

# Husqvarna



**Q3 2011 results presentation**  
**October 20, 2011**

# Summary Q3 2011

## Third quarter

- Slowdown in consumer demand and unfavorable weather
- Net sales and EBIT increased for Construction
- EBIT for the Group affected by unfavorable mix and higher costs
- Strong development for snow throwers

## Nine months

- Net sales for the Group increased
- Strengthened market position for Construction, maintained for forest and garden products
- Record year for Automower® and ride-on lawn mowers in Europe



# Financial highlights

SEKm	Q3 2011	Q3 2010	% change, Q3		Jan-Sep 2011	Jan-Sep 2010	% change, 9M		LTM <sup>1</sup>	Full-year 2010
			As reported	Adjusted			As reported	Adjusted		
Net sales	6,410	6,907	-7	-2	25,363	27,446	-8	1	30,157	32,240
Gross margin, %	27.3	30.3	-	-	27.7	28.4	-	-	28.2	28.5
EBIT	113	411	-73	-67	1,787	2,508	-29	-22	1,724	2,445
EBIT margin, %	1.8	5.9	-	-	7.0	9.1	-	-	5.7	7.6

<sup>1</sup> Last 12 months. Costs directly related to production disturbances amounted to SEK -38m in Q3 and SEK -368m YTD.

## Q3

- Higher sales for Americas and Construction, adjusted for exchange rate effects
- EBIT includes costs of SEK -83m related to production disturbances, termination former CEO's contract and items affecting comparability
- Adjusted EBIT decreased
  - Higher selling prices
  - Lower sales, unfavorable mix and higher costs

## Nine months

- Increased sales, adjusted for exchange rate effects
- Increased dealer sales



# Europe & Asia/Pacific

SEKm	Q3 2011	Q3 2010	% change, Q3		Jan-Sep 2011	Jan-Sep 2010	% change, 9M		LTM <sup>1</sup>	Full-year 2010
			As reported	Adjusted			As reported	Adjusted		
Net sales	3,430	3,708	-7	-5	13,723	14,012	-2	3	16,332	16,621
EBIT	291	511	-43	-49	2,185	2,388	-8	-5	2,180	2,383
EBIT margin, %	8.5	13.8	-	-	15.9	17.0	-	-	13.3	14.3

<sup>1</sup> Last 12 months. Costs directly related to production disturbances amounted to SEK -5m in Q3 and SEK -45m YTD.

## Q3

- Strong third quarter for snow throwers
- EBIT affected positively by higher selling prices, negatively mainly by unfavorable product mix and lower sales

