Sardus 2004

- **Danish operations account for decline in earnings**
- **Two new acquisitions at end of year**
- **Unchanged dividend**

Sardus' pre-tax profit in 2004 amounted to MSEK 90 (110). Earnings per share were SEK 5.90 (7.55). The weaker earnings were due primarily to the Danish unit, 3-Stjernet, which reported lower sales and earnings trends compared with record levels in 2003. The factor underlying the decline was a decrease in export sales. The Board proposes an unchanged dividend of SEK 5.00 (5.00) per share.

Turnover in 2004 amounted to MSEK 1,787 (1,760), an increase of 2%, which was primarily due to the contribution to sales of MSEK 65 by Gourmet Service, which was acquired in October 2003. The Group's pre-tax profit for the fourth quarter of 2004 amounted to MSEK 30 (40),when higher raw materials prices also impacted on earnings.

In December, Sardus announced the acquisition of the sandwich companies Allt Smörgås in Stockholm and Smörgåsfabriken in Norrköping. The acquired units produce and sell ready-to-eat sandwiches and salads, primarily to the convenience goods trade and filling stations. These profitable companies are in a sharp growth phase and jointly pursue sales nation-wide. The new acquisitions, which were consolidated as of 1 January 2005, had combined sales of about MSEK 120 in 2004, with some 125 employees.

"The acquisitions are part of our strategy of broadening operations, and they provide the basis for our newly launched unit, 'Sardus Light Meals'. By expanding to an industry segment closely related to our other operations, we are moving into a rapid-growth market, while simultaneously increasing our risk diversification,"notes Ragnar Bringert, Managing Director.

In January 2005, Sardus presented the plans to merge the Pastejköket and Charkdelikatesser units to form a single business unit, Sardus Chark & Deli. This will result in a larger and more powerful supplier of cured goods to the convenience goods trade.

"The planned restructuring represents a response to customer wishes for a larger and more comprehensive supplier of cured products. In addition, the move offers long-term savings potential of MSEK 5-10 annually," says Ragnar Bringert.

Helsingborg, 28 January 2005
AB SARDUS (publ)
Ragnar Bringert
Managing Director

For further information, contact: Ragnar Bringert, 46 (0)70-593 62 73

AB Sardus (publ.)

Corporate registration no.: 556131-6711

Listed on the A-list of the Stockholm Stock Exchange

Year-end report, January-December 2004

- **Net turnover rose 2% and amounted to MSEK 1,787 (1,760)**
- **Pre-tax profit totalled MSEK 90 (110)**
- **Profit after tax was MSEK 58 (74)**
- **Earnings per share amounted to SEK 5.90 (7.55)**
- **The Board proposes an unchanged dividend of SEK 5.00 (5.00) per share**

Trend during the fourth quarter

Turnover in the fourth quarter totalled MSEK 487 (496). Sardus' pre-tax profit for the fourth quarter amounted to MSEK 30 (40) and profit after tax was MSEK 19 (28). The trend in comparable Swedish units was stable, although sales were slightly down and profit was lower compared with the same period a year earlier. Higher raw material prices impacted on profit. During the fourth quarter, the Danish unit, 3-Stjernet, reported lower sales and earnings trends due to a decline in exports, combined with high raw material prices.

Acquisition of Allt Smörgås and Smörgåsfabriken

The acquisition of the sandwich companies Allt Smörgås in Stockholm and Smörgåsfabriken in Norrköping was completed in early January 2005. The acquired companies produce and sell ready-to-eat sandwiches and salads primarily to he convenience goods trade and filling stations. Both companies, which are almost equal in size, are profitable and are experiencing a sharp growth phase. Combined, the companies conducted nationwide sales of about MSEK 120 in 2004. The companies have approximately 125 employees. The acquisitions are part of Sardus' strategy of broadening operations, with a focus on light meals. Part of the payment consists of 197,696 Sardus shares, corresponding to slightly less than 2% of the number of shares in the company. This was permitted as a result of Sardus' share buyback program. The settlement price, which was set at SEK 102 per share, was based on the listed share price on 17 December 2004. The newly acquired companies have been consolidated in the Sardus Group with effect from 1 January 2005.

