sale from current assets.

**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\$17,872 (R\$ 14,307 in the same period of 2008).

**13**

**Deferred charges**

**Parent company**

|                         |             | <b>Cost</b>           | <b>Amortization</b>    | <b>Carrying amount</b> |                      |
|-------------------------|-------------|-----------------------|------------------------|------------------------|----------------------|
|                         |             | <b>March</b>          | <b>March</b>           | <b>March</b>           | <b>December</b>      |
|                         | <b>Rate</b> | <b>31, 2009</b>       | <b>31, 2009</b>        | <b>31, 2009</b>        | <b>31, 2008</b>      |
| Reorganization expenses | 20%         | 28,797                | (17,827)               | 10,970                 | 12,309               |
| Pre operational costs   | 20%         | <u>78,795</u>         | <u>(9,921)</u>         | <u>68,874</u>          | <u>69,965</u>        |
|                         |             | <b><u>107,592</u></b> | <b><u>(27,748)</u></b> | <b><u>79,844</u></b>   | <b><u>82,274</u></b> |

**Consolidated**

|                         |             | <b>Cost</b>           | <b>Amortization</b>    | <b>Carrying amount</b> |                       |
|-------------------------|-------------|-----------------------|------------------------|------------------------|-----------------------|
|                         |             | <b>March</b>          | <b>March</b>           | <b>March</b>           | <b>December</b>       |
|                         | <b>Rate</b> | <b>31, 2009</b>       | <b>31, 2009</b>        | <b>31, 2009</b>        | <b>31, 2008</b>       |
| Reorganization expenses | 20%         | 28,797                | (17,827)               | 10,970                 | 12,309                |
| Pre operational costs   | 20%         | <u>127,352</u>        | <u>(17,788)</u>        | <u>109,564</u>         | <u>116,406</u>        |
|                         |             | <b><u>156,149</u></b> | <b><u>(35,615)</u></b> | <b><u>120,534</u></b>  | <b><u>128,715</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

**14****Intangible asset**

|          | Rate | Parent company        |                        |                       |                       |
|----------|------|-----------------------|------------------------|-----------------------|-----------------------|
|          |      | Cost                  | Amortization           | Carrying amount       |                       |
|          |      | March<br>31, 2009     | March<br>31, 2009      | March<br>31, 2009     | December<br>31, 2008  |
| Goodwill | -    | 98,083                | (22,571)               | 75,512                | 75,512                |
| Software | 20%  | <u>121,398</u>        | <u>(62,771)</u>        | <u>58,627</u>         | <u>62,159</u>         |
|          |      | <b><u>219,481</u></b> | <b><u>(85,342)</u></b> | <b><u>134,139</u></b> | <b><u>137,671</u></b> |

**Consolidated**

|          |             | <b>Cost</b>           | <b>Amortization</b>    | <b>Carrying amount</b> |                       |
|----------|-------------|-----------------------|------------------------|------------------------|-----------------------|
|          | <b>Rate</b> | <b>March</b>          | <b>March</b>           | <b>March</b>           | <b>December</b>       |
|          |             | <b>31, 2009</b>       | <b>31, 2009</b>        | <b>31, 2009</b>        | <b>31, 2008</b>       |
| Goodwill | -           | 98,083                | (22,571)               | 75,512                 | 75,512                |
| Software | 20%         | <u>123,108</u>        | <u>(63,426)</u>        | <u>59,682</u>          | <u>62,601</u>         |
|          |             | <b><u>221,191</u></b> | <b><u>(85,997)</u></b> | <b><u>135,194</u></b>  | <b><u>138,113</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|          | <b>Consolidated</b>                     |                     |                    |   |
|----------|---|---------------------|--------------------|---|
|          | <b>Residual value<br/>in 12/31/2008</b> | <b>Acquisition</b>  | <b>Disposal</b>    | <b>Residual value<br/>in 03/31/2009</b> |
| Goodwill | 98,083                                  | -                   | -                  | 98,083                                  |
| Software | <u>120,315</u>                          | <u>2,826</u>        | <u>(33)</u>        | <u>123,108</u>                          |
|          | <b><u>218,398</u></b>                   | <b><u>2,826</u></b> | <b><u>(33)</u></b> | <b><u>221,191</u></b>                   |

At March 31, 2009 and December 31, 2008, the net balance of goodwill on the acquisition of investments is composed of:

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



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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***15****Loans and financing - Short-term**

|  | <b>Parent company</b> |                          | <b>Consolidated</b>   |                          |
|--|-----------------------|--------------------------|-----------------------|--------------------------|
|  | <b>March 31, 2009</b> | <b>December 31, 2008</b> | <b>March 31, 2009</b> | <b>December 31, 2008</b> |
| <b>Short-term</b>  |                       |                          |                       |                          |
| <b>Foreign currency</b>  |                       |                          |                       |                          |
| Advances on export contracts - ACC, with interest rates of 6.73% p.a., guaranteed by promissory notes or sureties  | 2,130,061             | 1,798,442                | 2,130,061             | 1,798,441                |
| Advanced collection relating to the receivables sold, with no interest   | -                     | -                        | 30,817                | 69,886                   |
| Financing for investments in Russia, to be made in property, plant and equipment, with interest of 11.4% p.a., guaranteed by surety according to the investment interest (60% for Sadia and 40% for the partner) | -                     | -                        | 3,268                 | 3,386                    |
| Credit lines for the development of foreign trade, with interest rates of 12.91% p.a., guaranteed by promissory notes or sureties  | -                     | -                        | -                     | 7,915                    |
|  | -                     | -                        | -                     | 157,073                  |

Financing obtained from financial institutions custodians of structured notes belonging to the Company, with interest of 4.75% p.a., guaranteed by its own investments

|        |                    |                    |                  |                  |
|--------|--------------------|--------------------|------------------|------------------|
| Others | <u>          -</u> | <u>          -</u> | <u>      330</u> | <u>      338</u> |
|        | <u>2,130,061</u>   | <u>1,798,442</u>   | <u>2,164,476</u> | <u>2,037,039</u> |

**Local currency**

Rural credit lines with interest of 6.75% p.a. for the finance of the production of the integration system in the swine and poultry farming.

|         |         |         |         |
|---------|---------|---------|---------|
| 264,491 | 261,667 | 264,491 | 261,667 |
|---------|---------|---------|---------|

Working capital loans in the amount of R\$96,821 where R\$51,609 with interest of 19.84% p.a. and R\$45,212 is subject to the variation of 125% do CDI, free of guarantees.

|        |         |        |         |
|--------|---------|--------|---------|
| 96,821 | 443,273 | 96,821 | 443,273 |
|--------|---------|--------|---------|

Other financings with interest of 1.19%p.a.

|                    |                    |                  |                  |
|--------------------|--------------------|------------------|------------------|
| <u>          -</u> | <u>          -</u> | <u>      858</u> | <u>      641</u> |
|--------------------|--------------------|------------------|------------------|

|                |                |                |                |
|----------------|----------------|----------------|----------------|
| <u>361,312</u> | <u>704,940</u> | <u>362,170</u> | <u>705,581</u> |
|----------------|----------------|----------------|----------------|

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| <u>2,491,373</u> | <u>2,503,382</u> | <u>2,526,646</u> | <u>2,742,620</u> |
|------------------|------------------|------------------|------------------|

