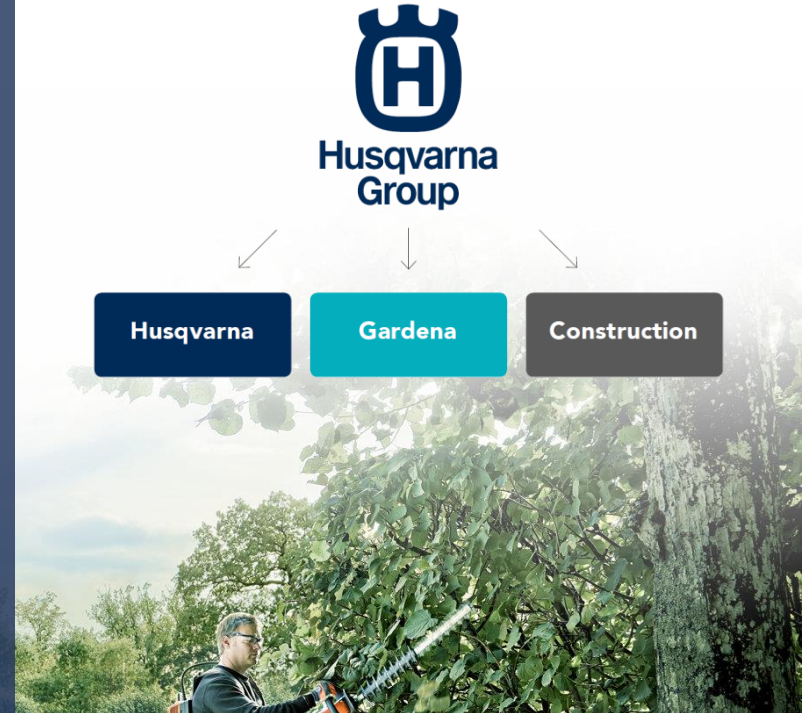


## Q4 2018 Results Presentation

February 5, 2019

# Building on our strengths going forward

- Temporary financial underperformance in 2018
- Building on the strengths
  - Full focus on Profitable Growth opportunities in Husqvarna, Gardena and Construction divisions
- Dissolved Consumer Brands division
  - Main restructuring behind us
    - Resource reduction executed
  - Restructuring costs and savings on plan
    - EBIT accretive from start of 2019
- Top priority for 2019 is to get back to our profitability improvement trajectory



# Group financials

SEKm	Q4 2018	Q4 2017	Change, %	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	6,470	6,130	6	41,085	39,394	4
<i>Currency adjusted change, %</i>	0	11	–	2	7	–
<i>Gross margin*, %</i>	26.0	26.8	–	28.2	29.1	–
EBIT*,	-282	-70	–	3,241	3,790	-14
<i>EBIT-margin*, %</i>	neg	neg	–	7.9	9.6	–

## Q4 2018

- Seasonally small Q4, net sales unchanged but lower EBIT
  - Knock-on effects from challenging main season
  - Continued costs increase from raw-materials, tariffs and logistics
  - Maintained investments in strategic growth initiatives

