

Sardus Interim Report

January–June 2006

the light meal



AB Sardus (publ.)

Corporate Identity Number 556131-6711. Listed on the A List of the Stockholm Stock Exchange

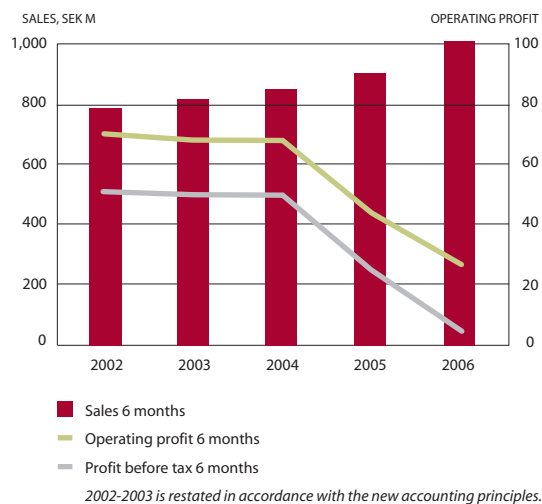
Interim Report January – June 2006

- Net sales increased by 11 % to SEK 1,003 M (906)
- Profit before tax was SEK 5 M (25)
- Profit after tax totaled SEK 4 M (18)
- Earnings per share before dilution were SEK 0.44 (1.75)
- Acquisition of sandwich manufacturer Peigs was finalized in April
- Adjusted full-year forecast: Profit before tax for 2006 is expected to be in line with the previous year including impairment losses and termination payments, i.e. SEK 60 M
- The entire decline compared to the previous year is related to high start up costs in the new business Sardus Lätta Måltider

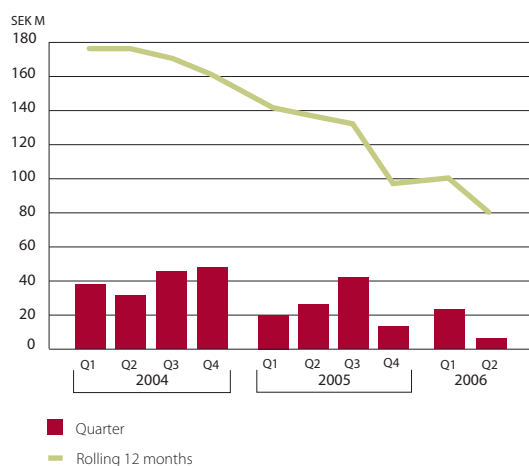
CONSOLIDATED INCOME STATEMENT

SEK M	Second quarter		6 months		Rolling 12 months	2005 full year
	2006	2005	2006	2005		
Net sales	530	472	1,003	906	2,035	1,938
Cost of goods sold	-433	-364	-808	-700	-1,598	-1,490
Gross profit	97	108	195	206	437	448
Other operating income	4	4	5	5	7	7
Selling expenses	-63	-61	-115	-118	-249	-252
Administrative costs	-33	-26	-58	-49	-115	-106
Operating profit	5	25	27	44	80	97
Net financial items	-11	-10	-22	-19	-40	-37
Profit before tax	-6	15	5	25	40	60
Tax expense	1	-4	-1	-7	-11	-17
Net profit	-5	11	4	18	29	43

SALES, OPERATING PROFIT AND PROFIT BEFORE TAX



OPERATING PROFIT



Development, second quarter 2006

Sales

Sales for the second quarter amounted to SEK 530 M (472). The 12 percent increase over the equivalent period the previous year is primarily due to Sardus Lätta Måltider's sales increase of some SEK 49 M, and sales increases in 3-Stjernet and Falbygdens Ost.

Profit development

Consolidated profit before tax for the second quarter amounted to SEK –6 M (15) and profit after tax was SEK –5 M (11).

The profit decline is related to the new business unit Sardus Lätta Måltider. Sardus Lätta Måltider is currently in a strong development phase and distribution costs in particular have been higher than planned. Integration of the recently acquired sandwich manufacturer Peigs has incurred high costs during the period. A strong action program is underway to address the high cost structure and involves measures such as greater distribution supervision and new contract terms with trade. Future confidence in this business unit continues to be strong as it involves a strongly growing product sector in which Sardus Lätta Måltider currently holds a market leadership position.