"Sardus Light Meals"– a new business unit in a growth market

The recently acquired companies Allt Smörgås and Smörgåsfabriken will be co-ordinated and, combined, will constitute the basis for the new business unit – Sardus Light Meals. The business unit will acquire and develop additional operations involved in the production of ready-to-eat meals that are easy to prepare and easy to consume. Pastejköket's current managing director, Mats Johansson, will manage these operations.

Merger of Charkdelikatesser and Pastejköket

After year-end, during January 2005, plans were announced regarding the merger of the Pastejköket and Charkdelikatesser business units. The merger will permit the formation of a stronger and more powerful supplier of cured products for the convenience goods trade. The planned new unit will be called Sardus Chark & Deli and will have sales of about MSEK 900. The factors underlying the merger plans are that convenience goods chains are increasingly seeking larger and more comprehensive suppliers and that price competition has become stiffer with the appearance of several discount players in the trade. The merger is expected to provide long-term savings potential of MSEK 5-10 annually.

Negotiations with the trade unions affected as a result of the merger – pursuant to the Swedish Co-Determination Act – commenced in January 2005. Charkdelikatesser's Managing Director, Pelle Hjalmarsson, will manage the new business operations.

Earnings during January-December 2004

Turnover for 2004 as a whole totalled MSEK 1,787 (1 760), an increase of 2%. The higher turnover is attributable primarily to Gourmet Service, acquired in October 2003, contributing MSEK 65 to the increase. Sardus' pre-tax profit for the entire year was MSEK 90 (110) and profit after tax totalled MSEK 58 (74). Earnings per share were SEK 5.90 (7.55). The weaker earnings were primarily attributable to the Danish unit, 3-Stjernet, which reported lower sales and earnings trends compared with the record year of 2003 due to a reduction in export sales and stiffer competition in its domestic market, primarily from foreign low-price players.

Falbygdens Ost and Charkdelikatesser business units reported lower earnings compared with the preceding year, due primarily to higher raw material prices and changes in product mix.

The business trend in Pastejköket was stable, with sales and earnings on a par with those in the preceding year. Sardus Foodpartner reported an improvement in earnings compared with the preceding year.

During the year, active media programmes were conducted primarily in the Pastejköket, Charkdelikatesser and 3-Stjernet business units.

Total goodwill amortisation for the period amounted to MSEK 33 (29), with net financial costs totalling MSEK 37 (36).

Effects of applying IAS/IFRS

As of 2005, new accounting rules (IAS/IFRS) will be applied, which will primarily mean that goodwill amortisation according to plan will not be applied. However, as in the past, goodwill items will be reviewed annually. If the new accounting rules had been applied in this report, profit before tax would have amounted to MSEK 123 (139) and profit after tax would be MSEK 87 (99). Earnings per share would amount to SEK 8.92 (10.17). For more information, refer below under the heading: Changes in accounting principles.

Business units

Pastejköket

Turnover for the full year was MSEK 443 (444), with operating profit amounting to MSEK 64 (64). Price competition and higher private label sales impacted on the trend. Arbogapastej, Onsalakorv and the new sliced packaging variant or "wallet-type packaging" experienced positive development during the year. Measures aimed at cutting costs were implemented during 2004, resulting in a reduction of staffing levels by some 10 full-time positions.

Charkdelikatesser

Turnover for the full year totalled MSEK 476 (484). Operating profit amounted to MSEK 31 (35). Declining sales of sliced sandwich toppings and whole products for manual delicatessen counters under the Charkdelikatesser brand were noted during the year. The share of production for the private label market rose. 12 production workers and 2 salaried employees were laid off.

3-Stjernet

Turnover for the full year amounted to MSEK 275 (299) and operating profit was MSEK 27 compared with the record level of MSEK 43 in 2003. The reduction in sales and earnings is primarily attributable to a decline in exports to the UK, combined with stiffer competition in the domestic market, primarily as a result of intermittent low-price imports from Germany. Higher raw material prices during the fourth quarter adversely affected earnings. A cost-cutting programme was implemented ahead of 2005.

During the year, a decision was made concerning an investment of MSEK 34 for production rationalisation that will concentrate all slicing and packaging lines in a single production site. The investment will be made during 2005.

