

Press Release

21 May 2004

Rise in profits for the VSM Group

VSM Group AB

SE-561 84 Huskvarna
Sweden
Tel: +46 3614 6000
(switchboard)

CONTACTS

Svante Runnquist
CEO
Tel: +46 3614 6682

Gunnar Vidén
CFO
Tel: +46 3614 7247

Pictures for free publication
can be downloaded from our
press room on
www.vsmgroup.com
This also contains other
press information.

- **Operating result before amortization of intangible assets (EBITA) rose during the first quarter by 38% to SEK 69 million (SEK 50 million).**
- **Net profit rose to SEK 31 million (SEK 15 million).**
- **Net sales were SEK 519 million (SEK 558 million). Expressed with fixed exchange rates this is a slight increase.**
- **Operating cash flow improved by SEK 33 million to SEK 0 million despite a seasonal increase in working capital.**
- **The new ultra-modern embroidery machine, Designer SE, was warmly received by American dealers.**

In the first quarter of 2004, sales for the VSM Group were SEK 519 million (SEK 558 million). The drop in nominal terms compared to the first quarter last year is explained by the weak dollar. Expressed with fixed exchange rates, net sales rose by 0.7%. In the Group's principal market, North America, sales rose by 2.6% (with fixed exchange rates).

The applied currency policy helped dampen the effect of the fall in the dollar on the result.

Operating result before amortization of intangible assets (EBITA) increased by 38% from SEK 50 million to SEK 69 million. The period's result after tax rose from SEK 15 million to SEK 31 million.

"I am really pleased that we are continuing to grow in North America and that our share of sales of embroidery machines is increasing. It's also pleasing to note that the fall in the dollar seems to be bottoming out and that recently the dollar has even strengthened somewhat against the krona," says Svante Runnquist, CEO of the VSM Group, which with its global brands Husqvarna Viking and Pfaff is a leading player in the market for home sewing machines.

Net sales in the Nordic countries fell by 6.7% and in western Europe by 1.2%. In the Australian market, the Group recorded a fall of 26%, but for

the rest of the export market sales have risen by 14% mainly thanks to good sales figures in the important Russian market.

"The downturn in Europe was mostly due to the restructuring measures we took on the German market last year which included the closure of a number of shops in order to boost profitability," continues Mr Runnquist.

"The changes also led to a big cut in costs and an improved result.

"Besides the improved result in Germany, we have also overcome the production problems we had in 2003 in connection with a large number of new launches."

The VSM Group's cash flow from operations before investments was SEK 0 million (SEK -33 million). Cash flow was not positive because of the seasonal increase in stocks in the first quarter coupled with the corresponding rise in working capital.

The Designer SE (Simply Excellent), the successor to the Designer 1 embroidery machine which is a big success in for example North America, was premiered at the annual dealers' conference in the USA. The new machine has a number of unique functions for sewing and embroidery which will set a whole new standard in the sewing machine world. New software has also been created, offering new opportunities for even more creative sewing projects. The Designer SE and the software were a big hit among the 1600 dealers who took part in the comprehensive training programme over the five days.

"We are optimistic that with the Designer SE our sales will continue to be successful. Distribution will start in North America in 2004, followed by the rest of the world," comments Mr Runnquist.

Key figures (amounts in SEK million)

	January-March	
	2004	2003
Net sales	519	558
Operating result before amortization of intangible assets (EBITA)	69	50
Net profit	31	15
Net profit per share in SEK	9.84	4.72

~~Cash flow from operations~~ ~~0~~ ~~-33~~