

Sardus Year-end report

January–December 2006

the light meal



Eliassons



Sardus
FOODPARTNER

Pastejköket



Allerto

Lindbergs
HusmorsPastej

Norrboda



chark
DELIKATEREN



AB Sardus (publ.)

Corporate Identity Number 556131-6711. Listed on the OMX Nordic Exchange, Small Cap List

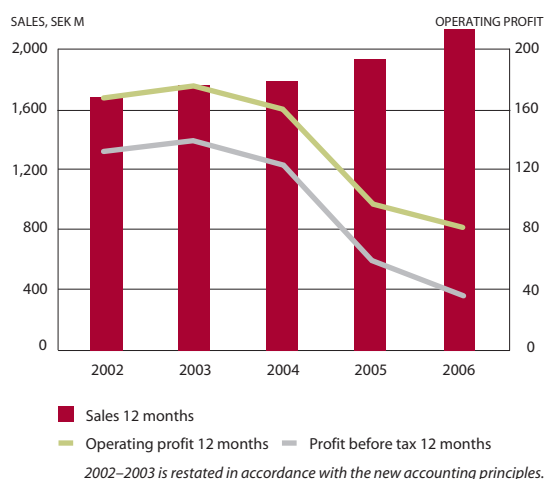
Year-end report 2006

- Net sales increased by 10 percent to SEK 2,135 M (1,934)
- Profit before tax was SEK 37 M (60), in line with the latest estimate
- Profit after tax totaled SEK 28 M (43)
- Earnings per share before dilution were SEK 2.74 (4.25)
- The Board of Directors proposes a dividend of SEK 1.50 (3.00) per share
- The profit decline for 2006 is attributable to the Sardus Lätta Måltider business unit. The current action program will have a significant effect during 2007. Other business units are developing very well.
- The long-term objectives of 15 percent annual sales growth and 7-8 percent operating margin are unchanged.

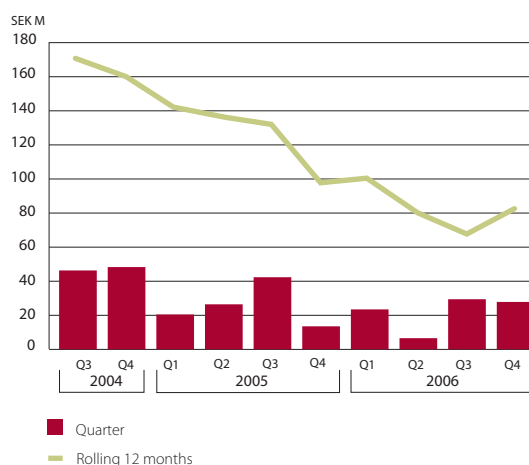
Consolidated income statement

SEK M	Fourth quarter		12 months	
	2006	2005	2006	2005
Net sales	582	526	2 135	1,934
Cost of goods sold	- 464	- 413	-1,717	-1,490
Gross profit	118	113	418	444
Other operating income	2	3	12	7
Selling expenses	- 63	- 67	-231	-248
Administrative costs	-30	-37	-117	- 106
Operating profit	27	12	82	97
Net financial items	- 10	- 9	- 45	-37
Profit before tax	17	3	37	60
Tax	-5	-1	- 9	-17
Net profit	12	2	28	43

SALES, OPERATING PROFIT AND PROFIT BEFORE TAX



OPERATING PROFIT



Fourth quarter 2006 and subsequent events

Sales

Net sales for the fourth quarter increased by 10 percent to SEK 582 M (526). The increase over the same period the previous year is due to very strong sales development in Sardus Lätta Måltider, Sardus Chark & Deli, Sardus Foodpartner and 3-Stjernet.

Profit development

Consolidated profit before tax for the fourth quarter was SEK 17 M (3) and profit after tax was SEK 12 M (2).

The profit increase for the Group has occurred despite a negative trend in the Sardus Lätta Måltider business unit. Other business units show a very positive profit development also corrected regarding differences between 2006 and 2005 in costs concerning redundancy payment and write-downs. The profit decline in Sardus Lätta Måltider is related to high costs in production facilities, due to the prioritization of delivery assurance and growth. A forceful action program to reduce cost levels is underway and is expected to have a significant impact during 2007. The action program includes new contract terms with the trade, a major distribution review, a reduction of purchasing costs, and a range rationalization to decrease production costs. It has resulted in a reduction of the number of employees at the three production plants in Sardus Lätta Måltider by 70 in early 2007.