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|   | <b>Parent company</b>     |                 | <b>Consolidated</b> |                 |
|---|---------------------------|-----------------|---------------------|-----------------|
|   | <b>March 31, December</b> |                 | <b>March</b>        |                 |
|   | <b>2009</b>               | <b>31, 2008</b> | <b>31</b>           | <b>December</b> |
|   | <b>2009</b>               | <b>31, 2008</b> | <b>2009</b>         | <b>31, 2008</b> |
| <b>Short-term portion of the long-term debt</b>   |                           |                 |                     |                 |
| <b>Foreign currency</b>   |                           |                 |                     |                 |
| Export financing composed of prepayment in amount of R\$116,640, of which R\$141 is subject to LIBOR variation for 6-month deposits (1,43% in March 2009) and interest of 1.75% p.a. and an amount of R\$116,499 subject to LIBOR variation for 3-month deposits (1.24% in March 2009) and interest of 0.60% p.a. and a line focused on the incentive for foreign trade activities in the amount of R\$143,245, subject to LIBOR (average of 3.16% in March 2009) and interest of 1.18% p.a. , guaranteed by promissory notes or sureties | 116,640                   | 119,166         | 259,885             | 143,955         |
| BNDES (National Bank for Economic and Social Development), for investments and exports credit lines, composed as follows: FINEM in the amount of R\$32,456 subject to the weighted average of exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 2.47% p.a., guaranteed by mortgage bonds and real estate mortgage and BNDES Exim - pre shipment in the amount of R\$3.901 subject to fixed interests of 8.69% p.a., guaranteed by promissory notes.  | 36,357                    | 30,464          | 36,357              | 30,464          |
| The raising of funds on the international capitals market through the issuing of bonds with interest of 6.88% per annum and the principal to be paid in one lump sum in 2017, guaranteed by inventories and financial assets pledges.   | —                         | —               | <u>13,927</u>       | <u>4,017</u>    |

|  | <u>152.997</u>       | <u>149.630</u>       | <u>310.169</u>       | <u>178.436</u>       |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Local currency</b>  |                      |                      |                      |                      |
| Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2010, subject to variation of 112,35% of the CDI (interbank deposit certificate) p.a., guaranteed by equipment pledge and mortgage bonds  | 1,234,341            | 1,065,477            | 1,234,341            | 1,065,477            |
| <br>BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, composed as follows: FINAME in the amount of R\$851 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in March 2009) and interest of 2.25% p.a., FINEM in the amount of R\$179,264 subject to TJLP and interest of 3.09% p.a., guaranteed by mortgage bonds and real estate mortgages and BNDES Exim - pre shipment in the amount of R\$12,311 subject to TJLP and interest of 2.64% p.a., guaranteed by promissory notes. | <br>192,125          | <br>163,833          | <br>192,426          | <br>164,134          |
| <br>PESA - Special Aid for Agribusiness payable in installments, subject to IGPM variation and annual interest of 9.89%, guaranteed by sureties  | <br>1,705            | <br>6,845            | <br>1,705            | <br>6,845            |
| <br>Others subject to interest rate from 1% to 12% p.a.  | <br><u>6.879</u>     | <br><u>6.879</u>     | <br><u>6.879</u>     | <br><u>6.879</u>     |
|  | <br><u>1,435.050</u> | <br><u>1,243.034</u> | <br><u>1,435.351</u> | <br><u>1,243.335</u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|   | <b>Parent company</b>     | <b>Consolidated</b>          |                               |                                  |
|---|---------------------------|------------------------------|-------------------------------|----------------------------------|
|   | <b>March 31,<br/>2009</b> | <b>December<br/>31, 2008</b> | <b>March<br/>31,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
| <b>Short-term portion of long-term debt</b> | <u>1,588,047</u>          | <u>1,392,664</u>             | <u>745,520</u>                | <u>421,771</u>                   |
| Total short-term                            | <u><b>4,079,420</b></u>   | <u><b>3,896,045</b></u>      | <u><b>2,721,664</b></u>       | <u><b>1,164,391</b></u>          |

At March 31, 2009 the weighted average interest in short-term loans was 8.50% p.a. (9.59% p.a. at December 31, 2008).

16

**Loans and financing - Long-term**

|   | <b>Parent company</b>     | <b>Consolidated</b>          |                               |                                  |
|---|---------------------------|------------------------------|-------------------------------|----------------------------------|
|   | <b>March 31,<br/>2009</b> | <b>December<br/>31, 2008</b> | <b>March<br/>31,<br/>2009</b> | <b>December<br/>31,<br/>2008</b> |
| <b>Foreign currency</b>                                       |                           |                              |                               |                                  |
| Export financing composed of prepayment, payable in amount of | 325,008                   | 329,496                      | 1,943,033                     | 3,076,654                        |

R\$325,008 in instalments up to 2013, in which R\$92,749 subject to LIBOR variation for 6-month deposits (1.43% in March 2009) plus annual interest of 1.75% p.a. and R\$232,259 subject to LIBOR variation for 3-month deposits (1.24% in March 2009) plus annual interest of 0.60% p.a., and a line focused on the incentive for foreign trade in amount of R\$1,618,027, subject to LIBOR of 3.16% plus interest of 1.18% p.a., guaranteed by promissory notes or sureties

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 inventories and financial assets pledges.

- - 592,727 588,267

BNDES (National Bank for Economic and Social Development), payable from 2009 to 2019 composed as follows: FINEM in the amount of R\$254,195 subject to the weighted average of the exchange variation of currencies traded by BNDES - UMBNDES and fixed interest of 2.47% p.a. guaranteed by mortgage bonds and real estate mortgages and BNDES Exim - pre shipment in the amount of R\$11,618 subject to the weighted average of the exchange variation of currencies and fixed interest of 8.69% p.a., guaranteed by promissory notes.

265,813 274,269 265,813 274,269

IFC (International Finance Corporation) for investments in property, plant and equipment, subject to interest at the rate of 11.4% p.a., guaranteed by real estate mortgages

\_\_\_\_\_ - \_\_\_\_\_ - 126.742138.517

590.821 603,7652.928.313.077,707

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|  | <b>Parent company</b> |                  | <b>Consolidated</b> |                  |
|--|-----------------------|------------------|---------------------|------------------|
|  | <b>2008</b>           | <b>2007</b>      | <b>2008</b>         | <b>2007</b>      |
| <b>Local currency</b>  |                       |                  |                     |                  |
| Export credit note - NCE, an improved credit line for exports, payable in 2009 and 2010, in which R\$788,264 is subject to variation of 125% of the CDI (interbank deposit certificate) p.a. and R\$446,077 is subject to variation of 90% of the CDI (interbank deposit certificate) p.a., guaranteed by real estate mortgages and financial assets pledge.   | 1,234,341             | 1,386,207        | 1,234,341           | 1,386,207        |
| BNDES (National Bank for Economic and Social Development), credit lines for investments and exports, payable from 2009 to 2015, composed as follows: FINAME in the amount of R\$2,163 subject to the Long-Term Interest Rate -TJLP (6.25% p.a. in March 2009) and interest of 2.25% p.a., FINEM in the amount of R\$1,111,615 subject to TJLP and interest of 3.09% p.a., guaranteed by mortgage bonds and real estate mortgages and BNDES Exim pre shipment special in the amount of R\$36,680 subject to TJLP and interest of 2.64% p.a., guaranteed by promissory notes | 1,150,033             | 1,167,364        | 1,150,458           | 1,167,864        |
| PESA - Special Sanitation Program of the Agroindustry to be paid in installments from 2009 to 2020, subject to the variation of the IGPM (General Market Price Index) and interest of 9.89% p.a., guaranteed by endorsement and public debt securities (CTN)   | 156,564               | 162,176          | 156,564             | 162,176          |
| Others subject to interest rate from 1% to 12% p.a.  | <u>10,294</u>         | <u>12,001</u>    | <u>10,706</u>       | <u>12,562</u>    |
|  | <u>2,551,232</u>      | <u>2,727,748</u> | <u>2,552,069</u>    | <u>2,728,809</u> |
|  | <u>3,142,053</u>      | <u>3,331,513</u> | <u>3,480,386</u>    | <u>5,806,516</u> |



|   |                         |                         |                       |                         |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| <b>Short-term portion of long-term debt</b> | <u>(1,588,047)</u>      | <u>(1,392,664)</u>      | <u>(1,745,520)</u>    | <u>(1,421,771)</u>      |
| Total long-term                             | <b><u>1,554,006</u></b> | <b><u>1,938,849</u></b> | <b><u>734,866</u></b> | <b><u>4,384,745</u></b> |

