

# INTERIM REPORT JANUARY – SEPTEMBER 2018

Stockholm October 19, 2018



## Kai Wörn, President and CEO:

“The third quarter was largely characterized by a continuation of the warm and dry weather in central and northern Europe, that had a subdued effect on demand for lawn mowing products and services, while demand for watering products was positively affected. This was reflected in the decrease of net sales adjusted for changes in exchange rates in Husqvarna Division by 5% and the increase by 23% in Gardena Division. Net sales for the total Group increased 1% adjusted for changes in exchange rates.

Operating income for the Group, excluding items affecting comparability\* referring to restructuring related costs, declined to SEK 225m (433). The lower income was affected by low demand for higher margin lawn mowing products and parts in the Husqvarna Division. Gardena benefitted from the warm and dry European weather that helped to prolong the season for watering products. Consumer Brands reported a slightly lower operating income affected by challenging raw material prices related to tariffs. Operating income for Construction was higher, however adjusted for prior year’s integration costs the operating income was unchanged.

As previously announced, we are now taking firm actions to address the underperforming Consumer Brands Division by exiting certain low-margin petrol-powered products mainly in North America and adjusting manufacturing capacity and central resources to reflect the less complex and more focused Group. The measures are expected to be accretive to the Group’s financial performance already from next year. The actions will also release resources and energy that can be focused on building on our strengths in premium offerings under the core brands of Husqvarna and Gardena in areas such as robotic lawnmowers, digitization and technology for battery powered products.

Following several years of strong financial improvements, 2018 will deviate from that trend. Hence, the highest priority for 2019 is to restore the improvement momentum. Key deliverables to accomplish this include realizing price increases, restoring the balance between the efficiency programs and costs for profitable growth activities and delivering the savings of the restructuring of Consumer Brands Division. A successful execution of these deliverables form the base to achieve the 10% operating margin target in 2019.”

## Third quarter 2018

- Net sales increased to SEK 8,042m (7,449), corresponding to a currency adjusted\* increase of 1%.
- Group operating income, excluding items affecting comparability\* of SEK -349m referring to restructuring, decreased to SEK 225m (433).
- Operating cash flow\* declined to SEK 628m (1,132).
- Restructuring measures related to Consumer Brands Division being executed (see page 5).

Group	Q3	Q3	Change,	Jan-Sep	Jan-Sep	Change,	LTM* <sup>1,2</sup>	FY
SEKm	2018	2017 <sup>2</sup>	%	2018	2017 <sup>2</sup>	%		2017 <sup>2</sup>
Net sales	8,042	7,449	8	34,615	33,264	4	40,745	39,394
<i>Currency adjusted change*, %</i>	1	4	-	2	7	-	-	7
Operating income	-124	433	n.a	3,174	3,860	-18	3,104	3,790
<i>Excl. items affecting comparability*</i>	225	433	-48	3,523	3,860	-9	3,453	3,790
Operating margin, %	-1.5	5.8	-	9.2	11.6	-	7.6	9.6
<i>Excl. items affecting comparability*</i>	2.8	5.8	-	10.2	11.6	-	8.5	9.6
Income for the period	-185	210	n.a	2,135	2,599	-18	2,196	2,660
Earnings per share after dilution, SEK	-0.32	0.37	n.a	3.73	4.52	-17	3.83	4.62
<b>Net sales, Divisions</b>								
Husqvarna <sup>2</sup>	3,689	3,669	1	16,457	15,969	3	19,697	19,209
Gardena	1,368	1,033	32	6,197	5,074	22	6,753	5,630
Consumer Brands <sup>2</sup>	1,522	1,484	3	7,564	8,418	-10	8,679	9,533
Construction	1,446	1,260	15	4,364	3,798	15	5,581	5,015
<b>Operating income excl. items affecting comparability*, Divisions</b>								
Husqvarna <sup>2</sup>	47	388	-88	2,318	2,600	-11	2,445	2,727
Gardena	113	62	82	999	878	14	827	706
Consumer Brands <sup>2</sup>	-109	-97	-12	-209	57	n/a	-318	-52
Construction	192	143	34	601	517	16	733	649

\* Alternative Performance Measure, refer to page 20 for definitions and reconciliations. <sup>1</sup> Last twelve months.

<sup>2</sup> Restatement of 2017 amounts due to reclassification of certain sales between segments, for further information refer to pages 16-18.

## THIRD QUARTER

### Net sales

Net sales for the third quarter 2018 increased by 8% to SEK 8,042m (7,449). Adjusted for changes in exchange rates\*, net sales increased 1%.

### Operating income

Operating income excluding items affecting comparability\* decreased to SEK 225m (433). This was mainly a result of unfavorable product and regional mix in the Husqvarna Division, continued investments in profitable growth initiatives, higher raw material and supply chain costs, partly offset by a strong demand of watering products in the Gardena Division.

Operating income for the third quarter amounted to SEK -124m (433), including SEK -349m of items affecting comparability\* referring to restructuring related costs.

Changes in exchange rates had a total positive year-on-year impact on operating income of approximately SEK 35m compared to the third quarter previous year, which was more than offset by higher raw material costs.

### Financial items net

Financial items net amounted to SEK -118m (-104).

### Income after financial items

Income after financial items amounted to SEK -242m (329).

### Taxes

Income tax amounted to SEK 57m (-119).

### Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK -185m (210), corresponding to SEK -0.32 (0.37) per share after dilution.

## JANUARY - SEPTEMBER

### Net sales

Net sales for January - September 2018 increased by 4% to SEK 34,615m (33,264). Adjusted for changes in exchange rates, the increase was 2%.

### Operating income

Operating income excluding items affecting comparability\* decreased to SEK 3,523m (3,860). The higher sales impacted positively but cost additions for strategic growth initiatives were not balanced by efficiency measures due to adverse raw material, productivity and logistics costs.

Operating income for January - September amounted to SEK 3,174m (3,860), including SEK -349m of items affecting comparability\* referring to restructuring related costs.

Changes in exchange rates had a total positive year-on-year impact on operating income of approximately SEK 175m compared to January - September previous year, which was offset by higher raw material costs.

### Financial items net

Financial items net amounted to SEK -385m (-365).

### Income after financial items

Income after financial items increased to SEK 2,789m (3,495).

### Taxes

Income tax amounted to SEK -654m (-896) corresponding to a tax rate of 23% (26).

## Earnings per share

Income for the period attributable to equity holders of the Parent Company decreased to SEK 2,134m (2,593), corresponding to SEK 3.73 (4.52) per share after dilution.

## OPERATING CASH FLOW

Operating cash flow\* for January - September declined to SEK 1,361m (2,629), mainly as a result of lower cash flow from operations following the decreased operating income, higher capital expenditures and working capital.

Due to the seasonal build-up of working capital, operating cash flow\* is normally negative in the first quarter, followed by positive cash flow in the second and third quarters, while cash flow in the fourth quarter is impacted by the pre-season production for the next year.

## FINANCIAL POSITION

Group equity as of September 30, 2018, excluding non-controlling interests, increased to SEK 17,043m (15,450), corresponding to SEK 29.8 (26.9) per share after dilution.

Net debt\* increased to SEK 8,040m (6,440). The net pension liability decreased to SEK 1,683m (1,807), other interest-bearing liabilities decreased to SEK 8,192m (8,584), liquid funds and other interest-bearing assets decreased to SEK 2,692m (4,695) and dividend payable increased to SEK 857m (744).

The net debt/EBITDA ratio excluding items affecting comparability increased to 1.6 (1.5) and the equity/assets ratio was 45% (43).

\*Alternative Performance Measures, refer to page 20.

## PERFORMANCE BY BUSINESS SEGMENT

### Husqvarna

SEKm	Q3 2018	Q3 2017 <sup>1</sup>	Change, %	Jan-Sep 2018	Jan-Sep 2017 <sup>1</sup>	Change, %	LTM <sup>*1,2</sup>	Full-year 2017 <sup>1</sup>
Net sales	3,689	3,669	1	16,457	15,969	3	19,697	19,209
Currency adjusted change*, %	-5	2	-	1	7	-	-	8
Operating income	-19	388	n.a.	2,252	2,600	-13	2,379	2,727
Excl. items affecting comparability*	47	388	-88	2,318	2,600	-11	2,445	2,727
Operating margin, %	-0.5	10.6	-	13.7	16.3	-	12.1	14.2
Excl. items affecting comparability*	1.3	10.6	-	14.1	16.3	-	12.4	14.2

\*Alternative Performance Measure, refer to page 20.

<sup>1</sup>Restatement due to reclassification of certain sales between segments, for further information refer to pages 16 - 18.

<sup>2</sup>Last twelve months.

Net sales in the Husqvarna Division increased by 1% in the third quarter, however adjusted for changes in exchange rates net sales decreased by 5%. Sales for lawn care products, including robotic lawn mowers, dropped substantially in Northern Europe following a long period of very warm and dry weather, while sales in North America increased.

Operating income excluding items affecting comparability\* decreased to SEK 47m (388). The lower sales volume, product and regional mix, higher logistic and raw material costs impacted negatively, as did costs for continued investments in profitable growth initiatives. Changes in exchange rates had a total favorable year-on-year impact of around SEK 5m on operating income in the quarter.

Operating income decreased to SEK -19m (388), including items affecting comparability\* of SEK -66m related to restructuring.

### Gardena

SEKm	Q3 2018	Q3 2017	Change, %	Jan-Sep 2018	Jan-Sep 2017	Change, %	LTM <sup>*1</sup>	Full-year 2017
Net sales	1,368	1,033	32	6,197	5,074	22	6,753	5,630
Currency adjusted change*, %	23	3	-	16	9	-	-	9
Operating income	113	62	82	999	878	14	827	706
Operating margin, %	8.2	6.0	-	16.1	17.3	-	12.2	12.5

\*Alternative Performance Measure, refer to page 20. <sup>1</sup>Last twelve months.

Net sales in the Gardena Division increased by 32% in the third quarter, or 23% adjusted for changes in exchange rates. Sales growth was positively affected by the long period of favorable dry and warm weather in Central Europe that extended the season for watering products.

Operating income almost doubled to SEK 113m (62), positively impacted by the strong sales growth and favorable product mix, which partly was offset by continued costs for investments in profitable growth initiatives and higher distribution costs. The operating margin increased to 8.2% (6.0). Changes in exchange rates had a limited impact on operating income in the quarter.