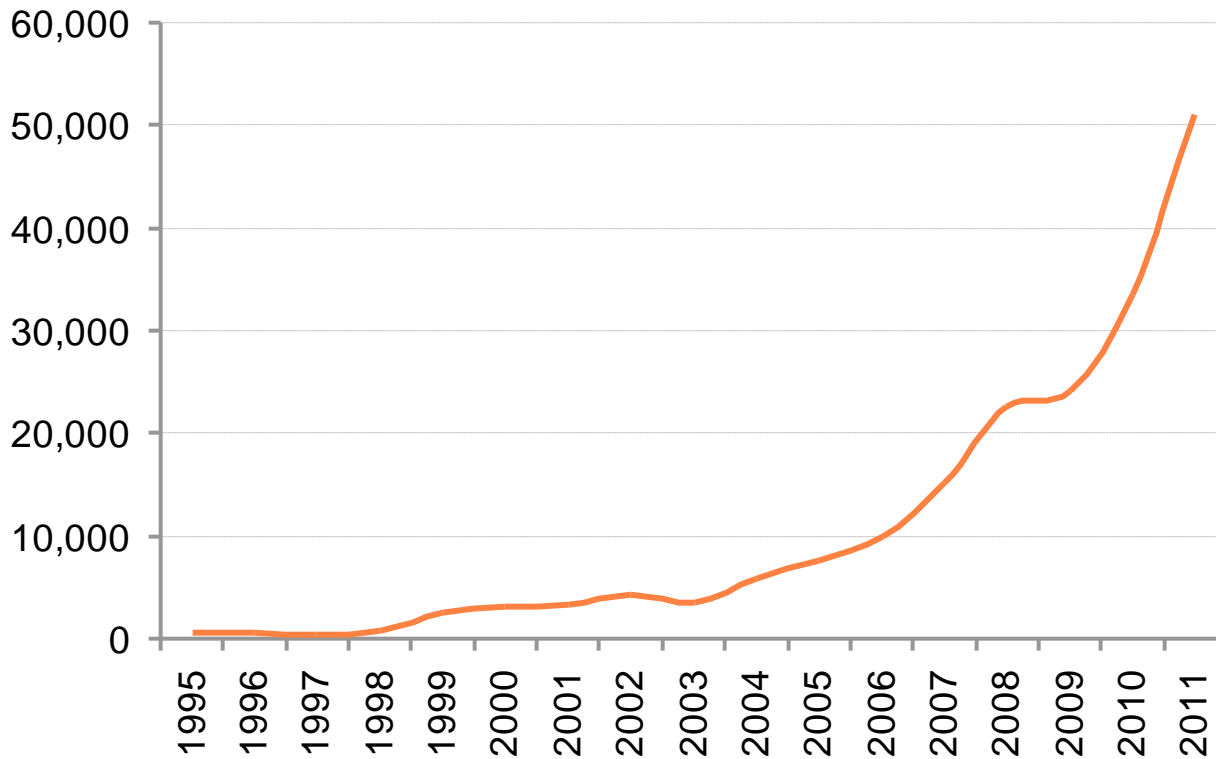
## Nine months

- Positive development for most product categories and regions
- Record year for Automower® (robotic lawn mowers) and ride-on
- Stable market shares over-all
  - Strengthened positions for robotic mowers and ride-ons
- EBIT affected positively by higher selling prices and volume, negatively by unfavorable mix and higher costs for SG & A and R & D



# Automower® sales development

Units (2011 = Expected)



# Americas

SEKm	Q3 2011	Q3 2010	% change, Q3		Jan-Sep 2011	Jan-Sep 2010	% change, 9M		LTM <sup>1</sup>	Full-year 2010
			As reported	Adjusted			As reported	Adjusted		
Net sales	2,241	2,482	-10	1	9,521	11,373	-16	-4	11,092	12,944
EBIT	-172	-92	-87	-34	-364	191	n.a	n.a	-403	152
EBIT margin, %	-7.7	-3.7	-	-	-3.8	1.7	-	-	-3.6	1.2

<sup>1</sup> Last 12 months. Costs directly related to production disturbances amounted to SEK -33m in Q3 and SEK -323m YTD.

## Q3

- Increased sales, adjusted for exchange rate effects
- Demand for chain saws increased due to weather conditions
- EBIT positively affected by favorable mix and pricing, negatively by higher costs for input materials, production disturbances and SG & A

## Nine months

- Demand in total US outdoor products market decreased
- Good growth in Latin America
- Over-all stable market shares
- EBIT positively affected by higher selling prices and mix, negatively by lower sales, production disturbances and changes in exchange rates



# Construction

SEKm	Q3 2011	Q3 2010	% change, Q3		Jan-Sep 2011	Jan-Sep 2010	% change, 9M		LTM <sup>1</sup>	Full-year 2010
			As reported	Adjusted			As reported	Adjusted		
Net sales	739	717	3	9	2,119	2,061	3	12	2,733	2,675
EBIT	50	42	18	183	108	54	99	176	136	82
EBIT margin, %	6.7	5.9	-	-	5.1	2.6	-	-	5.0	3.1

<sup>1</sup> Last 12 months.

## Q3

- Sales increased
- Higher EBIT mainly as a result of higher sales
- EBIT charged with restructuring costs amounting to SEK -24m

## Nine months

- Increased demand in emerging markets, flat in Western Europe and challenging in North America
- Market shares increased
- Higher EBIT mainly as a result of higher sales
- EBIT charged with restructuring costs amounting to SEK -64m



# Restructuring update

- Announced US production moves completed
- Announced consolidation of sales organization in Europe & Asia/Pacific done
- Transfer of production from Sweden to new facility in Poland at slower pace
- Orangeburg; delivery capacity for 2012 secured
  - stress tested and now ramping up production for 2012
- Savings from announced restructuring will be delayed beyond 2012

Potential for further measures to increase efficiency in the supply chain



# Focus areas 2012

- Continue production relocation Sweden - Poland
- Purchasing (part of Group Management)
  - LCC sourcing
  - Reduce number of suppliers etc.
- Stronger emphasis on product development
  - Reduce time to market
- Decrease cost to serve

