

SADIA S.A.
Form 6-K
February 15, 2006

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 February 2006

Commission File Number 1-15184

SADIA S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of Registrant's Name)

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

SIGNATURES

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

Date: Feb 15, 2006

SADIA S.A.

By:/s/ Luiz Gonzaga Murat Junior

Name: Luiz Gonzaga Murat Junior
Title: Chief Financial Officer and Investor Relations Director

Sadia S.A.
(Public-held company)

Financial statements
December 31, 2005 and 2004

(A translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil).

Sadia S.A.

Publicly-held company

Financial statements

December 31, 2005 and 2004

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Independent auditors' report

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

1. We have examined the balance sheets of Sadia S.A. and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Sadia S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2005 and 2004, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.

4. Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows and added value as of December 31, 2005 and 2004, are supplementary to the aforementioned financial statements, and have been included to facilitate additional analysis. This supplementary information was subject to the same audit procedures as applied to the aforementioned financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

January 31, 2006

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

Adelino Dias Pinho
Accountant CRC SP 097869/O-6-S-SC

Sadia S.A.

Publicly-held Company

Balance sheets

December 31, 2005 and 2004

(In thousands of Reais)

	Parent company		Consolidated	
	2005	2004	2005	2004
Assets				
Current assets:				
Cash and cash equivalents	148,716	84,270	196,306	155,600
Short-term investments	659,149	430,851	2,402,326	1,968,278
Accounts receivable from future contracts	221	153,735	28,287	196,061
Trade accounts receivable	481,154	692,857	509,615	349,605
Inventories	948,560	1,025,125	992,490	1,064,671
Recoverable taxes	140,212	151,237	147,088	156,615
Deferred tax credits	27,223	36,180	29,494	38,823
Other credits	66,815	55,582	75,251	67,650
	2,472,050	2,629,837	4,380,857	3,997,303
Noncurrent assets:				
Long-term investments	65,057	282,247	65,057	282,247
Recoverable taxes	120,024	87,186	120,024	87,186
Deferred tax credits	76,550	67,042	76,550	67,042
Judicial deposits	78,290	77,098	78,396	77,204
Related parties	96,377	597	0	0
Other credits	57,908	29,119	58,599	29,850
	494,206	543,289	398,626	543,529
Permanent assets:				
Investments	1,107,275	768,134	77,136	19,260
Property, plant and equipment	1,571,395	1,112,859	1,576,013	1,116,203
Deferred charges	87,487	49,140	90,193	49,522
	2,766,157	1,930,133	1,743,342	1,184,985

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Total	<u>5,732,413</u>	<u>5,103,259</u>	<u>6,522,825</u>	<u>5,725,817</u>
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See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Balance sheets

December 31, 2005 and 2004

(In thousands of Reais)

	Parent company		Consolidated	
	2005	2004	2005	2004
Liabilities and shareholders' equity				
Current liabilities:				
Loans and financing	782,810	1,165,044	1,384,667	1,615,544
Accounts payable from future contracts	-	178,874	10,702	201,616
Trade accounts payable	490,659	482,339	495,758	487,654
Advances from subsidiaries	458,284	138,991	-	-
Salaries, social charges and accrued vacation payable	97,640	87,205	99,225	88,140
Taxes payable	34,151	33,188	38,651	38,058
Dividends payable	128,210	82,797	128,210	82,797
Employees' profit sharing	58,454	50,280	59,304	51,048
Deffered Taxes	3,321	-	3,321	-
Other accounts payable	135,492	88,928	161,737	111,476
	2,189,021	2,307,646	2,381,575	2,676,333
Noncurrent liabilities:				
Loans and financing	715,048	836,073	1,714,527	1,101,830
Advances from subsidiaries	401,430	-	-	-
Employee benefit plan	82,997	82,576	82,997	82,576
Provision for contingencies	69,538	56,861	71,947	58,984
Deferred taxes	29,490	11,723	29,490	11,723
Other accounts payable	16,849	16,205	16,824	16,363
	1,315,352	1,003,438	1,915,785	1,271,476
Minority interest in subsidiaries	-	-	1,816	160
Shareholders' equity:				
Capital	1,500,000	1,000,000	1,500,000	1,000,000
Profit reserves	738,417	767,441	738,417	767,441
Treasury stock	(10,377)	(198)	(10,377)	(198)
Retained earnings	-	24,932	(4,391)	10,605
	2,228,040	1,792,175	2,223,649	1,777,848

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Total	<u>5,732,413</u>	<u>5,103,259</u>	<u>6,522,825</u>	<u>5,725,817</u>
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See the accompanying notes to the financial statements.

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Sadia S.A.

