

## Q2 2012 Results presentation

# Summary Q2 2012

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- Group net sales in line with previous year
    - Stronger demand in the US, weaker in Europe
  - Unfavorable weather in Europe
    - Substantial negative impact on watering products
    - Unchanged margin for Europe & Asia/Pacific, despite weather headwind
  - Higher Group operating income
  - Successful initiatives to improve cash flow
    - Reduction of inventory and receivables
  - Good factory supply performance
    - Mitigation of previous year's production disturbances
- Continued delivery on main priorities
    - Delivery reliability
    - Customer service
    - Cash flow



# Financial highlights

SEKm	Q2 2012	Q2 2011	% change, Q2		Jan-Jun 2012	Jan-Jun 2011	% change, H1		LTM <sup>2</sup>	FY 2011
			As reported	Adjusted <sup>1</sup>			As reported	Adjusted <sup>1</sup>		
Net sales	10,706	10,179	5	0	20,517	18,953	8	4	31,921	30,357
Gross margin, %	28.7	28.9	-	-	27.7	27.8	-	-	27.7	27.7
EBIT	1,136	1,012	12	12	2,051	1,674	23	19	1,928	1,551
EBIT margin, %	10.6	9.9	-	-	10.0	8.8	-	-	6.0	5.1

<sup>1</sup> Adjusted for currency translation effects and items affecting comparability. <sup>2</sup> Last 12 months.

## Q2 2012

- Net sales in line with previous year
  - Higher in North America, lower in Europe
- Operating income increased 12%
  - Lower production costs, improved pricing, dealer channel growth; offset by substantial weather driven decline for watering products in retail channel
- Substantial improvement in cash flow driven by working capital initiatives



# Europe & Asia/Pacific

SEKm	% change, Q2				% change, H1				FY 2011	
	Q2 2012	Q2 2011	As reported	Adjusted <sup>1</sup>	Jan-Jun 2012	Jan-Jun 2011	As reported	Adjusted <sup>1</sup>		LTM <sup>2</sup>
Net sales	5,345	5,752	-7	-8	9,998	10,293	-3	-4	16,070	16,365
EBIT	1,004	1,079	-7	-8	1,837	1,894	-3	-4	2,220	2,277
EBIT margin, %	18.8	18.8	-	-	18.4	18.4	-	-	13.8	13.9

<sup>1</sup> Adjusted for currency translation effects and items affecting comparability. <sup>2</sup> Last 12 months.

## Q2 2012

- Total net sales declined
  - Unfavorable weather, macro economic issues
- Growth in dealer channel sales
- Substantial decline in retail channel sales
  - Largely driven by unfavorable weather affecting watering products
- EBIT margin remained on high level despite weather driven negative impact on sales and mix
  - Dealer channel growth, cost control and FX contributed positively
- Continued growth for robotic mowers



# Americas

SEKm	Q2 2012	Q2 2011	% change, Q2		Jan-Jun 2012	Jan-Jun 2011	% change, H1		LTM <sup>2</sup>	FY 2011
			As reported	Adjusted <sup>1</sup>			As reported	Adjusted <sup>1</sup>		
Net sales	4,553	3,692	23	11	8,973	7,280	23	15	12,886	11,193
EBIT	85	-98	n.a	n.a	166	-192	n.a	n.a	-296	-654
EBIT margin, %	1.9	-2.7	-	-	1.9	-2.6	-	-	-2.3	-5.8

<sup>1</sup> Adjusted for currency translation effects and items affecting comparability. <sup>2</sup> Last 12 months.

## Q2 2012

- Growth in all regions; US, Canada and Latin America
  - Slowdown towards end of quarter
- Higher sales driven mainly by ride-on and walk behind mowers
- Market share gains in some areas
- EBIT increased as a result of higher sales and lower production costs





# Construction

SEKm	% change, Q2				% change, H1				LTM <sup>2</sup>	FY 2011
	Q2 2012	Q2 2011	As reported	Adjusted <sup>1</sup>	Jan-Jun 2012	Jan-Jun 2011	As reported	Adjusted <sup>1</sup>		
Net sales	808	735	10	3	1,546	1,380	12	7	2,965	2,799
EBIT	85	75	12	4	124	59	110	17	195	130
EBIT margin, %	10.5	10.3	-	-	8.0	4.3	-	-	6.6	4.7

<sup>1</sup> Adjusted for currency translation effects and items affecting comparability. <sup>2</sup> Last 12 months.