Customer focus – delivery performance – quality

# McCulloch - premium consumer products

Available in retail channel as of spring 2012



# Husqvarna branded battery range

Available at dealers starting spring 2012

## One battery system for handheld

- Trimmers
- Hedge trimmers
- Chain saws
- Rider



## Gardena robotic mower



- Expansion of Husqvarna's market leading range of robotic mowers
- Gardena R40Li manages lawns up to 400m<sup>2</sup>
- Available at retailers starting spring 2012

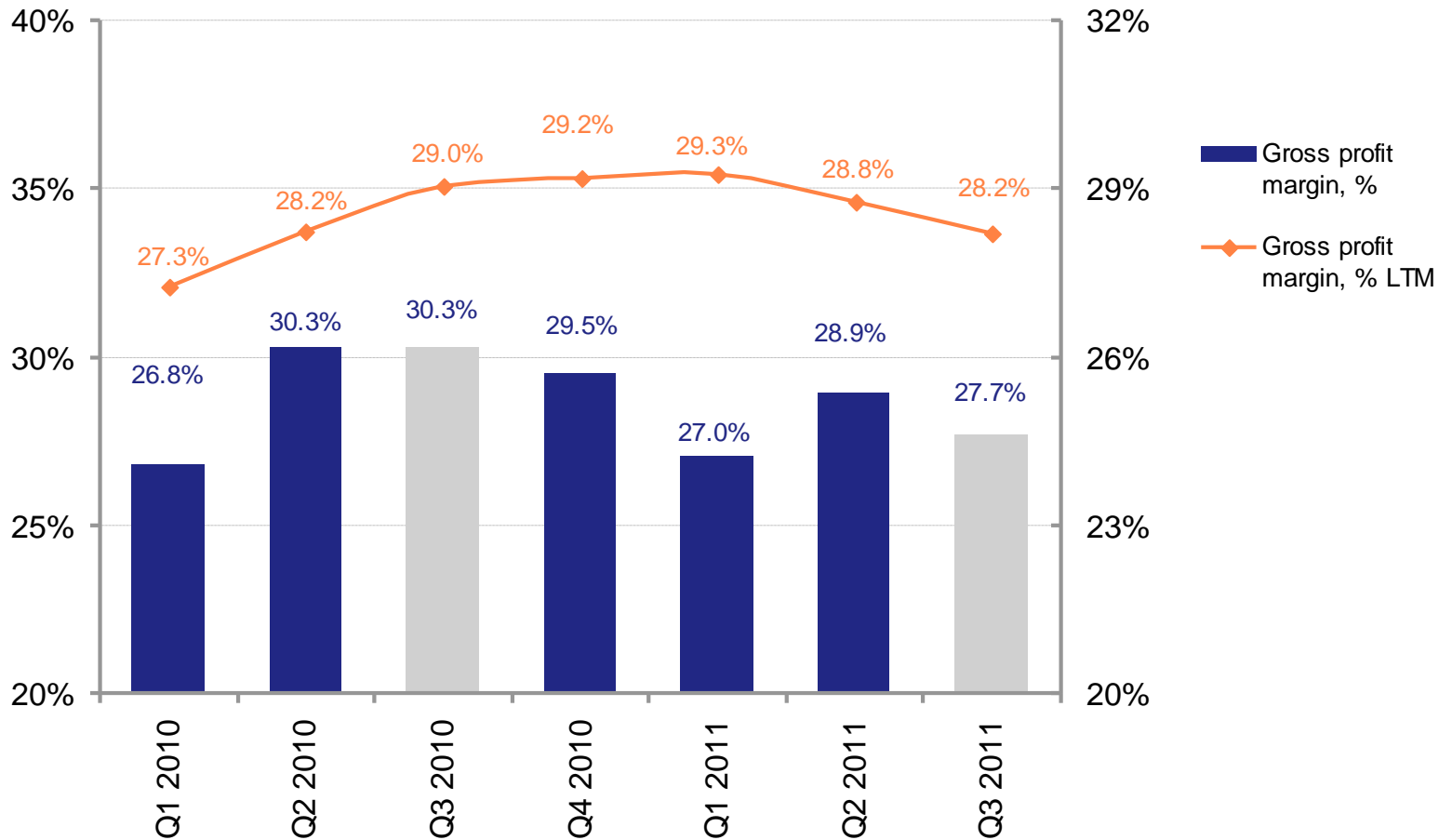


Gardena R40Li - 400m<sup>2</sup>

# Income statement

SEKm	Q3 2011	Q3 2010	Jan-Sep 2011	Jan-Sep 2010	Full-year 2010
Net sales	6,410	6,907	25,363	27,446	32,240
Cost of goods sold	-4,658	-4,815	-18,340	-19,657	-23,037
<b>Gross operating income</b>	<b>1,752</b>	<b>2,092</b>	<b>7,023</b>	<b>7,789</b>	<b>9,203</b>
<i>Margin, %</i>	<i>27.3</i>	<i>30.3</i>	<i>27.7</i>	<i>28.4</i>	<i>28.5</i>
Selling expense	-1,277	-1,270	-4,141	-4,121	-5,232
Administrative expense	-363	-411	-1,102	-1,160	-1,524
Other operating income/expense	1	0	7	0	-2
<b>Operating income<sup>1</sup></b>	<b>113</b>	<b>411</b>	<b>1,787</b>	<b>2,508</b>	<b>2,445</b>
<i>Margin, %</i>	<i>1.8</i>	<i>5.9</i>	<i>7.0</i>	<i>9.1</i>	<i>7.6</i>
Financial items, net	-89	-101	-277	-258	-394
<b>Income after financial items</b>	<b>24</b>	<b>310</b>	<b>1,510</b>	<b>2,250</b>	<b>2,051</b>
<i>Margin, %</i>	<i>0.4</i>	<i>4.5</i>	<i>6.0</i>	<i>8.2</i>	<i>6.4</i>
Taxes	31	92	-290	-377	-302
<b>Income for the period</b>	<b>55</b>	<b>402</b>	<b>1,220</b>	<b>1,873</b>	<b>1,749</b>
Basic earnings per share, SEK	0.10	0.70	2.12	3.25	3.03
Diluted earnings per share, SEK	0.10	0.70	2.12	3.25	3.03
<sup>1</sup> Of which depreciation, amortization and impairment	-276	-290	-829	-926	-1,221