Low-price competition within Sardus Chark & Deli's product sector remains intense and the operation's product mix remains unprofitable. To restore long-term competitiveness, a range of restructuring activities has been implemented including factory closures in Hultsfred and Arboga. Positive effects are expected to start emerging during autumn 2006.

Increased sales in the 3-Stjernet and Falbygdens Ost business units have brought profit improvements, while Sardus Foodpartner reports a lower profit level for the second quarter compared to the same period the previous year.

Earnings per share before dilution during the second quarter were SEK –0.43 (1.06).

Acquisition of Peigs Sandwich Bar (Peigs)

In early April 2006, the acquisition of all shares in Peigs in Halmstad was completed in accordance with an agreement in principle from the beginning of February 2006. Peigs produces sandwiches and salads which are sold in supermarkets and service stations, with a focus on southern Sweden, and is part of the Sardus Lätta Måltider business unit. The seller is the Fazer Group. Peigs has sales of approximately SEK 140 M and around 100 employees. Following the acquisition, Sardus Lätta Måltider will have sales of just under SEK 400 M and some 300 employees.

New Sardus President

Per Strömberg has succeeded Ragnar Bringert as President from May 1, 2006. Per Strömberg, 42, was previously President of Kraft Foods in Sweden.

Per Strömberg has, in conjunction with the Board of Directors, commenced a broad overview of the company's strategy which is expected to be ready for implementation during autumn 2006.

New Chief Financial Officer for Sardus

Sven Lindskog, 42, has been appointed new Chief Financial Officer. His previous position was director of economy and finance, Scandinavia, at Unilever. Sven Lindskog succeeds

Henrik Ljung who leaves Sardus during autumn 2006 to take up the position of finance and economy director at Ballingslöv.

Market

The food industry is in a state of change. Trade has become globalized and new low-price chains have been established in Sweden and Denmark. This has brought price into focus. Continued growth is also evident for house brands. This requires structural measures in the supply chain to reduce production, sales and administration costs.

The convenience goods trade in Sweden reported increased sales for the full year of 2.0 % and a volume increase of 2.5 %, which represents a price decline of approx. 0.5 %. The Swedish delicatessen market was stable during 2005.

The Danish market for meat-based sandwich toppings was stable during 2005 with an increase in sales volume of 1 % and in retail value of 3 % compared with the previous year.

Continued rationalization

Sardus has taken, and is continuing to take, a range of steps to adapt its structure to prevailing market conditions. The merger of Pastejköket and Charkdelikatesser to form Sardus Chark & Deli was implemented during 2005. Further rationalization and specialization is required to reduce production costs. This has resulted in closure of the production units in Hultsfred and Arboga during the first and second quarters 2006 respectively.

A basis has thereby been created for ongoing cost reductions in the future. An intensified effort to decrease costs will become a key part of the future strategy now being developed.

Ongoing growth strategy

The acquisition of Peigs, Allt Smörgås, Smörgåsfabriken, Odenmackan and Gourmet Service is part of Sardus' growth strategy, which involves expansion in the segments for sandwich-related products and light meals. In an increasingly tough competitive environment, light meals are part of Sardus' focus on organic growth with the potential to use ingredients from other Sardus units. Moreover, the success achieved with various low-fat and organic products along with new packaging concepts supports our confidence in future potential. Work is continuing with a number of product concepts that will reach the market in 2006 and 2007. Sliced sandwich toppings in foldable or 'wallet' packaging were introduced in 2004/2005 and the current launch of liver paste in tubes are both examples of new packaging concepts.

Development January – June 2006

Sales for the first half year totaled SEK 1,003 M (906). The increase over the equivalent period the previous year is primarily due to Sardus Lätta Måltider's sales increase of SEK 70 M, and sales increases in 3-Stjernet and Falbygdens Ost.

Consolidated profit before tax for the first half year amounted to SEK 5 M (25) and profit after tax was SEK 4 M (18). Most of the profit decline is represented by Sardus Lätta Måltider.

Earnings per share before dilution for the first half year were SEK 0.44 (1.75).

Outlook for 2006

Against a background of higher costs during a development phase for Sardus Lätta Måltider and the units profit development during the first half year, profit before tax is considered to be in line with the previous year. Profit for 2005 was SEK 60 M including costs related to depreciation/amortization and provisions for termination payments to the President (SEK 16 M). Previous forecasts indicated that profit before tax was expected to be better than the previous year unaffected by provisions for termination payments and impairment losses, i.e. SEK 76 M.