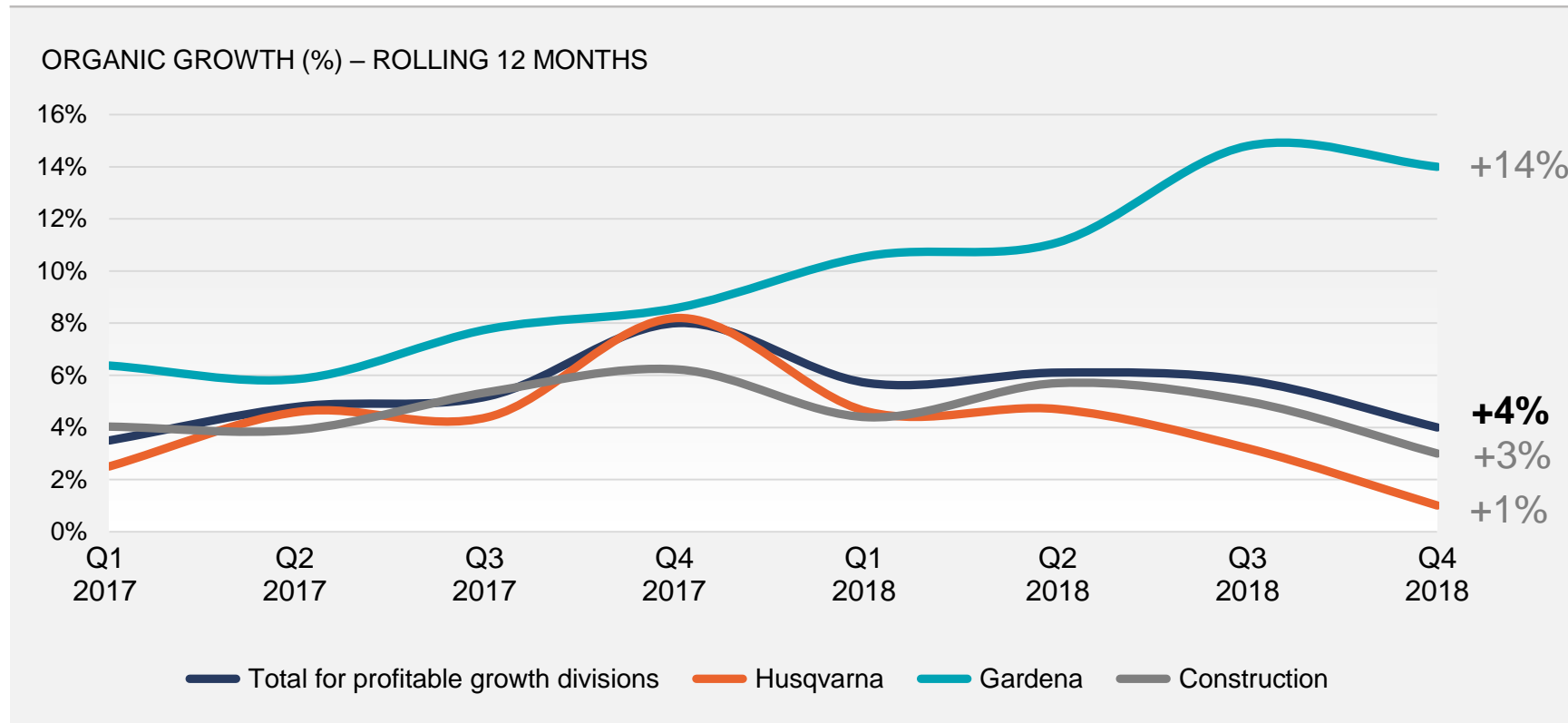
## Full-year 2018

- Challenging weather in Central / Northern Europe during peak season
  - Subdued lawn care demand not balanced by strong watering season
- Strategic growth initiatives costs not balanced by efficiency measures
- Proposal for unchanged dividends of SEK 2.25 (2.25) per share



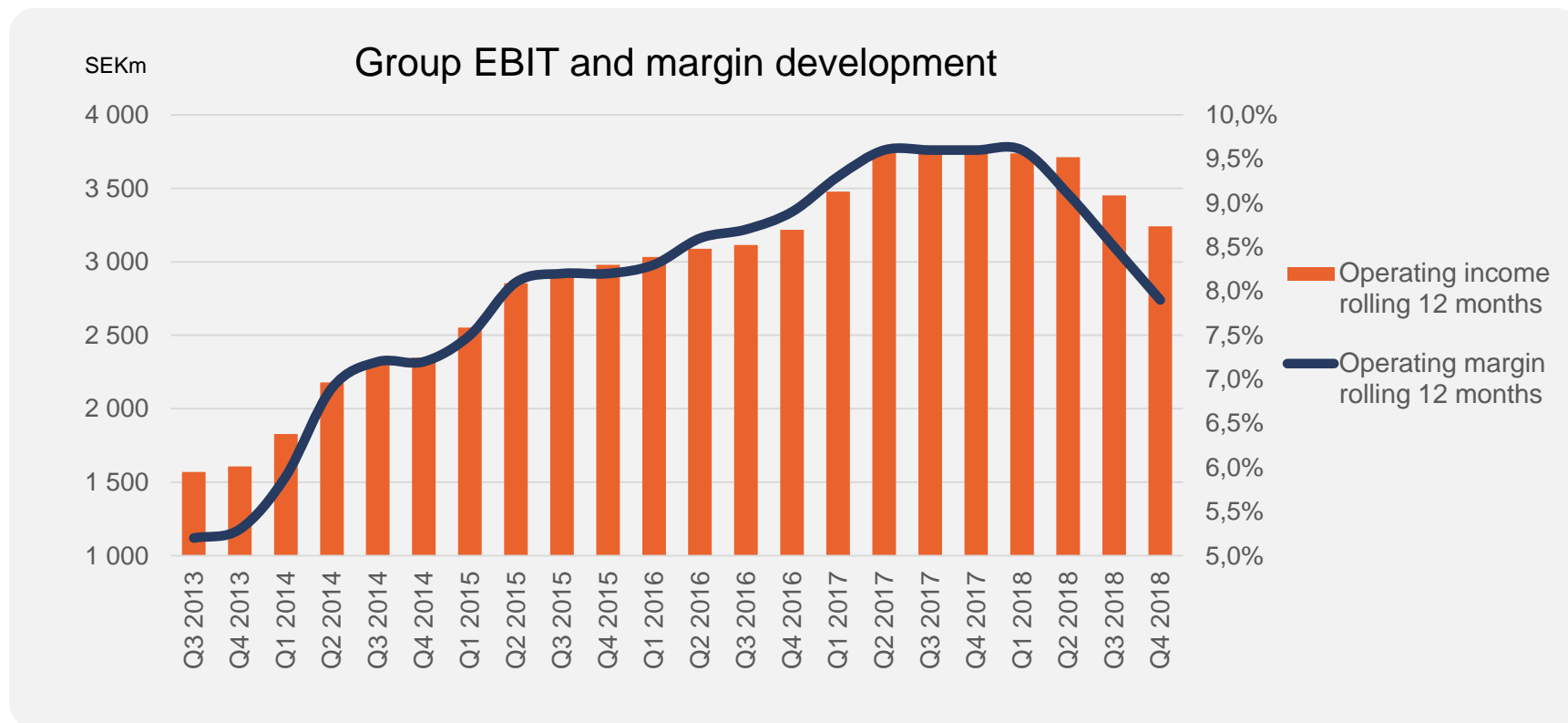
\*Excluding items affecting comparability

