

# Press Release

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## 2003 was the second best year ever for the VSM Group

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- Sales of Husqvarna Viking and Pfaff products rose by 1.4% during the last quarter of 2003.
- Sales in the Group's principal market, North America, increased for the 18th year in succession.
- The fall in the dollar (-17%) had an adverse effect on sales while the effect on results was more restrained.
- Structural measures halved the operating loss in Germany.
- The operating result before amortization of intangible assets was 133 MSEK (128 MSEK) for the last quarter and totalled 270 MSEK (308 MSEK) for the full year.
- Operating cash flow was very strong, 323 MSEK (270 MSEK).
- A continuing trend in the direction of more advanced sewing and embroidery machines.

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[www.vsmgroup.com](http://www.vsmgroup.com)  
This also contains other  
press information.

VSM Group sales, calculated with fixed exchange rates, increased by 1.4% during the last quarter. The excellent conclusion to the year was not, however, enough for 2003 as a whole to match the record year of 2002. Sales during the last quarter were 746 MSEK (829 MSEK) and totalled 2 393 MSEK (2 760 MSEK) for the year as a whole.

The fall was due to very low demand on the German market, an extensive restructuring programme in German operations and a continuing sharp fall in the value of the dollar, -17 per cent. However, the effect of the dollar on the result was mitigated by means of foreign exchange hedging.

USA sales started off weakly, but then increased quarter by quarter compared with the previous year. Although sales fell by 12 per cent during the first quarter, an increase of 3 per cent was still achieved for the year as a whole. Sales in the American market, calculated in local currency, therefore set a new record, for the 18th year running.

The operating result before amortization of intangible assets increased by 4 per cent to 133 MSEK (128 MSEK) for the last quarter, but fell for the year as a whole by 12 per cent to 270 MSEK (308 MSEK). The result for the year was 82 MSEK (162 MSEK). The fall was due to increased amortization of intangible assets and higher interest costs as a result of the recapitalization which took place at the end of 2002, and higher tax costs.

"The structural measures taken in our German operations involved winding-up costs for shops and staff settlements, and included reserves for some of the costs expected to arise during 2004, but the measures have already taken effect. The operating loss in our German operations is half of what it was in 2002," says Svante Runnquist, CEO of the VSM Group.

Operating cash flow rose as a consequence of a reduction in the amount of working capital, from 270 MSEK to 323 MSEK.

"Improvements in stock control and successful work in the sales units to ensure that payments for outstanding claims are made on time, together with the effect of foreign exchange variations, helped us to reduce working capital."

Interest in creative sewing is strong, and increasing, all over the world.

"This is evident from the number of new TV programmes we are seeing about sewing and the competitions which are being organized for young fashion designers. We are also getting more and more invitations to take part in design exhibitions and fairs in various situations where the focus is on creativity. This has led to a clear trend towards more advanced sewing and embroidery machines, where the VSM Group is the world leader," says Svante Runnquist.

"Overall 2003 was our second best year ever."

#### Key figures (amounts in MSEK)

	January-December		October-December	
	2003	2002	2003	2002
Net sales	2 393	2 760	746	829
With fixed exchange rates	2 393	2 467	746	736
Operating result before amortization of intangible assets (EBITA)	270	308	133	128
Net profit for the period	82	162	63	99

**VSM Group AB** develops, produces, markets and sells home sewing machines and accessories which provide consumers worldwide with the potential to experience the joy of creative sewing. With its global brands, Husqvarna Viking and Pfaff, the company is one of the world's leading players in the industry. It sells some 600,000 sewing machines annually corresponding to a turnover of SEK 2.4 billion. The Group has around 2,200 employees, of whom 570 are based in Sweden. The company is certified in accordance with the international quality and environmental management systems ISO 9001 and ISO 14001. Read more at [www.vsmgroup.com](http://www.vsmgroup.com)

Net profit per share in kronor	25.93	51.62	19.92	31.60
Operating cash flow	323	270	210	182