

Press release

Sardus Interim Report for January–September 2004

Stable earnings trend in Sweden Full-year forecast remains unchanged

During the first nine months of the year, Sardus, which is listed on the “A” list of the Stockholm Stock Exchange, had a turnover of MSEK 1,300 (1,264) – an increase of 3 per cent over the corresponding period in the preceding year. The increase in sales is largely attributable to Gourmet Service, which was acquired in October 2003 and contributed MSEK 64 to the sales increase. Pre-tax profit for the first nine months of the year amounted to MSEK 60 (70), and profit after tax was MSEK 39 (46).

The weaker earnings are attributable to the poorer trend of sales and earnings reported by the Danish unit, 3-Stjernet, as a result of reduced export sales and stiffer competition in its domestic market, mainly from foreign low-price players.

The trends in the Swedish units remained stable with sales and earnings in most units on a par with the preceding year.

“We expect to meet the earnings forecast from February – that is, a full-year profit of MSEK 110, on a par with the preceding year, will be achieved despite the increased competition for 3-Stjernet. However, we noted a favourable trend within our Danish subsidiary toward the end of the nine-month period. Several of our subsidiaries achieve their best sales during the fourth quarter. Accordingly, there are favourable possibilities of achieving the forecast,” says Ragnar Bringert, Managing Director of Sardus.

Helsingborg, 21 October 2004

AB SARDUS (publ)
Ragnar Bringert
Managing Director

Further details may be obtained from the Managing Director, Ragnar Bringert, at +46 (0)42 37 02 50 or +46 (0)70 593 62 73.

AB Sardus (publ.)

Corp. Reg. No. 556131-6711

Listed on the "A" list of the Stockholm Stock Exchange

Interim Report for January–September 2004

- **Turnover increased by 3 per cent to MSEK 1,300 (1,264)**
- **Pre-tax profit amounted to MSEK 60 (70)**
- **Profit after tax amounted to MSEK 39 (46)**
- **Earnings per share amounted to SEK 3.99 (4.75)**
- **Unchanged forecast for the financial year as a whole: earnings on a par with 2003 (MSEK 110)**

Trend during the third quarter

Turnover for the third quarter amounted to MSEK 448 (446), to which Gourmet Service, which was acquired in October 2003, contributed MSEK 20. Sardus' pre-tax profit for the third quarter amounted to MSEK 26 (34) and the profit after tax was MSEK 17 (23). The trends for comparable Swedish units were stable with slightly lower sales but earnings that were on a par with the third quarter of the preceding year. The Danish unit, 3-Stjernet, again reported weaker sales and earnings for the third quarter. 3-Stjernet's situation improved, however, during the latter part of the quarter.

Earnings in January–September 2004

Turnover for the first nine months of the year amounted to MSEK 1,300 (1,264), an increase of 3 per cent. The increase in sales is largely attributable to Gourmet Service, which was acquired in October 2003 and contributed MSEK 64 to the sales increase. Sardus' pre-tax profit for the first nine months of the year amounted to MSEK 60 (70) and the profit after tax was MSEK 39 (46). Earnings per share amounted to SEK 3.99 (4.75).

The weaker earnings are attributable to the poorer trend of sales and earnings reported by the Danish unit, 3-Stjernet, due to reduced export sales and stiffer competition in its domestic market, mainly from foreign low-price players.

The trends of comparable Swedish units remained stable with sales and earnings on a par with last year. The establishment of several low-price outlets was noted during the period, as was an increase in private-label business.

During the period, active media campaigns were carried out, mainly within the Pastejköket and Charkdelikatesser business units.

The total amortisation of goodwill during the period amounted to MSEK 25 (21) and net financial costs were MSEK 28 (27).

Strategic ventures

New consumption patterns are evolving in Sardus' product areas, and operating practices in the retail trade are also changing. As part of our long-term strategic plan, we are currently taking measures in both product development and production that are focused on new product ranges for specific target groups. Steps are being taken to specialise the production structure in certain segments.