Sardus Foodpartner - Institutional market

Turnover for the full year totalled MSEK 211 (146), with operating profit amounting to MSEK 13 (7). Gourmet Service, which was acquired in October 2003, contributed MSEK 65 to the sales increase and MSEK 4 in operating profit. Even excluding Gourmet Service, Sardus Foodpartner noted a positive earnings trend as a result of lower purchasing costs. Sales co-operation commenced with Ingelsta Kalkon AB during the year.

Falbygdens Ost

Turnover for the full year amounted to MSEK 437 (422). Sales of matured cheeses and dessert cheeses rose. Despite a positive sales trend, operating profit declined from MSEK 18 to MSEK 12. The lower earnings were due primarily to a higher share of contract packaging and higher raw material prices. Earnings were also affected by measures related to future expansion.

New market ventures – Light Meals

The acquisition of Allt Smörgås, Smörgåsfabriken and Gourmet Service represents a feature of Sardus growth strategy, entailing a broadening of operations in the sandwich-related products and light meals segments. Light meals are part of Sardus' focus on organic growth based on the potential to supply semi-finished products from other Sardus units. The success attained with various low-fat, ecological products and the new packaging concept confirms our confidence in future growth potential. Work is in progress on a number of concepts, primarily in the Light Meals segment, which will reach the market in 2005 and 2006.

Liquidity, cash flow and net financial items

At 31 December 2004, the Group's liquid funds amounted to MSEK 71 (78), over and above which the company has unutilised credit facilities of MSEK 327 (254). Cash flow from current operations totalled MSEK 164 (104) during the year. Net financial costs were MSEK 37 (36).

Capital expenditure

Total capital expenditure by the Group for 2004 as a whole amounted to MSEK 57 (69).

Goodwill

Total goodwill amortisation for the report period amounted to MSEK 33 (29). The increase is attributable to the acquisition of Gourmet Service. Brand strength and estimated service life are reviewed in the case of each acquisition and the goodwill amortisation rate is adjusted accordingly.

Number of shares outstanding

No repurchases of the company's shares were conducted during the year. The number of shares repurchased as of 31 December 2004 totalled 197,696. Employee stock options were exercised during the period and 11,500 new shares were issued. The number of shares outstanding was thus 9,813 804 as of 31 December 2004. After the closing date, all 197,696 repurchased shares were used in connection with the acquisition of Allt Smörgås and Smörgåsfabriken.

Accounting principles

This report was drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim Reports. The same accounting principles and calculation methods were used in the interim report as in the latest annual report. As regards recommendation RR 29, Employee Benefits, the Sardus Group has pension commitments that include defined-benefit pension plans encompassing several employers. At present, insufficient information is available from 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.

Changes in accounting principles

In 2002, the EU adopted what is referred to as the IFRS 2005 ordinance, which stipulates that all listed European Union companies, as of the 2005 financial year, must prepare their consolidated financial statements completely in line with the EU-approved International Financial Reporting Standards (IFRS).

Comparability and information on effects

According to the recommendation of Stockholm Stock Exchange, companies affected are required to provide information regarding the effects of the transition to IFRS in conjunction with the year-end report and annual report for 2004. The stipulations prescribe that the comparative year 2004 must also be reported in line with IFRS. The presentation below is a general description of the transition and its preliminary effects.

Future regulations

Employee Benefits (IAS 19/IFRS 2) regarding pension commitments, refer to the aforementioned comments under “Accounting principles”. The current option programme at Sardus will not be affected by the new rules, since the option agreements with employees were concluded prior to November 2002, when IFRS 2 applied solely to programmes conducted after the aforementioned date.

The provisions covering accounting for *corporate acquisitions and mergers* (IFRS 3) entails changes in accounting for corporate acquisitions. Among other points, a more detailed payment breakdown must be conducted, for which values must also be attributed to a number of intangible assets acquired, such as customer relations, brands, patents, etc. Assets with an indeterminable service life, such as goodwill and brands, may not be written off but should instead be regularly reviewed for any write-down requirements. A write-down review must be conducted annually and also when any indication of a write-down requirement arises. If the new accounting principles were applied in this report, profit before tax would increase by MSEK 33. The aforementioned change in rule will affect the comparative figures for 2004 reported in the 2005 income statement.