# Profitable growth divisions – organic growth



Note: Construction grew net sales by 12%, including acquisitions

# Financial performance 2018 - a temporary deviation from the trend of improvements



# Husqvarna Division

SEKm	Q4 2018	Q4 2017	Change, %	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	3,323	3,240	3	19,780	19,209	+3
<i>Currency adjusted change, %</i>	-2	14	–	1	8	–
EBIT*	-41	127	–	2,277	2,727	-16
<i>EBIT-margin*, %</i>	<i>neg</i>	3.9	–	11.5	14.2	–

- Knock-on effects from challenging main season impacted Q4
- Operating result affected by:
  - Higher raw material, tariffs and logistics costs
  - Maintained strategic growth initiatives despite low net effect from efficiency measures
  - Regional mix effects
- New operative leadership structure in place since July and all restructuring planning and decisions behind us



\*Excluding items affecting comparability



# Gardena Division

SEKm	Q4 2018	Q4 2017	Change, %	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	604	556	9	6,801	5,630	21
<i>Currency adjusted change, %</i>	4	7	–	14	9	–
EBIT	-213	-172	–	786	706	11
<i>EBIT-margin, %</i>	<i>neg</i>	<i>neg</i>	–	11.6	12.5	–

- Seasonally small quarter focused on preparations for 2019. EBIT impacted by high levels of growth investments
- Strong full-year sales increase 14% supported by favorable weather and an extended season in Central Europe
- Solid growth strategy execution - product launches, geography/channel expansion
- Full-year operating income increased 11%. Partly offset by costs for distribution and profitable growth investments



# Consumer Brands Division

SEKm	Q4 2018	Q4 2017	Change, %	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	1,129	1,115	1	8,693	9,533	-9
<i>Currency adjusted change, %</i>	-6	-10	–	-9	-1	–
EBIT*	-97	-109	11	-306	-52	–
<i>EBIT-margin*, %</i>	<i>neg</i>	<i>neg</i>	–	<i>neg</i>	<i>neg</i>	–

- Q4 EBIT-improved, driven by cost and efficiency measures
- Full-year net sales decrease of 9%, primarily reflecting the scale-back of a major U.S. retail account in 2018
- Operating income negatively impacted by higher raw material, tariffs and logistic costs. Lower sales and manufacturing volumes



\*Excluding items affecting comparability



# Construction Division

SEKm	Q4 2018	Q4 2017	Change, %	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	1,398	1,217	15	5,762	5,015	15
<i>Currency adjusted change, %</i>	8	29	–	12	21	–
EBIT*	115	132	-13	716	649	10
<i>EBIT-margin*, %</i>	8.2	10.9	–	12.4	12.9	–

- Q4 organic sales flat whereof good growth in Europe and decrease in North America.
- EBIT impacted by negative mix, higher raw material, tariff and distribution costs
- Integration costs related to the Atlas Copco acquisition
- Continued investments in strategic growth initiatives
- Full-year net sales increased by 12%, whereof 3.4% organic