## Consumer Brands

SEKm	Q3 2018	Q3 2017 <sup>1</sup>	Change, %	Jan-Sep 2018	Jan-Sep 2017 <sup>1</sup>	Change, %	LTM <sup>*1,2</sup>	Full-year 2017 <sup>1</sup>
Net sales	1,522	1,484	3	7,564	8,418	-10	8,679	9,533
Currency adjusted change*, %	-6	-5	-	-9	1	-	-	-1
Operating income	-374	-97	n/a	-474	57	n/a	-583	-52
Excl. items affecting comparability*	-109	-97	-12	-209	57	n/a	-318	-52
Operating margin, %	-24.6	-6.5	-	-6.3	0.7	-	-6.7	-0.5
Excl. items affecting comparability*	-7.2	-6.5	-	-2.8	0.7	-	-3.7	-0.5

\*Alternative Performance Measure, refer to page 20.

<sup>1</sup>Restatement due to reclassification of certain sales between segments, for further information refer to pages 16 -18.

<sup>2</sup>Last twelve months.

Net sales in the Consumer Brands Division increased by 3% in the third quarter, however adjusted for changes in exchange rates sales declined by 6%, largely due to the business volume reduction with one of the Group's largest retail customers in the U.S.

Operating income excluding items affecting comparability\* decreased to SEK -109m (-97). Higher raw material prices continued to pressure gross margins while product mix developed favorably. Changes in exchange rates had a limited impact on operating income in the quarter.

Operating income decreased to SEK -374m (-97), including items affecting comparability\* of SEK -265m related to restructuring.

## Construction

SEKm	Q3 2018	Q3 2017	Change, %	Jan-Sep 2018	Jan-Sep 2017	Change, %	LTM <sup>*1</sup>	Full-year 2017
Net sales	1,446	1,260	15	4,364	3,798	15	5,581	5,015
Currency adjusted change*, %	7	25	-	13	19	-	-	21
Operating income	192	143	34	601	517	16	733	649
Operating margin, %	13.3	11.4	-	13.8	13.6	-	13.1	12.9

\*Alternative Performance Measure, refer to page 20<sup>1</sup>. <sup>1</sup>Last twelve months.

Net sales in the Construction Division increased by 15% in the third quarter, or by 7% adjusted for changes in exchange rates. Acquired entities contributed with approximately 8 percentage points of the currency adjusted increase. Sales in Europe developed positively while organic sales in North America decreased.

Operating income increased by 34% to SEK 192m (143). The higher sales volume impacted positively while product and regional mix as well as higher raw material and distribution costs impacted negatively. The third quarter last year was negatively affected by integration costs of some SEK 50m.

Changes in exchange rates had a total favorable year-on-year impact of around SEK 30m on operating income in the third quarter.

## CONVERSION OF SHARES

According to the Company's articles of association, owners of A-shares have the right to have such shares converted to B-shares. Conversion reduces the total number of votes in the Company. No shares were converted during the third quarter.

The total number of registered shares in the company at September 30, 2018 amounted to 576,343,778 of which 112,439,548 were A-shares and 463,904,230 were B-shares. The total number of votes amounted to 158,829,971.

## PARENT COMPANY

Net sales for January – September 2018 for the Parent Company, Husqvarna AB, amounted to SEK 13,970m (12,718), of which SEK 11,090m (9,849) referred to sales to Group companies and SEK 2,880m (2,869) to external customers.

Income after financial items amounted to SEK 477m (2,627). Income for the period decreased to SEK 510m (2,073). Investments in property, plant and equipment and intangible assets amounted to SEK 914m (577). Cash and cash equivalents amounted to SEK 661m (2,526) at the end of the quarter. Undistributed earnings in the Parent Company amounted to SEK 20,881m (22,186).

## RESTRUCTURING OF THE CONSUMER BRANDS DIVISION

As communicated in press releases on July 17 and September 18, Husqvarna Group will exit certain low-margin petrol-powered product segments in the underperforming Consumer Brands Division and instead focus on strengths in premium offerings under the core brands of Husqvarna and Gardena. The exit will enable more focus on profitable growth areas such as robotic lawnmowers, digitization and technology for battery-powered products. Restructuring measures to adjust the associated manufacturing capacity, mainly at the production unit in McRae, Georgia (USA), and to reduce central resources to reflect the less complex and more focused Group have been initiated.

The restructuring measures will be implemented during 2018-2019 with an estimated total cost of some SEK 1.2 billion before tax, of which some SEK 400m refers to cash items. Such costs will mainly be charged to the Group's income statement in the third and fourth quarters of 2018 and be classified as items affecting comparability. The restructuring measures are expected to result in annual savings of around SEK 250m gradually from 2019 and with full effect 2020, which exceeds the lost fixed cost contribution from the exited sales volumes. The lower business volume will also reduce the net working capital need in the Group up to SEK 1 billion over the coming years.

In 2019 the Group will exit net sales of close to SEK 2 billion and in 2020 another SEK 1 - 2 billion of low gross margin business that previously was within the Consumer Brands Division. This mainly involves petrol-powered walk-behind lawnmowers and garden lawn tractors in lower price points and to a smaller extent also some consumer handheld products.