The noncurrent portions of financings at March 31, 2009 mature as follows:

| <b>Maturity</b> | <b>Parent company</b>   | <b>Consolidated</b>     |
|-----------------|-------------------------|-------------------------|
| 2010            | 239,215                 | 609,990                 |
| 2011            | 296,612                 | 809,857                 |
| 2012            | 422,574                 | 650,965                 |
| 2013            | 242,043                 | 581,367                 |
| 2014 onwards    | <u>353,562</u>          | <u>1,082,687</u>        |
|                 | <b><u>1,554,006</u></b> | <b><u>3,734,866</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**17**

**Commitments and contingencies**

***Commitments***

The Company has leasing agreements for industrial units that expire over the next three years. These leasing are subject to renewal for 1 more year and do not require any penalty if the Company does not renew them. The Company does not pay execution costs, such as maintenance and insurance. The rental expenses totaled R\$30,212 in March 31, 2009 (R\$40,882 in the same period of 2008).

The table below shows the future payments related to the leasing agreement at March 31, 2009:

|       |                       |
|-------|-----------------------|
| 2009  | 112,790               |
| 2010  | 148,633               |
| 2011  | 148,633               |
| 2012  | <u>148,633</u>        |
| Total | <b><u>558,689</u></b> |

In addition the Company signed purchase agreements for production purposes (packaging) in the approximate amount of R\$66 million on March 31, 2009, payable until 2010.

*Contingencies*

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

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|                                   | <b>Parent company</b>     |                              | <b>Consolidated</b>       |                              |
|-----------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|
|                                   | <b>March 31,<br/>2009</b> | <b>December<br/>31, 2008</b> | <b>March<br/>31, 2009</b> | <b>December<br/>31, 2008</b> |
| Tax proceedings                   | 35,988                    | 35,595                       | 51,091                    | 50,868                       |
| Labor proceedings                 | 28,926                    | 27,373                       | 29,797                    | 28,063                       |
| Civil proceedings                 | <u>11,104</u>             | <u>10,236</u>                | <u>11,105</u>             | <u>10,244</u>                |
| Provision for contingencies       | <b><u>76,018</u></b>      | <b><u>73,204</u></b>         | <b><u>91,993</u></b>      | <b><u>89,175</u></b>         |
| Related legal deposits            | <u>(22,200)</u>           | <u>(21,393)</u>              | <u>(34,461)</u>           | <u>(33,658)</u>              |
| Provision for contingencies - Net | <b><u>53,818</u></b>      | <b><u>51,811</u></b>         | <b><u>57,532</u></b>      | <b><u>55,517</u></b>         |

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

|                   | <b>Balances at<br/>12/31/2008</b> | <b>Consolidated</b> |                  | <b>Monetary<br/>updates</b> | <b>Balances at<br/>03/31/2009</b> |
|-------------------|-----------------------------------|---------------------|------------------|-----------------------------|-----------------------------------|
|                   |                                   | <b>Additions</b>    | <b>Disposals</b> |                             |                                   |
| Tax proceedings   | 50,868                            | 601                 | (741)            | 363                         | 51,091                            |
| Labor proceedings | 28,063                            | 1,817               | (83)             | -                           | 29,797                            |
| Civil proceedings | <u>10,244</u>                     | <u>566</u>          | <u>(947)</u>     | <u>1,242</u>                | <u>11,105</u>                     |

Edgar Filing: SADIA S.A. - Form 6-K

|                             |                 |                |                |              |                 |
|-----------------------------|-----------------|----------------|----------------|--------------|-----------------|
| Provision for contingencies | <u>89,175</u>   | <u>2,984</u>   | <u>(1,771)</u> | <u>1,605</u> | <u>91,993</u>   |
| Related legal deposits      | <u>(33,658)</u> | <u>(1,063)</u> | <u>260</u>     | <u>-</u>     | <u>(34,461)</u> |
|                             | <u>55,517</u>   | <u>1,921</u>   | <u>(1,511)</u> | <u>1,605</u> | <u>57,532</u>   |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***Tax litigation***

The main tax contingencies involve the following cases:

**a.**

**Income and social contribution taxes on net income**

Provision for income and social contribution taxes on net income amounting to R\$28,227, of which R\$10,438 recorded on the acquisition of the subsidiary Granja Rezende (incorporated in 2003), R\$9,017 of income tax and R\$3,246 on contribution taxes of Concórdia S.A. CVMCC, R\$4,425 on withholding income tax on investments of Granja Rezende and R\$1,101 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, totalling a probable contingency estimated at R\$11,354.

**c.**

**Other tax contingencies**

Several cases related to payment of Social security contribution, PIS (Social Integration Program Tax), Import Duty and others totalling a provision of R\$11,510.

The Company has other contingencies of a tax nature in the amount of R\$1,290,778 in March 31, 2009, which was evaluated as representing a possible loss by the legal advisors and by Company management, therefore, no provision has been recorded. These contingencies refers mainly to questions raised regarding ICMS credits in the amount of R\$694,117, IPI Credit premium, in the amount of R\$270,681, payment of social security contributions, in the amount of R\$120,034 and others in the amount of R\$205,946.

***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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

The Company has other contingencies of a civil nature with a claimed amount of R\$57,082, which were assessed as possible losses by the legal advisors and by Management and, therefore, no provision was recorded.

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

***Labor claims***

The company is involved in approximately 3,893 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\$73.043, for which the provision in the amount of R\$29,797 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 March 31, 2009 was R\$39,560 (R\$41,609 on December 31, 2008).





Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***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 March 31, 2009 amounted R\$589,637 (R\$525,485 in December 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 March 31, 2009 was R\$80,789 (R\$79,670 on December 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.



Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**18**

**Shareholders equity**

*a.*

***Capital***

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

|                              | <b>March 31, 2009</b>     |
|------------------------------|---------------------------|
| Common shares                | 257,000,000               |
| Preferred shares             | <u>426,000,000</u>        |
| Total shares                 | <b><u>683,000,000</u></b> |
| Preferred shares in treasury | <u>(10,049,288)</u>       |
| Total outstanding shares     | <b><u>672,950,712</u></b> |

*b.*

***Treasury stock***

As of March 31, 2009 the Company held treasury stock, for future sale and/or cancellation, 4,700,000 ordinary shares and 5,349,288 preferred shares, at an average acquisition cost of R\$97,064. The market value as of March 31, 2009 was R\$39,169.

***c.***

***Market value***

The market value of Sadia S.A. shares according to the average quotation of shares traded on the São Paulo Stock Exchange - BOVESPA, corresponded to R\$4.76 per thousand of ordinary shares and R\$3.14 per thousand of preferred shares at March 31, 2009 (R\$4,35 per thousand of ordinary shares and R\$3,75 per thousand of preferred shares at December 31, 2008). Net equity on that date was R\$0.07 per thousand shares (R\$0.41 at December 31, 2008).

