

Interim Report

AarhusKarlshamn AB (publ)

Interim report for the period to March 2006*

- Net sales totalled SEK 2,797 (2,482) million with an increase by 13 percent.
- Operating profit, excluding the impact of IAS 39, amounted to SEK 114 (119) million. The result is reduced by SEK 15 million related to restructuring and integration costs.
- Operating profit, after adjustment for the impact of IAS 39, amounted to SEK 126 (136) million.
- The Group's net profit was SEK 66 million.
- Earning per share amounted to SEK 1.54.
- Strategic chocolate fat (CBE) investment of SEK 150 million approved.

“The new group shows strong growth and improved margins but the group result continues to be affected by restructuring costs”, says Jerker Hartwall, in comments to the report.

* comparable numbers in brackets relate to 2005 Pro forma.

The President's comments

Healthy growth in the high-value-added speciality segment, high but anticipated integration and restructuring costs.

The new Group's earnings in the first three months of 2006 were close to the strong first-quarter performance of last year. The company lost SEK 10 million in margin due to the planned modification of the Danish crushing facility which is now fully commissioned. Further, the company has had higher costs for the ongoing integration process with an impact on profitability of SEK 5 million. The Group's energy costs exceeded the first-quarter level of 2005 by SEK 20 million, but the company has been able to recover this through higher market prices.

Margins have improved. There was continued strong growth in the high-value-added speciality segment, paralleled by a notable improvement of contribution margins in the segment for lower-value-added oils and fats – after several years' of downtrend.

The first six months of operations for the new Group, since October 2005, have been characterised by a rapid integration process whereby the strategy has been laid down, the synergy program has developed according to plan and the organisation has been further aligned. Today, AAK is operationally strong. Important initiatives have been taken to consolidate our base for further growth, in the form of the acquisition of one of Lion Food's lines of business in Great Britain (FoodService) and the decision to undertake a substantial expansion of our CBE* capacity.

Speciality products

During the first quarter of this year, growth was particularly strong for non-trans fats in the USA and Dairy Fat Alternatives (DFA). The acquisition of Lion Food (sauces, marinades, dressings) constitutes a reinforcement of our strategy of forward integration along our value chain; a strategy developed in the Great Britain and the Nordic countries to minimise our dependence on lower-value-added standard oils. An example of the specialisation strategy is the fact that the volumes of speciality products in the Swedish unit in the business segment Food Ingredients has increased 13 percent while commodity volumes decreased by 16 percent. As a result of the acquisition in Great Britain, the Food Service line has now reached a total sales level of around SEK 1,400 million, representing almost 25 percent of the business area Food Ingredients.

The volume development in chocolate fats was generally in line with last year's strong first quarter. However CBE showed double digits growth over the first quarter 2005.

The investment to expand considerably our chocolate-fat capacity, an undertaking of SEK 150 million, is a benefit identified very early in the merger process.

Positive cash-flow effects are considerable, as duplicated investments are avoided.

Synergies

We have identified synergies all along our value chain; from the sourcing of raw-material components to sales. As is characteristic of all processing industries, the majority of synergies have been identified in the areas of plant rationalisations and streamlining. In the first three months of this year, the crushing capacity of the Aarhus plant was considerably expanded.

The rationalisation of the plants in Great Britain is progressing according to plan, a process that is expected to be completed early in 2007.

The Group's aggregate synergies, worth SEK 150 million, will be realized gradually and will generate full profit effects in 2008.

The future

The year 2006 will entail far-reaching production rationalisations and only limited synergy effects. The limited supply of shea may limit our expansion in chocolate fats during the second half of 2006. Growth will continue in several speciality segments, such as non-trans solutions, DFA, cosmetics and FoodService. At the same time, the gradually increasing supply of shea in the latter part of the year will provide renewed growth potential for our chocolate-fat volumes (CBE) in 2007.

Our goal is to have an efficient and streamlined AAK by 2008 with strong market positions, a healthy growth.

Dividend policy

The Board has adopted a dividend policy, whereby the aim, taking into account the Group's earnings trend, financial position and future development opportunities, is to recommend an annual dividend that corresponds to 30-50 percent of the consolidated profit for the year after tax.

Ordinary dividend and correction of the capital structure

As announced in February, 2006 the Board of AAK recommends a dividend of SEK 4 per share, plus a one-off dividend of SEK 25 per share. This entails a decision being taken by the AGM on May 23rd 2006 to transfer restricted reserves in the balance sheet to unrestricted reserves, and the expectation that an extraordinary general meeting in September/October 2006 will be able to approve the above dividends once the customary registration has taken place of the change decided at the AGM.