The presentation below shows the effects of how a recalculation of the 2004 financial statements affect the income statement and balance sheet in the comparative figures for financial reports for 2005.

The effects of reversing goodwill amortisation:

- Pre-tax profit rises by MSEK 33.
- Profit after tax increases by MSEK 29.
- Earnings per share rise by SEK 3.02.
- Intangible assets rise by MSEK 33.
- Deferred tax rises by MSEK4.
- Shareholders’ equity rises by MSEK 29 at year-end.

The primary implications of IAS 39, which covers *financial instruments* and applies as of 1 January 2005, for Sardus is that all derivatives are valued at their fair value and are booked in the balance sheet. According to estimates, equity will be charged preliminarily with about MSEK 7 as of 1 January 2005.

Proposed dividend
The Board proposes an unchanged dividend of SEK 5.00 (5.00) per share for the 2004 financial year. The proposal entails that 86% of profit for the year after tax is to be distributed.

In view of the changes in accounting principles with the discontinuation of goodwill amortisation, the dividend policy will be adjusted. Following the transition to the new principles, this means that 50% of earnings after tax can be distributed to shareholders. With the application of these principles, the proposed dividend corresponds to 57%.

Helsingborg, 28 January 2005

AB Sardus (publ.)
Board of Directors

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

YEAR-END REPORT, JANUARY-DECEMBER 2004

Consolidated income statement (MSEK)

	4th quarter			12 months		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Net turnover	487	496	464	1 787	1 760	1 679
Cost of sold products	- 346	- 342	- 321	- 1 278	- 1 243	- 1 197
Gross operating profit	141	154	143	509	517	482
Selling costs	- 78	- 77	- 81	- 300	- 291	- 276
Administrative costs	- 26	- 30	- 28	- 90	- 88	- 79
Other operating income	2	2	3	8	8	10
Operating profit	39	49	37	127	146	137
Net financial items	- 9	- 9	- 7	- 37	- 36	- 35
Profit before tax	30	40	30	90	110	102
Tax charge	- 11	- 12	- 10	- 32	- 36	- 34
Net profit for the period	19	28	20	58	74	68
Selling costs above include amortisation of goodwill amounting to:	*8*	*8*	*7*	*33*	*29*	*30*

Earnings per share

	4th quarter			12 months		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Number of shares (million)	9,8	9,8	9,9	9,8	9,8	9,9
Number of shares after dilution (million)	10,0	9,9	9,9	10,0	9,9	9,9
Earnings per share, SEK	1,92	2,80	1,98	5,90	7,55	6,77
Ditto, after dilution	1,89	2,76	1,98	5,80	7,44	6,77

Consolidated balance sheet (MSEK)

	31 Dec. 04	**31 Dec. 03**	**31 Dec. 02**
Assets			
Intangible fixed assets	309	343	312
Tangible fixed assets	466	473	418
Financial fixed assets	3	5	7
Fixed assets	**778**	**821**	**737**
Inventories	221	215	171
Receivables	207	211	174
Cash and bank	71	78	44
Current assets	**499**	**504**	**389**
Total assets	**1 277**	**1 325**	**1 126**
Equity and liabilities			
Equity	324	315	299
Provisions	96	92	81
Subordinated loan	150	150	100
Interest-bearing liabilities	496	566	464
Other liabilities	211	202	182
Total equity and liabilities	**1 277**	**1 325**	**1 126**

Change in shareholders' equity (MSEK)

	31 Dec. 04	31 Dec. 03	31 Dec. 02
Opening equity	315	299	285
Dividends/share buybacks/issues	- 48	- 54	- 48
Translation differences	- 1	- 4	- 6
Net profit for the period	58	74	68
Closing equity	**324**	**315**	**299**

Net turnover and operating profit by business unit ***(MSEK)***

	4th quarter			12 months		
Net turnover	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**
Pastejköket	126	120	124	443	444	451
Charkdelikatesser	122	128	126	476	484	477
Sardus Foodpartner	54	54	34	211	146	139
3-Stjernet	71	74	72	275	299	280
Falbygdens Ost	134	132	119	437	422	367
Central Group costs	- 20	- 12	- 11	- 55	- 35	- 35
Group total	**487**	**496**	**464**	**1 787**	**1 760**	**1 679**