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**19**

**Stock option plan**

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

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

The composition of the options granted is presented as follows:

| Cycle | Grant | Date  |       | Granted options | Quantity            |            | Price of shares of Shares |  |
|-------|-------|-------|-------|-----------------|---------------------|------------|---------------------------|--|
|       |       | Start | Final |                 | Outstanding options | Grant date | Update - INPC             |  |

Edgar Filing: SADIA S.A. - Form 6-K

|      |          |          |          |           |           |       |       |
|------|----------|----------|----------|-----------|-----------|-------|-------|
| 2005 | 06/24/05 | 06/24/08 | 06/24/10 | 2,200,000 | 1,090,000 | 4.55  | 5.39  |
| 2006 | 09/26/06 | 09/26/09 | 09/26/11 | 3,520,000 | 2,325,000 | 5.68  | 6.53  |
| 2007 | 09/27/07 | 09/27/10 | 09/27/12 | 5,000,000 | 4,115,000 | 10.03 | 10.99 |

|  | <b>March</b>            | <b>December</b>         |
|--|-------------------------|-------------------------|
|  | <b>31, 2009</b>         | <b>31, 2008</b>         |
| <b>Balances in the beginning of the period</b> | 9,275,000               | 9,955,000               |
| Exercised options - Cycle 2005                 | -                       | (210,000)               |
| Cancelled options - Cycle 2005                 | (400,000)               | -                       |
| Cancelled options - Cycle 2006                 | (665,000)               | (265,000)               |
| Cancelled options - Cycle 2007                 | <u>(680,000)</u>        | <u>(205,000)</u>        |
| <b>Balances in the end of the period</b>       | <b><u>7,530,000</u></b> | <b><u>9,275,000</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

In accordance with Accounting Pronouncements Committee - CPC 10 - Share based Payment, on March 31, 2009 and December 31, 2008 the Company recognized under stock option plan the fair value in the amount of R\$5,311 and R\$8,067, respectively. The cost of compensation was recognized in the results for the period, under administrative expenses, totalling in March 31, 2009 a reversion of expenses of R\$2,756.

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

|   | <b>March<br/>31, 2009</b> | <b>December<br/>31, 2008</b> |
|---|---------------------------|------------------------------|
| Expectations of term of life of the option    | 5 years                   | 5 years                      |
| Interest rate free of risk                    |                           | 12.4%                        |
| Volatility                                    | 76.05                     | 76.41                        |
| Expected dividends on the shares              | 3.0%                      | 3.0%                         |
| Expectations of accumulated average inflation | 29.83%                    | 26.95%                       |
| Weighted average of the fair value            | R\$0.71                   | R\$1.14                      |

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

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



exercise their options at the limit of the term.

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

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

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

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

**20**

**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.

**21**

**Financial result**

|  | <b>Parent company</b> |                 | <b>Consolidated</b> |                 |
|--|-----------------------|-----------------|---------------------|-----------------|
|  | <b>March</b>          | <b>March</b>    | <b>March</b>        | <b>March</b>    |
|  | <b>31, 2009</b>       | <b>31, 2008</b> | <b>31, 2009</b>     | <b>31, 2008</b> |
| <b>Financial expenses</b>                  |                       |                 |                     |                 |
| Interest                                   | (159,029)             | (57,401)        | (150,299)           | (53,508)        |
| Loss on investment funds                   | (11,109)              | -               | (54,513)            | -               |
| Monetary variations - Liabilities          | (2,178)               | (5,508)         | (2,178)             | (5,508)         |
| Exchange variations - Liabilities          | 26,627                | 1,015           | (156,413)           | 21,823          |
| Exchange variations on foreign investments | -                     | -               | (20,582)            | -               |
| Other                                      | <u>(17,914)</u>       | <u>(7,260)</u>  | <u>(21,598)</u>     | <u>(9,488)</u>  |
|  |                       | -               | -                   | -               |
|  | <u>(163,603)</u>      | <u>(69,154)</u> | <u>(405,583)</u>    | <u>(46,681)</u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|  | <b>Parent company</b> |                 | <b>Consolidated</b> |                 |
|--|-----------------------|-----------------|---------------------|-----------------|
|  | <b>March</b>          | <b>March</b>    | <b>March</b>        | <b>March</b>    |
|  | <b>31, 2009</b>       | <b>31, 2008</b> | <b>31, 2009</b>     | <b>31, 2008</b> |
| <b>Financial income</b>                    |                       |                 |                     | -               |
| Interest                                   | 25,996                | 10,880          | 27,411              | 22,647          |
| Monetary variations - Assets               | (1,351)               | 1,387           | (1,513)             | 1,387           |
| Exchange variations - Assets               | (2,262)               | (1,700)         | 105,754             | (76,821)        |
| Gains on derivatives instruments           | -                     | 20,728          | -                   | 83,925          |
| Exchange variations on foreign investments | -                     | -               | -                   | 91,502          |
| Other                                      | <u>11,348</u>         | <u>9,048</u>    | <u>13,890</u>       | <u>14,210</u>   |
|  | <u>33,731</u>         | <u>40,343</u>   | <u>145,542</u>      | <u>136,850</u>  |
|  | <u>(129,872)</u>      | <u>(28,811)</u> | <u>(260,041)</u>    | <u>90,169</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            |                       |
|---------|-------------------------|-----------------------|-------------------------|-----------------------|
|         | March                   | March                 | March                   | March                 |
|         | 31, 2009                | 31, 2008              | 31, 2009                | 31, 2008              |
| Local   | (312,968)               | 216,927               | (241,187)               | 111,560               |
| Foreign | <u>      -</u>          | <u>      -</u>        | <u>(77,655)</u>         | <u>112,386</u>        |
|         | <b><u>(312,968)</u></b> | <b><u>216,927</u></b> | <b><u>(318,842)</u></b> | <b><u>223,946</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|                | <b>Parent company</b> |                 | <b>Consolidated</b> |                 |
|----------------|-----------------------|-----------------|---------------------|-----------------|
|                | <b>March</b>          | <b>March</b>    | <b>March</b>        | <b>March</b>    |
|                | <b>31, 2009</b>       | <b>31, 2008</b> | <b>31, 2009</b>     | <b>31, 2008</b> |
| <b>Local</b>   |                       |                 |                     |                 |
| Current        | -                     | (23)            | (3,078)             | (1,989)         |
| Deferred       | <u>78,353</u>         | <u>25,977</u>   | <u>77,358</u>       | <u>30,621</u>   |
|                | <u>78,353</u>         | <u>25,954</u>   | <u>74,280</u>       | <u>28,632</u>   |
| <b>Foreign</b> |                       |                 |                     |                 |
| Current        | -                     | -               | (2,058)             | (2,726)         |
| Deferred       | <u>(719)</u>          | <u>(298)</u>    | <u>2,506</u>        | <u>(299)</u>    |
|                | <u>(719)</u>          | <u>(298)</u>    | <u>448</u>          | <u>(3,025)</u>  |
|                | <u>77,634</u>         | <u>25,656</u>   | <u>74,728</u>       | <u>25,607</u>   |

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

| <b>Parent company</b> | <b>Consolidated</b> |
|-----------------------|---------------------|
|-----------------------|---------------------|