Business units

Pastejköket

Turnover for the first nine months of the year amounted to MSEK 317 (324), and the operating profit was MSEK 41 (41). Price competition and increased private-label business have affected sales. The Norrboda and Onsala ranges were successful during the period. Media activities such as TV advertising campaigns were run during the nine-month period. Rationalisation measures were taken to lower the cost base and these resulted in a reduction of staffing levels by about 10 full time positions during the period.

Charkdelikatesser

Turnover for the first nine months of the year amounted to MSEK 354 (356) and the operating profit was MSEK 25 (26). Declining sales of sliced sandwich toppings and whole products for manual delicatessen counter service under the Charkdelikatesser brand name were noted during the period. The share of production for the private-label market increased. During the quarter, media campaigns were carried out, mainly to promote *Tunna Skivor* (thin-sliced toppings) in double packs (2 x 75 grams). Following investments to improve efficiency, 12 production workers and two salaried employees were laid off.

3-Stjernet

Turnover for the first nine months of the year amounted to MSEK 204 (225), and the operating profit was MSEK 23, which may be compared with the record level of MSEK 35 for the corresponding period in 2003. The decline in sales and profits is mainly attributable to lower exports to the UK, stiffer competition in the domestic market, mainly in the form of low-price imports from Germany and new private-label products. The situation did improve, however, in the latter part of the third quarter. During the period a decision was made to invest MSEK 34 in the concentration of all slicing and packing lines to one single unit. This project will be carried out in 2004 and 2005.

Sardus Foodpartner – Institutional market

Turnover for the first nine months of the year amounted to MSEK 157 (92) and the operating profit was MSEK 11 (4). Gourmet Service, which was acquired in October 2003, contributed MSEK 64 to the increase in sales and MSEK 4 to the operating profit. Even excluding Gourmet Service, Sardus Foodpartner did well as a result of higher sales. Sales cooperation with Ingelsta Kalkon AB was launched.

Falbygdens Ost

Turnover for the first nine months of the year amounted to MSEK 303 (290). Sales of matured cheeses and dessert cheeses increased. Operating profit amounted to MSEK 2 (6). The slight decline in earnings was due to a growing share of contract packing and measures relating to future expansion. Most of the company's earnings are generated in the fourth quarter.

New marketing ventures – Light Meals

The acquisition of Gourmet Service in October 2003 is part of Sardus' growth strategy, which involved broadening the range of "sandwich-related" products and Light Meals, which are part of Sardus' drive to build up organic growth. It represents the direct and natural enlargement of our basic sandwich-related platform. The success in 2003 of our range of low-fat and organic products and our new packaging concept confirms our belief in future growth potential. We are currently at work on a number of concepts, mainly in the Light Meals segment, that will reach the market in 2004 and 2005.

Liquidity, cash flow and net financial items

The Group's liquid funds amounted to MSEK 32 (43) on 30 September 2004, over and above which the company has unutilised credit facilities of MSEK 323 (337). The period's cash flow from current operations amounted to MSEK 105 (65). Net financial costs amounted to MSEK 28 (27).

Capital expenditure

The Group's total fixed capital expenditure for the first nine months of 2004 amounted to MSEK 38 (48).

Goodwill

The aggregate amortisation of goodwill for the reporting period amounted to MSEK 25 (21). The increase is attributable to the acquisition of Gourmet Service. The strength and estimated life of acquired brand names are reviewed at the time of acquisition and goodwill amortisation rates are adjusted accordingly.

Shares in issue

None of the company's shares were repurchased during the period. The total number of shares repurchased amounts to 197,696. Options held by employees were exercised during the period and 11,500 new shares were issued. The number of shares in issue thus amounted to 9,813,804.

Accounting principles

This interim report is prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The same accounting and valuation principles are used in the interim report as in the latest annual report. As regards the Swedish Financial Accounting Standards Council's recommendation RR29 Employees' Benefits, the Sardus Group has pension commitments that include defined-benefit pension plans encompassing several employers. At present, insufficient information is available from the insurance underwriters to be able to report the commitments in terms of defined-benefit plans. These plans have therefore been stated as if they were defined-contribution plans.

