

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

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

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

For the month of January 2008

Commission File Number 1-15184

**SADIA S.A.**

(Exact Name as Specified in its Charter)

N/A

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(Translation of Registrant's Name)

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

**SIGNATURES**

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

Date: January 31, 2008

**SADIA S.A.**

By:/s/Welson Teixeira Junior

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Name: Welson Teixeira Junior  
Title: Investor Relations Officer

# 4Q07

*São Paulo, January 30, 2008. SADIA S.A. (BOVESPA: SDIA3 and SDIA4; NYSE: SDA; LATIBEX: XSDI), a national leader in the segment of processed food, poultry and pork products, releases today its results for the fourth quarter of 2007 (4Q07). The Company's operating and financial information are presented in thousands of reais - except where indicated otherwise - based on figures restated in accordance with the corporate legislation. In this release, all comparisons are made in relation to the same period in 2006 (3Q06), except where specified otherwise.*

Going international was Sadia's goal for 2007. The kickoff was the Company's first plant abroad, in Kaliningrad, Russia, and now we are pleased to announce the construction of a second unit outside Brazil, in the United Arab Emirates. The opening of those new frontiers was combined with sustainable business growth both in the domestic and in the international markets.

We also announced the largest investment plan in the 63 years of our history: R\$ 1.6 billion in 2008, to be used in the expansion of our production capacity in Brazil and abroad, information technology, distribution infrastructure and breeding stock. Among other highlights are the plants for processed products in the State of Pernambuco and in the Middle East, a new meat packer for beef and the completion of the Lucas do Rio Verde unit in the State of Mato Grosso. The Company's expectations are to grow between 12% to 14% in volumes in 2008. Going international and the growth in the domestic market are congruent with our strategic objective of growing revenues two times in five years.

## Data at 01/29/08

Sadia common share (SDIA3)  
= R\$ 9.50/share

Sadia preferred share (SDIA4)  
= R\$ 9.21/share

Sadia ADR (SDA) = US\$  
52.06

(1 ADR = 10 shares)

Sadia Latibex (XSDI) = €  
3.55/share

In 2007, we invested R\$ 1.1 billion in actions to strengthen our strategies for internationalization and for enriching our mix of higher added-value products. Highlights were the Kaliningrad plant - built with a local partner, the acquisition of Big Foods - a company in the interior of the State of São Paulo which processes frozen products and adds relevant innovations to the product lines, and also the construction of an agroindustrial unit in Lucas do Rio Verde to supply raw material to our processing units and to supply a growing worldwide demand for animal protein.

The result of the actions taken throughout the year is reflected in the figures. The sales volume totaled 2.1 millions of tons, a growth of 13.4% over 2006, with an evolution of 7.5% in the domestic market and of 19.1% in exports. Highlights included the processed products, with an expansion of 12.4% in Brazil and 45.1% in the international market, confirming an increasing demand in this segment in all regions of the world.

## Market Value - Bovespa

R\$ 6.3 billion

US\$ 3.5 billion

**Investor Relations**

**Welson Teixeira Junior**

Investor Relations Director

Phone: 55 11 2113-3197

Christiane Assis

Phone: 55 11 2113-3552

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Gross revenues increased by 24.0%, reaching R\$9.8 billion. Sales to the international market accounted for 46.0% of total revenues, a result aligned with our strategy of balancing both market shares. The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) reached R\$ 1.1 billion, with a margin of 12.7%, within the guidance established by the Company for the year, of 12.0% to 13.0% (9.6% in 2006) and net income totaled R\$ 689.0 million, an evolution of 83.0% over 2006.

Acclaimed in Brazil as a symbol of excellence and quality, Sadia continues to hold its leading position in all of its segments, except the beef segment. Its brand also plays an important role in the international market. According to a survey conducted by Magram Market Research, Sadia is the most recognized foreign brand in the Russian market and the leader in the nugget and lasagna categories. In the Middle East, we are the first brand in processed meat products, whole chicken and chicken cuts. Those results drive our efforts in strengthening such assets, which represent one of our competitive advantages. In addition to those markets, the Company is also present in Europe, Asia and Americas, in which it had a growth of 31.7% in total exported volume for the year, the highlight of which was the increase in the sales of processed products.

Silvia Helena Madi Pinheiro

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Silvia.Pinheiro@sadia.com.br

Our gains in effectiveness and profitability are also the reflection of Sadia's culture and values, which have been increasingly disseminated among our associates. To support this strategy, we have implemented the Sadia Culture project, the objective of which is to disseminate the beliefs of the Company across all organizational spheres, a fundamental step in our continued pursuit of excellence.

Melissa Schleich

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Ligia Montagnani

IR Consultant

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We have also achieved important conquests in the field of sustainability. We have been recognized and included in the BOVESPA Corporate Sustainability Index (ISE), an index which comprehends stocks issued by companies highly committed to sustainable development. In an alliance with Food Lab, an international entity which disseminates sustainable practices for the productive food chain, we have started the activities of the Brazilian Business Coalition work group. Further, we have adhered to eight Voluntary Commitments to society, including the United Nations Global Pact. Through the Sadia Institute, we have structured a Private Social Investment Program to support our actions in the communities where we are present. Those actions emphasize our commitment to a socially responsible performance, which counts on the support of the Strategic Sustainability Committee.

Also in 2007, Sadia announced the structuring of a financial holding and a multiple bank, geared to expand the activities that the Company, through Concórdia Corretora, had been developing in the financial market during the last 21 years, by making use of business opportunities and the existing synergies in the value chain of the Sadia Group, and thus completing the Group's business model.

We close 2007 with the certainty that important steps have been made to ensure the future of this Company. Our challenges for the oncoming years are to make the most of the new business opportunities and to continue to grow at an accelerated pace, as much in Brazil as abroad.

We thank our associates, customers, investors, partners and suppliers for their support and trust during all these years, which contributed to establish Sadia as a benchmark in the food industry.