## Q2 2012

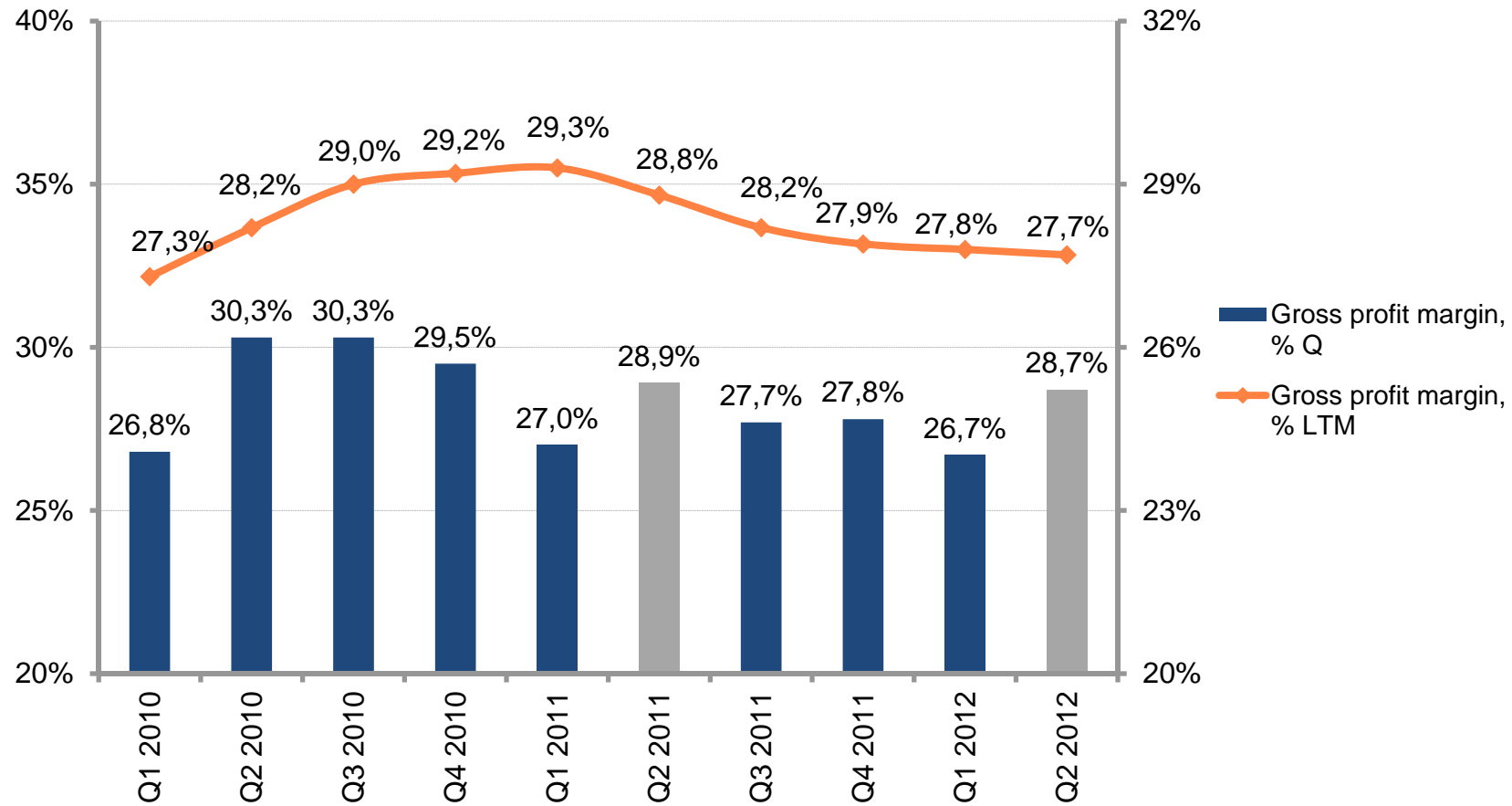
- Higher demand in North America
  - Increased construction activity and continued product replacement need
- Higher sales in North America and emerging markets, lower in Europe
- Market share gains in North America
- Higher EBIT and margin mainly as a result of higher sales