As of 2005, new accounting principles (IFRS) will come into force, and as a result, goodwill amortisation according to plan will not be applied. As previously, however, goodwill items will be reviewed annually. Excluding current goodwill amortisation, pre-tax profit would amount to MSEK 85 (91) and profit after tax to MSEK 61 (64). Earnings per share would amount to SEK 6.26 (6.61).

Expectations for the full-year 2004

A large portion of the year's earnings is generated in the fourth quarter. Given the prevailing price conditions on commodity markets and despite the stiffer competition facing 3-Stjernet, conditions are favorable that earnings in 2004 will be broadly the same as in 2003 (MSEK 110), which means that the forecast published on 12 February 2004 remains unchanged.

Helsingborg, 21 October 2004

AB Sardus (publ.)
Board of Directors

Auditors' report

We have reviewed this interim report in accordance with the recommendations issued by the Swedish Financial Accounting Standards Council. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that would suggest that the interim report does not meet the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Helsingborg, 21 October 2004

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Further details may be obtained from the company's Managing Director, Ragnar Bringert (+46 (0)42 37 02 50 or +46 (0)70 593 62 73).

INTERIM REPORT FOR JANUARY-SEPTEMBER 2004

Consolidated income statement (MSEK)

	July-Sept.		Jan.-Sept.		Rolling	2003
	2004	2003	2004	2003	12 months	full-year
Net turnover	448	446	1 300	1 264	1 796	1 760
Cost of sold products	- 322	- 315	- 932	- 901	- 1 274	- 1 243
Gross operating profit	126	131	368	363	522	517
Selling costs	- 73	- 71	- 222	- 214	- 299	- 291
Administrative costs	- 19	- 19	- 64	- 58	- 94	- 88
Other operating income	2	2	6	6	8	8
Operating profit	36	43	88	97	137	146
Net financial items	- 10	- 9	- 28	- 27	- 37	- 36
Profit before tax	26	34	60	70	100	110
Tax charge	- 9	- 11	- 21	- 24	- 33	- 36
Net profit for the period	17	23	39	46	67	74
<i>Selling costs above include</i>						
<i>amortisation of goodwill amounting to:</i>						
	8	7	25	21	33	29

Earnings per share

	July-Sept.		Jan.-Sept.		Rolling	2003
	2004	2003	2004	2003	12 months	full-year
Number of shares (million)	9,8	9,7	9,8	9,7	9,8	9,8
Number of shares after dilution (million)	10,0	9,9	10,0	9,9	10,0	9,9
Earnings per share, SEK	1,83	2,35	3,99	4,75	6,79	7,55
Ditto, after dilution	1,79	2,32	3,91	4,68	6,65	7,44

Consolidated balance sheet (MSEK)

	30 Sept. 04	31 Dec. 03	30 Sept. 03
Assets			
Intangible fixed assets	317	343	286
Tangible fixed assets	465	473	424
Financial fixed assets	4	5	5
Fixed assets	786	821	715
Inventories	235	215	222
Receivables	198	211	162
Cash and bank	32	78	43
Current assets	465	504	427
Total assets	1 251	1 325	1 142
Equity and liabilities			
Equity	306	315	268
Provisions	93	92	83
Subordinated loan	150	150	100
Interest-bearing liabilities	499	566	513
Other liabilities	203	202	178
Total equity and liabilities	1 251	1 325	1 142

Change in shareholders' equity (MSEK)

	30 Sept. 04	31 Dec. 03	30 Sept. 03
Opening equity	315	299	299
Dividends/share buybacks	- 48	- 54	- 71
Translation differences	-	- 4	- 6
Net profit for the period	39	74	46
Closing equity	306	315	268

Turnover and operating profit by business unit (MSEK)

	July-Sept.		Jan.-Sept.		Rolling	2003
Turnover	2004	2003	2004	2003	12 months	full-year
Pastejkköket	107	110	317	324	437	444
Charkdelikatesser	119	123	354	356	482	484
Sardus Foodpartner	52	33	157	92	211	146
3-Stjernet	74	83	204	225	278	299
Falbygdens Ost	110	105	303	290	435	422
Central Group costs	- 14	- 8	- 35	- 23	- 47	- 35
Group total	448	446	1 300	1 264	1 796	1 760

