

Press Release

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Continued growth for the VSM Group in the USA

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press room on
www.vsmgroup.com
This also contains other
press information.

- **Turnover in the USA increased by 1.5 per cent during the second quarter compared with an exceptionally strong previous year.**
- **Operating result before amortisation of intangible assets was 22 million SEK (53 MSEK).**
- **Currency-adjusted sales for the group decreased by 4 per cent in the second quarter and by 7 per cent in the first half-year.**
- **The lower dollar exchange rate had a limited impact on results, thanks to hedging.**

The currency-adjusted turnover of the VSM Group declined by 4 per cent compared with the second quarter of the previous year and by 7 per cent for the January-June period. However, it must be remembered that the first half of 2002 was exceptionally strong, mainly as a result of major new product launches, giving a 24 per cent increase in sales compared with the corresponding period in the previous year.

"Despite the fact that certain exciting product launches have been delayed until the second half-year, I am satisfied with sales to date this year. With the exception of the record year 2002, the second quarter of this year was the strongest second quarter ever", says Svante Runnquist, CEO of the VSM Group.

On the main market, the USA, dollar sales increased by 1.5 per cent during the second quarter compared with the strong previous year. Among other things, this was the result of continued success for the Group's own outlets.

In the German-speaking markets and in some of the agency markets, sales have declined in the second quarter, while they increased in several other markets, including the Nordic countries, Japan and Australia.

"We consider that the underlying market trend remains positive – not only in the USA but also in many other markets, including Sweden", says Svante Runnquist, and adds:

“Creative sewing is receiving ever greater coverage in newspapers and TV channels all over the world. Sewing-and-entertainment programmes like ‘Sick-Sack’ on TV4 Plus in Sweden are increasing the interest in creative sewing and that is obviously a good thing for us.”

Operating result before amortisation of intangible assets for the second quarter amounted to 22 million SEK (53 MSEK) and for the half-year to 72 million SEK (130 MSEK).

Even if turnover measured in Swedish Kronor was negatively influenced by the lower dollar exchange-rate, the impact on the result is more limited due to earlier decisions to hedge the USD net flow.

Financial results for the first half-year has also been affected by certain extra costs in production as a consequence of delayed product launches. The SMART rationalisation programme, which was introduced during the first quarter, has had a positive impact on results, and we anticipate greater benefits when the programme has been fully implemented during the remainder of 2003 and 2004.

The operating cash flow for the second quarter was 25 million SEK (43 MSEK) and, accumulated over the first two quarters, 22 million SEK (150 MSEK). Net debt increased during the period by 53 million SEK to 1,091 million SEK.

“The strategy that has been so successful over the past six years, i.e. that of selling the joy of creative sewing, remains intact”, says Svante Runnquist, CEO of the VSM Group.

“We see positive signs that the market for IPO’s has once again begun to move, even though we do not have any such plans for the remainder of 2003.”

Key figures (amounts in SEK million)

	April-June			January-June		
	2003	2002	2001	2003	2002	2001
Net sales	504	596	499	1 062	1 295	1 026
Operating result before amortization of intangible assets (EBITA)	22	53	6	72	130	51
Operating result (EBIT)	6	41	-5	40	107	29

VSM Group AB, formerly Viking Sewing Machines 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 just over SEK 2.8 billion. The Group has around 2,200 employees, of whom 550 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**

Operating cash flow	25	43	-54	22	150	-122
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