|   | <b>March</b>         | <b>March</b>         | <b>March</b>         | <b>March</b>         |
|---|----------------------|----------------------|----------------------|----------------------|
|   | <b>31, 2009</b>      | <b>31, 2008</b>      | <b>31, 2009</b>      | <b>31, 2008</b>      |
| Income before taxation/profit sharing                             | (312,968)            | 216,927              | (318,842)            | 223,946              |
| Interest on shareholders' equity                                  | <u>      -</u>       | <u>(45,582)</u>      | <u>      -</u>       | <u>(45,582)</u>      |
| <b>Income before income and social contribution taxes</b>         | <u>(312,968)</u>     | <u>171,345</u>       | <u>(318,842)</u>     | <u>178,364</u>       |
|   |                      | <u>      -</u>       | <u>      -</u>       | <u>      -</u>       |
| <b>Income and social contribution taxes at nominal rate - 34%</b> | <u>106,409</u>       | <u>(58,257)</u>      | <u>108,406</u>       | <u>(60,644)</u>      |
| <b>Adjustment to calculate the effective rate</b>                 |                      |                      |                      |                      |
| <b>Permanent differences</b>                                      |                      |                      |                      |                      |
| Equity in subsidiaries earnings                                   | (29,558)             | 84,106               | -                    | -                    |
| Loss on financial operations                                      | (3,852)              | -                    | (3,852)              | -                    |
| Donations and subsidies for investments                           | 3,391                | -                    | 3,391                | -                    |
| Share purchase option plan - stock option                         | 937                  | -                    | 937                  | -                    |
| Exchange variation on investments abroad                          | -                    | -                    | (6,998)              | 31,110               |
| Results of companies abroad                                       | 719                  | -                    | (24,308)             | 49,434               |
| Recording of deferred IR/CS in subsidiaries                       | -                    | -                    | -                    | 6,070                |
| Others  | <u>(412)</u>         | <u>(193)</u>         | <u>(2,848)</u>       | <u>(363)</u>         |
| <b>Income and social contribution taxes at effective rate</b>     | <u><b>77,634</b></u> | <u><b>25,656</b></u> | <u><b>74,728</b></u> | <u><b>25,607</b></u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|  | <b>Parent company</b> |                       | <b>Consolidated</b>   |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>March</b>          | <b>December</b>       | <b>March</b>          | <b>December</b>       |
|  | <b>31, 2009</b>       | <b>31, 2008</b>       | <b>31, 2009</b>       | <b>31, 2008</b>       |
| <b>Assets</b>  |                       |                       |                       |                       |
| <b>Deferred taxes</b>  |                       |                       |                       |                       |
| Tax loss carryforwards and negative basis of social contribution | 802,147               | 643,783               | 806,962               | 649,221               |
| Benefit plan   | 41,750                | 40,220                | 41,750                | 40,220                |
| Provision for contingencies                                      | 25,846                | 24,889                | 31,278                | 30,320                |
| Provision for realization of tax credits                         | 24,072                | 24,389                | 25,322                | 24,831                |
| Goodwill amortization  | 10,809                | 12,607                | 10,809                | 12,607                |
| Allowance for doubtful accounts                                  | 7,110                 | 6,493                 | 7,322                 | 6,601                 |
| Provision for loss on property, plant and equipment              | 4,683                 | 5,402                 | 4,683                 | 5,402                 |
| Provision for lawyers fees                                       | 4,444                 | 6,924                 | 4,444                 | 6,924                 |
| Provision for loss in inventories                                | 3,186                 | 3,216                 | 3,186                 | 3,216                 |
| Unrealized results in inventories                                | -                     | -                     | 1,905                 | 3,408                 |
| Unrealized losses with derivatives                               | -                     | 68,253                | -                     | 68,253                |
| Employees profit sharing   | -                     | 6,377                 | -                     | 6,377                 |
| Equity valuation adjustments                                     | 39,232                | 44,069                | -                     | -                     |
| Other  | <u>1,920</u>          | <u>3,320</u>          | <u>7,101</u>          | <u>4,186</u>          |
| <b>Total assets deferred taxes</b>                               | <b><u>965,199</u></b> | <b><u>889,942</u></b> | <b><u>944,762</u></b> | <b><u>861,566</u></b> |



|                                   |                       |                       |                       |                       |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets short-term portion         | 63,400                | 129,561               | 65,306                | 132,969               |
| Assets long-term portion          | 901,799               | 760,381               | 879,456               | 728,597               |
| <b>Liabilities</b>                |                       |                       |                       |                       |
| <b>Deferred taxes</b>             |                       |                       |                       |                       |
| Depreciation on rural activities  | 108,013               | 108,614               | 108,013               | 108,614               |
| Equity valuation adjustments      | -                     | -                     | 28,015                | 23,178                |
| Unrealized gains with derivatives | 3,060                 | -                     | 3,060                 | -                     |
| Other                             | -                     | -                     | 2,919                 | 2,046                 |
| Total liabilities deferred taxes  | <b><u>111,073</u></b> | <b><u>108,614</u></b> | <b><u>142,007</u></b> | <b><u>133,838</u></b> |
| Liabilities short-term portion    | 13,861                | 10,861                | 16,780                | 12,907                |
| Liabilities long-term portion     | 97,212                | 97,753                | 125,227               | 120,931               |

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.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

The deferred tax assets related to the income tax loss carryforwards and negative basis of social contribution in the amount of R\$806,962, represented by R\$800,484 in the parent company and R\$6,478 in the subsidiaries, the realization of these credits will be carried out through the generation of future profits in the respective companies. Based on a technical viability study prepared by Management the realization of these tax assets will be estimated in the following manner:

| <b>Period</b> | <b>Realization</b>    | <b>% of realization</b> |
|---------------|-----------------------|-------------------------|
| 2009          | 84,000                | 10%                     |
| 2010          | 44,000                | 5%                      |
| 2011          | 56,000                | 7%                      |
| 2012          | 73,000                | 9%                      |
| 2013          | 86,000                | 11%                     |
| Until 2016    | <u>463,962</u>        | <u>58%</u>              |
|               | <b><u>806,962</u></b> | <b><u>100%</u></b>      |

23

**Risk management and financial instruments**

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations and interests, credit risks and variations in the prices of agricultural commodities. According to the treasury policy, these risks are managed by the Risk Management area, through identification of exposures and correlations between the different risk factors, using the specific calculation method, VAR - Value at Risk and simulations of scenarios (stress test), and are permanently monitored by the Financial and Investment Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, within the parameters for exposure limits and decision making levels proposed by the Finance Committee and RI of the Board of Directors, approved by them. At March 31, 2009, due to the high volatility of financial assets and to the remaining unsuitability of the financial policy, the VAR-Value at Risk for the operational assets and liabilities and financial instruments exposed to exchange rate variations for one year with 95% confidence, amounted to R\$188,497 (Information not reviewed by the independent auditors).

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

*a.*

***Exchange rate risk***

The Company is exposed to market risks arising from the volatility of exchange and interest rates. The exchange and interest rate risks on loans, financings and other liabilities denominated in foreign currency are managed jointly with the financial investments also denominated in foreign currency, and by derivative financial instruments, such as interest rate swaps (Libor for pre rate or vice versa) and future market contracts (Non Deliverable Forwards – NDFs and Options), as well as accounts receivable in foreign currencies arising from exports, which also reduce the foreign exchange exposure as a natural hedge.

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

**i.**

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

**ii.**

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

**iii.**

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

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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

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

The technical definition of these contracts is summarized as follows:

**Non deliverable forward**

Over the counter operations for sale and/or purchase of dollars with future maturity, without initial disbursement of cash, based on a notional amount in dollars and a future strike rate. Upon maturity of the operation the result will be the difference between the contracted rate and the Ptax on maturity, multiplied by the notional base amount.

**Target forward - Short**

Over the counter operations for sale of dollars with future maturities, without initial disbursement of cash, with the following conditions: If the Ptax on the fixing date is below the strike rate for the dollar, the Company will receive the difference between the contracted rate and the Ptax, multiplied by the original base amount, where there may be a gain limiter for the Company when the difference between the Ptax and the strike rate during the maturities reaches an average R\$0,50, knocking out subsequent maturities. If the dollar is above the strike rate, the Company will pay the difference between the contracted dollar and the Ptax, multiplied by double the base amount.

Sadia S.A.

## **Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

### **Target forward - Long**

They are over the counter purchases of dollars with future maturities, without initial disbursement of cash, with the following conditions: If the Ptax on the fixing date is higher than the strike rate for the dollar, the Company will receive the difference between the contracted rate and the Ptax, multiplied by the original base amount, where there may be a gain limiter for the Company when the difference between the Ptax and the strike rate during the maturities reaches an average R\$0.50, knocking out the subsequent maturities. If the dollar is below the strike rate, the Company will pay the difference between the contracted dollar and the Ptax, multiplied by double the base amount.