\*Excluding items affecting comparability

# Strong product line-up and pipeline of new launches in 2019

Husqvarna 550XP®

Mark II and  
545 Mark II

Redesigned  
from scratch



# Strong product line-up and pipeline of new launches in 2019

## Husqvarna Automower® 535 All-Wheel-Drive

A step change in innovation for robotic lawn mowers





# Strong product line-up for the US market



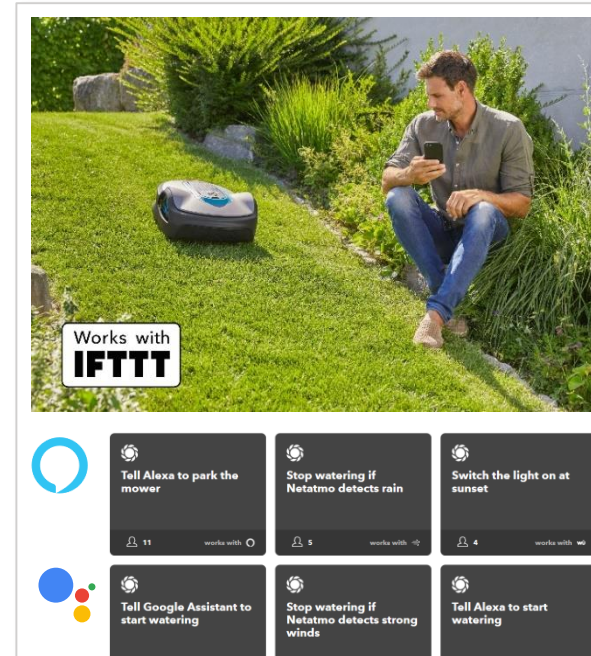
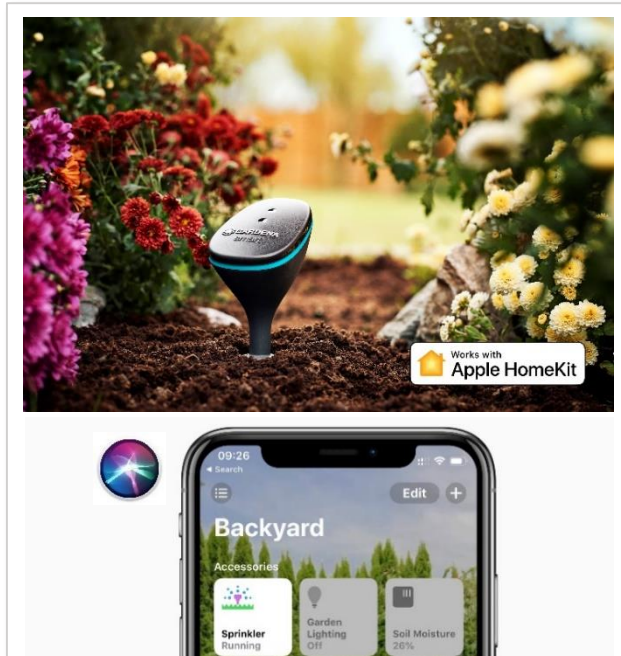
- New Automower versions with high cut capabilities for the US market
- Go-to-market
  - Solution orientation for retail and dealers

# GARDENA smart system platform integrations



Presented at CES 2019 in Las Vegas:

**“Hey Siri, please water my garden!”**



# Construction – example of new products in 2019



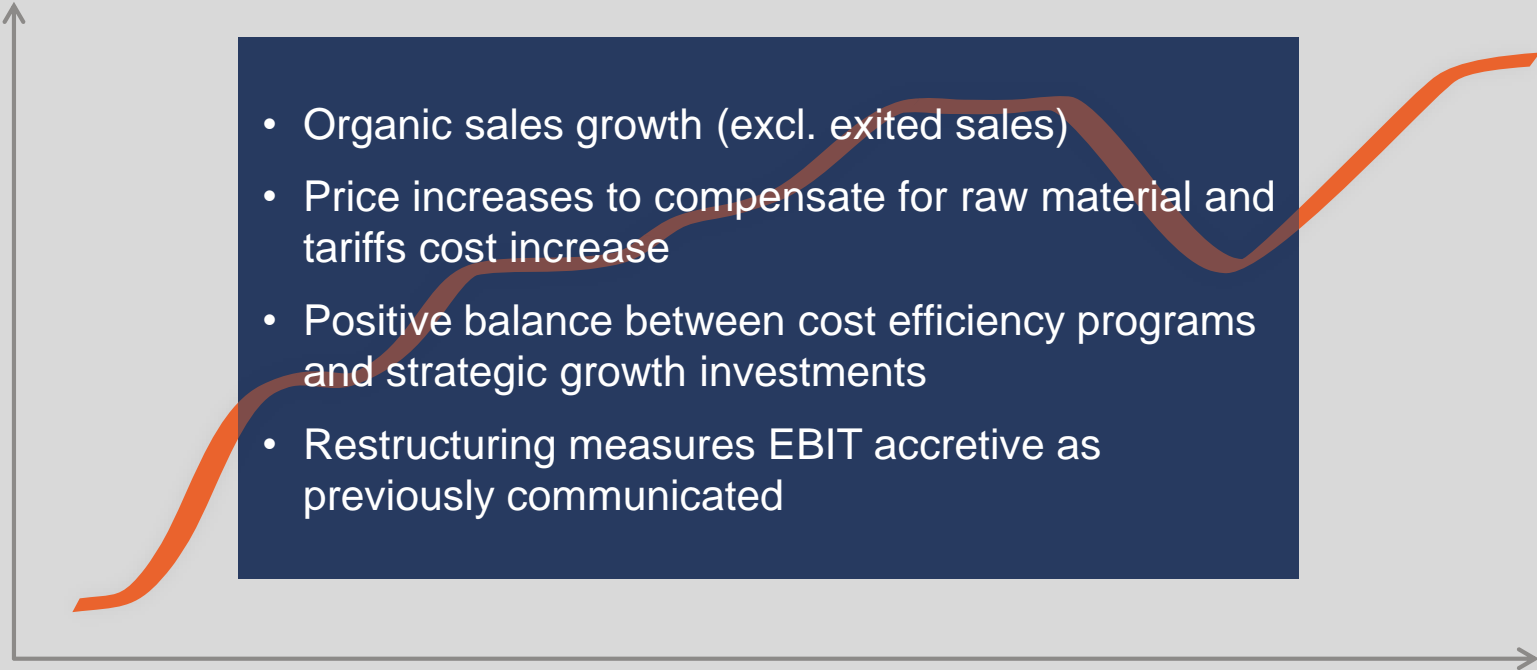
**Husqvarna K535i**  
High performance lightweight  
battery power cutter



**Husqvarna K770 VAC**  
Lightweight power cutter  
for dry cutting



# Top priority for 2019 is to get back to our profitability improvement trajectory

- 
- Organic sales growth (excl. exited sales)
  - Price increases to compensate for raw material and tariffs cost increase
  - Positive balance between cost efficiency programs and strategic growth investments
  - Restructuring measures EBIT accretive as previously communicated

# Glen Instone, CFO



- CFO as of 1 November 2018
- 17 years with Husqvarna Group (including Electrolux Outdoor Products)
- Positions include, Head of Global Sales Husqvarna, VP Finance Husqvarna, Finance EMEA, VP Finance Manufacturing, Logistics and Sourcing