The reasons for the Board's recommendation are both technical and financial. As a result of the structure of the merger, all the funds in the balance sheet came to be of a non-distributable nature, thus precluding dividend payments. The proposed transfer from restricted to unrestricted reserves corrects this situation.

As almost all the shareholders in the merger opted to receive shares instead of a cash payment, the new AAK Group came to be overcapitalised with a very low debt/equity ratio. The proposed one-off dividend corrects this situation.

Listing on the Stockholm Stock Exchange

AarhusKarlshamn intends to apply for a listing on the Stockholm Stock Exchange's O-list in September 2006. OMX plans to introduce a common Nordic list on 2 October 2006, a development which AAK is following with great interest. The new list will replace the A- and O-lists on the Stockholm Exchange, the I- and NM-lists in Helsinki and the list on the Copenhagen Exchange. Should these plans for a common Nordic list be realised, there will be no need for a separate listing on the Copenhagen Exchange. The transfer from the O-list to the new OMX list will take place automatically, and does not require any further action by AAK.

Compulsory redemption

At present, AarhusKarlshamn owns 98.2 per cent of the share capital of the subsidiary AarhusKarlshamn Sweden AB (formerly Karlshamns AB). The outstanding shares of this company, amounting to 387,275 out of a total of 21,864,928, are now subject to compulsory redemption. The compulsory redemption procedure is expected to be completed at the earliest in October 2006.

Group structure

An important part of the current integration process has been the establishment of Group headquarters in Malmö, Sweden. This office will serve as a base for the Group Management and a limited number of employees, while also functioning as an important and cost-efficient meeting centre for the entire organisation.

Subsequent events

Subsequent to March 31, 2006 the company has acquired of one of Lion Food's lines of business in the UK (Food Service).

* CBE = Cocoa Butter Equivalents

* CBA = Cocoa Butter Alternatives

Operations The Group

	3 months Jan-Mar 2006	Pro forma ¹⁾ 3 months Jan-Mar 2005
(SEK m)		
Net sales	2,797	2,482
Gross contribution	687	654
Operating profit	126	136
Of which value changes in raw material and currency derivatives	12	17
Volumes (000 tonnes)	362	362

The Group's total sales increased by SEK 315 million. Excluding currency impact sales grew by SEK 182 million or 7 percent. The delivered volumes for the Group as a whole were in line with last year.

Contribution margins improved by SEK 33 million or 6 percent but excluding currency impact the increase amounted to SEK 6 million. The improved margins were partly due to better product mix with a higher portion of special products and partly due to improved margins on standard products generally. The contribution margins has improved despite the lost margin related to the reconstruction of a crusher in Denmark with a negative impact on margins by SEK 10 million. This reconstruction is now completed.

Hurricanes in Mexico and South American have implied increased costs for raw material costs which has effected Food Ingredients.

Energy costs rose by SEK 20 million, but were substantially passed on to customers. Planned integration costs during the first quarter amounts to approximately SEK 5 million.

Operating profit excluding impact of IAS 39 amounted to SEK 120 (124) million. The result in the first quarter has been reduced by SEK 15 million related to restructuring and integration costs.

Operating profit after adjustment for the impact of IAS 39 amounted to SEK 126 (136) million, which is slightly lower than last year due to planned restructuring and integration costs of SEK 15 million. The impact of IAS 39 amounted to SEK 12 (17) million.

Chocolate & Confectionery Fats

	Jan-Mar 2006	Pro forma ¹⁾ Jan-Mar 2005
(SEK m)		
Net sales	874	764
Gross contribution	264	242
Operating profit	63	58
Volumes (000 tonnes)	75	76

The market growth for CBE has continued strongly with double digit volume growth.

During the first quarter 2006 sales increased by SEK 110 million and excluding impact of currency translation the increase amounted to SEK 29 million or 12 percent. Gross contribution has increased due to improved margins per kg compared to last year. The reconstruction of the crusher led to lost margins of SEK 10 million.

The operating profit improved SEK 5 million compared to previous year but this includes a favourable impact of currency translation by SEK 2 million.

Food Ingredients

	3 months Jan-Mar 2006	Pro forma ¹⁾ 3 months Jan-Mar 2005
(SEK m)		
Net sales	1,519	1,288
Gross contribution	331	291
Operating profit	49	39
Volumes (000 tonnes)	215	208

Sales grew by SEK 231 million and excluding currency impact sales increased by SEK 110 or 8 percent. Volumes are up 3 percent. Significant sales increase in the USA particularly for low and trans-free products and a higher proportion of specialty products has improved the product mix. Operating profits improved by SEK 10 million of which positive currency impact amounts to SEK 3 million.