The Consumer Brands Division will continue to be reported as a separate division for the remainder of 2018 but will be dissolved into the Husqvarna and Gardena divisions as of the first quarter 2019. The European part of the remaining Consumer Brands sales, which is around 15 percent of such sales, will be included in Gardena Division and the other 85 percent, which almost entirely is related to North America, be included in the Husqvarna Division. The segment reporting in 2019 will thus consist of three divisions: Husqvarna, Gardena and Construction. The changes of the reporting segments will not impact Group goodwill. A restatement of the full-year 2018 segment reporting in the new structure will be included in the Group's year-end report 2018 on February 5, 2019.

## GROUP MANAGEMENT COMPOSITION

As of 30 September 2018, Husqvarna Group Management consists of:

Kai Wärm, President and CEO; Sascha Menges, President, Husqvarna Division; Pär Åström, President, Gardena Division; Henric Andersson, President, Construction Division; Hillevi Agranius Senior Vice President, Global Information Services and CIO; Brian Belanger, Senior Vice President, Legal Affairs and General Counsel; Per Ericson, Senior Vice President, Business Development; Leigh Dagberg, Senior Vice President, People & Organization; Pavel Hajman, Senior Vice President, Operations Development; Anders Johanson, Senior Vice President, Innovation and Technology and CTO; and Jan Ytterberg, Senior Vice President, Finance and CFO.

## 2019 ANNUAL GENERAL MEETING

The AGM of Husqvarna AB (publ) will be held in Jönköping, Sweden on April 9, 2019.

### Nomination Committee

In accordance with the decision by Husqvarna's Annual General Meeting ("AGM") on April 10, 2018, the members of the Nomination Committee for the 2019 AGM are to be appointed by the four largest shareholders in terms of voting rights in the company as of the last banking day in August, August 31, 2018, who have expressed a wish to participate in the nomination committee work. In addition, the Nomination Committee shall also include the Chair of the Husqvarna Board.

On August 31, 2018, the four largest shareholders in terms of voting rights were Investor AB, L E Lundbergföretagen AB, If Skadeförsäkring AB and Didner & Gerge Fonder AB. Each has appointed one member, as shown below, who will form Husqvarna's Nomination Committee together with the Chair of the Husqvarna Board. The Nomination Committee's members are: Petra Hedengran (Chair), Investor AB; Claes Boustedt, L E Lundbergföretagen AB; Ricard Wennerklint, If Skadeförsäkring AB; Henrik Didner, Didner & Gerge Fonder AB and Tom Johnstone, Board Chair of Husqvarna AB.

The Nomination Committee will prepare proposals for the AGM in 2019, including proposals for the Chair of the AGM, Board members, Chair of the Board, remuneration for Board members, auditors, fees to the auditors, and to the extent deemed necessary, the tasks and composition of the Nomination Committee for the AGM in 2020.

Shareholders who wish to submit proposals to the Nomination Committee may do so by email to [nominationcommittee@husqvarnagroup.com](mailto:nominationcommittee@husqvarnagroup.com) if possible by February 12, 2019.

## **SUBSEQUENT EVENTS**

### **Dividend**

The Annual General Meeting on April 10, 2018, resolved on a dividend for 2017 of SEK 2.25 (1.95) per share. It was also resolved that the dividend was to be paid in two installments. An initial payment of SEK 0.75 per share in April and a second payment of SEK 1.50 per share in October, 2018. The payment date for the second installment was October 17.

## **RISKS AND UNCERTAINTY FACTORS**

A number of factors may affect Husqvarna Group's operations in terms of operational and financial risks.

Operational risks include general economic conditions, as well as trends in consumer and professional spending, particularly in North America and Europe, where the majority of the Group's products are sold. An economic downturn in these markets may have an adverse effect on Group sales and earnings. Shifts in product technology as well as shifts in distribution structure and sales channels could also have a negative impact, as will fluctuations in prices of sourced raw materials and components.

Short term, demand for the Group's products is impacted by weather conditions. The Group's production processes and supply chain are therefore adapted to respond to changes in weather conditions. In the ordinary course of business, the Group is exposed to legal risks such as commercial, product liability and other disputes and provides for them as appropriate.

Financial risks refer primarily to currency exchange rates, interest rates, financing, tax and credit risks. Risk management within Husqvarna Group is regulated by a financial policy established by the Board of Directors.

For further information on risks and uncertainty factors, see the Annual Report 2017 which is available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir).

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim financial reporting and the Swedish Annual Accounts Act. The financial statement of the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, chapter 9 and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities.

The accounting policies adopted are consistent with those presented in the Annual Report of 2017, which is available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir).

### New standards applicable from January 1, 2018

Husqvarna Group applies IFRS 15 "Revenue From Contracts with Customers" from January 1, 2018. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction contracts". IFRS 15 establishes a new principle based model of recognizing revenue from customer contracts. Husqvarna Group have chosen the full retrospective method, hence the comparative figures for 2017 have been restated in this report. IFRS 15 has not had an impact on operating income, net income nor balance sheet amounts. The opening balance for 2017 has not been affected by IFRS 15. For further information on transition to IFRS 15 and restatement, refer to pages 16-17.

Husqvarna Group applies IFRS 9 "Financial Instruments" from January 1, 2018. IFRS 9 replaces IAS 39 "Financial instruments: recognition and measurement". The Group applies IFRS 9 retrospectively on the effective date January 1, 2018, which means that the opening retained earnings January 1, 2018 will be affected but the comparative information will not be restated. IFRS 9 does not have a significant impact on the financial reports in the Group. For further information on transition to IFRS 9 and restatement, refer to pages 16 and 18.