**Walter Fontana Filho**

Chairman of the Board of Directors

**Gilberto Tomazoni**

CEO, Managing Director

**HIGHLIGHTS R\$ THOUSAND**

|                                | <b>2006</b>      | <b>2007</b>      | <b>2007/2006</b> | <b>4Q06</b>      | <b>4Q07</b>      | <b>4Q07/4Q06</b> |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Gross Operating Revenue</b> | <b>7,940,480</b> | <b>9,843,953</b> | <b>24.0%</b>     | <b>2,355,536</b> | <b>2,917,957</b> | <b>23.9%</b>     |
| Domestic Market                | 4,482,017        | 5,319,918        | 18.7%            | 1,329,472        | 1,625,110        | 22.2%            |
| Export Market                  | 3,458,463        | 4,524,035        | 30.8%            | 1,026,064        | 1,292,847        | 26.0%            |
| <b>Net Operating Revenue</b>   | <b>6,876,701</b> | <b>8,623,191</b> | <b>25.4%</b>     | <b>2,039,193</b> | <b>2,560,186</b> | <b>25.5%</b>     |

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|                                |                  |                  |              |                |                |              |
|--------------------------------|------------------|------------------|--------------|----------------|----------------|--------------|
| <b>Gross Profit</b>            | <b>1,691,484</b> | <b>2,311,061</b> | <b>36.6%</b> | <b>587,921</b> | <b>706,239</b> | <b>20.1%</b> |
| <i>Gross Margin</i>            | <i>24.6%</i>     | <i>26.8%</i>     |              | <i>28.8%</i>   | <i>27.6%</i>   |              |
| <b>EBIT</b>                    | <b>343,756</b>   | <b>669,730</b>   | <b>94.8%</b> | <b>232,899</b> | <b>212,836</b> | <b>-8.6%</b> |
| <i>EBIT Margin</i>             | <i>5.0%</i>      | <i>7.8%</i>      |              | <i>11.4%</i>   | <i>8.3%</i>    |              |
| <b>Net Income</b>              | <b>376,588</b>   | <b>689,016</b>   | <b>83.0%</b> | <b>222,940</b> | <b>295,120</b> | <b>32.4%</b> |
| <i>Net Margin</i>              | <i>5.5%</i>      | <i>8.0%</i>      |              | <i>10.9%</i>   | <i>11.5%</i>   |              |
| <b>EBITDA</b>                  | <b>658,437</b>   | <b>1,098,717</b> | <b>66.9%</b> | <b>342,860</b> | <b>364,802</b> | <b>6.4%</b>  |
| <i>EBITDA Margin</i>           | <i>9.6%</i>      | <i>12.7%</i>     |              | <i>16.8%</i>   | <i>14.2%</i>   |              |
| <b>Exports / Gross Revenue</b> | <b>43.6%</b>     | <b>46.0%</b>     |              | <b>43.6%</b>   | <b>44.3%</b>   |              |

**GROSS OPERATING REVENUE - R\$ million**

The 2007 business performance reaffirmed the growth path that the Company has been pursuing along the years. The resumption of poultry consumption by the global market, after the 2006 Avian flu crisis, the opening of the Brazilian states to the exports of pork to Russia and the increase in the average income of the Brazilian population, along with initiatives from the management and the clear growth strategy, were driving factors that led the Company to achieve one of its best results so far.

Gross operating income in 2007 totaled R\$ 9.8 billion, 24.0% higher than that of 2006, of which 54.0% came from the domestic market and 46.0% from exports. Driven by the favorable performance of the volume sold and of prices in the segments of poultry and processed products, even with the average appreciation of 11.0% of the Brazilian Real in relation to the U.S. dollar during the year, the sales volume reached 2.1 million tons, 13.4% over the volume sold in 2006, the highlight of which was an increase of 19.1% in the exported volume.

The growth in sales to the international market in relation to total sales is aligned with the Company's strategy of maintaining a balanced share between both markets.

**TOTAL SALES**



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|                     | <b>2006</b>      | <b>2007</b>      | <b>2007/<br/>2006</b> | <b>4Q06</b>      | <b>4Q07</b>      | <b>4Q07/<br/>4Q06</b> |
|---------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| <b>Tons</b>         | <b>1,892,585</b> | <b>2,146,728</b> | <b>13.4%</b>          | <b>505,783</b>   | <b>596,173</b>   | <b>17.9%</b>          |
| Processed Products  | 799,556          | 924,032          | 15.6%                 | 217,481          | 251,907          | 15.8%                 |
| Poultry             | 917,964          | 1,012,794        | 10.3%                 | 231,356          | 288,883          | 24.9%                 |
| Pork                | 122,404          | 152,695          | 24.7%                 | 40,494           | 41,806           | 3.2%                  |
| Beef                | 52,661           | 57,207           | 8.6%                  | 16,452           | 13,577           | -17.5%                |
| <br>                |                  |                  |                       |                  |                  |                       |
| <b>R\$ thousand</b> | <b>7,940,480</b> | <b>9,843,953</b> | <b>24.0%</b>          | <b>2,355,536</b> | <b>2,917,957</b> | <b>23.9%</b>          |
| Processed Products  | 3,879,790        | 4,615,809        | 19.0%                 | 1,097,838        | 1,326,138        | 20.8%                 |
| Poultry             | 2,898,082        | 3,761,710        | 29.8%                 | 864,845          | 1,182,220        | 36.7%                 |
| Pork                | 530,731          | 662,793          | 24.9%                 | 188,389          | 195,291          | 3.7%                  |
| Beef                | 298,768          | 321,901          | 7.7%                  | 99,006           | 79,184           | -20.0%                |
| Others              | 333,109          | 481,740          | 44.6%                 | 105,458          | 135,124          | 28.1%                 |

The segment of processed products continues to stand out and accounted for almost half of the sales volumes (43.0%) and for the generation of the Company's income (46.9%) in 2007, an increase of 15.6% and 19.0%, respectively, over the prior year. This result reflects the Company's strategy towards enriching the mix of higher added-value products and the increasing worldwide demand for processed products.

The poultry volume sold increased by 10.3% and income from this segment grew 29.8% in comparison with the prior year. This segment accounted for 47.2% of the total volume sold by Sadia in 2007, as compared to 48.5% in 2006, in line with Company's expectations for a decrease in this segment share in relation to the total sold. It also accounted for 38.2% of total gross income, an increase over the 36.5% of the prior year. These figures point to an increase in overseas demand, after the lessening of the global concern about the consumption of this kind of protein, caused by the Avian flu crisis in 2006.

The pork segment recorded an increase of 24.7% in physical sales and 24.9% in gross income when compared to its performance in 2006 – a period in which the Russian embargo was the most severe.

The beef segment increased by 8.6% in physical sales and 7.7% in gross income.

#### **BREAKDOWN OF GROSS OPERATING REVENUE**

The 4Q07 followed the growth trend observed throughout the year. The total volume sold by the Company was 17.9% higher than that recorded in the 4Q06 and total income grew by 23.9% the amount achieved for the same period of the previous year. The average price for the period was 4.9% higher than that recorded in the 4Q06.

The segment of processed products recorded a rise in the volume of physical sales, revenues and average price of 15.8%, 20.8% and 4.2%, respectively, as a result of the increase in the sales of processed products to Europe and Russia and sales to the domestic market, given the increase in the average income of the Brazilian population.

The poultry segment increased 24.9% in volume, 36.7% in revenues and 9.4% in average price, in line with the overall demand for poultry after the 2006 crisis.

Physical sales of pork in the 4Q07 grew 3.2%, while revenues rose 3.7% and the average price was 0.4% above that charged in 4Q06. There was no significant evolution over the 4Q06 due to the maintenance of the Russian embargo to the Brazilian states throughout the 4Q07. This situation is due to change in 2008, in view of the opening of the States of Mato Grosso, Santa Catarina and Minas Gerais to pork exportation to Russia.

