

Press release

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Strong development for the VSM Group in all markets

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- Demand for “the joy of creative sewing” has increased in all markets.
- Successful launches of the new generation of computerised sewing machines.
- Operating result before depreciation of intangible assets (EBITA) more than doubled during the third quarter from SEK 21 million to SEK 49 million.

Demand for the VSM Group’s products was strong in all markets during the third quarter of 2002. Despite the fact that the international business markets were weak, sales increased in all of the company’s product areas – home sewing machines, software and needlework and embroidery accessories – totalling 8 percent (currency adjusted 10 percent). Sales have increased by 20 percent since the beginning of the year compared with the corresponding period for the previous year and amounted to SEK 1,931 million (1,615). After adjustment for currency effects, the increase was 22 percent. The greatest increases were in North America, 28 percent, which is the company’s principal market.

Operating result before depreciation of intangible assets (EBITA) increased by 154 percent to SEK 180 million (SEK 71 million) for the first three quarters. This corresponds to a profit margin of 9.3 percent (4.4).

Cash flow from operations amounted to SEK 40 million (-116), which resulted in, amongst other things, the net debt dropping to SEK 643 million (844).

There are many reasons why the positive developments seen during the first two quarters of the year continued into the third quarter, some of which are: the successful launches of the new computerised sewing machines, continued high covering of production

plants and the fact that the number of sales outlets in the USA increased from 97 to 118.

“We are now also starting to see the financial results of the Pfaff business and the profitability improvements that we have implemented since acquiring the company two years ago. The Pfaff business now shows a clear profit,” says Svante Runnquist, President of the VSM Group.

“Another important reason for our successes is the fact that sewing and sewing machines are very much in vogue. It is trendy to set one's own personal stamp on both clothes and interior decoration for the home. This trend has increased during the course of the year.

Employee numbers for the period January – September have grown by 487 to 2,015 people. During just the third quarter the number of employees rose by 113, partly as a result of the increased production volumes, but mainly because of the expansion of the outlet network in the USA.

Despite the positive developments, the VSM Group has chosen to hold back the planned stock market introduction until the situation with the world's stock markets has stabilised.

Key figures (amounts in SEK million)

	July-September		January-September	
	2002	2001	2002	2001
Net sales	636	589	1,931	1,615
Operating result before depreciation of intangible items (EBITA)	49	21	180	71
Operating result (EBIT)	38	9	146	38
Cash flow from operations	-47	7	40	-116