### New standards applicable from January 1, 2019

IFRS 16 "Leases" replaces IAS 17 "Leases" and is effective for annual periods beginning on or after January 1, 2019. The new standard will result in most leases being recognized on the balances sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased asset) and a financial liability (the obligation to make lease payments) are recognized, with exceptions for short-term leases and low-value assets. The standard will affect the accounting for the Group's operating leases (mainly buildings, cars and fork lifts). The Group has an ongoing project to handle the transition where an IT solution has been implemented and the full impact of IFRS 16 is currently being assessed. The Group had non-cancellable operating lease commitments of some SEK 1.7 billion on December 31, 2017.

## RECLASSIFICATIONS

### Reclassification of certain income and expenses related to changes in exchange rates

Certain income and expenses, such as change in value of currency hedging contracts and the translation of assets and liabilities in foreign currency, previously recorded in selling expenses have been reclassified to cost of goods sold. The reclassification will better reflect the underlying performance of selling expenses and cost of goods sold. The comparative amounts for 2017 have been restated. For further information see pages 16 and 18.

### Reclassification of certain sales between segments

To better reflect the responsibilities in the reporting, certain retail sales and costs have been transferred to Consumer Brands Division from Husqvarna Division in 2018. The comparative amounts for 2017 have been restated. For further information see pages 16 and 18.

## Consolidated income statement

SEKm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Net sales	8,042	7,449	34,615	33,264	39,394
Cost of goods sold <sup>1</sup>	-6,291	-5,282	-25,028	-23,434	-27,922
<b>Gross income</b>	<b>1,751</b>	<b>2,167</b>	<b>9,587</b>	<b>9,830</b>	<b>11,472</b>
Gross margin, %	21.8	29.1	27.7	29.6	29.1
Selling expenses <sup>1</sup>	-1,464	-1,251	-4,969	-4,545	-5,870
Administrative expenses	-411	-484	-1,487	-1,431	-1,879
Other operating income/expense	0	1	43	6	67
<b>Operating income</b>	<b>-124</b>	<b>433</b>	<b>3,174</b>	<b>3,860</b>	<b>3,790</b>
Operating margin, %	-1.5	5.8	9.2	11.6	9.6
Financial items, net	-118	-104	-385	-365	-500
<b>Income after financial items</b>	<b>-242</b>	<b>329</b>	<b>2,789</b>	<b>3,495</b>	<b>3,290</b>
Margin, %	-3.0	4.4	8.1	10.5	8.4
Income tax	57	-119	-654	-896	-630
<b>Income for the period</b>	<b>-185</b>	<b>210</b>	<b>2,135</b>	<b>2,599</b>	<b>2,660</b>
Income for the period attributable to:					
Equity holders of the Parent Company	-185	210	2,134	2,593	2,654
Non-controlling interest	0	0	1	6	6
Earnings per share:					
Before dilution, SEK	-0.33	0.37	3.73	4.53	4.64
After dilution, SEK	-0.32	0.37	3.73	4.52	4.62
Average number of shares outstanding:					
Before dilution, millions	571.7	572.2	571.4	572.3	572.0
After dilution, millions	572.5	574.2	572.3	574.2	574.2

## Key data

Net sales growth, %	8	1	4	10	9
Operating income, SEKm	-124	433	3,174	3,860	3,790
Excl. items affecting comparability*	225	433	3,523	3,860	3,790
Operating margin, %	-1.5	5.8	9.2	11.6	9.6
Excl. items affecting comparability*	2.8	5.8	10.2	11.6	9.6
Average number of employees	12,752	12,818	13,321	13,520	13,252

## EBITDA\*

SEKm					
Operating income	-124	433	3,174	3,860	3,790
Reversal of depreciation, amortization and impairment	501	309	1,222	984	1,315
<b>EBITDA*</b>	<b>377</b>	<b>742</b>	<b>4,396</b>	<b>4,844</b>	<b>5,105</b>
Excl. items affecting comparability*	583	742	4,602	4,844	5,105
EBITDA margin, %	4.7	10.0	12.7	14.6	13.0
Excl. items affecting comparability*	7.3	10.0	13.3	14.6	13.0

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

<sup>1</sup>Restatement of 2017 due to IFRS 15 transition and reclassification of certain exchange rate effects, for further information refer to page 16-17.



## Consolidated comprehensive income statement

SEKm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
<b>Income for the period</b>	<b>-185</b>	<b>210</b>	<b>2,135</b>	<b>2,599</b>	<b>2,660</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to the income statement:</i>					
Remeasurements on defined benefit pension plans, net of tax	53	3	75	-51	33
<b>Total items that will not be reclassified to the income statement, net of tax</b>	<b>53</b>	<b>3</b>	<b>75</b>	<b>-51</b>	<b>33</b>
<i>Items that may be reclassified to the income statement:</i>					
Currency translation differences	-224	-239	1,137	-652	-693
Net investment hedge, net of tax	81	169	-761	552	632
Cash flow hedges, net of tax	60	-51	93	-70	-71
<b>Total items that may be reclassified to the income statement, net of tax</b>	<b>-83</b>	<b>-121</b>	<b>469</b>	<b>-170</b>	<b>-132</b>
<b>Other comprehensive income, net of tax</b>	<b>-30</b>	<b>-118</b>	<b>544</b>	<b>-221</b>	<b>-99</b>
<b>Total comprehensive income for the period</b>	<b>-215</b>	<b>92</b>	<b>2,679</b>	<b>2,378</b>	<b>2,561</b>
Total comprehensive income attributable to:					
Equity holders of the Parent Company	-215	91	2,678	2,372	2,555
Non-controlling interest	0	1	1	6	6