# Consolidated income statement

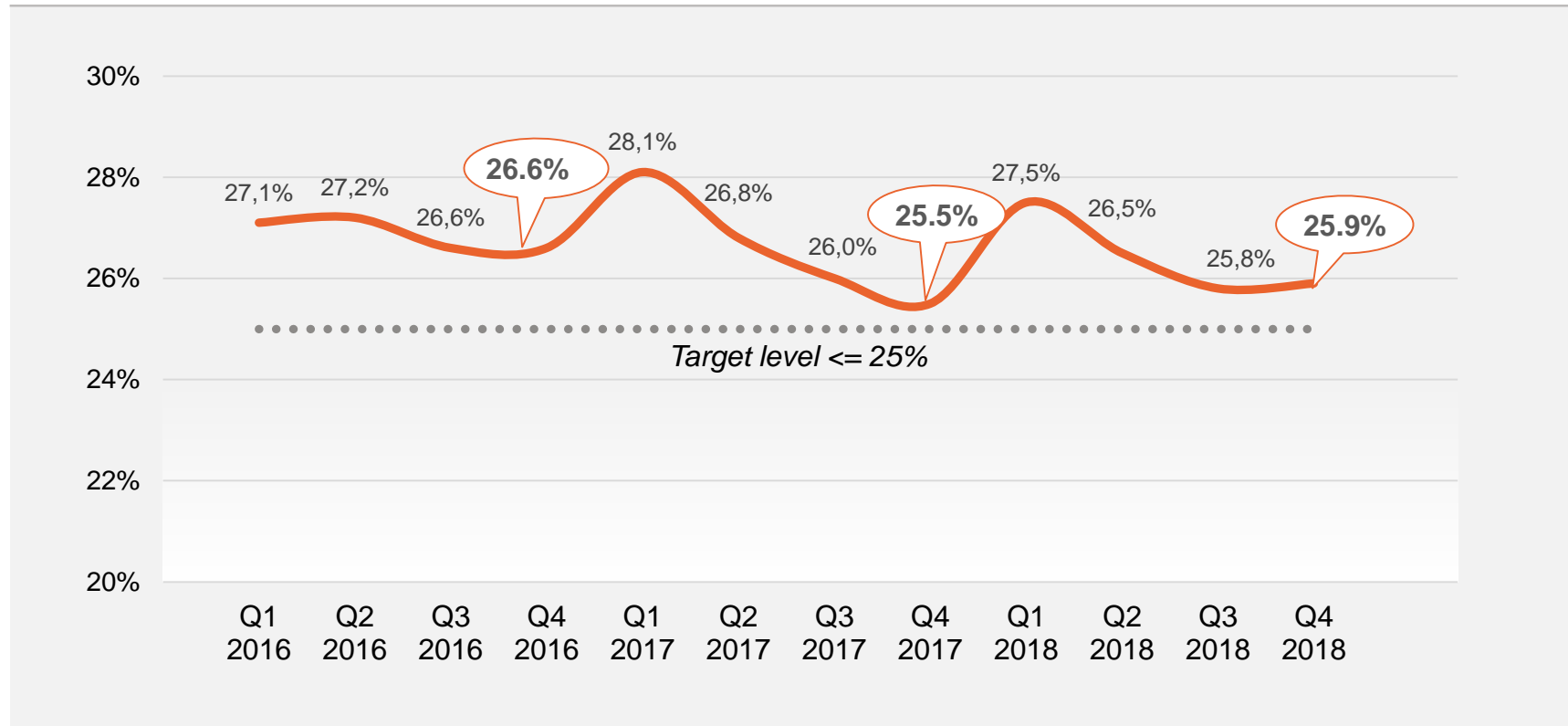
SEKm	Q4 2018	Q4 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	6,470	6,130	41,085	39,394
Cost of goods sold	-4,787	-4,488	-29,506	-27,922
<b>Gross income*</b>	<b>1,683</b>	<b>1,642</b>	<b>11,579</b>	<b>11,472</b>
<b>Gross margin, %</b>	<b>26.0</b>	<b>26.8</b>	<b>28.2</b>	<b>29.1</b>
Selling expenses	-1,471	-1,325	-6,425	-5,870
Administrative expenses	-506	-448	-1,968	-1,879
Other operating income/expense	12	61	55	67
<b>SG&amp;A, % of net sales</b>	<b>30.4</b>	<b>27.9</b>	<b>20.3</b>	<b>19.5</b>
<b>Operating income*</b>	<b>-282</b>	<b>-70</b>	<b>3,241</b>	<b>3,790</b>
<b>Operating margin, %</b>	<b>-4.4</b>	<b>-1.1</b>	<b>7.9</b>	<b>9.6</b>
Items affecting comparability	-822	0	-1,171	0
Financial items, net	-124	-135	-509	-500
Income tax	306	266	-348	-630
<b>Income for the period</b>	<b>-922</b>	<b>61</b>	<b>1,213</b>	<b>2,660</b>
Earnings per share, SEK	-1.61	0.10	2.12	4.62

\* Excluding items affecting comparability

- Net sales unchanged in Q4 and +2% for full year. Excl. acquisitions -1% in Q4 and +1% for full year.
- Gross margin
  - Raw materials/tariffs
  - Logistics
  - Strategic investments (R&D)
- SG&A
  - Strategic investments
  - Distribution costs
  - FX effect
- Tax rate of 22%