Food Ingredients Continental Europe

Sales of specialty products continued to increase compared to last year while sales of standard products decreased. Among the specialty products particularly Dairy Fat Alternatives (DFA) and other speciality products increased compared to last year. Speciality product volume delivered from the Karlshamn site grew by 13 percent while commodity volumes declined by 16 percent. Energy costs have increased significantly compared to last year but have largely been compensated by increased prices on vegetable oils. Operating profits improved compared last year.

¹⁾ Pro forma, see page 6

Food Ingredients UK

Continued strong sales increase in the Great Britain generated increased margins. Costs increased due integration costs related to the restructuring of the plant in the Great Britain. Energy costs increased significantly but were compensated by price increases. Operating profits were slightly lower than last year.

The acquisition of the Lion Food business subsequent to March 31 is an important strategic development of the food service business in the Great Britain.

Food Ingredients Nafta, USA

Sales increased significantly in the USA mainly non-trans fats and volumes increased significantly compared to last year. Profits improved considerably to be more in line with the other operations.

Food Ingredients Nafta, Mexico

Sales continued to increase but hard competition and increased freight costs following the hurricane in Mexico and South America which destroyed roads and bridges and caused cost increases. Operating profit declined marginally compared to last year.

Technical Products & Feed

(SEK m)	Jan-Mar 2006	Pro forma ¹⁾ Jan-Mar 2005
Net sales	265	254
Gross contribution	50	52
Operating profit	12	16
Volumes (000 tonnes)	70	77

Total sales increased by SEK 11 million, or 4 percent. The gross contribution fell by SEK 2 million or 4 percent due to the continued high pressure and strong competition affecting margins for both fatty acid and glycerol. Higher energy costs also affected the profit. Operating profit decreased by SEK 4 million compared to last year.

Other Business

(SEK m)	Jan-Mar 2006	Pro forma ¹⁾ Jan-Mar 2005
Net sales	139	177
Gross contribution	42	69
Operating profit	2	23
Of which value changes in raw material and currency derivatives	12	17

Other Business includes Lipids for Care, Ceylon Trading, Frank Fontannaz Holdings, BSP Pharma A/S, raw material and currency and costs for the group's headquarter.

Lipids for Care

Contribution and operating profits improved significantly.

Ceylon Trading Company Ltd.

Ceylon Trading Company Ltd., is a holding company for a number of subsidiaries with less than 100 percent ownership. The group is manufacturing and exporting rubber products and distributes food products and shipping operations in Sri Lanka.

Frank Fontannaz Holdings Ltd.

The Fontannaz-group, has offices in London, Rotterdam and Kuala Lumpur, and is an international agent in vegetable oils.

BSP Pharma A/S

BSP Pharma is a joint venture between AarhusKarlshamn Denmark A/S and Astion A/S. The mission of the company is to develop and market proprietary anti-inflammatory products of the highest standards in terms of documentation, safety and efficiency.

Result of raw material positions

Raw material prices fluctuate and a priority for raw material sourcing is therefore to continuously monitor and manage the Group's raw material exposure. To streamline the purchasing processes, however, purchases of raw material are permitted, within the framework of the trading policy issued by the Board, to take limited risks in raw material prices. During the first quarter 2006 the result was SEK 2 (23) million. Risks related to raw material are governed by the Group's policy regarding raw materials and currencies as described in the Annual Report for 2005, Note 3. The proforma statements related to the first quarter 2005 is based on three months with the Aarhus United financial statements based on local Danish GAAP and three months Karlshamns financial statements based on IFRS and IAS 39.

¹⁾ Pro forma, see page 6

Interim report, January - March 2006

Profit after net financial items

The Group's profit after net financial items totalled SEK 106 million. This figure comprises fair value movements of raw material and currency derivatives, which had a positive impact on earnings of SEK 12 million. Net financial items amounted to SEK -20 million.

Capital expenditure

The Group's direct investments in fixed assets amounted to SEK 134 million in the first quarter of 2006.

Financial position

The Group's shareholders' equity as of 31 March 2006 was SEK 3,586 million. Total assets amounted to SEK 6.994 million, the equity/assets ratio to 51 percent.

On 31 March 2006, the Group's net borrowings amounted to SEK 1,805 million.

Personnel

The Group's total number of employees on 31 March 2006 was 2.419.