During October, a change in management was implemented in Sardus Lätta Måltider with the former manager leaving his position and Petri Salminen being recruited as the new manager. Petri Salminen, who has extensive experience in change processes in food production with short lead times, takes up the position on April 1. The unit will be managed during the transition period by the Group's supply chain director, Harley Clausen. The market segment is growing strongly and Sardus Lätta Måltider holds a market-leadership position.

The Sardus business units Sardus Chark & Deli, Sardus Foodpartner and 3-Stjernet have had highly favorable sales development during the fourth quarter. In conjunction with the recently-implemented structural measures this has led to significant profit improvements. As part of the restructuring measures, the Hultsfred and Arboga factories have been closed and the Horsens factory in Denmark reorganized. In addition, positive results are now emerging from the continuous improvement program "World-class production" (LIV) which is currently running as part of the new Sardus strategy.

Falbygdens Ost shows stable sales for the fourth quarter compared to the same period the previous year. Following 5 percent sales growth in quarters 1–3, the likelihood of continued sales growth for Falbygdens Ost is considered very strong. During the fourth quarter, profit growth in the business unit has primarily been driven by cost reductions.

Earnings per share before dilution during the fourth quarter were SEK 1.18 (0.20).

Market

The change process in the food industry continues. Food prices have been in focus during 2005 and 2006, partly due to the establishment of new low-price chains in Sweden and Denmark. Continued growth is also evident for house brands. Demands from suppliers for price increases to compensate increased raw material costs are being met with resistance from the trade. Ongoing structural measures in the supply chain are required to reduce costs for production, sales, distribution and administration.

The Swedish supermarket industry reported a sales increase in 2006. Volume in the Swedish delicatessen market was stable during 2006. Volumes fell in a number of Sardus segments such as jellied veal, black pudding and coarse-ground smoked sausage, while

increasing for packaged sliced meat toppings and sausage sandwich toppings. The Danish market for meat-based sandwich toppings was stable during 2006.

The Swedish market for hard cheese declined somewhat, while there was an increase in Sardus' key segments of dessert cheese and matured hard cheese.

Heavy rationalization

A long-term corporate savings program focusing on supply chain costs, i.e. purchasing, production and logistics, is a key component of the new Sardus strategy. The objective is to save at least SEK 60 M annually during the coming 3–5 years. The process of identifying and implementing these savings, which began in autumn 2006, is running according to plan. The savings consist of a large number of measures which in combination are to achieve the savings objectives. The "World-class production" (LIV) project, a continuous improvement program implemented in the Group's largest production unit in Halmstad, will be run in additional production units during 2007.

Continued growth strategy with increased investment in marketing and product development

The acquisitions of Peigs, Allt Smörgås, Smörgåsfabriken, Odenmackan and Gourmet Service have all been part of the Sardus growth strategy, which involves an expansion in the light meal and delicatessen segments. Additional acquisitions in the light meal segment are not being considered until satisfactory profitability is achieved in the current business. Although Sardus is continuously looking at potential acquisitions in the prioritized segments.

Sardus has, with its new strategy, also started to increase investment in product development with focus on the three strong consumer-driven trends in the food industry: health, convenience and premium products. Introduction of sliced sandwich toppings in foldable packaging, known as 'wallet packs', and the recent introduction of liver paste in tubes are two examples of new packaging concepts that are developing well. Work is continuing with a number of product concepts that will reach the market in 2007–2008.

In 2007, Sardus is planning a strong increase in marketing focusing on four prioritized market-leading brands: Arbogapastej, Pastej-köket, Falbygdens Ost and 3-Stjernet.

New CEO and Chief Financial Officer for Sardus

Per Strömberg took up the position as CEO on May 1 from his previous position as President of Kraft Foods in Sweden.

Sven Lindskog joined Sardus as Chief Financial Officer on October 1 from his previous position as Scandinavian economy and finance director at Unilever.