# Further potential for capital efficiency

## Operating working capital / net sales

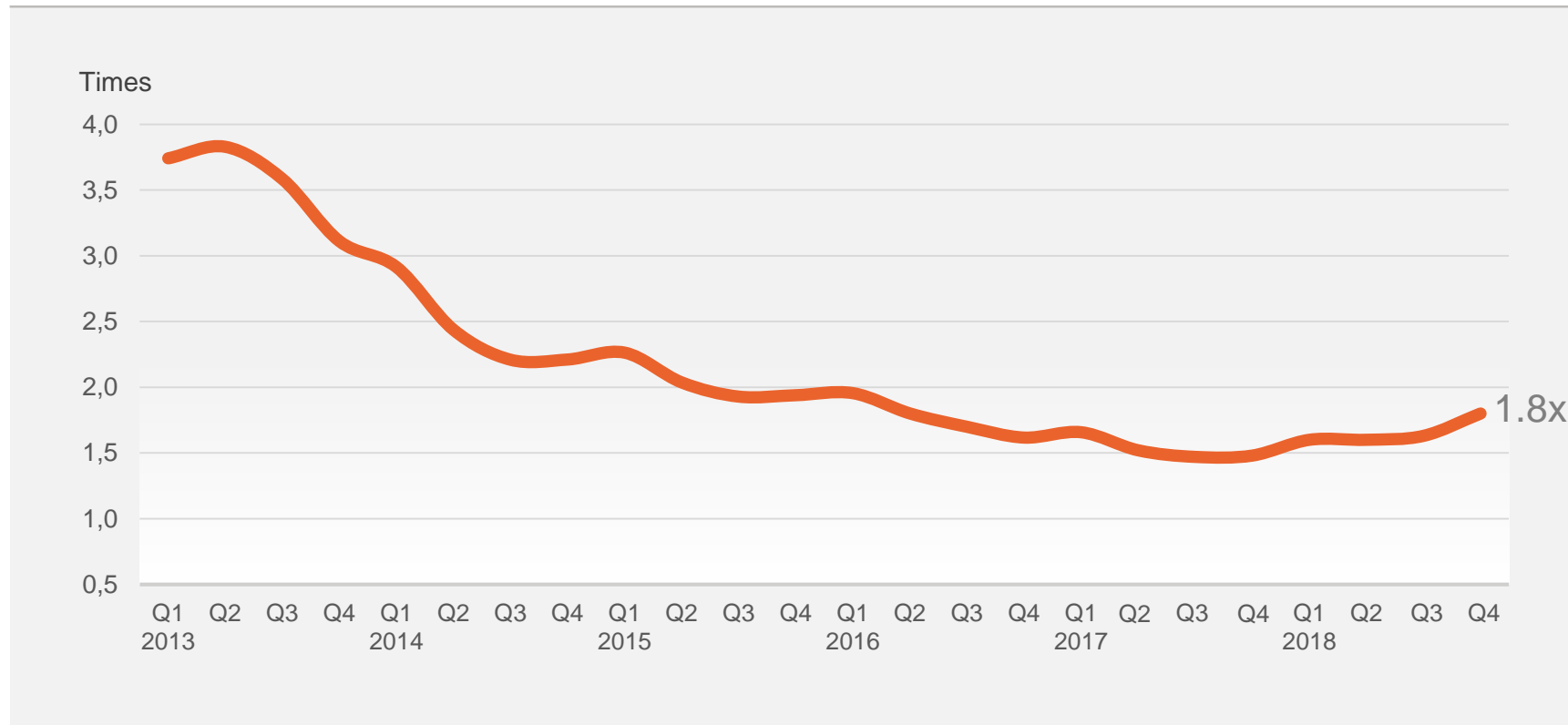


# Consolidated balance sheet

SEKm	Dec 31 2018	Dec 31 2017
Non-current assets	21,000	19,291
Inventories	11,067	9,522
Trade receivables	3,613	3,407
Other current assets	1,581	1,326
Liquid funds	1,346	1,872
<b>Total assets</b>	<b>38,607</b>	<b>35,418</b>
Total equity	16,009	15,667
Interest-bearing liabilities	10,013	8,039
Provisions for pensions	2,101	1,818
Other provisions	3,160	2,994
Trade payables	4,622	4,098
Other current liabilities	2,702	2,802
<b>Total equity and liabilities</b>	<b>38,607</b>	<b>35,418</b>

- Main driver for higher working capital is inventory build-up
  - Robotic lawn mowers, to lower Brexit risk
  - Gardena season preparation
- Net debt of SEK 9,9bn (7,2)
  - FX impact
  - Working capital
  - Tax
  - Atlas Copco acquisition

# Net debt / EBITDA



Average rolling 12 months net debt / rolling 12 months EBITDA (excl. items affecting comparability)



# Restructuring as planned

- Consumer Brands Division dissolved into the Husqvarna and Gardena Divisions
  - SEK 1.5 – 2.0bn of sales to be exited in 2019, and SEK 1.0 - 1.5bn in 2020
  - Restructuring measures being executed and on plan
  - Costs of SEK 1,171m charged in 2018 and SEK 30m in cash out (of the total SEK 1.2bn whereof SEK 400m cash costs)
  - Annual savings of SEK 250m, full effect 2020
- Measures are margin accretive for the Group from the start of 2019