### **Call and put options (European)**

They are across the counter or stock exchange operations where the purchaser of the call option or put option pays an initial premium upon maturity, if the difference between the contracted dollar (exercise price) and if the Ptax is positive (in the event of a call option) or negative (in the event of a put option), it will exercise its right. Not exercising the options will result in the loss of the initial premium paid on the part of the purchaser. It is the seller of the option that receives an initial premium and assumes the risk of a limited gain and an unlimited loss.

The exchange futures contracts have monthly maturities of up to 09 months and establish a margin call or bank guarantee in case the position is unfavourable to the Company. At March 31, 2009, the amounts deposited as margin and bank guarantee were R\$993,733 and R\$100,000, respectively.

The results of the over the counter operations on the exchange future market, realized and not settled financially and the daily adjustments of positions of exchange futures contracts on the Futures and Commodities Exchange (BM&F)



are recorded under Amounts receivable from futures contracts and Amounts payable for futures contracts , respectively.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

In accordance with the Accounting Pronouncements Committee - CPC 14 - Recognition, Valuation and Proof of Financial Instruments, the derivative instruments were recognized in the interim financial statements at their fair value. These contracts are separated and defined as operating or financial according to their specific objective. At March 31, 2009, the nominal amounts and the average contracted rates outstanding, exposed to the variation of the US dollar, as well as the respective fair value, are presented as follows:

|                                | <b>Consolidated</b>   |                      |                 |                     |
|--------------------------------|-----------------------|----------------------|-----------------|---------------------|
|                                | <b>March 31, 2009</b> |                      |                 |                     |
|                                | <b>Notional</b>       |                      | <b>Average</b>  | <b>Fair</b>         |
|                                | <b>Original (1)</b>   | <b>Exposure (2)</b>  | <b>Rate</b>     | <b>Value</b>        |
|                                | <b>US\$ thousand</b>  | <b>US\$ thousand</b> | <b>R\$/US\$</b> | <b>R\$ thousand</b> |
| <b>Future contracts - US\$</b> |                       |                      |                 |                     |
| Non deliverable forward        | 30,000                | 30,000               | 2.00            | (10,556)            |
| Target forward                 | 767,500               | 1,535,000            | 1.78            | (854,542)           |
| Short call option              | <u>266,667</u>        | <u>266,667</u>       | <u>2.00</u>     | <u>(98,724)</u>     |
| <b>Short position - US\$</b>   | <u>1,064,167</u>      | <u>1,831,667</u>     | <u>1.81</u>     | <u>(963,822)</u>    |
| Non deliverable forward        | <u>(1,684,167)</u>    | <u>(1,684,167)</u>   | <u>2.23</u>     | <u>187,064</u>      |
| <b>Long position - US\$</b>    | <u>(1,684,167)</u>    | <u>(1,684,167)</u>   | <u>2.23</u>     | <u>187,064</u>      |
| <b>Net position - US\$</b>     | <u>(620,000)</u>      | <u>147,500</u>       |                 | <u>(776,758)</u>    |

|                                | <b>Euro mil</b> |          | <b>Euro/US\$</b> |                         |
|--------------------------------|-----------------|----------|------------------|-------------------------|
| <b>Future contracts - Euro</b> |                 |          |                  |                         |
| Posição comprada em Euro       | (20,000)        | (20,000) | 1.47             | <u>(6,625)</u>          |
| <b>Fair value</b>              |                 |          |                  | <u><b>(783,383)</b></u> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**Payable/receivable amounts of realized future contracts**

|            | <b>R\$ thousand</b> |                   |              |
|------------|---------------------|-------------------|--------------|
|            | <b>Realized</b>     | <b>Unrealized</b> | <b>Total</b> |
| Receivable | 178,064             | 36,455            | 214,519      |
| Payable    | 358,640             | 961,447           | 1,320,087    |

(1) Original notional

(2) Considers the likelihood of settlement based on the foreign currency futures

The maturities of the exchange futures contracts and US dollar options, put and call positions, as well as the counterparts of the operations outstanding on the base date of Março 31, 2009 presented:

| <b>Maturity</b> | <b>Short position - Original notional</b> |                |                   |                 | <b>Long position</b> |                 |
|-----------------|---|----------------|-------------------|-----------------|----------------------|-----------------|
|                 | <b>Non</b>                                | <b>Target</b>  | <b>Short call</b> | <b>Short</b>    | <b>Non</b>           | <b>Long</b>     |
|                 |   | <b>forward</b> | <b>options</b>    | <b>position</b> |                      | <b>position</b> |

Edgar Filing: SADIA S.A. - Form 6-K

|                 | <b>deliverable forward</b> |                       |                       |                         | <b>deliverable forward</b> |                         |
|-----------------|----------------------------|-----------------------|-----------------------|-------------------------|----------------------------|-------------------------|
| April, 2009     | 5,000                      | 205,833               | 53,333                | 264,166                 | 580,833                    | 580,833                 |
| May, 2009       | 5,000                      | 205,833               | 53,333                | 264,166                 | 377,333                    | 377,333                 |
| June, 2009      | 5,000                      | 200,833               | 53,333                | 259,166                 | 367,333                    | 367,333                 |
| July, 2009      | 5,000                      | 105,833               | 53,334                | 164,167                 | 222,334                    | 222,334                 |
| August, 2009    | 5,000                      | 49,168                | 53,334                | 107,502                 | 132,334                    | 132,334                 |
| September, 2009 | <u>5,000</u>               | <u>-</u>              | <u>-</u>              | <u>5,000</u>            | <u>4,000</u>               | <u>4,000</u>            |
|                 | <b><u>30,000</u></b>       | <b><u>767,500</u></b> | <b><u>266,667</u></b> | <b><u>1,064,167</u></b> | <b><u>1,684,167</u></b>    | <b><u>1,684,167</u></b> |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

| <b>Counterpart</b>                | <b>Notional Exposure</b> |
|-----------------------------------|--------------------------|
|                                   | <b>US\$ thousand</b>     |
| BM&F                              | (200,000)                |
| Deutsche Bank                     | 125,000                  |
| Merrill Lynch                     | 71,000                   |
| ABN Amro / Royal Bank of Scotland | 67,000                   |
| HSBC                              | 55,500                   |
| JP Morgan                         | <u>29,000</u>            |
| Total                             | <b><u>147,500</u></b>    |

**Sensibility analysis of the Company - Cash effect**

In the preparation of the sensitivity analysis, management considered its exchange derivative financial instruments and its net financial debt denominated in US dollars as material risks which may impact the income of the Company. The following assumptions were adopted in the preparation of the statement on the base date of March 31, 2009 and with results projected to the end of the year:

**a.**

The position of exchange derivative contracts presented short and long positions in US dollars with maturities during the next six months. For the purposes of this sensitivity analysis the notional values of the forward targets are already doubled, taking into consideration the scenarios of the future market.

**b.**

The net generation of cash in US dollars (revenues less costs) was estimated by management based on the information available at March 31, 2009 and takes into consideration the Company's gross invoicing resulting from exports made based on the US dollar and the expenses and costs also denominated in US dollars.