Financing

During November 2006, Sardus refinanced its syndicated loan and reduced it from SEK 1 billion to SEK 700 M. This involves a saving in fixed charges for unutilized loan capacity. Sardus does not believe this will affect its opportunities for financing future acquisitions.

Furthermore Sardus repurchased in November 2006 the greater part of the subordinated loan of SEK 150 M which was due in March 2007. In connection with this a new subordinated loan of SEK 150 M with a 4 years tenor was issued. At year-end the Group has an unutilized credit capacity of SEK 210 M (531).

Development January – December 2006

Sales for the 2006 financial year amounted to SEK 2,135 M (1,934). All business units show strong sales increases compared to previous years, even if the majority of the increase is generated by Sardus Lätta Måltider.

Consolidated profit before tax for 2006 was SEK 37 M (60) and profit after tax was SEK 28 M (43). The decline in profit was in line with the September estimate and is entirely due to the negative development in Sardus Lätta Måltider. Profit in Sardus Chark & Deli and Sardus Foodpartner developed positively, with a very positive trend in the Falbygdens Ost and 3-Stjernet units.

Earnings per share before dilution for the full year were SEK 2.74 (4.25)

Adjustment of profit before tax between the full year 2005 and the full year 2004 (SEK M)

First quarter	+1
Second quarter	-20
Third quarter	-17
Fourth quarter	+14
Change in profit	-23
Of which costs for termination payments and write-offs	+5

Dividend proposal

The Board of Directors proposes a dividend of SEK 1.50 (3.00) per share for the 2006 financial year. The proposal is that about 54 (70) percent of the year's profit after tax be distributed to the shareholders.

Events at group level

New organization

To better meet market demands and take advantage of the synergies between various parts of the Sardus Group, a new organizational structure is being introduced. This involves centralizing responsibility for the supply chain (purchasing, production and logistics), product development, finance and IT to increase productivity and reduce costs. Business units will focus on sales and marketing. An increased investment in skill development for management and other personnel will commence during 2007.

Increased supply chain productivity

Specifically, this involves annual cost reductions of 4 percent across the entire supply chain (purchasing, production and logistics) during the next 3–5 years. The "World-class production" (LIV) project mentioned earlier is an important part of this program. The possibilities of an increasing import of raw material will also be evaluated.

Restructuring of Sardus' delicatessen production

In order to reduce costs, Sardus has specialized and consolidated its production. Ham production in Hultsfred has been moved to the Halmstad unit and sausage production in Halmstad moved to the unit in Borås. The Hultsfred factory was closed during the first quarter of 2006. The rationalization is expected to generate annual savings of SEK 5–7 M.

In addition, all liver paste production has been moved to the main liver paste production plant in Tranås in conjunction with the closure of AB Carl A Carlson Charkuterier in Arboga in April 2006. Planned savings are estimated to be SEK 3–4 M during 2007. During 2005 just over SEK 20 M was invested in Pastejkköket Produktion AB in Tranås, increasing production capacity at the plant. The Group's entire production of liver paste is now covered by the Tranås factory.

Acquisition of Peigs Sandwich Bar (Peigs)

In early April 2006 the acquisition of all shares in Peigs in Halmstad was concluded, in accordance with a principle agreement from early February 2006. Peigs produces sandwiches and salads and is part of the business unit Sardus Lätta Måltider.

Business unit development

Sardus Chark & Deli

Sales for the year were SEK 815 M (800), with operating profit increasing to SEK 60 M (49). The sales trend was characterized by a slight decline in sales of products for house brands, which was more than compensated by volume growth in Sardus brands. The business unit concluded the year with a very strong fourth quarter, in which sales of sliced sandwich toppings in wallet packaging achieved record levels. Sales of liver paste products showed strong growth while market share was taken in traditional home-cooking product categories. The release of spreadable liver paste in tubes attracted a great deal of attention and has helped increase general consumer interest in Sardus liver paste products.

A variety of structural measures to restore the unit's competitiveness has resulted in positive effects being clearly evident in product margins during 2006.

3-Stjernet

Sales for 2006 increased by 6 percent to SEK 319 M (302), with operating profit of SEK 42 M (32). Sales on the domestic market have increased as a result of an expansion in the range of sliced products. The year closed with very successful Christmas sales. The major investments made during 2005 have resulted in reduced production costs which in combination with volume increases generated the significant profit improvement.

