

AB Sardus (publ.)

Listed on the A-List of the Stockholm Stock Exchange

Interim Report, nine months ended September 30, 2002

- Sales rose 30% amounting to SEK 1,215 M (938)
- Operating profit before goodwill amortization increased 35% to SEK 123 M (91)
- Pre-tax profit advanced 36% to SEK 72 M (53)
- Earnings per share amounted to SEK 4.84 (3.78), up 28%
- Pre-tax profit for 2002 is expected to approach SEK 100 M (84)
- Earnings per share for the full year are anticipated to rise by slightly more than 10% (2001: 5.85)
- Market shares strengthened in Sweden and Denmark.

Trend in third quarter

The positive trend from the first half of 2002 continued during the third quarter. Sardus' operating profit before goodwill amortization for the third quarter of 2002 amounted to SEK 53 M (43). Pre-tax profit amounted to SEK 36 M (30) on sales of SEK 422 M (340). A major share of the improvement in profit was due to higher sales and a more favorable product mix. Market shares strengthened both in Sweden and Denmark. The acquisition of Falbygdens Ost, a cheese processing company, contributed to the rise in sales.

Earnings, January to September 30, 2002

The Sardus Group reported a positive nine-month period, with sales of SEK 1,215 M (938). Sardus' operating profit before goodwill amortization for the nine-month period rose to SEK 123 M (91). Continuing sales increases in all business units, with the exception of Sardus Foodpartner, contributed to the improvement in earnings. Margins improved as a result of a more favorable product mix and other factors. The acquisition of Falbygdens Ost contributed to higher sales. Total goodwill amortization for the period amounted to SEK 23 M (19) and net financial items amounted to an expense of SEK 28 M (expense: 19). Pretax profit was SEK 72 M (53) and earnings per share totaled SEK 4.84 (3.78).

Pastejköket

Sales during the nine-month period amounted to SEK 327 M (319) and operating profit before goodwill amortization to SEK 55 M (48). The improvement in earnings is mainly attributable to increased sales of paste products, including the recently launched "Balans" paste spread. The launch of a new type of packaging – twin-pack (2 x 75 g) – was conducted during the third quarter.

Charkdelikatesser

Sales during the nine-month period amounted to SEK 351 M (329). Operating profit before goodwill amortization totaled SEK 31 M (19) and includes SEK 3 M (8) in capital gains from the sale of fixed assets. Among other factors, higher sales of thin slices, black pudding and jellied meats, along with changes in the product mix contributed to an improvement in earnings. Low-fat products under the brand "Det lätta Bordet" were launched during the period, whereas the production of bacon ceased.

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Sales during the nine-month period totaled SEK 208 M (198) and operating profit before goodwill amortization was SEK 32 M (26). Higher sales of the low-fat products – marketed under the “Det lette Bord” brand – and changes in product mix contributed to the positive earnings effect.

Sardus Foodpartner – Catering

Sales during the nine-month period were SEK 105 M (120) and operating profit before goodwill amortization amounted to SEK 6 M (7). Lower sales – due to a changing competitive situation – resulted in an earnings decline.

Falbygdens Ost

Sales during the nine-month period amounted to SEK 248 M. Operating profit before goodwill amortization was SEK 12 M. Falbygdens Ost developed as planned and the company’s sales trend is positive. In particular, the company’s branded cheeses and foreign dessert cheeses reported sharp sales increases. The company has been consolidated since the fourth quarter of 2001.

New market ventures

New low-fat sandwich toppings were launched in Sweden and Denmark. Sardus is satisfying a growing consumer requirement through the establishment of “Det lette Bord” in Denmark and the launch in Sweden of the same products under the brand “Det lätta Bordet.” In addition, the launch offered synergies between the Swedish and Danish operations. A number of low-fat products were also launched in the paste area under the “Arboga,” “Pastejköket” and “Lindbergs” brands. Paste products in twin-packs (2 x 75g) were launched in an effort to satisfy growing consumer demand for smaller package sizes.

Liquidity and net financial items

The Group’s liquid funds at September 30, 2002 amounted to SEK 28 M (13). In addition, there is an unutilized credit facility of SEK 351 M. Net financial items amounted to an expense of SEK 28 M (expense: 19). The increase is due to larger interest-bearing loans as a result of the acquisition of Falbygdens Ost, as well as higher interest rates.

As part of AB Sardus’ continued expansion, the company issued a debenture loan of SEK 100 M through SEB Merchant Banking, within a framework of SEK 150 M. The loan is listed on Stockholmbörsen’s monthly list of bond loans and has a maturity of five years. Concurrently, the Group’s previous external financing, which amounted to about SEK 570 M, was replaced with a syndicated loan in a maximum of SEK 770 M. The loan is underwritten by SEB, Danska Bank, LB Keil and Nykredit Bank.

Higher credit facilities create scope for future acquisitions.

The receivable due from Alecta, which is currently not considered available for payment (frozen), amounted to about SEK 2.5 M at September 30.

Investments

The Group’s total investments during the nine-month period amounted to SEK 36 M (30).

Goodwill

The goodwill level for each acquisition is reviewed continuously as well as the brand's strength and lifetime. Goodwill linked to Falbygdens Ost is amortized straight-line over ten years and amounted to SEK 5 M for the nine-month period. The Sardus Group's earnings in the nine-month period were charged with a total of SEK 23 M (19) in goodwill amortization.

Accounting principles

This interim report was prepared in accordance with the recommendation RR 20 for Interim Reports, as issued by the Swedish Financial Accounting Standards Council. The accounting principles and calculation methods used in the interim report are the same as those used in the latest annual report.

Outlook for 2002

Higher sales, combined with the effects of previous acquisitions, are key factors underlying earnings. The market for Sardus products is expected to remain essentially unchanged and it is anticipated that competition will continue to be intensive in an environment marked by price competition. Based on prevailing market condition, it is the Board's opinion that earnings in 2002 will exceed profits for 2001, and approach a level of SEK 100 M (84) before tax. Earnings per share are expected to rise by slightly more than 10 % (2001: 5.85) and thus attain the financial objective.

Helsingborg, October 21, 2002

AB Sardus (publ.)

Board of Directors

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