# Consolidated income statement

SEKm	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	FY 2011
Net sales	10,706	10,179	20,517	18,953	30,357
Cost of goods sold	-7,635	-7,238	-14,828	-13,682	-21,948
<b>Gross operating income</b>	<b>3,071</b>	<b>2,941</b>	<b>5,689</b>	<b>5,271</b>	<b>8,409</b>
<i>Margin, %</i>	<i>28.7</i>	<i>28.9</i>	<i>27.7</i>	<i>27.8</i>	<i>27.7</i>
Selling expense	-1,559	-1,566	-2,885	-2,864	-5,332
Administrative expense	-376	-364	-753	-739	-1,530
Other operating income/expense	0	1	0	6	4
<b>Operating income<sup>1</sup></b>	<b>1,136</b>	<b>1,012</b>	<b>2,051</b>	<b>1,674</b>	<b>1,551</b>
<i>Margin, %</i>	<i>10.6</i>	<i>9.9</i>	<i>10.0</i>	<i>8.8</i>	<i>5.1</i>
Financial items, net	-106	-115	-227	-188	-404
<b>Income after financial items</b>	<b>1,030</b>	<b>897</b>	<b>1,824</b>	<b>1,486</b>	<b>1,147</b>
<i>Margin, %</i>	<i>9.6</i>	<i>8.8</i>	<i>8.9</i>	<i>7.8</i>	<i>3.8</i>
Taxes	-245	-216	-407	-321	-150
<b>Income for the period</b>	<b>785</b>	<b>681</b>	<b>1,417</b>	<b>1,165</b>	<b>997</b>
Basic earnings per share, SEK	1.36	1.18	2.46	2.02	1.73
Diluted earnings per share, SEK	1.36	1.18	2.46	2.02	1.73
<sup>1</sup> <i>Of which depreciation, amortization and impairment</i>	-274	-269	-547	-553	-1,120

# Gross profit margin development



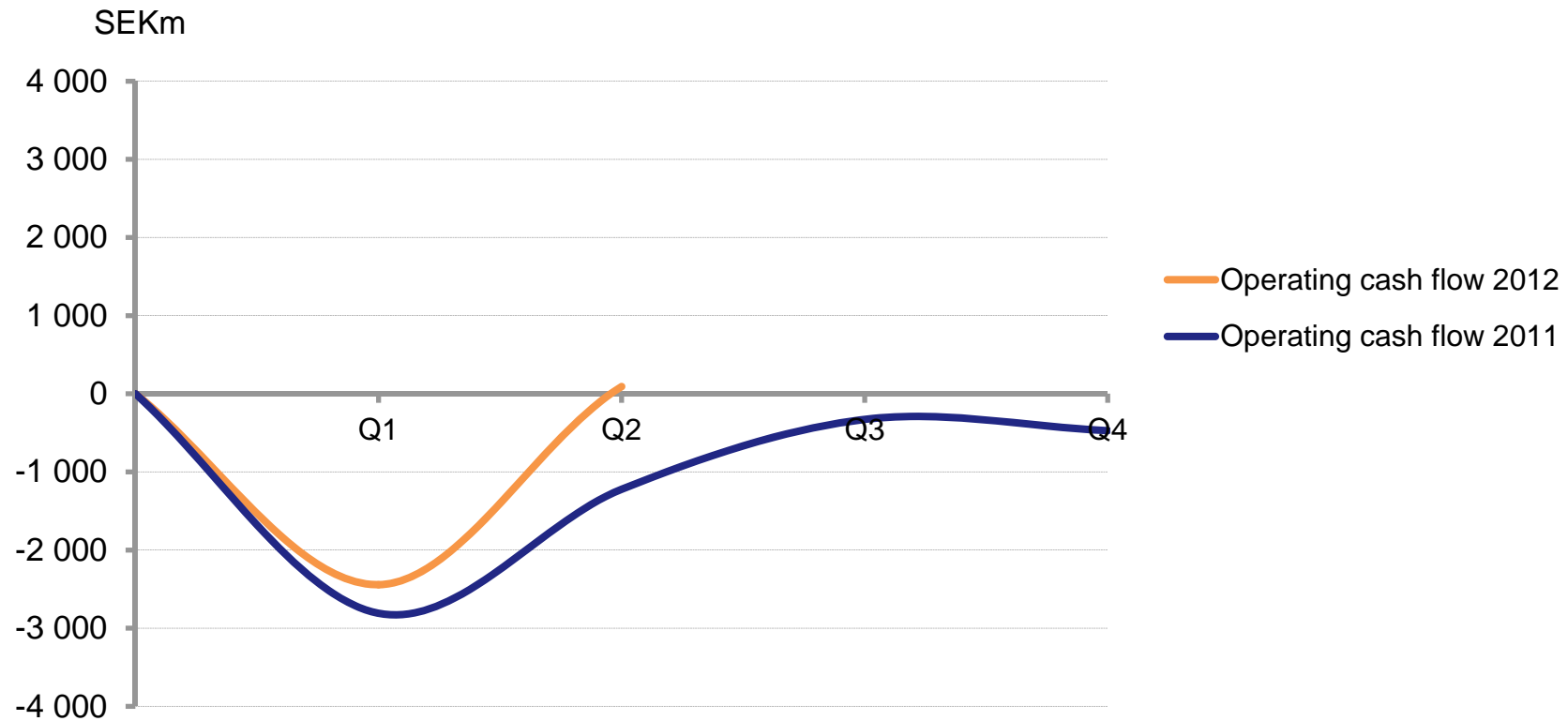
Excluding items affecting comparability. LTM = Last 12 months.