Publicly-held Company

Statements of income

Years ended December 31, 2005 and 2004

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

	Parent company		Consolidated	
	2005	2004	2005	2004
Gross operating revenue				
Domestic market	4,219,242	3,724,654	4,251,675	3,732,013
Foreign market	3,722,795	3,135,006	4,076,324	3,584,533
	<u>7,942,037</u>	<u>6,859,660</u>	<u>8,327,999</u>	<u>7,316,546</u>
Sales deductions	(856,215)	(832,102)	(1,009,561)	(1,009,073)
Net operating revenue	<u>7,085,822</u>	<u>6,027,558</u>	<u>7,318,438</u>	<u>6,307,473</u>
Cost of goods sold	<u>(5,347,406)</u>	<u>(4,384,829)</u>	<u>(5,311,062)</u>	<u>(4,462,269)</u>
Gross profit	1,738,416	1,642,729	2,007,376	1,845,204
Selling expenses	(1,125,815)	(1,009,898)	(1,234,138)	(1,145,413)
Administrative	(52,013)	(54,605)	(52,013)	(55,374)
Management Fees	(13,714)	(12,923)	(13,714)	(12,923)
Other operating income	(11,111)	25,757	(6,643)	21,468
Employees' profit sharing	(58,682)	(49,789)	(60,034)	(51,234)
Financial income (expenses), net	(50,639)	(118,605)	235,973	(32,657)
Equity in earnings of subsidiaries	290,229	101,192	(152,399)	(50,678)
Operating income	<u>716,671</u>	<u>523,858</u>	<u>724,408</u>	<u>518,393</u>
Nonoperating income (expense)	2,653	(5,933)	4,612	(6,842)
Income before income and social contribution taxes	<u>719,324</u>	<u>517,925</u>	<u>729,020</u>	<u>511,551</u>
Current income and social contribution taxes	(51,384)	(29,910)	(51,991)	(32,304)
Deferred income and social contribution taxes	(20,537)	(42,714)	(20,909)	(40,374)
Net income	<u>647,403</u>	<u>445,301</u>	<u>656,120</u>	<u>438,873</u>
Minority interest	-	-	(1,219)	137
Controlling shareholder equity interest	<u>-</u>	<u>-</u>	<u>657,339</u>	<u>438,736</u>
Earnings per thousand outstanding shares	<u>951.37</u>	<u>652.27</u>	<u>-</u>	<u>-</u>

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of changes in shareholders' equity

Years ended December 31, 2005 and 2004

(In thousands of Reais)

Parent Company	Profit reserves						Total
	Capital	Legal reserve	Expansion reserve	Research & development reserve	Treasury shares	Retained earnings	
Balances at December 31, 2003	1,000,000	34,462	392,420	43,568	(198)	24,932	1,495,184
Net income for the year	-	-	-	-	-	445,301	445,301
Destinations:							
Reserves	-	22,265	252,461	22,265	-	(296,991)	-
Interest on shareholders' equity	-	-	-	-	-	(148,310)	(148,310)
Balances at December 31, 2004	1,000,000	56,727	644,881	65,833	(198)	24,932	1,792,175
Net income for the year	-	-	-	-	-	647,403	647,403
Capital increase with reserves	500,000	(33,255)	(399,057)	(42,756)	-	(24,932)	-
Acquisition of treasury stock	-	-	-	-	(10,179)	-	(10,179)
Destinations:							
Reserves	-	32,370	381,304	32,370	-	(446,044)	-
Interest on shareholders' equity/Dividends	-	-	-	-	-	(201,359)	(201,359)
Balances at December 31, 2005	1,500,000	55,842	627,128	55,447	(10,377)	-	2,228,040

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of changes in financial position

Years ended December 31, 2005 and 2004

(In thousands of Reais)

	Parent Company		Consolidated	
	2005	2004	2005	2004
Sources of funds				
Operations				
Net income for the year	647,403	445,301	656,120	438,873
Items not affecting working capital				
Minority interest	-	-	2,875	36
Depreciation, amortization and depletion	177,226	188,864	178,175	189,595
Goodwill amortization	16,484	-	16,484	-
Long term interest and variations	(25,032)	(14,026)	(228,925)	(153,740)
Residual cost on disposal of permanent assets	6,552	17,257	6,815	15,823
Provision for contingencies	12,677	(7,054)	12,963	(9,029)
Employee benefit plan	421	10,708	421	10,708
Equity in earnings of subsidiaries	(293,852)	(103,267)	148,776	51,155
Long term deferred taxes	8,259	13,327	8,259	15,918
	550,138	551,110	801,963	559,339
From third parties				
Increase in noncurrent liabilities	310,745	379,822	1,336,858	678,470
Redemption of long-term investments	13,088	-	13,088	-
Proceeds obtained from the sale of fixed assets	19,622	2,752	19,622	2,857
Interest on shareholders' equity of subsidiaries	4,548	4,029	-	-
Transfer from long-term to current assets	296,119	85,976	296,119	383,588
Increase in other long-term liabilities	402,074	-	460	-
Decrease in other long-term assets	-	27,506	-	1,814
	1,046,196	500,085	1,666,147	1,066,729
Total sources	1,596,334	1,051,195	2,468,110	1,626,068
Applications of funds				
Long-term assets				
Long-term investments	85,002	238,077	85,002	399,413
Judicial deposit	1,192	2,126	1,192	2,126
Increase in other long-term assets	148,329	13,043	52,508	12,660
Decrease in other long-term liabilities	-	30,996	-	34,065
Investments	66,321	1,088	74,360	2,028
Property, plant and equipment	639,724	303,085	642,149	304,935
Transfer of current liabilities to property, plant and equipment	19,317	3,195	19,101	3,279
Deferred charges	41,242	27,183	43,843	27,322
Acquisition of treasury stock	10,179	-	10,179	-
Interest on shareholders' equity/dividends	201,359	148,310	201,359	148,310
Transfer of noncurrent liabilities to current liabilities	422,831	1,006,511	660,105	1,006,511
	1,635,496	1,773,614	1,789,798	1,940,649
Total applications	1,635,496	1,773,614	1,789,798	1,940,649
(Decrease)/increase in working capital	(39,162)	(722,419)	678,312	(314,581)

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Changes in working capital				
At end of year	283,029	322,191	1,999,282	1,320,970
At beginning of year	322,191	1,044,610	1,320,970	1,635,551
	(39,162)	(722,419)	678,312	(314,581)

See the accompanying notes to the financial statements.

Sadia S.A.

Publicly-held Company

Statements of cash flows

Years ended December 31, 2005 and 2004

(In thousands of Reais)

	Parent company		Consolidated	
	2005	2004	2005	2004
Net income for the year	647,403	445,301	656,120	438,873