Physical sales of beef in the 4Q07 fell 17.5%, net income decreased by 20.0% and the average price was 3.2% lower than that of the 4Q06 due to the shortage of cattle for slaughtering in the Brazilian market.

**Sales**

| <b>Tons</b>            | <b>2006</b>      | <b>2007</b>      | <b>2007/<br/>2006</b> | <b>4Q06</b>    | <b>4Q07</b>    | <b>4Q07/<br/>4Q06</b> |
|------------------------|------------------|------------------|-----------------------|----------------|----------------|-----------------------|
| <b>Domestic Market</b> | <b>928,626</b>   | <b>998,426</b>   | <b>7.5%</b>           | <b>245,523</b> | <b>287,914</b> | <b>17.3%</b>          |
| Processed Products     | 723,086          | 813,057          | 12.4%                 | 198,696        | 222,913        | 12.2%                 |
| Poultry                | 155,485          | 132,004          | -15.1%                | 33,535         | 49,057         | 46.3%                 |
| Pork                   | 41,022           | 43,767           | 6.7%                  | 11,224         | 12,794         | 14.0%                 |
| Beef                   | 9,033            | 9,598            | 6.3%                  | 2,068          | 3,150          | 52.3%                 |
| <b>Export Market</b>   | <b>963,959</b>   | <b>1,148,302</b> | <b>19.1%</b>          | <b>260,260</b> | <b>308,259</b> | <b>18.4%</b>          |
| Processed Products     | 76,470           | 110,975          | 45.1%                 | 18,785         | 28,994         | 54.3%                 |
| Poultry                | 762,479          | 880,790          | 15.5%                 | 197,821        | 239,826        | 21.2%                 |
| Pork                   | 81,382           | 108,928          | 33.8%                 | 29,270         | 29,012         | -0.9%                 |
| Beef                   | 43,628           | 47,609           | 9.1%                  | 14,384         | 10,427         | -27.5%                |
| <b>Total</b>           | <b>1,892,585</b> | <b>2,146,728</b> | <b>13.4%</b>          | <b>505,783</b> | <b>596,173</b> | <b>17.9%</b>          |

| <b>R\$ thousand</b>    | <b>2006</b>      | <b>2007</b>      | <b>2007/<br/>2006</b> | <b>4Q06</b>      | <b>4Q07</b>      | <b>4Q07/<br/>4Q06</b> |
|------------------------|------------------|------------------|-----------------------|------------------|------------------|-----------------------|
| <b>Domestic Market</b> | <b>4,482,017</b> | <b>5,319,918</b> | <b>18.7%</b>          | <b>1,329,472</b> | <b>1,625,110</b> | <b>22.2%</b>          |
| Processed Products     | 3,513,522        | 4,149,810        | 18.1%                 | 995,528          | 1,195,361        | 20.1%                 |
| Poultry                | 492,348          | 559,427          | 13.6%                 | 189,904          | 244,241          | 28.6%                 |
| Pork                   | 154,499          | 190,405          | 23.2%                 | 45,468           | 66,345           | 45.9%                 |
| Beef                   | 40,594           | 55,963           | 37.9%                 | 11,214           | 21,809           | 94.5%                 |
| Others                 | 281,054          | 364,313          | 29.6%                 | 87,358           | 97,354           | 11.4%                 |
| <b>Export Market</b>   | <b>3,458,463</b> | <b>4,524,035</b> | <b>30.8%</b>          | <b>1,026,064</b> | <b>1,292,847</b> | <b>26.0%</b>          |
| Processed Products     | 366,268          | 465,999          | 27.2%                 | 102,310          | 130,777          | 27.8%                 |
| Poultry                | 2,405,734        | 3,202,283        | 33.1%                 | 674,941          | 937,979          | 39.0%                 |
| Pork                   | 376,232          | 472,388          | 25.6%                 | 142,921          | 128,946          | -9.8%                 |
| Beef                   | 258,174          | 265,938          | 3.0%                  | 87,792           | 57,375           | -34.6%                |
| Others                 | 52,055           | 117,427          | 125.6%                | 18,100           | 37,770           | 108.7%                |
| <b>Total</b>           | <b>7,940,480</b> | <b>9,843,953</b> | <b>24.0%</b>          | <b>2,355,536</b> | <b>2,917,957</b> | <b>23.9%</b>          |

**Domestic Market**

The Company's performance in the domestic market was positive in 2007. Physical sales increased 7.5% over the prior year. Net income, as well as the average price charged, also increased, 18.7% and 9.7%, respectively.

The evolution of the segment of processed products reflects Sadia's focus on continuing to meet the demand from all levels of income in Brazil, boosted by the increase in the income of the Brazilian population, particularly from the low income classes. Processed products were responsible for 81.4% of the Company's physical sales in the domestic market and 78.0% of revenues, 12.4% and 18.1% higher than those of 2006. The average price of this segment increased by 4.9%, in an ongoing effort to pass on the increase in costs, particularly of grains. Out of the mix of this segment, the highlights were the sales of pizzas, Hot pockets, margarines, frankfurters, sausages and bolognas.

## **BREAKDOWN OF GROSS OPERATING REVENUES DOMESTIC MARKET**

The poultry segment was the only one that showed a lower volume sold. As soon as the 2006 global Avian flu crisis was overcome, this protein was redirected to the international market. The domestic market fell 15.1% in volume sold, while prices increased by 33.8%, generating a revenue 13.6% higher than of 2006.

The volume of physical sales of pork grew 6.7% in 2007, revenues increased by 23.2% over the results of the prior year and the average price increased 15.4%, a fact driven by the resumption of sales to the Russian market during the year and the consequent rebalancing of the supply in the domestic market.

Physical sales of beef grew 6.3% over 2006. The average price of and the revenues from this segment also evolved 29.8% and 37.9%, respectively. These revenues correspond to 1.0% of the total revenues from the domestic market, confirming the Company's focus of this segment to the international market.

### **4Q07/ 4Q06**

The last quarter of the year reaffirmed the satisfactory performance achieved in 2007. In this period, the volume sold increased by 17.3% in relation to 4Q06 and revenues and average prices grew 22.2% and 4.9%, respectively.

Physical sales of the segment of processed products grew by 12.2%, the average price increased 7.0% and revenues, 20.1% over the 4Q06. This satisfactory performance was due to the increased sales of frozen products such as pizza and lasagna, in addition to the dessert line.

The poultry segment also had a considerable evolution and grew by 46.3% the volume of physical sales in the 4Q06, reaching 50,000 tons - the highest quarterly volume in the history of Sadia. The average price decreased by 12.0%, while revenues from this segment were 28.6% higher than those of 4Q06.