Falbygdens Ost

Sales for 2006 amounted to SEK 464 M (451). Operating profit totaled SEK 22 M (13). The strong profit increase has primarily been generated by increased sales of imported dessert cheese and significant cost reductions.

Sardus Foodpartner – Catering

Sales for the year increased by 7 percent to SEK 215 M (201). Operating profit was SEK 13 M (14). There is a continuing positive trend in the underlying business, with the weakening due to a reallocation of corporate costs. The volume increase and cost savings from the merger of the Gourmet Service organization with Sardus Foodpartner have more than compensated for the lower margins caused by higher raw material prices, which can only partially be compensated by price increases.

Sardus Lätta Måltider

Sales for the year increased by 68 percent, or 33 percent excluding the Peigs acquisition, to SEK 367 M (218). Operating profit was SEK -42 M (0).

The business unit has during 2006 been in a development phase with strong growth. Following the acquisition of Peigs, production and distribution were reorganized during the second quarter. Prioritization of delivery assurance during this period combined with rapid growth has led to an unsustainable cost level. Forceful measures are being implemented to address the high cost structure and will start having a noticeable effect during 2007.

Financing and liquidity

The Group had cash and cash equivalents of SEK 55 M (84) at December 31, 2006. Cash flow from operating activities during the year amounted to SEK 25 M (134). Net financial items amounted to SEK -45 (-37).

Investments

The Group's total investments for the year were SEK 64 M (101).

Number of shares outstanding

Employee share options were exercised during the period and 9,375 new shares have been issued. The number of outstanding shares is now 10,107,875.

Accounting of Peigs acquisition

Peigs is consolidated in the Sardus Group from April 1, 2006. The cost, after deduction of purchase price repayment as a result of the loss guarantee provided by the seller, amounts to SEK 0 M. Acquired net assets amounted to SEK 0 M on acquisition date. The acquisition analysis identified intangible assets of SEK 13 M in the form of customer relationships and deferred income tax liabilities of SEK 4 M. Adjustment of other net assets to fair value amounts to SEK -2 M. The fair value of acquired identifiable net assets exceeds acquisition value by SEK 7 M and the surplus has been taken up as income under Other operating income. Information on Peig's net profit after acquisition is difficult to estimate as the business has been integrated in the existing business.

Parent company

The Parent Company's operations primarily involve Central Group administration. Net sales amounted to SEK 27 M. Profit after net financial items was SEK 0 M. Cash and cash equivalents was SEK 53 M (68) and borrowing was SEK 713 M (703).

The Swedish Financial Accounting Standards Council has, for fiscal reasons, agreed to exceptions from the requirement that public parent companies must present financial derivatives at market value in their Annual Accounts as per changes to recommendation RR32 "Account-

ing for legal entities" issued in December 2006. The company has made reference to those exception rules and refrained from presenting financial derivatives at market value in the accounts of the parent company.

Accounting policies

This interim report for the Group was prepared in accordance with IAS 34, Interim Financial Reporting and the recommendations of the Swedish Financial Accounting Standards Council RR31, Interim Financial Reporting for Groups. From January 1, 2006, the accounting policies for reporting sales-related activity costs have been changed. The new policies have been introduced retroactively with translation of figures for the comparison year. For the 2005 financial year the policy change has meant a decrease in net sales and sales costs of SEK 83 M. The policy change has no effect on profit after tax or equity. Accounting policies for the Group are otherwise unchanged from those applied in 2005.

Helsingborg, January 31, 2007

AB Sardus (publ.)
Board of Directors

This Interim Report has been subject to review by the Company's auditors.