## Consolidated balance sheet

SEKm	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
<b>Assets</b>			
Property, plant and equipment	6,198	5,455	5,806
Goodwill	7,086	6,589	6,635
Other intangible assets	5,502	4,961	5,122
Derivatives	9	7	4
Other non-current assets	693	431	527
Deferred tax assets	1,259	1,219	1,197
<b>Total non-current assets</b>	<b>20,747</b>	<b>18,662</b>	<b>19,291</b>
Inventories	9,022	7,967	9,522
Trade receivables	4,709	4,391	3,407
Derivatives	350	240	316
Tax receivables	522	136	71
Other current assets	903	761	937
Other short-term investments	2	1	2
Cash and cash equivalents	1,957	4,104	1,872
<b>Total current assets</b>	<b>17,465</b>	<b>17,600</b>	<b>16,127</b>
<b>Total assets</b>	<b>38,212</b>	<b>36,262</b>	<b>35,418</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the Parent Company	17,043	15,450	15,665
Non-controlling interests	2	28	2
<b>Total equity</b>	<b>17,045</b>	<b>15,478</b>	<b>15,667</b>
Borrowings	6,223	5,190	4,684
Derivatives	21	26	28
Deferred tax liabilities	1,846	1,811	1,895
Provisions for pensions and other post-employment benefits	1,947	1,838	1,818
Other provisions	646	683	683
<b>Total non-current liabilities</b>	<b>10,683</b>	<b>9,548</b>	<b>9,108</b>
Trade payables	3,624	3,143	4,098
Tax liabilities	659	763	345
Other liabilities	2,887	2,687	2,457
Dividend payable	857	744	-
Borrowings	1,737	2,971	2,913
Derivatives	211	397	414
Other provisions	509	531	416
<b>Total current liabilities</b>	<b>10,484</b>	<b>11,236</b>	<b>10,643</b>
<b>Total equity and liabilities</b>	<b>38,212</b>	<b>36,262</b>	<b>35,418</b>

## Key data

Operating working capital, SEKm	10,107	9,215	8,831
Operating working capital / net sales, %*	25.8	26.0	25.5
Return on capital employed, %	11.6	14.5	14.7
Excl. items affecting comparability*, %	12.8	14.5	14.7
Return on equity, %	13.3	16.5	17.4
Excl. items affecting comparability*, %	14.9	16.5	17.4
Capital turn-over rate, times	1.7	1.7	1.7
Equity/assets ratio, %	45	43	44
Equity per share after dilution, SEK	29.8	26.9	27.3

## Net debt\*

SEKm			
Net pension liability	1,683	1,807	1,698
Other interest-bearing liabilities	8,192	8,584	8,039
Dividend payable	857	744	-
Less: Liquid funds and other interest-bearing assets	-2,692	-4,695	-2,538
<b>Net debt*</b>	<b>8,040</b>	<b>6,440</b>	<b>7,199</b>
Net debt/equity ratio	0.47	0.42	0.46

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

## Consolidated cash flow statement

SEKm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
<b>Cash flow from operations</b>					
Operating income	-124	433	3,174	3,860	3,790
Non cash items	712	109	1,386	914	1,197
<i>Cash items</i>					
Paid restructuring expenses	-7	-5	-18	-8	-52
Net financial items, received/paid	-141	-116	-396	-360	-467
Taxes paid	-189	-85	-753	-397	-431
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>251</b>	<b>336</b>	<b>3,393</b>	<b>4,009</b>	<b>4,037</b>
<b>Change in operating assets and liabilities</b>					
Change in inventories	147	2	820	932	-567
Change in trade receivables	3,224	2,738	-1,156	-1,126	-104
Change in trade payables	-1,758	-1,327	-680	-526	406
Change in other operating assets/liabilities	-704	-206	456	487	-33
<b>Cash flow from operating assets and liabilities</b>	<b>909</b>	<b>1,207</b>	<b>-560</b>	<b>-233</b>	<b>-298</b>
<b>Cash flow from operations</b>	<b>1,160</b>	<b>1,543</b>	<b>2,833</b>	<b>3,776</b>	<b>3,739</b>
<b>Investments</b>					
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	-	1	-272	-1,628	-1,619
Investments in property, plant and equipment and intangible assets	-532	-411	-1,472	-1,147	-1,892
Investments and divestments of financial assets	3	-355	2	-355	-358
<b>Cash flow from investments</b>	<b>-529</b>	<b>-765</b>	<b>-1,742</b>	<b>-3,130</b>	<b>-3,869</b>
<b>Cash flow from operations and investments</b>	<b>631</b>	<b>778</b>	<b>1,091</b>	<b>646</b>	<b>-130</b>
<b>Financing</b>					
Dividend paid to shareholders	-	-	-428	-372	-1,114
Dividend paid to non-controlling interests	-	-4	-6	-5	-10
Other financing activities	-1,393	794	-600	1,985	1,267
<b>Cash flow from financing</b>	<b>-1,393</b>	<b>790</b>	<b>-1,034</b>	<b>1,608</b>	<b>143</b>
<b>Total cash flow</b>	<b>-762</b>	<b>1,568</b>	<b>57</b>	<b>2,254</b>	<b>13</b>
Cash and cash equivalents at beginning of period	2,762	2,611	1,872	1,937	1,937
Exchange rate differences referring to cash and cash equivalents	-43	-75	28	-87	-78
<b>Cash and cash equivalents at end of period</b>	<b>1,957</b>	<b>4,104</b>	<b>1,957</b>	<b>4,104</b>	<b>1,872</b>
<b>Operating cash flow*</b>					
<b>SEKm</b>					
Cash flow from operations and investments	631	778	1,091	646	-130
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	-	-1	272	1,628	1,619
Investments and divestments of financial assets	-3	355	-2	355	358
<b>Operating cash flow*</b>	<b>628</b>	<b>1,132</b>	<b>1,361</b>	<b>2,629</b>	<b>1,847</b>