Events at a group level

Restructuring of Sardus' delicatessen production

In order to reduce costs, Sardus is further specializing its production. This has involved moving ham production in Hultsfred to the Halmstad unit and sausage production in Halmstad to the unit in Borås. The Hultsfred factory was closed during the first quarter of 2006. This rationalization is expected to result in annual savings of SEK 5–7 M.

In January 2006, plans were also announced to consolidate all liver paste production to the main liver paste production plant in Tranås. This resulted in the closure, in April 2006, of operations at AB Carl A Carlson Charkuterier in Arboga with 15 employees. Planned savings are estimated at SEK 3–4 M during 2007. During 2005 close to SEK 20 M was invested in Patejkköket Produktion AB in Tranås, which has increased production capacity at the factory. This means the Group's entire production of liver paste is now located in the Tranås factory.

Business unit development

Sardus Chark & Deli

Sales for the first half year amounted to SEK 390 M (392), with operating profit totaling SEK 20 M (24). A changed product mix, increased price competition and increased private label sales have affected profit development.

The new type of sliced packaging, 'Wallet packaging', has shown positive development during the first half year. Following restructuring of delicatessen production, further cost reductions of SEK 5–7 M are anticipated. The combined effect for 2006 is estimated to be approximately SEK 15 M.

At the end of the quarter, the launch of a new type of liver paste packaging commenced. The new tube packaging for spreadable liver paste has had a positive reception to date and is expected to increase sales of liver paste products.

3-Stjernet

Sales for the first half year increased by 8 % to SEK 154 M (143), with operating profit of SEK 17 M (12). Most of the profit improvement is due to increased sales on the domestic market during the first half year.

Sardus Foodpartner – Catering

Sales for the first half year amounted to SEK 103 M (98), with operating profit totaling SEK 4 M (7). The somewhat lower profit for Sardus Foodpartner is related to decreased margins caused

by higher raw material prices. Profit during the period includes an impairment loss of SEK 1 M.

Falbygdens Ost

Sales for the first half year increased by 8 % to SEK 211 M (196). Operating profit was SEK 4 M (–2). The profit improvement is largely due to increased sales primarily of matured branded cheese and dessert cheese.

Sardus Lätta Måltider

Sales for the first half year increased by SEK 70 M to SEK 164 M (94), with an operating loss of SEK –14 M (3). The business unit has shown strong sales growth during the first half year and is currently in a strong growth and development phase. The recently launched Allerto sandwich range has developed well. The business unit has shown negative profit development during the first half year due primarily to higher distribution and raw material costs. The merger with newly-acquired sandwich manufacture Peigs has also been costly. Measures are underway to address the high cost structure.

Financing and liquidity

The Group had cash and cash equivalents of SEK 45 M (38) at June 31, 2006. In addition, an unutilized credit margin of SEK 501 M (224) is available. Cash flow from ongoing operations amounted to SEK –6 M (30) during the first six months. Net financial items amounted to SEK –22 M (–19).

Investments

The Group's total investments for the quarter amounted to SEK 33 M (50).

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 thus amounts to 10,107,875.

Accounting of Peigs acquisition

Peigs is consolidated in the Sardus Group from April 1, 2006. The anticipated cost, after deduction of purchase price repayment as a result of the loss guarantee provided by the seller, amounts to SEK 4 M. Acquired net assets amounted to SEK 0 M on acquisition date. In a preliminary acquisition analysis, intangible assets of approximately SEK 13 M have been identified 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 3 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 operation has been integrated in the existing operation.

Parent company

The parent company's operations primarily involve Central Group administration. Net sales were SEK 12 M (6). Profit after

net financial items was SEK –13 M (–2). Cash and cash equivalents amounted to SEK 30 M (68 at the beginning of the year) and borrowing was SEK 703 M (703 at the beginning of the year).

Changed accounting policies in the Parent Company

From January 1, 2006, the rules of the Annual Accounts Act, Chapter 4 Sections 14 a-e, on valuation of specific financial instruments to fair value along with hedge accounting have been applied. This has involved a change in accounting policy. The change primarily involves all derivatives been recognized at fair value in the balance sheet and profit and loss statement with regard to liabilities and derivatives in foreign currencies that have been taken out with the intention of protecting against currency exposure in subsidiaries. The effect is insignificant.