The actual and estimated quantitative information used in the preparation of this analysis was based on the position at March 31, 2009. The future results may differ from these estimated amounts, in case the economic scenario is different from the assumptions considered by the Company.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

|   | US\$ thousand   |           | R\$ thousand                                 |  |  |
|---|-----------------|-----------|--|--|--|
|   | Risk            | Base      | Scenario 1<br>Probable<br>US\$/R\$ -<br>2.20 | Scenario 2<br>Possible<br>US\$/R\$ -<br>2.75 | Scenario 3<br>Remote<br>US\$/R\$ -<br>3.30 |
| <b>Derivative contracts</b>   |                 |           |  |  |  |
| Futures contracts for US\$, sold for six months<br>- average strike R\$/US\$ - 1.81       | High of<br>US\$ | 1,831,667 | (714,350)                                    | (1,721,767)                                  | (2,729,184)                                |
| Futures contracts for US\$, acquired for eight<br>months - average strike R\$/US\$ - 2.23 | Fall of<br>US\$ | 1,684,167 | (50,525)                                     | 875,767                                      | 1,802,059                                  |
| Estimated losses  |                 |           | (764,875)                                    | (846,000)                                    | (927,125)                                  |
| Unrealized loss recognized in the interim<br>financial statements (fair value)            | -               |           | 776,758                                      | 776,758                                      | 776,758                                    |
| <b>Gain/(loss) with derivatives in 2009</b>   |                 |           | 11,883                                       | (69,242)                                     | (150,367)                                  |
| <b>Debt /invoicing</b>  |                 |           |  |  |  |
| Exchange exposure in US\$ - average strike<br>R\$/US\$ - 2.32                             | High of<br>US\$ | 2,016,244 | 241,949                                      | ( 866,985)                                   | (1,975,919)                                |
| Net generation of cash in US dollars estimated<br>for 9 months - average strike - R\$2.32 | Fall<br>of US\$ | 1,500,000 | <u>(180,000)</u>                             | <u>645,000</u>                               | <u>1,470,000</u>                           |
| <b>Net cash effect in 2009</b>  |                 |           | <b><u>73,832</u></b>                         | <b><u>(291,227)</u></b>                      | <b><u>(656,286)</u></b>                    |



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

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

|   | <b>Consolidated</b>       |                           |                           |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | <b>March 31, 2009</b>     |                           | <b>December 31, 2008</b>  |                           |
|   | <b>Current</b>            | <b>Non current</b>        | <b>Current</b>            | <b>Non current</b>        |
| <b>Assets and liabilities in foreign currency</b> |                           |                           |                           |                           |
| Cash and cash equivalents                         | 1,210,627                 | -                         | 2,072,134                 | -                         |
| Short-term investments                            | 176,943                   | -                         | 435,102                   | -                         |
| Trade accounts receivable, net                    | 280,164                   | -                         | 336,811                   | -                         |
| Suppliers   | (68,811)                  | -                         | (55,273)                  | -                         |
| Loan and financing                                | (2,474,645)               | (2,618,148)               | (2,215,475)               | (2,899,271)               |
| Future contracts - net                            | <u>(1,174,138)</u>        | <u>-</u>                  | <u>(1,963,834)</u>        | <u>-</u>                  |
|   | <b><u>(2,049,860)</u></b> | <b><u>(2,618,148)</u></b> | <b><u>(1,390,535)</u></b> | <b><u>(2,899,271)</u></b> |

The Company uses swap contracts as a way of mitigating the impacts of the interest rate variations on financial assets and liabilities, recorded under financial results.

Swap contracts are recognized at their fair value and are recognized in the interim financial statements under amounts receivable from futures contracts and amounts payable for futures contracts. The technical definition of these contracts is summarized as follows:

**Rate exchange swap- CDI vs. CDI + US dollar**

Over-the-counter project financing with Banco Santander for an index swap on the (notional) base value, where the Company receives CDI on gains, and pays CDI + variation of the US dollar on losses, if the US dollar surpasses R\$2.00. As from December 2008 there is no longer any exchange risk.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)***Libor swap range accrual**

Over-the-counter project financing with HSBC and Standard Bank, on the (notional) base value, where the Company receives six-monthly interest on gains when the six-month LIBOR stays within the range from 2.25% to 7.15% p.a., paying prefixed six-monthly interest on losses. If the LIBOR is outside this range, there is no receipt of interest. The aim of this operation is to reduce the cost of the debt indexed to the LIBOR.

At March 31, 2009, the notional amounts, contracted rates and amounts receivable and payable outstanding, as well as their respective fair values, are shown as follows:

|                           | <b>Consolidated</b>   |                     |             |                        |
|---------------------------|-----------------------|---------------------|-------------|------------------------|
|                           | <b>March 31, 2009</b> |                     |             |                        |
|                           | <b>Notional</b>       |                     | <b>Rate</b> | <b>Fair</b>            |
| <b>Original</b>           | <b>Original</b>       | <b>Value</b>        |             |                        |
|                           | <b>US\$ thousand</b>  | <b>R\$ thousand</b> |             | <b>R\$ thousand</b>    |
| <b>Interest swaps</b>     |                       |                     |             |                        |
| Range accrual swap - US\$ | 200,000               | -                   | Libor x Pré | (66,478)               |
| Interest swap CDI x CDI   | 100,000               | -                   | CDI x CDI   | <u>99</u>              |
| <b>Fair value</b>         |                       |                     |             | <b><u>(66,379)</u></b> |

**Amounts receivable/payable from future contracts**

**R\$ thousand**

|            | <b>Realized</b> | <b>Unrealized</b> | <b>Total</b> |
|------------|-----------------|-------------------|--------------|
| Receivable | 7,783           | -                 | 7,783        |
| Payable    | 11,276          | 64,991            | 76,267       |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**b.**

***Credit risk***

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

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

**c.**

***Grain purchase price risks***

The Company's operations are exposed to the volatility in prices of grain (corn and soybean) used in the preparation of animal feed for its breeding stock, where the price variation results from factors beyond the control of management, such as climate, the size of the harvest, transport and storage costs and government agricultural policies, among others. The Company maintains its risk management strategy, operating preponderantly through physical control, which includes acquiring grain at fixed prices and fixing it, pegged to commodity futures contracts (grain). The

Company has a Commodities Committee and Risk Management, composed by the chief executive officer and financial and operational executives, whose aim is to discuss and decide on the company's strategies and positioning with respect to the various risk factors that impact the operating results.

The Company does not have outstanding commodities derivatives contracts at March 31, 2009.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

*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 March 31, 2009 and December 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 or discounted future cash flows - investment risk. For investments in shares the market values were obtained based on stock exchange quotations.

.

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

.



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

**Forward futures contracts:** The fair values of the forward futures contracts were estimated based on the use of market curves that impact these instruments on the respective calculation dates, brought to present value. The effective cash settlement of the contracts occurs on the respective maturities. The Company does not intend to settle these contracts before their maturity date.

**Interest rate swap contracts:** The fair values of the interest rate contracts were estimated based on the market quotations for similar contracts. The effective cash settlement of the contracts occurs on the respective maturity dates. The Company does not intend to settle these contracts before their maturity date.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

**Options contracts:** In the case of options, the pricing is done through the Black & Scholes model, which is widely used for valuing options and which takes into consideration the volatility, exercise price, interest rates and maturity period.

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

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

|  | <b>Consolidated</b>   |                         |                          |                         |
|--|-----------------------|-------------------------|--------------------------|-------------------------|
|  | <b>March 31, 2009</b> |                         | <b>December 31, 2008</b> |                         |
|  | <b>Book<br/>value</b> | <b>Market<br/>value</b> | <b>Book<br/>value</b>    | <b>Market<br/>value</b> |
| Cash and cash equivalents                    | 1,360,434             | 1,360,434               | 2,163,998                | 2,163,998               |
| Short-term investments - Local currency      | 828,877               | 828,877                 | 1,180,560                | 1,180,560               |
| Short-term investments - Foreign<br>currency | 176,943               | 176,943                 | 435,102                  | 435,102                 |
| Trade accounts receivable                    | 572,885               | 572,885                 | 799,567                  | 799,567                 |

Edgar Filing: SADIA S.A. - Form 6-K

|                                  |             |             |             |             |
|----------------------------------|-------------|-------------|-------------|-------------|
| Inventories                      | 1,720,965   | 1,720,965   | 1,851,020   | 1,851,020   |
| Loans and financing - Short term | 4,272,166   | 4,262,804   | 4,164,391   | 4,148,909   |
| Loans and financing - Long term  | 3,734,866   | 3,367,826   | 4,384,745   | 4,092,770   |
| Suppliers                        | 876,485     | 876,485     | 918,687     | 918,687     |
| Futures contracts, net           | (1,174,052) | (1,174,052) | (1,963,735) | (1,963,735) |