Accounting principles

AarhusKarlshamn consolidated financial statements since the start of the new group as of September 30, 2005, are prepared in accordance with International Financial Reporting Standards (IAS/IFRS as endorsed by the European Union) issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and RR 31, Consolidated Interim Financial Reporting. The most important accounting principles under IFRS which is the basis for the preparation of this interim report can be found in Note 2 on page 59 in the published Annual Report for 2005.

Principles and assumptions

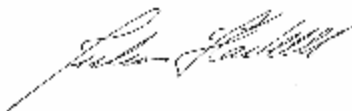
The pro forma accounts have been prepared for purely illustrative purpose, and do not purport to present what financial position or profitability level the operations could actually have achieved had the merger been completed at the pro forma reporting dates; nor do they purport to indicate the financial position or operating profit for any future point of time or period. The pro forma accounts for January – September 2005 are based on unaudited accounts; by Karlshamns AB prepared in accordance with IFRS and by Aarhus United in accordance with Danish GAAP. Reports for 2006 are thus not fully comparable with accounts for the period January – September 2005. For the period October – December, the new Group, Karlshamns and Aarhus United all reported in accordance with IFRS. For further information, see page 41 in the Annual Report for 2005.

Reporting schedule

The Interim Report for the period to 30 June 2006 will be released on 17 August 2006.

The Interim Report for the period to 30 September 2006 will be released on 10 November 2006.

Karlshamn, 23 May 2006



Jerker Hartwall
President and C.E.O.

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These interim figures have not been audited

Summary income statement for the Group

(SEK million)

	3 months Jan-Mar 2006
Net sales	2,797
Other operating income	5
Total operating income	2,802
Raw materials, consumables and goods for resale (incl IAS 39 impact 12)	-2,071
Other external costs	-287
Costs for remuneration to employees	-242
Depreciation and impairment losses	-74
Other operating costs	-2
Total operating costs	-2,676
Operating profit	126
Interest income	5
Interest expense	-20
Other financial items	-5
Pre-tax profit	106
Tax	-40
Net profit	66
Minority share of profit	3
Parent company's shareholders' share of profit	63

Share data

Number of shares (000)	41,384
Earnings per share, SEK	1,54
Shareholders' equity per share, SEK	85,40

Summary balance sheet for the Group

(SEK million)	31.3.2006	31.12.2005
ASSETS		
Goodwill	591	593
Other intangible fixed assets	89	92
Tangible fixed assets	2,704	2,670
Financial fixed assets	135	108
Total fixed assets	3,519	3,463
Inventories	1,369	1,429
Current receivables	1,889	1,732
Cash and cash equivalents	216	211
Total current assets	3,474	3,372
TOTAL ASSETS	6,993	6,835
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	3,533	3,504
Minority shareholding	53	50
Total shareholders' equity incl. minority share	3,586	3,554
Long-term liabilities	1,520	1,401
Accounts payable - trade	481	550
Other current liabilities	1,406	1,330
Total current liabilities	1,887	1,880
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,993	6,835

CHANGE IN SHAREHOLDERS' EQUITY

(SEK million)	Total equity	Minority	Total shareholders' equity incl. minority
Shareholders' equity, opening balance	3,504	50	3,554
Translation differences	-34	-	-34
Net profit/loss	63	3	66
Shareholders' equity, closing balance	3,533	53	3,586

Summary cash-flow statement for the Group

(SEK million)	Jan-Mar 2006
Operating activities	
Cash flow from operating activities before changes in net operating assets	173
Changes in net operating assets	-272
Cash flow from operating activities	-99
Investing activities	
Cash flow from normal investing activities	-124
Financing activities	
Cash flow from financing activities	230
Cash flow for the year	7
Liquid funds, opening balance	211
Translation differences	-2
Liquid funds, closing balance	216

Summary income statement and key figures, January – March 2006

(SEK million unless otherwise stated)	Jan-Mars 2006
Net sales	2,797
Gross contribution	687
Gross contribution, %	24.6
Operating profit,	126
Operating margin, %	4.5
Net profit	66
Of which related to the parent company's share holders	63
Of which related to minority share holders	3
Operating profit before depreciation (EBITDA)	200
Operating cash flow	-43
Capital expenditure	134
Shareholders' equity	3,533
Minority share	53
Net borrowings	1,805
Equity/assets ratio, %	51
Net debt/equity ratio, multiple	0.50
Capital employed	5.717
Earnings per share, excl. non-recurring items, SEK	1.54
Total number of shares, closing balance	41,384

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