# Distribution of Consumer Brands Division

*Reporting three more focused divisions from Q1 2019*

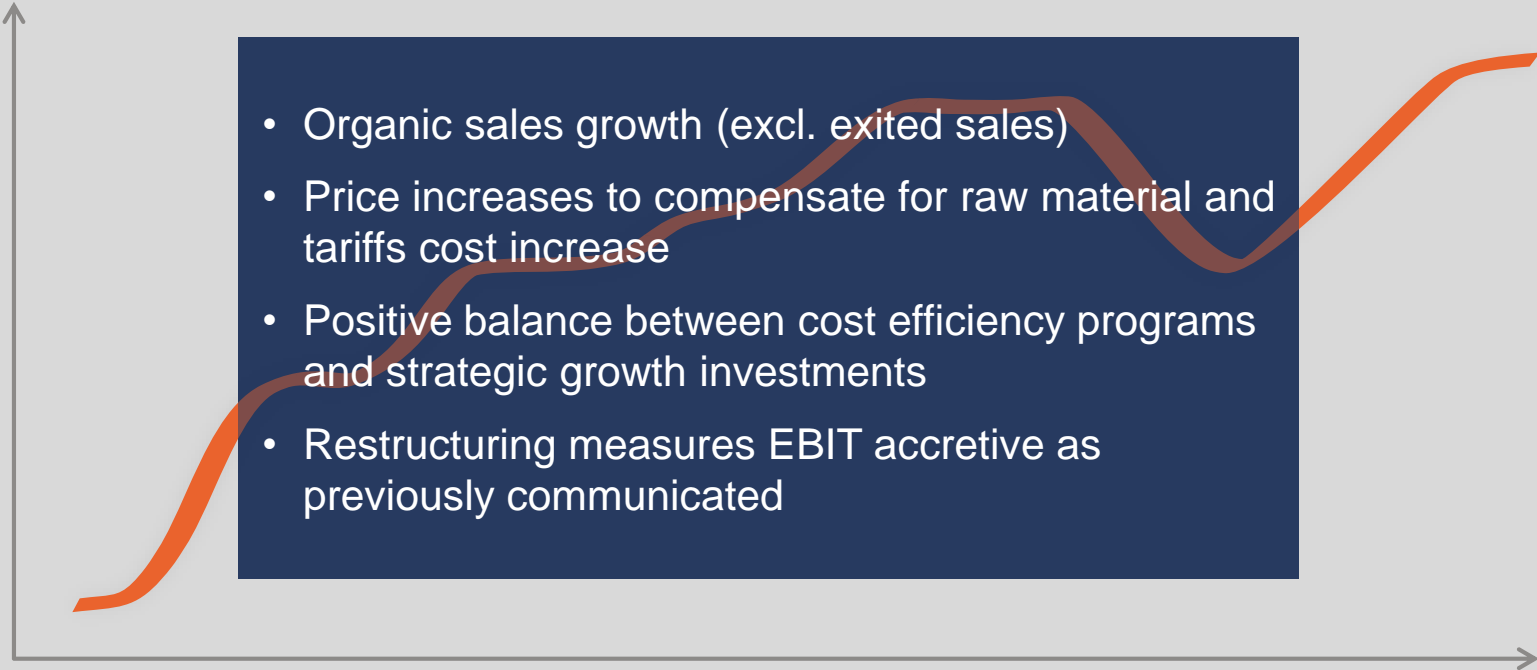
Husqvarna Division		2018		2017		
SEKm	2018	CBD restated	2017	CBD restated	2017	
Net sales	19 780	7 376	<b>27 156</b>	19 209	8 012	<b>27 221</b>
Operating income*	2 277	-171	<b>2 106</b>	2 727	-11	<b>2 716</b>
Operating margin*, %	11,5		<b>7,8</b>	14,2		<b>10,0</b>

Gardena Division		2018		2017		
SEKm	2018	CBD restated	2017	CBD restated	2017	
Net sales	6 801	1 317	<b>8 118</b>	5 630	1 521	<b>7 151</b>
Operating income*	786	-135	<b>651</b>	706	-41	<b>665</b>
Operating margin*, %	11,6		<b>8,0</b>	12,5		<b>9,3</b>

*\*Excluding items affecting comparability*

- North American part of Consumer Brands (~85%) distributed to Husqvarna and European part (~15%) to Gardena
- 2018 Consumer Brands business impacted by raw materials/tariffs, logistics and weak season (in Northern Europe)
- Assume exited business in proportion to sales split in 2019 and 2020

# Top priority for 2019 is to get back to our profitability improvement trajectory

- 
- Organic sales growth (excl. exited sales)
  - Price increases to compensate for raw material and tariffs cost increase
  - Positive balance between cost efficiency programs and strategic growth investments
  - Restructuring measures EBIT accretive as previously communicated

# Sustainovate – strong progress (examples)

Challenge

Target 2020

Result 2018



our  
**CARBON**  
challenge

**-10%**

Overall CO<sub>2</sub> emissions  
intensity reduction across the  
value chain

**-24%**



From petrol to  
**battery**



Note: CO<sub>2</sub> reduction is rolling 12 months until Q3 2018

# Capital Markets Day 2019 – welcome!





**Husqvarna  
Group**

# Thank you!

Next report is out 24 April



**Johan Andersson**

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Communications and Investor Relations

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