

AB Sardus (publ)

Co. reg. no. 556131-6711

Listed on Stockholmsbörsens "A" list

Interim Report for January – June 2004

- **Net turnover increased by 4 per cent to MSEK 852 (818)**
- **The pre-tax profit amounted to MSEK 34 (36)**
- **The profit after tax amounted to MSEK 22 (23)**
- **Earnings per share amounted to SEK 2.16 (2.38)**
- **Unchanged forecast for financial year as a whole: result at same level as in 2003 (MSEK 110)**

Second quarter

The turnover for the second quarter amounted to MSEK 425 (425), to which Gourmet Service, which was acquired in October 2003, contributed MSEK 24. Sardus' pre-tax profit for the second quarter amounted to MSEK 14 (16), and the profit after tax was MSEK 9 (10). Developments at comparable Swedish units were stable with slightly lower sales but a result that was on a par with last year's. On the other hand, the Danish unit, 3-Stjernet, noted a weaker trend in sales and earnings.

January – June 2004

Turnover for the first half of the year amounted to MSEK 852 (818), an increase of 4 per cent. The higher turnover is largely attributable to Gourmet Service, which was acquired in October 2003 and contributed MSEK 44 to the sales increase. Sardus' pre-tax profit for the first half of the year amounted to MSEK 34 (36) and the profit after tax was MSEK 22 (23). Earnings per share amounted to SEK 2.16 (2.38).

Developments at comparable Swedish units remained stable with sales and earnings on a par with last year, even though turnover in the convenience goods trade was weak during the first half-year. Numerous budget-price outlets opened during the period, and a relative increase in private label business was noted.

3-Stjernet, our Danish unit, experienced a poorer trend in sales and earnings on account of reduced export sales to England and stiffer competition on its domestic market, mainly from foreign suppliers.

During the first half of the year, active media campaigns were carried out, mainly within the Pastejkköket and Charkdelikatesser business units.

The total amortisation of goodwill during the period amounted to MSEK 17 (14) and net financial costs were MSEK 28 (cost 18).

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 also being taken to specialise the production structure in certain segments. The company makes regular investments to improve productivity and efficiency.

Business units

Pastejköket

Turnover for the first half-year amounted to MSEK 210 (214), and the operating profit was MSEK 26 (25). Price competition and the introduction of private label products have affected sales. The Norrboda and Onsala ranges were successful during the period. Media activities such as TV advertising campaigns were run during the first half of the year. Rationalisation measures have been taken to lower the cost base, and these resulted in manning levels being reduced by around 10 full-time positions during the period.

Charkdelikatesser

The first half-year's turnover amounted to MSEK 235 (233) and the operating profit was MSEK 15 (16). 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 has increased. During the quarter, media campaigns were run, mainly to promote "Tunna Skivor" (sliced toppings) in double packs (2 x 75 grams). Following investments to improve efficiency, 15 positions in production and three salaried posts became redundant. Negotiations pursuant to the Co-Determination at Work Act have begun with the unions concerned.

3-Stjernet

Turnover during the first half-year amounted to MSEK 130 (142), and the operating profit was MSEK 14, which may be compared with the record level of MSEK 20 for 2003. The decline in sales and profit is mainly attributable to lower exports to England, stiffer competition on the domestic market, mainly in the form of low-price imports from Germany, and new private label products. During the period a decision was made to invest MSEK 34 in the concentration of all slicing and packing lines at a single unit. This project will be carried out in 2004 and 2005.

Sardus Foodpartner – Institutional market

The first half-year's turnover amounted to MSEK 105 (59) and the operating profit was MSEK 6 (2). Gourmet Service, which was acquired in October 2003, contributed MSEK 44 to the increase in sales and MSEK 3 to the operating profit. Even excluding Gourmet Service, Sardus Foodpartner did well as a result of higher sales.

Falbygdens Ost

Turnover for the first half-year amounted to MSEK 193 (185). Sales of matured cheeses and dessert cheeses increased. The company noted a breakeven result (profit MSEK 2). The slight decline in the result was due to a growing share of contract packing and measures relating to future expansion.

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 financial items

The Group's liquid funds amounted to MSEK 69 (42) on 30 June 2004, over and above which the company has undrawn credit facilities of MSEK 280 (304). The period's cash flow from current operations amounted to MSEK 95 (29). Net financial costs amounted to MSEK 18 (cost 18).

Capital expenditure

The Group's total fixed capital expenditure for the first half of 2004 amounted to MSEK 29 (42).

Goodwill

The aggregate amortisation of goodwill for the first half-year amounted to MSEK 17 (14). 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 bought back during the first half of the year, leaving the total number of shares bought back at 197,696. Options held by employees were exercised during the period and 5,750 new shares were issued. The number of shares in issue thus amounted to 9,808,054.

Accounting principles

This interim report is made up 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 benefit-determined 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 benefit-determined pension plans. These plans have therefore been stated as if they were premium determined.

Expectations for 2004

Given the prevailing stable price conditions on commodity markets and despite the stiffer competition facing 3-Stjernet, there is a good chance that the result for 2004 will be broadly the same as that for 2003 (MSEK 110), which means that the forecast published on 22 April 2004 remains unchanged.

Helsingborg, 16 July 2004

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