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

## Change in Group equity

SEKm	Attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
<b>Opening balance January 1, 2017</b>	<b>14,339</b>	<b>26</b>	<b>14,365</b>
Share-based payment	62	-	62
Transfer of treasury shares <sup>1</sup>	4	-	4
Hedge for LTI-programs	-334	-	-334
Sales of treasury shares	151	-	151
Dividend	-1,114	-15	-1,129
Acquisition of non-controlling interest	4	-17	-13
Divestment of non-controlling interest	-2	2	-
Total comprehensive income	2,555	6	2,561
<b>Closing balance December 31, 2017</b>	<b>15,665</b>	<b>2</b>	<b>15,667</b>
IFRS 9 restatement (see pages 16 and 18)	-12	-	-12
<b>Opening balance January 1, 2018</b>	<b>15,653</b>	<b>2</b>	<b>15,655</b>
Share-based payment	-3	-	-3
Dividend	-1,285	-1	-1,286
Total comprehensive income	2,678	1	2,679
<b>Closing balance September 30, 2018</b>	<b>17,043</b>	<b>2</b>	<b>17,045</b>

<sup>1</sup> Options exercised related to 2009 LTI-program.

## Fair value of financial instruments

The Group's financial instruments carried at fair value are derivatives. Derivatives belong to Level 2 in the fair value hierarchy. Future cash flows have been discounted using current quoted market interest rates and exchange rates for similar instruments. Further information about the accounting principles for financial instruments and methods used for estimating the fair value of the financial instruments are described in note 1 and note 19, respectively, in the Annual Report 2017. The carrying value approximates fair value for all financial instruments except for non-current borrowings, which are shown in the table below.

SEKm	Sep. 30, 2018		Sep. 30, 2017		Dec. 31, 2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<i>Non-current borrowings</i>						
Financial leases	188	195	199	209	198	207
Loans	6,035	6,139	4,991	5,105	4,486	4,560
<b>Total non-current borrowings</b>	<b>6,223</b>	<b>6,334</b>	<b>5,190</b>	<b>5,314</b>	<b>4,684</b>	<b>4,767</b>

## Five-year overview, Group

	2017	2016	2015	2014	2013
Net sales, SEKm	39,394	35,982	36,170	32,838	30,307
Net sales growth, %	9.5	-0.5	10.1	8.4	-1.7
Gross margin, % <sup>1</sup>	29.1	30.8	28.1	28.5	26.5
Operating income, SEKm	3,790	3,218	2,827	1,581	1,608
Excl. items affecting comparability*, SEKm	3,790	3,218	2,980	2,348	1,608
Operating margin, %	9.6	8.9	7.8	4.8	5.3
Excl. items affecting comparability*, %	9.6	8.9	8.2	7.2	5.3
Return on capital employed, %	14.7	13.7	12.4	7.6	7.7
Excl. items affecting comparability*, %	14.7	13.7	13.1	11.1	7.7
Return on equity, %	17.4	15.2	14.6	6.7	8.1
Excl. items affecting comparability*, %	17.4	15.2	15.5	12.9	8.1
Capital turn-over rate, times	1.7	1.7	1.7	1.7	1.6
Operating cash flow <sup>2</sup> , SEKm	1,847	1,666	1,732	1,274	1,411
Capital expenditure, SEKm	1,892	1,889	1,388	1,386	1,078
Average number of employees	13,252	12,704	13,572	14,337	14,156

<sup>1</sup> 2017 has been restated due to IFRS 15 transition and reclassification of certain exchange rate effects, for further information refer to page 16-17.

<sup>2</sup> Hedges related to financing have been moved from operations to financing activities (SEK -64m for 2015, SEK 15m for 2014 and SEK 402m for 2013).

