

# Press Release

## - Interim report

9 August 2004

### Profit increases for the VSM Group despite falling turnover

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- Turnover for the first six months of 2004 was down 8 percent to SEK 978 million (SEK 1,062 million). Expressed in fixed exchange rates, turnover fell by 2 percent.
- At the same time, the operating result before amortization of intangible assets (EBITA) rose by 21 percent to 87 SEK million (SEK 72 million).
- The sales of after market products for creative sewing, both software and accessories, increased.
- The net profit for the period increased SEK 28 million to SEK 34 million (SEK 6 million). The result per share rose during the first half of the year to SEK 10.94 (SEK 2.06).

"We are maintaining our position in our principal market – North America", said the VSM Group CEO, Svante Runnquist, in his comments to the interim result. A new range of models to be launched in the Autumn is expected to boost sales in North America, as many customers put off buying new machines during the first half year, in anticipation of the new range of models.

"A better product mix, a higher share of the after market products and the impact of the SMART efficiency programme have produced higher margins and mean that the VSM Group is able to report a higher profit for the period, in spite of lower earnings".

The VSM Group, with its head office in Huskvarna, Sweden, is the world market leader for home sewing machines in the middle and upper segment. During the first six months of 2004 the turnover was SEK 978 million (SEK 1,062 million).

The downturn was mainly due to the continued weakening of the dollar rate. Calculated with fixed exchange rates for the dollar and other

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currencies, sales fell by 2 percent. Demand during the second quarter was as usual somewhat lower than during the first quarter.

In the group's principal market, North America, sales fell by 1 percent when fixed exchange rates were applied, yet the share of the sales of the sophisticated and more profitable embroidery machines continued to advance.

Sales fell by 3 percent in the European market, partly as a result of the structural measures which were taken to increase profitability in the important German market in the long term. The turnover in the other markets was all in all largely unchanged. A contract has however been concluded with a previous cooperation partner, who is to exclusively manage all sales in the rapidly growing sewing machine market in Russia.

The operating result before amortization of intangible assets (EBITA) increased by SEK 15 million to SEK 87 million (SEK 72 million). The net profit for the period after tax rose from SEK 6 million to SEK 34 million. The currency policy applied by the VSM Group has mitigated the effect of the downturn in the dollar on the result.

The operating cash flow fell during the first six months to SEK -36 million (SEK 22 million) because of higher stock expansion than in the corresponding period the year before. The result per share increased during the first six months from SEK 2.06 to SEK 10.94.

Key figures (amounts in SEK million)

	April-June		January-June	
	2004	2003	2004	2003
Net sales	459	504	978	1 062
Operating result before amortization of intangible assets (EBITA)	18	22	87	72
Net profit	-3	-8	34	6
Net profit per share in SEK	-0,88	-2,67	10,94	2,06
Cash flow from operations	-55	-16	-55	-49