Further information:

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CFO Sven Lindskog, mobile +46 70 335 52 45

Earnings per share

	Fourth quarter		12 months	
	2006	2005	2006	2005
Number of shares (million)	10.1	10.1	10.1	10.1
Number of shares after dilution (million)	10.1	10.2	10.1	10.2
Earnings per share, SEK	1.18	0.20	2.74	4.25
Ditto after dilution	1.17	0.20	2.73	4.21

Consolidated balance sheet

SEK M	31 Dec 2006	31 Dec 2005
Assets		
Intangible assets	426	431
Property, plant and equipment	501	513
Financial assets	1	3
Non-current assets	928	947
Inventories	236	223
Receivables	280	231
Cash and cash equivalents	55	84
Current assets	571	538
Total assets	1,499	1,485
Equity and liabilities		
Equity	374	378
Subordinated loan	259	249
Non-current interest-bearing liabilities	503	483
Other non-current liabilities	89	101
Current interest-bearing liabilities	7	6
Other current liabilities	267	268
Total equity and liabilities	1,499	1,485

Change in equity

SEK M	31 Dec 2006	31 Dec 2005
Opening equity according to adopted balance sheet	378	324
Effect of change in accounting policies	—	25
Adjusted opening balance	378	349
Translation differences	–10	8
Change in hedging reserve	7	1
Total change in assets charged directly to equity, excl. transactions with Company owners	–3	9
Profit for the year	28	43
Total change in assets, excl. transactions with Company owners	25	52
Dividends	–30	–50
Sale of Sardus-owned shares and new share issue	1	27
Closing equity	374	378

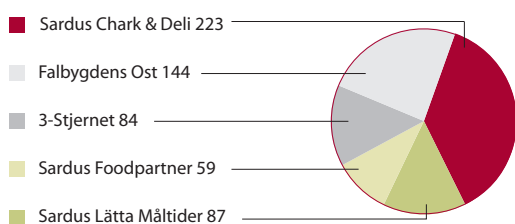
Net sales by business unit

SEK M	Fourth quarter		12 months	
	2006	2005	2006	2005
Sardus Chark & Deli	223	202	815	800
Sardus Lätta Måltider	87	58	367	218
Sardus Foodpartner	59	54	215	201
3-Stjernet	84	79	319	302
Falbygdens Ost	144	145	464	451
Central Group	–15	–12	–45	–38
Group	582	526	2,135	1,934

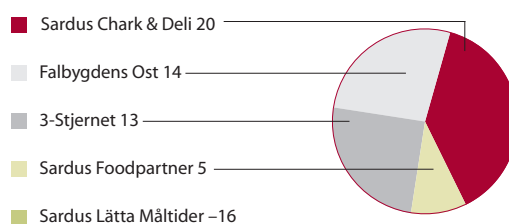
Operating profit by business unit

SEK M	Fourth quarter		12 months	
	2006	2005	2006	2005
Sardus Chark & Deli	20	6	60	49
Sardus Lätta Måltider	–16	–5	–42	—
Sardus Foodpartner	5	3	13	14
3-Stjernet	13	9	42	32
Falbygdens Ost	14	10	22	13
Central Group	–9	–11	–13	–11
Group	27	12	82	97