# Gross profit margin development

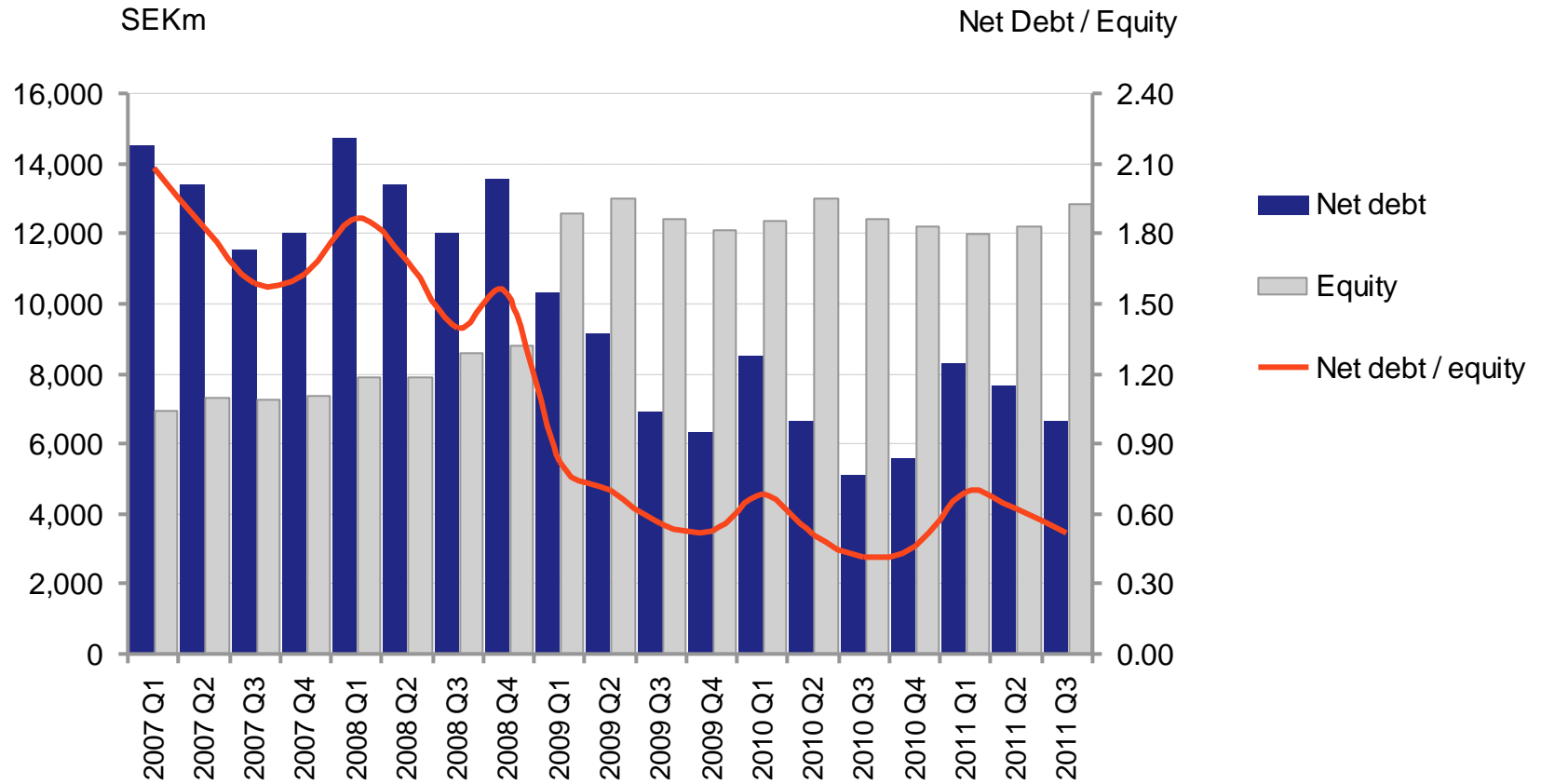


Excluding items affecting comparability. LTM = Last 12 months.

# Consolidated balance sheet

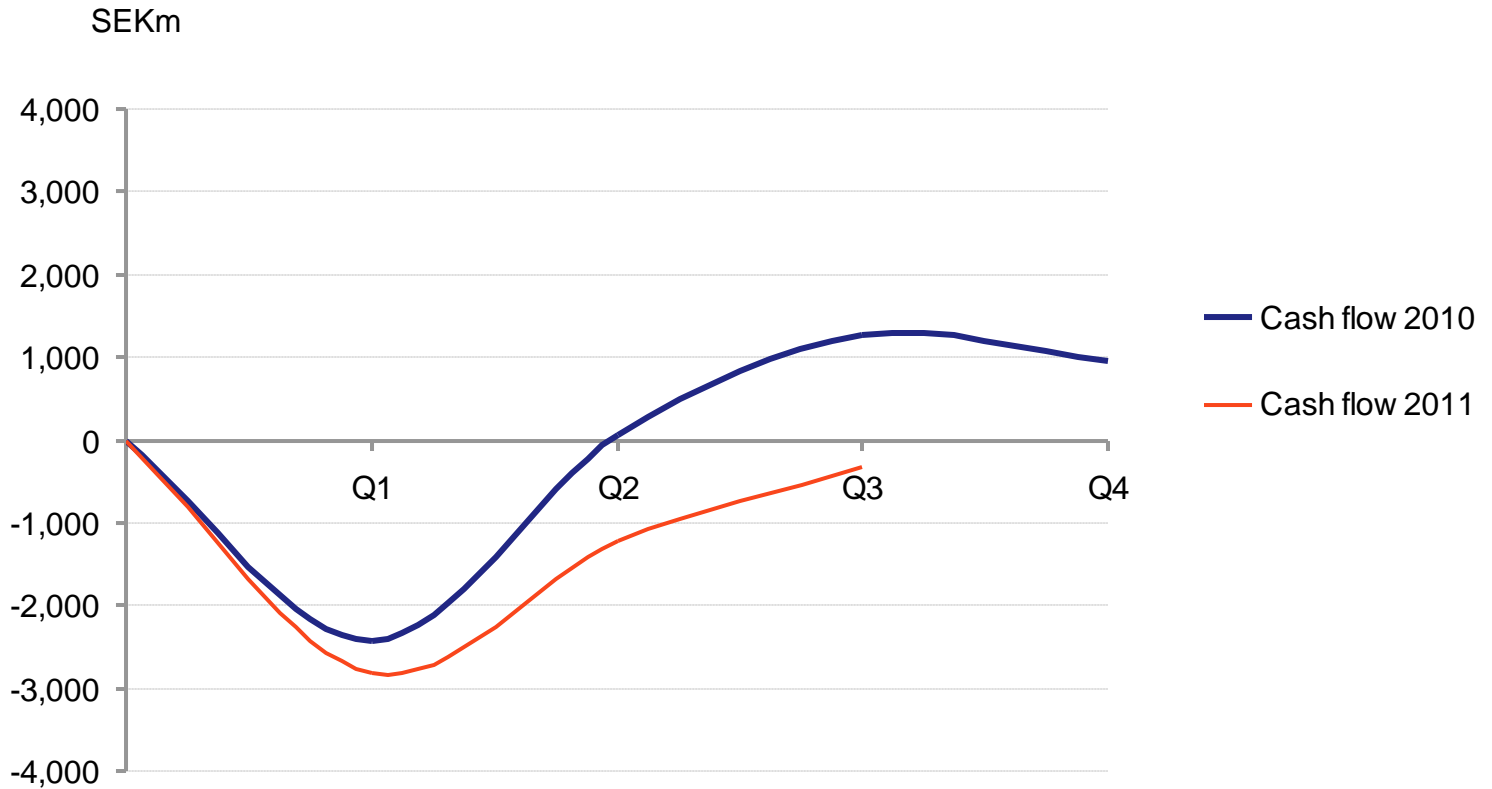
SEKm	30 Sep 2011	30 Sep 2010	31 Dec 2010
Non-current assets	14,957	14,829	14,897
Inventories	7,080	6,006	7,000
Trade receivables	4,938	4,694	3,575
Other current assets	936	917	864
Liquid funds	1,632	2,788	2,066
<b>Total assets</b>	<b>29,543</b>	<b>29,234</b>	<b>28,402</b>
Total equity	12,870	12,406	12,203
Interest-bearing liabilities	8,260	7,897	7,667
Provisions	3,853	3,803	3,599
Trade payables	2,332	2,406	2,810
Other current liabilities	2,228	2,722	2,123
<b>Total equity and liabilities</b>	<b>29,543</b>	<b>29,234</b>	<b>28,402</b>