	July-Sept.		Jan.-Sept.		Rolling	2003
Operating profit	2004	2003	2004	2003	12 months	full-year
Pastejkköket	15	16	41	41	64	64
Charkdelikatesser	10	10	25	26	34	35
Sardus Foodpartner	5	2	11	4	14	7
3-Stjernet	9	15	23	35	31	43
Falbygdens Ost	2	4	2	6	14	18
Central Group costs	- 5	- 4	- 14	- 15	- 20	- 21
Group total	36	43	88	97	137	146

Cash flow statement (MSEK)

	2004	2003	2003
	Jan.-Sept.	Jan.-Sept.	full-year
Pre-tax profit	60	70	110
Depreciation and write-downs	70	58	83
Tax paid	- 22	- 16	- 37
Other items not affecting liquidity	-	4	3
Change in working capital	- 3	- 51	- 55
Cash flow from current operations	105	65	104
Fixed capital expenditure (net)	- 38	- 48	- 70
Sales of fixed assets	2	2	3
Acquisition of subsidiary company	-	-	- 58
Loans raised/amortisations	- 67	51	125
Dividends/share buybacks	- 48	- 71	- 70
Change in liquid funds	- 46	- 1	34
Opening liquid funds	78	44	44
Closing liquid funds	32	43	78

Key figures

	July-Sept.		Jan.-Sept.		Rolling	2003
	2004	2003	2004	2003	12 months	full-year
Turnover, MSEK	448	446	1 300	1 264	1 796	1 760
Operating profit before amortisation of goodwill, MSEK	44	50	113	118	170	175
Operating margin before amortisation of goodwill, %	9,8	11,2	8,7	9,3	9,5	9,9
Operating profit, MSEK	36	43	88	97	137	146
Operating margin, %	8,0	9,6	6,8	7,7	7,6	8,3
Average operative capital, MSEK	917	847	939	829	881	888
Return on operative capital, %	15,7	20,3	12,5	15,6	15,6	16,4
Average equity, MSEK	298	260	311	284	287	307
Return on equity, %	22,9	35,4	16,7	21,6	23,3	24,1
Equity ratio, %	24	23	24	23	24	24
Debt-equity ratio, times	2,0	2,1	2,0	2,1	2,0	2,0
Interest cover, times	3,6	4,8	3,1	3,6	3,7	4,0
Number of shares outstanding (million)	9,8	9,6	9,8	9,6	9,8	9,8
Number of Sardus shares (million)	0,2	0,4	0,2	0,4	0,2	0,2
Number of Sardus shares of average (million)	0,2	0,2	0,2	0,2	0,2	0,2
Number of shares of average (million)	9,8	9,7	9,8	9,7	9,8	9,8
Number of shares after dilution (million)	10,0	9,9	10,0	9,9	10,0	9,9
Earnings per share, SEK	1,83	2,35	3,99	4,75	6,79	7,55
Ditto after full dilution, SEK	1,79	2,32	3,91	4,68	6,65	7,44
Net worth per share	31,2	27,9	31,2	27,9	31,2	32,2
Gross capital expenditure, excl. acquisitions, MSEK	9	6	38	48	59	69
Amortisation of fixed assets, MSEK	14	12	42	37	55	50
Amortisation of intangible fixed assets, MSEK	10	7	28	21	39	32
Number of employees	758	734	758	734	758	754

This interim was reviewed by the Company's auditors.

Financial information 2004-2005

28 January 2005 Year-end release 2004
5 April 2005 Annual General Meeting

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.

Pastejkköket is the market leader in portion-packed liver paste. Several of the company's products are well-known household names, such as **Lindbergs** and **Arboga-pastej**, **Norrboda korv** and particularly **Lönneberga skinka** and **Onsalakorv**. Pastejkköket was established in 1970.

Charkdelikatesser in Halmstad processes and markets cured products. The popular **Cognac salami** is Charkdelikatesser's most well-known product. Other familiar products include **Eliassons Guldassler** and **Gea's black pudding**. Charkdelikatesser was established in 1965.

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**, **S:t Olofs Herrgårds**, **Birger Jarl** samt "1878". The company was established in 1878.

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