

Press release

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VSM Group – formerly Viking Sewing Machines AB – reports strong first half-year results

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- **Global sales grew 26 percent**
- **Demand in the group's core market, North America, remained strong; sales increased 42 percent**
- **"Nesting" and "cocooning" gaining momentum since September 11**
- **Operating profit before amortization of intangible assets improved to SEK 130 million (50)**
- **Strong operating cash flow**

Svante Runnquist, CEO of VSM Group, comments:

– Demand for VSM Group's products remained strong in the first six months of 2002. The significant rise in sales and operating profit was due to a number of product launches and new software products. Our supply-driven market provides considerable opportunities to develop and launch new products.

– During the past few years, we note that a "nesting" and "cocooning" effect is gaining momentum and even more so after September 11. The popularity of home based activities is stronger than ever, particularly in North America, but also on other markets. This market landscape opens the door to healthy future demand for both sewing machines and after-sales products.

Demand remained firm

VSM Group reported sales of SEK 1,295 million (1,026) for the first six months of 2002, an increase of 26 percent compared to the same period last year. Adjusted for currency effects, the increase was 24 percent. Sales in the second quarter were 19 percent higher than in the comparable period last year.

Demand remained high in the company's core market, North America, where sales grew by 42 percent (40 percent when adjusted for currency effects). Sales through independent dealers and the company's own stores continued to improve. Sales of Pfaff machines grew in the second quarter, partly as a result of product launches.

Sales in the Nordic region increased by 18 percent and by 4 percent in Western Europe. Deliveries of the new Pfaff 2140 embroidery machine began in Europe, resulting in improved demand for Pfaff products in the second quarter. The group's most advanced products, embroidery machines, accounted for the most significant sales increase.

New product launches and the increased sales of embroidery machines led to significantly higher software demand in the after-sales product segment. Total sales of software more than doubled during the period.

Improved earnings

Operating profit before amortization of intangible assets rose to SEK 130 million (50) and totaled SEK 107 million (29) after amortization of intangible assets. The increase in profit was due to:

- Embroidery machines comprised a greater percentage of overall sales, with both the Husqvarna Viking and Pfaff brands posting higher gross profits;
- A greater percentage of high-margin software sales; and
- High capacity utilization in production.

Profit for the first half of 2002 includes a restructuring charge of SEK 23 million (0) in connection with the integration of the former Pfaff operations. These costs will be charged over the next two years. Profit before tax increased to SEK 78 million (13), and net profit for the period amounted to SEK 45 million (-1).

Strong cash flow

Operating cash flow amounted to SEK 150 million (-122). In addition to the improved profit, a reduction in operating capital contributed to the positive cash flow. Net debt decreased to SEK 572 million (820) as a result of the positive cash flow.

Key data (SEK million)	Jan-June 2002	Jan-June 2001	Jan-Dec 2001
Net sales	1,295	1,026	2,543
Operating profit before amortization of intangible assets	130	50	200
Operating profit after amortization of intangible assets	107	30	157
Profit before tax	78	13	109
Operating cash flow	150	-122	80
Return on capital employed, %	16.6	9.7	11.1
Equity-to-assets ratio, %	34.9	29.6	32.1
Average number of employees	1,902	1,334	1,528