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 RR

31, 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 first half year 2005 the policy change has meant a decline in net sales and sales costs of SEK 38 M. An equivalent adjustment has been made of SEK 79 M for the full year 2005. 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, July 18, 2006

AB Sardus (publ.)
Board of Directors

Further information is available from President Per Strömberg, phone +46 70 385 11 91

Earnings per share

SEK M	2nd quarter		6 months		Rolling 12 months	2005 Full year
	2006	2005	2006	2005		
Number of shares (million)	10.1	10.0	10.1	10.0	10.1	10.1
Number of shares after dilution (million)	10.1	10.2	10.1	10.2	10.1	10.2
Earnings per share (SEK)	–0.43	1.06	0.44	1.75	2.94	4.25
Ditto after dilution	–0.43	1.04	0.44	1.73	2.92	4.21

Consolidated balance sheet

SEK M	June 30, 2006	Dec. 31, 2005	June 30, 2005
Assets			
Intangible assets	436	431	422
Property, plant and equipment	509	513	508
Financial assets	2	3	5
Non-current assets	947	947	935
Inventories	236	223	242
Receivables	280	231	229
Cash and cash equivalents	45	84	38
Current assets	561	538	509
Total assets	1,508	1,485	1,444
Equity and liabilities			
Equity	356	378	350
Subordinated loan	249	249	150
Non-current interest-bearing liabilities	514	483	596
Other non-current liabilities	107	101	97
Current interest-bearing liabilities	5	6	—
Other current liabilities	277	268	251
Total equity and liabilities	1,508	1,485	1,444

Change in equity

SEK M	June 30, 2006	Dec. 31, 2005	June 30, 2005
Opening equity per adopted balance sheet	378	324	324
Effect of change in accounting policies	—	25	25
Adjusted opening balance	378	349	349
Translation differences	–4	8	8
Change in hedging reserve	7	1	–2
Total change in assets recognized in equity excluding transactions with Company owners	3	9	6
Net profit for the period	4	43	18
Total change in assets excluding transactions with Company owners	7	52	24
Dividends	–30	–50	–50
Sale of own shares and share issues	1	27	27
Closing equity	356	378	350

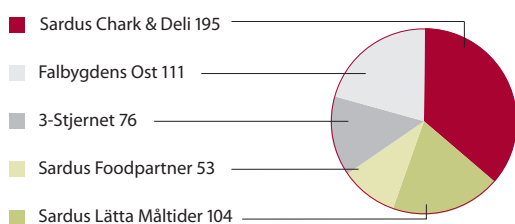
Net sales by business unit

SEK M	2nd quarter		6 months		Rolling 12 months	2005 Full year
	2006	2005	2006	2005		
Sardus Chark & Deli	195	197	390	392	802	804
Sardus Lätta Måltider	104	55	164	94	288	218
Sardus Foodpartner	53	49	103	98	206	201
3-Stjernet	76	75	154	143	313	302
Falbygdens Ost	111	104	211	196	466	451
Central Group	–9	–8	–19	–17	–40	–38
Group	530	472	1,003	906	2,035	1,938

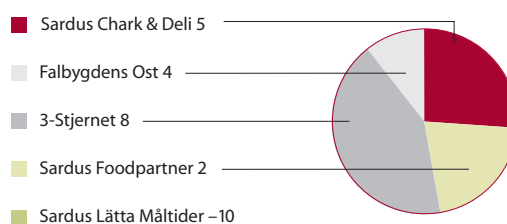
Operating profit by business unit

SEK M	2nd quarter		6 months		Rolling 12 months	2005 Full year
	2006	2005	2006	2005		
Sardus Chark & Deli	5	9	20	24	45	49
Sardus Lätta Måltider	–10	4	–14	3	–17	—
Sardus Foodpartner	2	4	4	7	11	14
3-Stjernet	8	8	17	12	37	32
Falbygdens Ost	4	—	4	–2	19	13
Central Group	–4	—	–4	—	–15	–11
Group	5	25	27	44	80	97

