

## Press Release

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### Market gets tough for the VSM Group

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- **Sales fell by 20% (10% in local currencies) to SEK 558 million (700).**
- **Operating result before amortization of intangible assets amounted to SEK 50 million (77).**
- **Sales rose in group-owned outlets in the USA.**

Having enjoyed several years of rising sales, the VSM Group's turnover dropped in the period January to March 2003 by 20% to SEK 558 million (700) compared to the same period last year.

Besides the weaker dollar, the main causes of the downturn were the uncertainty prevailing in the Group's principal market, the USA, where customers, hesitant about the economic situation and the Iraq war, chose to postpone their purchasing decisions to a later date. The downturn in the USA was 28% (12% in local currencies), although it appears not to have affected the Group's market share.

"We must remember that the first quarter of 2002 was exceptionally good in the USA with an upturn of +49% on the previous year. Compared to the first quarter of 2001, sales this year have increased by 27%. This makes us slightly uncertain how to interpret market developments, especially since sales in our own outlets rose by 2%. We have, however, already made the decision to put in place measures to reduce costs within the VSM Group based on our SMART programme launched in February," says Svante Runnquist, CEO of the VSM Group.

The falling dollar exchange rate is negatively affecting sales figures, though to a lesser degree affecting financial results, since the VSM Group have hedged large parts of the net cash in USD.

“We think it’s wise, however, to start adapting ourselves to a permanently lower dollar exchange rate,” says Svante Runnquist.

Sales have reduced in the Nordic countries and western Europe, but risen in “Other markets”, which includes Australia.

“We do, however, feel that the interest in creative sewing is continuing to grow around the world. We notice this from the rise in interest shown by the media and the fact that more and more people are taking part in our training activities,” says Svante Runnquist.

The operating result for the first quarter was SEK 50 million (77) before amortization of intangible assets and SEK 34 million (66) after amortization of intangible assets; operation cash flow for the period was SEK –3 million (106), due mainly to increased inventory, which meant that net indebtedness rose by SEK 41 million to SEK 1,005 million.

“We’re looking forward to seeing how the new Husqvarna Viking and Pfaff product launches planned for the second and third quarters will affect sales – especially in the USA,” says Svante Runnquist.

Key figures (amounts in SEK million)

	January-March	
	2003	2002
Net sales	558	700
Operating result before amortization of intangible assets (EBITA)	50	77
Operating result (EBIT)	34	66
Operation cash flow	-3	106