Physical sales of pork in the 4Q07 grew 14.0% over the 4Q06. As a consequence of the higher demand, the average price was 28.1% higher and revenues from this segment increased by 45.9%.

The beef segment posted the highest percentage growth in revenues between the quarters, of 94.5%. The volume of physical sales grew 52.3% over 4Q06 as a result of the redirection to the domestic market, given the more favorable price conditions in this market, the unfavorable foreign exchange rate and the fall in demand in Europe. The average price of this segment rose 27.7% over the 4Q06.

**AVERAGE PRICES R\$/KG DOMESTIC MARKET**

**International market**

All segments in which Sadia is present have grown in the international market. The increase of 19.1% in physical sales, together with the evolution of 8.8% in the average price in Brazilian Reais generated by the Company for exports in 2007, sustained a growth of 30.8% in revenues, in comparison with 2006. New markets in Asia and Eurasia were explored and sales to the traditional markets were expanded.

**BREAKDOWN OF GROSS OPERATING REVENUES - INTERNATIONAL MARKET**



The resumption of the worldwide demand for poultry yielded an increase in the volume of physical sales to the international market, leading to a recovery of 27.9% in the average U.S. dollar price and of 15.2% in Brazilian Reais, and, consequently, an evolution of 33.1% in the revenues from this segment in comparison with 2006.

The segment of processed products, following the Company's focus on selling products under the Sadia brand and with higher added value, grew 45.1% in volume. The average price for this segment fell 0.9% in U.S. dollars and 12.3% in Brazilian Reais, mostly due to the mix in connection with the expansion in the volumes exported to Venezuela at an average price lower than that exported to other regions. Nonetheless, revenues from this segment grew 27.2% in relation to the prior year.

The pork segment realized a greater sales volume abroad due to the liberalization of new countries, the lifting of embargos and the recovery, in 2007, of the selling status of certain States to Russia, the main destination of the Brazilian exports. This segment showed an increase of 33.8% in volumes in comparison with the prior year; the average price rose 4.64% in U.S. dollars and fell 6.1% in Brazilian Reais for the period; the revenues generated by this segment rose 25.6%.

Physical sales of beef grew 9.1% in 2007. The average price in U.S. dollars increased 5.1% and fell 5.6% in Brazilian Reais, generating revenues 3.0% higher than that of the prior year.

#### **4Q07/ 4Q06**

The Company's performance in the international market for the 4Q07 followed the same trend observed during the year.

The volume of physical sales to the international market grew 18.4%, while the average price increased 16.8% in U.S. dollars and 5.2% in Brazilian Reais. Revenues grew 26.0%.

In the 4Q07, the poultry segment increased 21.2% in physical sales, with a higher average price of 22.4% in U.S. dollars and 14.7% in Brazilian Reais in relation to the 4Q06, a tendency driven by the cost pressure of all players in this industry, due to the rising costs of grains. This increase in volumes and in average prices represented 39.0% more in revenues in a comparison between quarters.

The segment of processed foods advanced 54.3% in physical sales, mainly due to sales of breaded chicken products to Europe and processed pork products to the Americas. The average price increased 0.5% in U.S. dollars and fell 17.2% in Brazilian Reais over the 4Q06, increasing 27.8% in revenue generation.

The volume of physical sales of shipped pork fell 0.9%, in comparison with the 4Q06 and the average price rose 8.0% in U.S. dollars and fell 9.0% in Brazilian Reais. Revenues from this segment were 9.8% lower.

The beef segment, due to the shortage in supply for slaughtering in the domestic market, fell 27.5% in physical sales and the average export price for beef in the 4Q07 was 7.3% higher in U.S. dollars and 9.8% lower in Brazilian Reais over the 4Q06, resulting in revenues 34.6% lower.

#### **AVERAGE PRICES R\$/KG - EXPORT MARKET**



## **EXPORTS BY REGION**

In addition to exporting to new markets in Asia and Eurasia, the main destination of the Sadia products in 2007, in terms of revenues, was Europe, followed by the Middle East.

## **NET OPERATING REVENUE**

Net income in 2007 reached R\$ 8.6 billion, with an evolution of 25.4% over 2006, as a result of the greater volume sold and the prices charged by the Company in the domestic market and in the international market. This performance was achieved even with the average devaluation of 11.0% of the U.S. dollar, in comparison with the prior year. In the 4Q07, the net operating income totaled R\$ 2.6 billion, 25.5% higher than that in the same period in 2006, a highlight being the sales of processed products in the domestic market and of poultry and processed products in the international market. The average devaluation of the U.S. dollar in the quarterly comparison was 17.8%.

## **COST OF PRODUCTS SOLD**

The cost of the products sold recorded an increase of 21.7% in 2007, due to the higher volumes sold and the increase in the price of grains. The volumes sold plus the higher average prices in 2007 were the factors that contributed for a better cost/net income ratio with a margin of 73.2%, in comparison with

### **Gross Margin**

75.4% in 2006.

Consequently, the gross margin improved during the year, with a gain of 2.2 percentage points in the comparison between the margin of 26.8% in 2007 and the margin of 24.6% in 2006.

In the 4Q07, the ratio of the cost of goods sold to net income was 72.4%, higher than that reached in the 4Q06 (71.2%), due mainly to the increase in the cost of grains. Thus, the gross margin was lower, decreasing from 28.8% to 27.6% in the 4Q07.

The cost per ton sold increased 7.3% and 8.4% for 2007 and for the 4Q07, respectively, in relation to 2006 and to the 4Q07, mainly due to increases in corn and in soya bean during the year.

The market prices (ESALQ) for corn and soya bean in 2007 were, respectively, 38.7% and 23.2% higher than those in 2006.

**OPERATING RESULTS**

The ratio between operating expenses [sales, general & administrative and other expenses] and net income reached 19.0% in 2007 (R\$1.6 billion), better than the 19.6% recorded in 2006 and was 19.3% in the 4Q07 (R\$493.4 million), while it reached 17.4% in the same period for 2006.

The margin of selling expenses over net income reached 17.0% in 2007, while it reached 18.7% in 2006. This performance reflects the expense rationalization plan and better operational efficiency, in addition to the volumes sold, diluting fixed expenses. Expenses were also substantially reduced in the quarterly comparison: they shrank to 16.6% in the 4Q07, as compared with 18.3% in the 4Q06.

General and administrative expenses over net income remained close to 1.2% throughout 2007, in line with the margin of 1.0% in 2006.

The effort to control expenses and to achieve increasingly growing revenues led the earnings before taxes and equity accounting (EBIT) to total R\$ 669.7 million in 2007, 94.8% higher than that reached in 2006. In the 4Q07, this total reached R\$ 212.8 million, with a margin of 8.3%. This amount and margin were lower than those recorded in the 4Q06 due to a tax credit in the amount of R\$ 75.7 million (net of lawyer's fees) recognizing the gain granted by the judgment on the unconstitutionality of Law No. 9718/98, which amended the calculation basis of the Contribution on Billings - COFINS.