NET SALES BY BUSINESS UNIT, SEK M



OPERATING PROFIT BY BUSINESS UNIT, SEK M



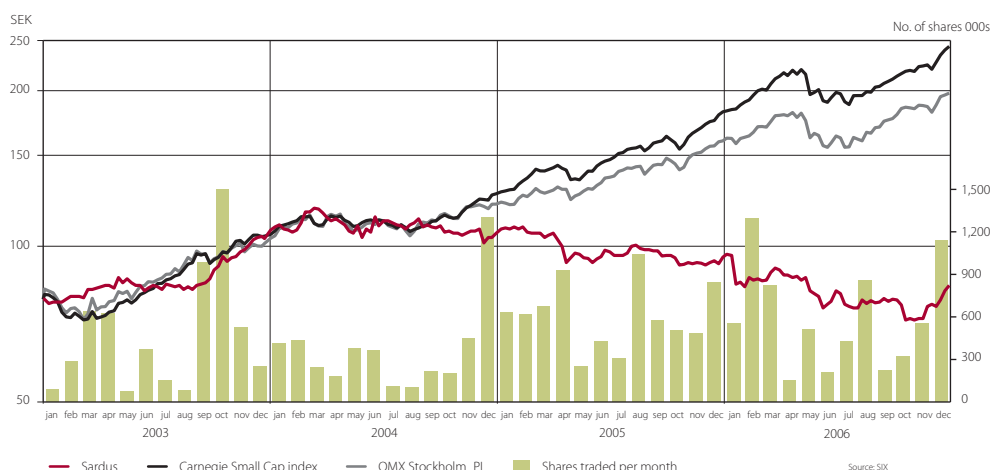
Cash flow statement

SEK M	12 months	
	2006	2005
Profit before tax	37	60
Depreciation/amortization and impairment	77	78
Other non-cash transactions	2	-3
Tax paid	-28	-19
Change in working capital	-63	18
Cash flow from operating activities	25	134
Investments in non-current assets	-64	-101
Sale of non-current assets	5	5
Acquisition of subsidiaries	-6	-59
Loans raised/amortizations	40	77
Dividends	-30	-50
New share issue	1	7
Change in cash and cash equivalents	-29	13
Opening cash and cash equivalents	84	71
Closing cash and cash equivalents	55	84

Key figures

SEK M	Fourth quarter		12 months	
	2006	2005	2006	2005
Sales, SEK M	582	526	2,135	1,934
Operating profit, SEK M	27	12	82	97
Operating margin, %	4.6	2.3	3.8	5.0
Average operating capital, SEK M	1,097	1,054	1,060	979
Return on operating capital, %	9.8	4.6	7.7	9.9
Average equity, SEK M	369	376	376	366
Return on equity, %	13.0	2.1	7.4	11.8
Equity ratio, %	25	26	25	26
Debt/equity ratio, times	1.9	1.7	1.9	1.7
Interest cover, times	2.7	1.3	1.8	2.6
Number of outstanding shares (million)	10.1	10.1	10.1	10.1
Number of Sardus-owned shares (million)	0.0	0.0	0.0	0.0
Average number of Sardus-owned shares (million)	0.0	0.0	0.0	0.0
Average number of shares (million)	10.1	10.1	10.1	10.1
Number of shares after dilution (million)	10.1	10.2	10.1	10.2
Earnings per share, SEK	1.18	0.20	2.74	4.25
Ditto after dilution	1.17	0.20	2.73	4.21
Net worth per share	37.0	37.6	37.0	37.6
Gross capital expenditure, excl. acquisitions, SEK M	19	26	64	101
Depreciation/amortization of non-current assets, SEK M	16	16	64	61
Amortization of intangible assets, SEK M	3	2	11	9
Number of employees	1,044	954	1,044	954

Sardus' share price trend, January 2003 – December 2006



Sardus is one of Sweden's leading producers of sandwich toppings and suppliers of frozen foods for catering and commercial kitchens. The products are marketed under strong, well-known brands.

Sardus Chark & Deli – the name of the new business unit subsequent to the merger of Pastejköket and Charkdelikatesser. Sardus Chark & Deli is the largest player in its segment with well-known products such as Arboga liver paste, Lönneberga ham, Onsala sausage, Norrboda sausage, Charkdelikatesser, Gea's black pudding, Eliassons smoked pork and Pastejköket. Sardus Chark & Deli is market leader in liver paste, smoked sausage toppings, jellied veal, course-ground smoked sausage and black pudding.

Sardus Lätta Måltider is a new business unit that focuses on "the short customer cycle". Our goal is to offer a broad range of light meals and accompaniments to the supermarket trade, local stores and service stations.

Sardus Foodpartner is one of the leading suppliers of frozen foods to the catering market.

Gourmet Service produces sandwich salads, sauces, salad dressings as well as salmon and shellfish pâtés. Sardus Foodpartner was established in 1984.

3-Stjernet is one of Denmark's leading producers of meat-based sandwich toppings products, such as salami. Exports account for some 30 percent of operations. The company was established in 1950.

Falbygdens Ost is a leading cheese producer in Sweden. The company specializes in high-quality, extra-matured cheese sold under well-established brands, such as Morfars Brännvinsost, St. Olofs Herrgårds, Birger Jarl and "1878". The company was founded in 1878.

This Interim Report has been subject to review by the Company's auditors.

Financial information 2007

The annual report is expected to be published in the week commencing March 26, 2007 and will be available from the Sardus head office.

April 17, 2007	Annual General Meeting
April 24, 2007	Interim Report Quarter 1
July 17, 2007	Interim Report Quarter 2
October 18, 2007	Interim Report Quarter 3

Sardus

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