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)**e.***Financial indebtedness**

|   | <b>Consolidated</b>   |                         |                         |                          |                         |                         |
|---|-----------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|
|   | <b>March 31, 2009</b> |                         |                         | <b>December 31, 2008</b> |                         |                         |
|   | <b>Currency</b>       |                         | <b>Total</b>            | <b>Currency</b>          |                         | <b>Total</b>            |
| <b>Local</b>                              | <b>Foreign</b>        | <b>Local</b>            |                         | <b>Foreign</b>           |                         |                         |
| <b>Assets</b>                             |                       |                         |                         |                          |                         |                         |
| Cash and cash equivalents                 | 149,807               | 1,210,627               | 1,360,434               | 91,864                   | 2,072,134               | 2,163,998               |
| Short-term investments                    | 668,932               | 176,943                 | 845,875                 | 10,228                   | 435,102                 | 1,345,330               |
| Accounts receivable from future contracts | <u>86</u>             | <u>222,216</u>          | <u>222,302</u>          | <u>99</u>                | <u>813,220</u>          | <u>813,319</u>          |
| Total current assets                      | <u>818,825</u>        | <u>1,609,786</u>        | <u>2,428,611</u>        | <u>102,191</u>           | <u>3,320,456</u>        | <u>4,322,647</u>        |
| Long-term investments                     | <u>159,945</u>        | <u>-</u>                | <u>159,945</u>          | <u>270,332</u>           | <u>-</u>                | <u>270,332</u>          |
| Total long-term assets                    | <u>159,945</u>        | <u>-</u>                | <u>159,945</u>          | <u>270,332</u>           | <u>-</u>                | <u>270,332</u>          |
| Total financial assets                    | <u><b>978,770</b></u> | <u><b>1,609,786</b></u> | <u><b>2,588,556</b></u> | <u><b>272,523</b></u>    | <u><b>3,320,456</b></u> | <u><b>4,592,979</b></u> |
| <b>Liabilities</b>                        |                       |                         |                         |                          |                         |                         |

## Edgar Filing: SADIA S.A. - Form 6-K

|   |                    |                    |                    |                 |                    |                    |
|---|--------------------|--------------------|--------------------|-----------------|--------------------|--------------------|
| Short-term financing                    | 1,797,521          | 2,474,645          | 4,272,169          | 48,916          | 2,215,475          | 4,164,391          |
| Accounts payables from future contracts | <u>-</u>           | <u>1,396,354</u>   | <u>1,396,354</u>   | <u>-</u>        | <u>2,777,054</u>   | <u>2,777,054</u>   |
| Total current liabilities               | <u>1,797,521</u>   | <u>3,870,999</u>   | <u>5,668,523</u>   | <u>48,916</u>   | <u>4,992,529</u>   | <u>6,941,445</u>   |
| Long-term financing                     | <u>1,116,718</u>   | <u>2,618,148</u>   | <u>3,734,866</u>   | <u>485,474</u>  | <u>2,899,271</u>   | <u>4,384,745</u>   |
| Total noncurrent liabilities            | <u>1,116,718</u>   | <u>2,618,148</u>   | <u>3,734,866</u>   | <u>485,474</u>  | <u>2,899,271</u>   | <u>4,384,745</u>   |
| Total financial liabilities             | <u>2,914,239</u>   | <u>6,489,147</u>   | <u>9,403,389</u>   | <u>973,390</u>  | <u>7,891,800</u>   | <u>11,326,190</u>  |
| Net debt                                | <u>(1,935,469)</u> | <u>(4,879,361)</u> | <u>(6,814,820)</u> | <u>(61,867)</u> | <u>(4,571,344)</u> | <u>(6,733,211)</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 multilocated operations, Management engages its policies with a limit of maximum loss possible in the same event, with amounts calculated based on risk inspections and potential losses. The policies engaged guarantee coverage against fire, general civil liability, windstorms, disorders and electric damage, as well as insurance for merchandise transport, personal and vehicle damage. The amount currently insured guarantees the comprehensive coverage of the Company's fixed assets.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

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

**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 Attílio Francisco Xavier Fontana .

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

The actuarial system is that of capitalization for supplementary retirement and pension benefits and of simple apportionment for supplementary disability compensation. The Company's contribution is based on a fixed percentage

of the payroll of active participants, as annually recommended by independent actuaries and approved by the trustees of Fundação Attilio Francisco Xavier Fontana .

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

At March 31, 2009 the Foundation had a total of 18,232 participants (18,579 on December 31, 2008), of which 13,368 were active participants (13,872 on December 31, 2008).

The contributions of the parent company, on March 31, 2009 and 2008, amounted to R\$494 and R\$516, and R\$519 and R\$538 in the consolidated, respectively.

Sadia S.A.

**Publicly-held Company**

Notes to the interim financial information

*(In thousands of Reais)*

***b.***

***Other employee benefits***

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

- Payment of the fine referring to the Government Severance Indemnity Fund when the employee retires;
- Payment of a tribute for time of service;
- Payment of an indemnity for discharge from professional duties; and
- Payment of an indemnity upon retirement.

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

***c.***



*Defined contribution plan*

As from January 1, 2003, the Company began to adopt new supplementary pension plans under the defined contribution modality managed by an open supplementary pension entity, for all employees hired by Sadia and its subsidiaries. Under the terms of the regulations, plans are funded on an equitable basis so that the portion paid by the Company is equal to the payment made by the employee in accordance with a contribution scale based on salary bands that vary between 1.5% and 6% of the employee's remuneration, observing a contribution limit that is updated annually. As from January 1, 2007 these plans are only available to employees earning over R\$1,800 per month. The contributions made by the Company at March 31, 2009 and 2008 totalled R\$654 and R\$538 respectively. As of March 31, 2009 this plan had 1,680 participants (1,783 participants as of December 31, 2008).

Sadia S.A.

**Publicly-held Company**

**Board of Directors**

Luiz Fernando Furlan

Chairman

Cassio Casseb Lima

Member

Diva Helena Furlan

Member

Everaldo Nigro dos Santos

Member

Francisco Silvério Morales Céspedes

Member

José Marcos Konder Comparato

Edgar Filing: SADIA S.A. - Form 6-K

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                                       |
| Alfredo Felipe da Luz Sobrinho     | Institutional Relations and Legal Matters Director            |
| Amaury Magalhães Maciel Filho      | Agribusiness Operations Director                              |
| Antonio Paulo Lazzaretti           | Guarantee of quality and sustainability Director              |
| Eduardo Bernstein                  | Marketing Director  |
| Eduardo Nunes de Noronha           | Human Resources and Management Director                       |
| Ely David Mizrahi                  | National Food Service Director                                |
| Flávio Luís Fávero                 | Center for Innovation and Industrial Excellence Director      |
| Guilherme Henderson Larrobla       | International Operations Director                             |
| Helio Rubens Mendes dos Santos Jr. | Industrial Technology Director                                |
| Hugo Frederico Gauer               | Russia Operations Director                                    |
| José Eduardo Cabral Mauro          | Domestic market business Director                             |
| Jose Luis Magalhães Salazar        | Financial, Administrative and Information Technology Director |
| Jean Alphonse Karr                 | International Sales 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   |

Edgar Filing: SADIA S.A. - Form 6-K

Ricardo Fernando T. Fernandes

Roberto Banfi

Ronaldo Korbag Muller

Welson Teixeira Junior

Augusto Ribeiro Junior

Controllership Manager

Grain Purchase Director

International Sales Director

Industrial Operations Director

Investor Relations and Corporate Development  
Director

Giovanni F. Lipari

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