The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) in 2007 amounted to R\$ 1.1 billion and the EBITDA margin was 12.7%, higher by 3.1 percentage points than that obtained in 2006. These results show the Company's efforts to achieve the best productivity and marketing levels for its products. In the 4Q07, the EBITDA totaled R\$ 364.9 million, while the EBITDA margin was 14.2% (16.8% in the 4Q06).

**EBITDA CALCULATION = EBIT + DEPRECIATION/AMORTIZATION/SUBVENTION + EMPLOYEE PROFIT SHARING**

|  | 2006    | 2007      | 4Q06    | 4Q07    |
|--|---------|-----------|---------|---------|
| <b>EBIT</b>                                    | 343,756 | 669,730   | 232,899 | 212,836 |
| <b>(+)DEPRECIATION/AMORTIZATION/SUBVENTION</b> | 266,332 | 345,859   | 73,456  | 91,325  |
| <b>(+)EMPLOYEE PROFIT SHARING</b>              | 48,349  | 83,128    | 36,505  | 60,641  |
| <b>EBITDA</b>                                  | 658,437 | 1,098,717 | 342,860 | 364,802 |

|                      |      |       |       |       |
|----------------------|------|-------|-------|-------|
| <b>EBITDA MARGIN</b> | 9.6% | 12.7% | 16.8% | 14.2% |
|----------------------|------|-------|-------|-------|

The Company is entitled to investment grants scheduled to expire between 2014 and 2020, provided by the Governments of the States of Minas Gerais and Mato Grosso, where some of its industrial plants are located. Until March 31, 2007, such grants were recognized in the net income for the year, since they were not directly related to the Company's investment projects. As already widely disseminated to the market, the Company has been investing in projects to expand and modernize the production units, consisting of an increase in installed capacity, expansion of the manufacturing concern, increase of production and generation of jobs. As of April 1, 2007, the States started to bind grants to investments and this led the Company to recognize those grants in the Capital Reserve account, under "Stockholders Equity". The amount of those grants recorded for the period ended at December 31, 2007 was R\$18.9 million.

**FINANCIAL RESULT**

Sadia's financial results are the reflection of the financial management of its financial assets and liabilities, in addition to the recording of the exchange gain variation of overseas investments, which aim to protect its assets and liabilities on a consolidated basis. The consolidated net income for 2007 was a negative R\$ 36.6 million, while in 2006 it was a positive R\$ 76.7 million.

**FINANCIAL INDEBTEDNESS - R\$ MILLION**

|                                       | <b>Dec 2006</b> | <b>%</b>    | <b>Dec 2007</b> | <b>%</b>    | <b>Var.</b>   |
|---------------------------------------|-----------------|-------------|-----------------|-------------|---------------|
| <b>Short Term</b>                     | <b>1,217.0</b>  | <b>31%</b>  | <b>1,012.0</b>  | <b>27%</b>  | <b>-16.8%</b> |
| Local Currency                        | 321.9           | 26%         | 428.9           | 42%         | 33.2%         |
| Foreign Currency                      | 895.0           | 74%         | 583.1           | 58%         | -34.8%        |
| <b>Long Term</b>                      | <b>2,677.5</b>  | <b>69%</b>  | <b>2,688.1</b>  | <b>73%</b>  | <b>0.4%</b>   |
| Local Currency                        | 765.7           | 29%         | 869.0           | 32%         | 13.5%         |
| Foreign Currency                      | 1,911.9         | 71%         | 1,819.1         | 68%         | -4.9%         |
| <b>Total</b>                          | <b>3,894.5</b>  | <b>100%</b> | <b>3,700.1</b>  | <b>100%</b> | <b>-5.0%</b>  |
| <b>(-) Financial Investments</b>      | <b>2,577.0</b>  | <b>100%</b> | <b>2,552.0</b>  | <b>100%</b> | <b>-1.0%</b>  |
| Local Currency                        | 589.8           | 23%         | 806.9           | 32%         | 36.8%         |
| Foreign Currency                      | 1,987.2         | 77%         | 1,745.1         | 68%         | -12.2%        |
| <b>(=) Net Financial Indebtedness</b> | <b>1,317.5</b>  | <b>100%</b> | <b>1,148.1</b>  | <b>100%</b> | <b>-12.9%</b> |
| Local Currency                        | 497.9           | 38%         | 491.0           | 43%         | -1.4%         |
| Foreign Currency                      | 819.7           | 62%         | 657.1           | 57%         | -19.8%        |
| Net Debt to Equity                    | 53.6%           |             | 39.0%           |             |               |
| Net Debt to EBITDA*                   | 1.8             |             | 1.0             |             |               |

\* Last 12 months

At the close of 2007, Sadia net financial debt totaled R\$ 1.1 billion, an amount 12.9% lower than that at the end of 2006. Due to the higher cash generation, the net debt to EBITDA ratio decreased and reached in December the mark of 1x versus 1.8x in December 31, 2006.



**NET DEBT / EBITDA\***

**\*Last 12 months**

## **NONOPERATING RESULTS**

Nonoperating results were R\$ 154.8 million in 2007 and were generated mainly in the 4Q07. Concórdia S.A. Corretora de Valores Mobiliários, a wholly-owned subsidiary of the Company, disposed of partial interest in the capital of Bovespa Holding S.A. in October and in the Commodities and Futures Exchange (BM&F), in December, through an Initial Public Offering, realizing a profit before taxes of R\$ 165.7 million.

## **NET INCOME**

Net income was R\$ 689.0 million in 2007, 83.0% higher than that of 2006, with a net margin of 8.0%, 2.5 percentage points higher than the prior year, representing a return on net equity of 23.4%. Net income in the 4Q07 was R\$295.1 million, while the net margin was 11.5%.

## **INVESTMENTS R\$ MILLION**

Sadia invested R\$ 1.1 billion in 2007, the same level invested in 2006 and close to the initial estimates of R\$ 950 million. Out of this total, R\$ 196.0 million were destined to the production of processed products (18.1%); R\$ 614.7 million to poultry production (56.6%); R\$ 136.4 million to pork production (12.6%); R\$ 44.4 million to beef production (4.1%) and the remaining R\$ 93.4 million (8.6%) were destined, mostly, to information technology and logistics projects. Thus, the Company is better prepared and is more competitive to face the challenges of the marketplace and the demands of the industry.

As a strategy to remain competitive and reduce the risk in its operations, Sadia invested in the expansion of its product portfolio, particularly of breaded chicken products and processed pork products.