	4th quarter			12 months		
Operating profit	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**
Pastejköket	23	23	18	64	64	67
Charkdelikatesser	6	9	6	31	35	35
Sardus Foodpartner	2	3	3	13	7	9
3-Stjernet	4	8	7	27	43	30
Falbygdens Ost	10	12	10	12	18	17
Central Group costs	- 6	- 6	- 7	- 20	- 21	- 21
Group total	**39**	**49**	**37**	**127**	**146**	**137**

Cash flow statement ***(MSEK)***

	12 months		
	2004	**2003**	**2002**
Pre-tax profit	90	110	102
Depreciation and write-downs	93	83	83
Tax paid	- 32	- 37	- 33
Other items not affecting liquidity	- 2	3	- 2
Change in working capital	15	- 55	6
Cash flow from current operations	**164**	**104**	**156**
Fixed capital expenditure (net)	- 57	- 70	- 73
Sales of fixed assets	3	3	6
Acquisition of subsidiaries	-	- 58	-
Loans raised/amortisations	- 69	125	- 7
Dividends/share buybacks/issues	- 48	- 70	- 49
Change in liquid funds	**- 7**	**34**	**33**
Opening liquid funds	78	44	11
Closing liquid funds	**71**	**78**	**44**

Key figures

	4th quarter			12 months		
	2004	**2003**	**2002**	**2004**	**2003**	**2002**
Turnover, MSEK	487	496	464	1 787	1 760	1 679
Operating profit before goodwill amortisation, MSEK	47	57	44	160	175	167
Operating margin before goodwill amortisation, %	9,7	11,5	9,5	9,0	9,9	9,9
Operating profit, MSEK	39	49	37	127	146	137
Operating margin, %	8,0	9,9	8,0	7,1	8,3	8,2
Average operating capital, MSEK	911	896	825	926	888	838
Return on operating capital, %	17,1	21,9	18,0	13,7	16,4	16,6
Average equity, MSEK	315	292	293	319	307	292
Return on equity, %	24,1	38,4	27,4	18,2	24,1	23,3
Equity ratio, %	25	24	27	25	24	27
Debt-equity ratio, times	1,8	2,0	1,7	1,8	2,0	1,7
Interest cover, times	4,3	5,4	5,3	3,4	4,0	3,8
Number of shares outstanding (million)	9,8	9,8	9,9	9,8	9,8	9,9
Number of Sardus-owned shares (million)	0,2	0,2	0,1	0,2	0,2	0,1
Average number of Sardus-owned shares (million)	0,2	0,2	-	0,2	0,2	-
Average number of shares (million)	9,8	9,8	9,9	9,8	9,8	9,9
Number of shares after dilution (million)	10,0	9,9	9,9	10,0	9,9	9,9
Earnings per share, SEK	1,92	2,80	1,98	5,90	7,55	6,77
Ditto, after dilution, SEK	1,89	2,76	1,98	5,80	7,44	6,77
Net worth per share	33,0	32,2	30,2	33,0	32,2	30,2
Gross capital expenditure, excl. acquisitions, MSEK	19	20	27	57	69	73
Amortisation of fixed assets, MSEK	14	13	19	56	50	51
Amortisation of intangible fixed assets, MSEK	9	11	7	37	32	30
Number of employees	750	754	737	750	754	737

This year-end report was reviewed by the Company's auditors.

Financial information, 2005

The annual report is expected to be published during the week beginning 14 March and will be available from the Company's headquarters.

5 April 2005	Annual General Meeting
19 April 2005	Interim report, first quarter
15 July 2005	Interim report, second quarter
18 October 2005	Interim report, third quarter

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-known brands.

Pastejköket 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**. Pastejköket 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 Guldkassler** 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 as well as salmon and shellfish patés. Sardus Foodpartner was establised in 1984.

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

Falbygdens Ost is a leading cheese processor in Sweden. The company specialises 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 established in 1878.

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