# Consolidated balance sheet

SEKm	30 June 2012	30 June 2011	31 Dec 2011
Non-current assets	15,079	14,573	15,208
Inventories	7,469	7,157	8,078
Trade receivables	6,616	7,039	3,660
Other current assets	746	909	817
Liquid funds	1,658	1,615	1,340
<b>Total assets</b>	<b>31,568</b>	<b>31,293</b>	<b>29,103</b>
Total equity	12,762	12,228	12,388
Interest-bearing liabilities	9,469	9,247	8,261
Provisions	3,708	3,744	3,653
Trade payables	3,117	3,464	2,797
Other current liabilities	2,512	2,610	2,004
<b>Total equity and liabilities</b>	<b>31,568</b>	<b>31,293</b>	<b>29,103</b>

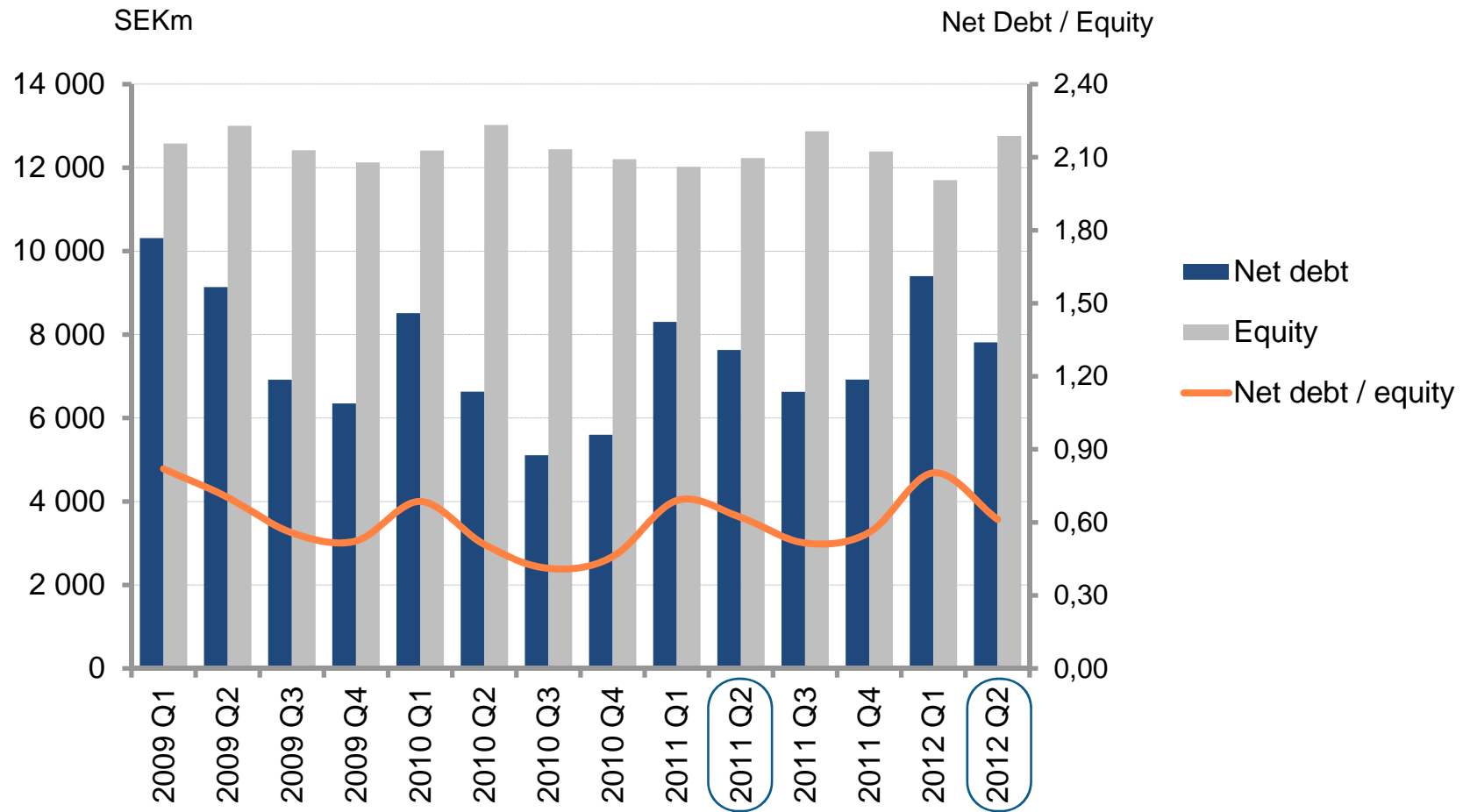
# Operating cash flow



Improved cash-flow YTD 2012 mainly due to

- Higher earnings
- Reduction of working capital

# Net debt and equity



# Key figures

	<b>Q2 2012</b>	Q2 2011	<b>Jan-Jun 2012</b>	Jan-Jun 2011	Jan-Dec 2011
Net sales, SEKm	10,706	10,179	20,517	18,953	30,357
Operating income, SEKm	1,136	1,012	2,051	1,674	1,551
Gross margin, %	28.7	28.9	27.7	27.8	27.7
Operating margin, %	10.6	9.9	10.0	8.8	5.1
Working capital, SEKm	7,188	7,060	7,188	7,060	5,699
Return on capital employed, %	-	-	9.0	9.3	7.4
Return on equity, %	-	-	10.1	11.7	8.0
Earnings per share, SEK	1.36	1.18	2.46	2.02	1.73
Capital-turnover rate, times	-	-	1.6	1.6	1.6
Operating cash flow, SEKm	2,535	1,587	92	-1,222	-472
Net debt/equity ratio	-	-	0.61	0.62	0.56
Capital expenditure, SEKm	197	196	361	412	994
Average number of employees	17,137	18,588	17,126	17,792	15,698

# Summary Q2 2012

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- Net sales in line with previous year
  - Stronger demand in the US, unfavorable weather in Europe; major negative impact on watering products
  - Higher operating income; higher dealer channel sales and mitigation of production disturbances offset negative weather impact
  - Successful working capital initiatives; improved cash flow
  - Immediate demand outlook in main markets difficult to assess
- Continued delivery on main priorities
    - Delivery reliability
    - Customer service
    - Cash flow



# Short term focus

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- Adjustment of product category organization
  - Electrical products (battery/robotic/corded) new category; future growth area
  - Merger of ride-on and walk-behind products into one “wheeled” category; synergies from shared technologies
- Listing negotiations with retailers for 2013 season
- Cash flow
- Long-term strategic review for business areas, product categories and supply chain
- Capital Markets Day late 2012





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# Factors affecting forward-looking statements

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