In December 2007, to strengthen the Company in the segment of frozen processed products, Sadia acquired Big Foods, an industrial complex located in Tatuí, SP, specialized in the production of ready-to-eat sandwiches, lasagnas, pizzas, breads, rolls, cheese breads and other pastry items, for R\$ 53.5 million. The annual production capacity of Big Foods is 20 thousand tons of processed products.

## **CAPITAL MARKETS**

### **São Paulo Stock Exchange - BOVESPA**

The Company's preferred shares are part of the theoretical portfolio of the São Paulo Stock Exchange Index (IBOVESPA). This portfolio lists 63 papers and for the four-month period of September-December/07, the relative weight of Sadia in the index was 0.93%.

As from December 1, Sadia was included in the Corporate Sustainability Index (ISE), an indicator comprising stock issued by companies concerned with and investing in sustainable practices.

Sadia preferred shares (SDIA4) had a year-to-date rise of 41.3% in 2007.

The daily average of financial volume reached R\$ 23.6 million in the 4Q07, in comparison with R\$ 12.1 million in the same period of 2006.

Sadia preferred shares were distributed among the various categories of Bovespa investors, highlighting the growing number of foreign investors.

**Sadia PN vs. Ibovespa**  
**Base 100 = 12/28/2006**



**Breakdown By Kind of Investor Bovespa**

**(December 2007)**

**New York Stock Exchange NYSE**

In 2007, Sadia Level II ADRs [SDA] appreciated by 69.3% in U.S. dollars, while the Dow Jones Index recorded an appreciation of 7.2% in the period. The daily average volume grew 350.2%, to US\$ 8.4 million, corresponding to 21.1% of the total stock traded with Sadia PN in the 4Q07.

**Sadia ADR vs. Dow Jones**  
**Base 100 = 12/29/2006**

**Latibex**

Since November 15, 2004, Sadia PN shares are listed on the Latibex [XSDI], a market that trades stocks of Latin American companies on the Madrid Stock Exchange. During the 4Q07, the average daily volume was € 838.0 thousand, an increase of 795.3% when compared with the average volume recorded in the 4Q06, which was € 93.0 thousand. In the last 12 months, the shares appreciated by 53.9%.

| MARKET DATA - BOVESPA   | 4Q06           | 4Q07           | 4Q07/4Q06    |
|---|----------------|----------------|--------------|
| Sadia Common Shares / SDIA3 - thousands (Free Float = 46.8%)    | 257,000        | 257,000        |              |
| Sadia Preferred Shares / SDIA4 - thousands (Free Float = 89.6%) | 426,000        | 426,000        |              |
| <b>Total Outstanding Shares - thousands* (Float = 73.5%)(1)</b> | <b>498,287</b> | <b>507,599</b> |              |
| Closing Price - R\$/share SDIA3 (1)                             | 7.44           | 10.00          | 34.4%        |
| <b>Closing Price - R\$/share SDIA4 (1)</b>                      | <b>7.16</b>    | <b>10.12</b>   | <b>41.3%</b> |
| <b>Mkt. Capitalization - R\$ millions (1)</b>                   | <b>4,890</b>   | <b>6,912</b>   | <b>41.3%</b> |
| <b>Volume of Shares Traded - thousand</b>                       | <b>107,608</b> | <b>124,801</b> | <b>16.0%</b> |
| Daily Average Volume of Shares Traded - thousand                | 1.824          | 2.115          |              |
| <b>Financial Volume Traded - R\$ million</b>                    | <b>712.9</b>   | <b>1,389.0</b> | <b>16.0%</b> |
| Daily Average Financial Volume Traded - R\$ million             | 12.1           | 23.5           |              |

| MARKET DATA - NYSE                                    | 4Q06             | 4Q07             | 4Q07/4Q06     |
|---|------------------|------------------|---------------|
| Total Outstanding ADR´s - thousands                   | 6,949.7          | 8,984.4          | 29.3%         |
| Participations in Trading Sessions                    | 100%             | 100%             |               |
| <b>Closing Prices - US\$/ADR (1) (2)</b>              | <b>34.09</b>     | <b>57.70</b>     | <b>69.3%</b>  |
| <b>Mkt. Capitalization - US\$ millions(1)</b>         | <b>236.9</b>     | <b>518.4</b>     | <b>118.8%</b> |
| <b>Volume of Shares Traded</b>                        | <b>3,889,600</b> | <b>8,633,200</b> | <b>122.0%</b> |
| Daily Average Volume of Shares Traded                 | 61,740           | 137,035          |               |
| <b>Financial Volume Traded - US\$ thousand</b>        | <b>119,485</b>   | <b>537,879</b>   | <b>350.2%</b> |
| Daily Average Financial Volume Traded - US\$ thousand | 1,896.6          | 8,537.8          |               |

(1) At the end of the period

Sources: Sadia, Bovespa and NYSE

## REMUNERATION TO SHAREHOLDERS

Total gross interest on equity capital and dividends to be distributed by Sadia based on the 2007 results is R\$ 206.6 million (R\$ 0.306006 per share). As from December 2005, the remuneration of ordinary and preferred shares has been equalized.

## OUTLOOK



Company estimates for 2008 point to a growth of 12% to 14% in physical sales in comparison with the results achieved in 2007. The goal is to reach similar percentages between the domestic and international markets. The Company also expects to achieve an EBITDA margin between 12.0% and 13.0% in 2008.

Sadia intends to continue to invest heavily in innovative projects which leverage the strength of its brand while maintaining the focus on its core business, which is the production of processed meat products for the domestic and international markets.

One of the new Company's investments is a plant for processed products in Vitória de Santo Antão (State of Pernambuco), which will be the first plant in the meat industry to neutralize 100% of its carbon emissions. The investments will amount to R\$ 190 million.

In January 2008, Sadia signed a commitment to purchase Goiaves (Buriti Alegre, GO), with a production capacity of 100 thousand of chicken heads per day and billings of about R\$ 100 million up to the end of 2008. The Company also signed a commitment to purchase 73.9% of the capital of Baumhardt, the controlling shareholder of Excelsior (Santa Cruz do Sul, RS), a company of processed pork products. Those recent acquisitions reflect Sadia's commitment to growth and to the consolidation of this industry.

Out of the total investment of R\$ 1.6 billion, R\$ 556 million will be invested in the segment of processed products; R\$ 558 million in the continuation of the construction of the Lucas do Rio Verde agroindustrial project; R\$ 70 million in the beef segment and the remaining R\$ 416 million in other projects, such as the Middle East enterprise, infrastructure, information technology and breeding stock.

The investment in the beef plant will be completed by the first half of 2009 and will provide a slaughtering capacity of 2 thousand heads/day.

In 2008, Sadia will continue to invest in the international market. One of its actions will be the implementation of another plant abroad. This unit, to be constructed in the United Arab Emirates, will receive investments of R\$ 100 million and will produce processed poultry and beef products. The Company's unit in the Netherlands will receive investments of over R\$ 4 million to double its production capacity and reach 20 thousand tons/year.

