

Press Release

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Improved competitiveness for the VSM Group with SmartFuture

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- The VSM Group has begun codetermination talks with the unions regarding changes to be made to the business structure as part of the company's efficiency programme, SmartFuture.
- The underlying cause has been the severely weakened US dollar, along with lower sales due to increased price competition on the world market from players with production based in low-cost countries.
- 90–120 jobs at the company's head office and factory in Huskvarna are affected by the notice announced today to the county labour board.
- Personnel were notified of the planned changes during the course of the morning.

"A number of measures planned as part of the SmartFuture programme will negatively affect some of our staff which we deeply regret. However, we are determined to defend the company's competitiveness by implementing the planned measures and consolidate our position as a leading player on the world market for creative sewing," says Svante Runnquist, CEO of the VSM Group.

The VSM Group is a world leader in home sewing machines in the medium segment and higher. Since the company became an independent company in 1997, its business has expanded rapidly and sales have almost trebled with good profitability. In the past two years, however, sales in SEK have fallen by 13 and 10% respectively. Expressed with fixed exchange rates this is a drop of 3 and 5% respectively.

The rapidly falling dollar (minus 38% since its peak in June 2001) has meant that the company has faced even stiffer price competition on the world market while the Group's results have also been affected.

As a result, an extensive efficiency programme – SmartFuture – was brought in this autumn with the aim of cutting annual costs by SEK 100 million and increasing earnings within two years. The planned changes will affect all the company's units and functions in Sweden as well as all foreign subsidiaries.

Codetermination talks have been initiated regarding the measures to be taken in the SmartFuture programme and the consequences these may have on the business. The changes planned by the parent company in Sweden will affect between 90 and 120 blue-collar, white-collar and consultancy jobs.

"Where the personnel cuts are concerned, the SmartFuture programme will firstly address the surplus numbers of employees we currently have owing to volumes being lower than expected," says Ewa Beskow, Human Resources Manager for the VSM Group.

The plans include alternatives for moving certain parts of the production from Huskvarna to the company's own factory in Brno in the Czech Republic or to external suppliers.

"The planned move of production makes up the smaller part of the total surplus numbers we have in Huskvarna, however," continues Ewa Beskow, stressing that every effort will be made to cooperate closely with the local authorities in order to reduce negative effects for the employees as much as possible.

"The implementation of the SmartFuture programme and the efforts being made by our skilled staff and dealers around the world to maintain and increase sales, will be a key factor in how well we manage to maintain and strengthen our competitiveness. Considering that we currently have the broadest and strongest product range ever in our 130-year history, and our new ultramodern Designer SE has exceeded expectations in the USA, I think our prospects are good," says Svante Runnquist.

"We hope to conclude the codetermination talks some time in February/March 2005 so that we can inform our employees as soon as possible who will be affected and when," continues Svante Runnquist.