# Net debt and equity





# Operating cash flow



# Key figures

	<b>Q3 2011</b>	Q3 2010	<b>Jan-Sep 2011</b>	Jan-Sep 2010	<b>Full-year 2010</b>
Net sales, SEKm	6,410	6,907	25,363	27,446	32,240
Operating income, SEKm	113	411	1,787	2,508	2,445
Gross margin, %	27.3	30.3	27.7	28.4	28.5
Operating margin, %	1.8	5.9	7.0	9.1	7.6
Working capital, SEKm	-	-	6,310	4,377	4,478
Return on capital employed, %	-	-	8.0	9.0	11.0
Return on equity, %	-	-	8.9	11.3	13.9
Earnings per share, SEK	0.10	0.70	2.12	3.25	3.03
Capital-turnover rate, times	-	-	1.6	1.7	1.7
Operating cash flow, SEKm	894	1,203	-328	1,275	962
Net debt/equity ratio	-	-	0.51	0.41	0.46
Capital expenditure, SEKm	262	-309	674	-857	1,302
Average number of employees	15,562	13,926	16,948	15,051	14,954

# Outlook for Q4 2011

Due to seasonality, the fourth quarter is a minor quarter in terms of sales and earnings. The outlook is primarily based on an expectation of continued economic uncertainty and the current high inventory levels in the trade. Shipments of forest and garden products are estimated to decline while the positive trend for Construction is expected to continue. In total, the Group expects shipments in the fourth quarter 2011 to be lower than in the fourth quarter of 2010. The fourth quarter will be charged with costs amounting to approximately SEK 30m related to the production disturbances in North America.



# Summary

- Higher sales YTD for Europe & Asia/Pacific and Construction, lower for Americas
- Strengthened market position for Construction, maintained for forest and garden products
- Record year for Automower® and ride-on
- Orangeburg stress tested and ramp-up of production for 2012 has started
- 2012 listings for forest and garden products estimated to be unchanged vs. 2011
- Adjusted organization
- *Slowdown in demand and uncertainty in economic environment*





**Q3 2011 results presentation**  
**October 20, 2011**

# Factors affecting forward-looking statements

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Husqvarna believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Husqvarna include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate and (iii) change in interest rate level.

This presentation does not imply that Husqvarna has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.