In 2007, Sadia initiated a change in its organizational culture, aiming to expand its competitive edge. The purpose of the Sadia Culture project is to revisit the Company's values and introduce a new modus operandi since the corporate results and the organizational dynamics are the results of the interaction between its culture and the organizational structures, processes and strategies.

**EVENTS ON JANUARY 31 (THURSDAY)**

**International: Conference Call**

**Time: 11:00 (Brasília), 8:00 (NY)**

**Telephone numbers for connection:**

**Brazil: (11) 4688-6301**

**U.S.A.: (1 800) 860-2442**

**Other countries: (1 412) 858-4600**

**In Brazil: Meeting with Investment Professionals and Analysts**

**Time: 12:30 (Brasília), 9:30 (NY)**

**Place: Rua Fortunato Ferraz, 616 Vila Anastácio São Paulo**

**The audio of the meeting and of the conference call will be broadcast live over the Internet, accompanied by a slide presentation at the website: [www.sadia.com](http://www.sadia.com)**

*The forward-looking statements on the business outlook, projections of operating and financial results, and the potential growth of the Company contained in this publication are mere predictions and were based on Management's expectations in relation to the future of the Company. These expectations are highly dependent on markets changes, on the overall economic performance of Brazil, on the industry and on the international markets, being therefore subject to change.*

## ATTACHMENT I

## INCOME STATEMENT - CONSOLIDATED

|  | 2006             |               | 2007             |               | 2007/2006    | 4Q06             |               | 4Q07             |               | 4Q07/4Q06    |
|--|------------------|---------------|------------------|---------------|--------------|------------------|---------------|------------------|---------------|--------------|
|  | R\$ '000         | %             | R\$ '000         | %             | %            | R\$ '000         | %             | R\$ '000         | %             | %            |
| <b>Gross Operating Revenue</b>               | <b>7,940,480</b> | <b>115.5%</b> | <b>9,843,953</b> | <b>114.2%</b> | <b>24.0%</b> | <b>2,355,536</b> | <b>115.5%</b> | <b>2,917,957</b> | <b>114.0%</b> | <b>23.9%</b> |
| Domestic Market                              | 4,482,017        | 65.2%         | 5,319,918        | 61.7%         | 18.7%        | 1,329,472        | 65.2%         | 1,625,110        | 63.5%         | 22.2%        |
| Export Market                                | 3,458,463        | 50.3%         | 4,524,035        | 52.5%         | 30.8%        | 1,026,064        | 50.3%         | 1,292,847        | 50.5%         | 26.0%        |
| (-) Sales Tax and Services Rendered          | (1,063,779)      | -15.5%        | (1,220,762)      | -14.2%        | 14.8%        | (316,343)        | -15.5%        | (357,771)        | -14.0%        | 13.1%        |
| <b>Net Operating Revenue</b>                 | <b>6,876,701</b> | <b>100.0%</b> | <b>8,623,191</b> | <b>100.0%</b> | <b>25.4%</b> | <b>2,039,193</b> | <b>100.0%</b> | <b>2,560,186</b> | <b>100.0%</b> | <b>25.5%</b> |
| Cost of Goods Sold and Services Rendered     | (5,185,217)      | -75.4%        | (6,312,130)      | -73.2%        | 21.7%        | (1,451,272)      | -71.2%        | (1,853,947)      | -72.4%        | 27.7%        |
| <b>Gross Profit</b>                          | <b>1,691,484</b> | <b>24.6%</b>  | <b>2,311,061</b> | <b>26.8%</b>  | <b>36.6%</b> | <b>587,921</b>   | <b>28.8%</b>  | <b>706,239</b>   | <b>27.6%</b>  | <b>20.1%</b> |
| Selling Expenses                             | (1,286,994)      | -18.7%        | (1,464,262)      | -17.0%        | 13.8%        | (372,204)        | -18.3%        | (425,002)        | -16.6%        | 14.2%        |
| Management Compensation                      | (14,011)         | -0.2%         | (16,433)         | -0.2%         | 17.3%        | (4,413)          | -0.2%         | (4,760)          | -0.2%         | 7.9%         |
| Administrative Expenses                      | (57,251)         | -0.8%         | (84,300)         | -1.0%         | 47.2%        | (16,312)         | -0.8%         | (24,931)         | -1.0%         | 52.8%        |
| Employees Profit Sharing                     | (48,349)         | -0.7%         | (83,128)         | -1.0%         | 71.9%        | (36,505)         | -1.8%         | (60,641)         | -2.4%         | 66.1%        |
| Others Operating Results                     | 58,877           | 0.9%          | 6,792            | 0.1%          | -88.5%       | 74,412           | 3.6%          | 21,931           | 0.9%          | -70.5%       |
| <b>Earnings Before Interest and Taxes</b>    | <b>343,756</b>   | <b>5.0%</b>   | <b>669,730</b>   | <b>7.8%</b>   | <b>94.8%</b> | <b>232,899</b>   | <b>11.4%</b>  | <b>212,836</b>   | <b>8.3%</b>   | <b>-8.6%</b> |
| Financial Result, Net                        | 76,681           | 1.1%          | (36,587)         | -0.4%         | -147.7%      | 35,958           | 1.8%          | (21,114)         | -0.8%         | 158.7%       |
| Gain (loss) from investments in subsidiaries | 16,810           | 0.2%          | (99,655)         | -1.2%         | 692.8%       | 23,062           | 1.1%          | (9,048)          | -0.4%         | 139.2%       |

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|  |                |             |                  |              |              |                |              |                |              |               |
|--|----------------|-------------|------------------|--------------|--------------|----------------|--------------|----------------|--------------|---------------|
| <b>Operating Profit</b>                            | <b>420,437</b> | <b>6.1%</b> | <b>633,143</b>   | <b>7.3%</b>  | <b>50.6%</b> | <b>268,857</b> | <b>13.2%</b> | <b>191,722</b> | <b>7.5%</b>  | <b>-28.7%</b> |
| Nonoperating<br>Income<br>(expense)                | (5,783)        | -0.1%       | 154,793          | 1.8%         | 2776.7%      | (403)          | 0.0%         | 155,161        | 6.1%         | -38601.5%     |
| <b>Income Before Taxes</b>                         | <b>414,654</b> | <b>6.0%</b> | <b>787,936</b>   | <b>9.1%</b>  | <b>90.0%</b> | <b>268,454</b> | <b>13.2%</b> | <b>346,883</b> | <b>13.5%</b> | <b>29.2%</b>  |
| Income Tax<br>and Social<br>Contribution           | (39,172)       | -0.6%       | (99,936)         | -1.2%        | -155.1%      | (45,806)       | -2.2%        | (52,861)       | -2.1%        | -15.4%        |
| <b>Net Income before<br/>Minority<br/>Interest</b> | <b>375,482</b> | <b>5.5%</b> | <b>688,000</b>   | <b>8.0%</b>  | <b>83.2%</b> | <b>222,648</b> | <b>10.9%</b> | <b>294,022</b> | <b>11.5%</b> | <b>32.1%</b>  |
| Minority<br>Interest                               | (1,106)        | 0.0%        | (1,016)          | 0.0%         | 8.1%         | (292)          | 0.0%         | (1,098)        | 0.0%         | -276.0%       |
| <b>Net Income</b>                                  | <b>376,588</b> | <b>5.5%</b> | <b>689,016</b>   | <b>8.0%</b>  | <b>83.0%</b> | <b>222,940</b> | <b>10.9%</b> | <b>295,120</b> | <b>11.5%</b> | <b>32.4%</b>  |
| <b>EBITDA</b>                                      | <b>658,437</b> | <b>9.6%</b> | <b>1,098,717</b> | <b>12.7%</b> | <b>66.9%</b> | <b>342,860</b> | <b>16.8%</b> | <b>364,802</b> | <b>14.2%</b> | <b>6.4%</b>   |