NET SALES BY BUSINESS UNIT, SEK M



OPERATING PROFIT BY BUSINESS UNIT, SEK M



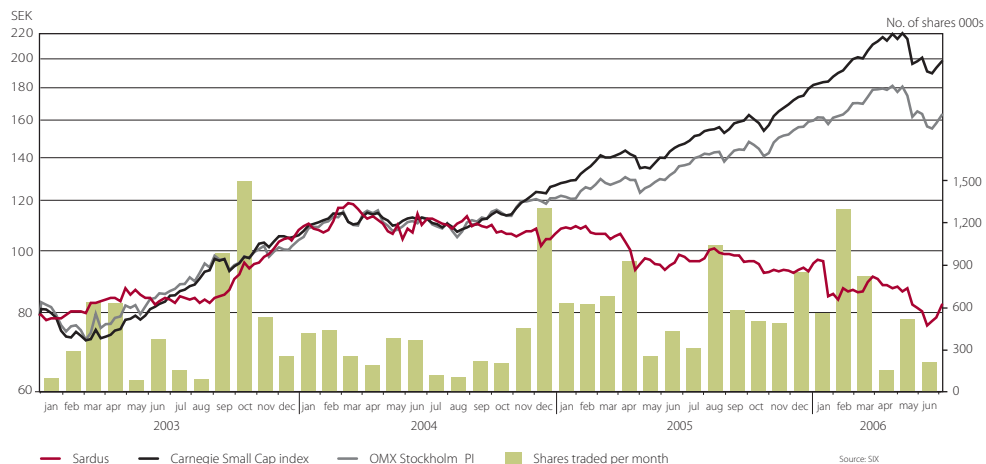
Cash flow statement

SEK M	6 months		2005 Full year
	2006	2005	
Profit before tax	5	25	60
Depreciation/amortization and impairment	39	34	78
Tax paid	-23	-19	-19
Other non-cash transactions	2	-2	-3
Change in working capital	-29	-8	18
Cash flow from operating activities	-6	30	134
Investments in non-current assets	-33	-50	-101
Sale of non-current assets	1	2	5
Acquisition of subsidiaries	-6	-57	-59
Loans raised/amortizations	34	85	77
Dividends	-30	-50	-50
Share issue	1	7	7
Change in cash and cash equivalents	-39	-33	13
Opening cash and cash equivalents	84	71	71
Closing cash and cash equivalents	45	38	84

Key figures

	2nd quarter		6 months		Rolling 12 months	2005 Full year
	2006	2005	2006	2005		
Sales, SEK M	530	472	1,003	906	2,035	1,938
Operating profit, SEK M	5	25	27	44	80	97
Operating margin, %	0.9	5.3	2.7	4.9	3.9	5.0
Average operating capital, SEK M	1,077	1,052	1,056	993	1,069	979
Return on operating capital, %	1.9	9.5	5.1	8.9	7.5	9.9
Average equity, SEK M	374	368	367	352	353	366
Return on equity, %	-5.4	12.0	2.2	10.2	8.2	11.8
Equity ratio, %	24	24	24	24	24	26
Debt/equity ratio, times	2.0	2.0	2.0	2.0	2.0	1.7
Interest cover, times	0.5	2.5	1.2	2.3	2.0	2.6
Number of outstanding shares (million)	10.1	10.1	10.1	10.1	10.1	10.1
Number of Sardus-owned shares (million)	0.0	0.0	0.0	0.0	0.0	0.0
Average number of Sardus-owned shares (million)	0.0	0.0	0.0	0.0	0.0	0.0
Average number of shares (million)	10.1	10.0	10.1	10.0	10.1	10.1
Number of shares after dilution (million)	10.1	10.2	10.1	10.2	10.1	10.2
Earnings per share, SEK	-0.43	1.06	0.44	1.75	2.94	4.25
Ditto after dilution	-0.43	1.04	0.44	1.73	2.92	4.21
Net worth per share	35.3	34.7	35.3	34.7	35.3	37.6
Gross capital expenditure, excl. acquisitions, SEK M	23	27	33	50	84	101
Depreciation/amortization of non-current assets, SEK M	17	14	32	29	64	61
Amortization of intangible assets, SEK M	3	3	5	5	9	9
Number of employees	948	833	948	833	948	954

Sardus's share price trend, January 2003 – June 2006



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

Sardus Chark & Deli – the name of the new business unit following the merger of Pastejköket and Charkdelikatesser. Sardus Chark & Deli is the largest operator in its segment with such well-known products 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 newly-started business unit that focuses on the "short customer cycle". Our aim is to offer a broad range of light, ready-to-eat meals and accompaniments to the convenience goods 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 and 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% of operations. The company was established in 1950.

Falbygdens Ost is a leading cheese processor 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 is unaudited.

Financial information 2006/2007

October 18, 2006
31 January, 2007

Interim Report Quarter 3
Year-end Report 2006

Sardus

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