## ATTACHMENT II

**BALANCE SHEET - CONSOLIDATED**

|   | <b>R\$ Thousand</b> |                  |
|---|---------------------|------------------|
|   | <b>2006</b>         | <b>2007</b>      |
| <b>ASSETS</b>                                     |                     |                  |
| <b>Current Assets</b>                             | <b>4,666,649</b>    | <b>4,564,016</b> |
| Cash and Bank                                     | 234,069             | 320,028          |
| Trade Accounts Receivable                         | 678,598             | 486,586          |
| Recoverable Taxes                                 | 225,856             | 361,860          |
| Inventories                                       | 1,084,454           | 1,168,936        |
| Marketable Securities                             | 2,187,406           | 2,049,281        |
| Other Credits                                     | 256,266             | 177,325          |
| <b>Non-Current Assets</b>                         | <b>2,909,702</b>    | <b>3,617,364</b> |
| <b>Long Term Assets</b>                           | <b>520,676</b>      | <b>530,791</b>   |
| Marketable Securities                             | 129,127             | 136,042          |
| Other Credits                                     | 391,549             | 394,749          |
| <b>Permanent</b>                                  | <b>2,389,026</b>    | <b>3,086,573</b> |
| Investments                                       | 55,588              | 65,787           |
| Property, Plant and Equipment                     | 2,267,685           | 2,938,214        |
| Deferred Charges                                  | 65,753              | 82,572           |
| <b>Total Assets</b>                               | <b>7,576,351</b>    | <b>8,181,380</b> |
| <b>LIABILITIES</b>                                |                     |                  |
| <b>Current Liabilities</b>                        | <b>2,202,245</b>    | <b>2,228,369</b> |
| Loans and Financing                               | 1,216,955           | 1,012,023        |
| Suppliers   | 503,285             | 593,951          |
| Salaries and Social Charges Payable               | 158,209             | 214,846          |
| Taxes Payable                                     | 63,349              | 65,859           |
| Dividends   | 59,420              | 135,666          |
| Operating Liabilities                             | 201,027             | 206,024          |
| <b>Non-Current Assets - Long Term Liabilities</b> | <b>2,914,784</b>    | <b>3,007,892</b> |
| Loans and Financing                               | 2,677,542           | 2,688,115        |
| Operating Liabilities                             | 237,242             | 319,777          |
| <b>Deferred Discount of Investments</b>           | <b>0</b>            | <b>0</b>         |
| <b>Minority Interest in Subsidiaries</b>          | <b>964</b>          | <b>34,599</b>    |
| <b>Shareholder's Equity</b>                       | <b>2,458,358</b>    | <b>2,910,520</b> |
| Paid - Up Capital                                 | 1,500,000           | 2,000,000        |
| Income Reserve                                    | 958,358             | 910,530          |

**Total Liabilities and Equity**

**7,576,351**

**8,181,380**

## ATTACHMENT III

## CASH FLOW STATEMENT

|   | 2006               | 2007               |
|---|--------------------|--------------------|
| <b>Net result from the period</b>   | <b>375,482</b>     | <b>688,000</b>     |
| <b>Adjustments to reconcile net income with cash generated from operating activities:</b> |                    |                    |
| Variation in minority interest  | 254                | 34,651             |
| Provisioned interest net of paid  | (64,126)           | (265,467)          |
| Depreciation, amortization and exhaustion   | 240,569            | 306,155            |
| Goodwill amortization from acquisition  | 25,763             | 20,774             |
| Investments Subsidies   | -                  | 18,930             |
| Result of interest in companies   | (21,037)           | 94,689             |
| Deferred taxes  | 28,205             | 23,355             |
| Contingencies   | 206                | 22,029             |
| Result of sale or write-off of property, plan & equip.                                    | 8,978              | 10,598             |
| <b>Variations in operating assets and liabilities:</b>                                    |                    |                    |
| Customer accounts receivable  | (168,983)          | 192,012            |
| Inventories   | (91,964)           | (84,482)           |
| Taxes recoverable and others  | (118,691)          | (100,190)          |
| Judicial deposits   | 4,040              | 4,964              |
| Suppliers   | 7,527              | 90,666             |
| Taxes and contribns. To withhold, wages to pay, others                                    | 43,763             | 102,129            |
| <b>Net cash generated from operating activities</b>                                       | <b>269,986</b>     | <b>1,158,813</b>   |
| <b>Investments activities:</b>  |                    |                    |
| Proceeds from sale of property, plant & equip.  | 14,967             | 3,636              |
| Acquisition of prop., plan & equip. / deferred assets                                     | (1,055,378)        | (1,084,930)        |
| Paid portion in subsidiary, net of cash   | (485)              | (16,020)           |
| Financial investments   | (3,320,118)        | (3,270,218)        |
| Financial investment redemptions  | 3,167,532          | 3,231,915          |
| <b>Net cash generated from investment activities</b>                                      | <b>(1,193,482)</b> | <b>(1,135,617)</b> |
| <b>Financing activities:</b>  |                    |                    |
| Loans and financing   | 2,862,349          | 2,534,009          |
| Payment of financing  | (1,708,255)        | (2,313,714)        |
| Dividends paid  | (169,871)          | (106,755)          |
| Sale of treasury shares   | 463                | 463                |



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|   |                |               |
|---|----------------|---------------|
| Purchase of treasury shares                         | (23,427)       | (51,240)      |
| <b>Net cash generated from financing activities</b> | <b>961,259</b> | <b>62,763</b> |
| Cash at beginning of fiscal year                    | 196,306        | 234,069       |
| Cash at end of fiscal year                          | 234,069        | 320,028       |
| <b>Net addition in cash</b>                         | <b>37,763</b>  | <b>85,959</b> |