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

## Net sales and income by quarter, Group

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Net sales, finished goods</b>	<b>2018</b>	12,248	14,184	<b>7,964</b>		
	2017	12,734	13,058	7,437	6,117	39,346
<b>Net sales, services, royalty and other</b>	<b>2018</b>	55	86	<b>78</b>		
	2017	12	11	12	13	48
<b>Net sales total</b>	<b>2018</b>	12,303	14,270	<b>8,042</b>		
	2017	12,746	13,069	7,449	6,130	39,394
	2016	11,361	11,504	7,349	5,768	35,982
<b>Operating income</b>	<b>2018</b>	1,373	1,925	<b>-124</b>		
	2017	1,425	2,002	433	-70	3,790
	2016	1,166	1,729	431	-108	3,218
<b>Operating margin, %</b>	<b>2018</b>	11.2	13.5	<b>-1.5</b>		
	2017	11.2	15.3	5.8	-1.1	9.6
	2016	10.3	15.0	5.9	-1.9	8.9
<b>Income for the period</b>	<b>2018</b>	940	1,380	<b>-185</b>		
	2017	988	1,401	210	61	2,660
	2016	761	1,259	205	-121	2,104
<b>Earnings per share after dilution, SEK</b>	<b>2018</b>	1.64	2.41	<b>-0.32</b>		
	2017	1.72	2.43	0.37	0.10	4.62
	2016	1.32	2.19	0.36	-0.21	3.66

## Net sales and operating income, last twelve months, Group

SEKm		Q1	Q2	Q3	Q4
<b>Net sales</b>	<b>2018</b>	38,951	40,152	<b>40,745</b>	
	2017	37,367	38,932	39,032	39,394
	2016	36,603	35,844	35,886	35,982
<b>Operating income</b>	<b>2018</b>	3,738	3,661	<b>3,104</b>	
<i>Excl. items affecting comparability*</i>	<b>2018</b>	3,738	3,661	<b>3,453</b>	
	2017	3,477	3,750	3,752	3,790
	2016	2,881	2,935	2,961	3,218
<i>Excl. items affecting comparability*</i>	<b>2018</b>	3,034	3,088	<b>3,114</b>	<b>3,218</b>
<b>Operating margin, %</b>	<b>2018</b>	9.6	9.1	<b>7.6</b>	
<i>Excl. items affecting comparability*</i>	<b>2018</b>	9.6	9.1	<b>8.5</b>	
	2017	9.3	9.6	9.6	9.6
	2016	7.9	8.2	8.3	8.9
<i>Excl. items affecting comparability*</i>	<b>2018</b>	8.3	8.6	<b>8.7</b>	<b>8.9</b>

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

## Items affecting comparability\*

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Restructuring related expenses<sup>1</sup></b>	<b>2018</b>	-	-	<b>-349</b>		
No items	2017	-	-	-	-	-
No items	2016	-	-	-	-	-
Restructuring related expenses	2015	-	-	-	-153	-153
Impairment of goodwill	2014	-	-	-	-767	-767
No items	2013	-	-	-	-	-

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

<sup>1</sup> Includes restructuring provisions, impairment of property, plant and equipment and write down of inventory.

Restructuring related expenses	Q3	Jan-Sep
SEKm	2018	2018
Restructuring provisions	-53	-53
Impairment of property, plant and equipment	-143	-143
Write down of inventory	-153	-153
<b>Total items affecting comparability</b>	<b>-349</b>	<b>-349</b>

Classification in the income statement	Q3	Jan-Sep
SEKm	2018	2018
Cost of goods sold	-309	-309
Selling expenses	-15	-15
Administrative expenses	-25	-25
<b>Total items affecting comparability</b>	<b>-349</b>	<b>-349</b>

## Net sales (external) by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2018</b>	6,049	6,719	<b>3,689</b>		
	2017 <sup>2</sup>	6,136	6,164	3,669	3,240	19,209
	2016	5,457	5,721	3,752	3,030	17,960
<b>Gardena</b>	<b>2018</b>	2,059	2,770	<b>1,368</b>		
	2017	1,715	2,326	1,033	556	5,630
	2016	1,518	1,995	1,002	518	5,033
<b>Consumer Brands</b>	<b>2018</b>	2,859	3,183	<b>1,522</b>		
	2017 <sup>2</sup>	3,697	3,237	1,484	1,115	9,533
	2016	3,419	2,682	1,553	1,234	8,888
<b>Construction</b>	<b>2018</b>	1,328	1,590	<b>1,446</b>		
	2017	1,197	1,341	1,260	1,217	5,015
	2016	967	1,106	1,042	986	4,101
<b>Group common costs</b> <sup>1</sup>	<b>2018</b>	8	8	<b>17</b>		
	2017	1	1	3	2	7
	2016	-	-	-	-	-
<b>Total Group</b>	<b>2018</b>	12,303	14,270	<b>8,042</b>		
	2017	12,746	13,069	7,449	6,130	39,394
	2016	11,361	11,504	7,349	5,768	35,982

<sup>1</sup> Royalty income is included in Group common costs.

<sup>2</sup> Restatement due to reclassification of certain sales between segments, for further information refer to pages 16 and 18.

## Operating income by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2018</b>	1,070	1,201	<b>-19</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	1,070	1,201	<b>47</b>		
	2017 <sup>1</sup>	1,032	1,180	388	127	2,727
	2016	844	1,031	368	74	2,317
<b>Gardena</b>	<b>2018</b>	301	585	<b>113</b>		
	2017	251	565	62	-172	706
	2016	226	449	50	-130	595
<b>Consumer Brands</b>	<b>2018</b>	-63	-37	<b>-374</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	-63	-37	<b>-109</b>		
	2017 <sup>1</sup>	68	86	-97	-109	-52
	2016	64	147	-80	-128	3
<b>Construction</b>	<b>2018</b>	158	251	<b>192</b>		
	2017	141	233	143	132	649
	2016	89	179	155	145	568
<b>Group common costs</b>	<b>2018</b>	-93	-75	<b>-36</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	-93	-75	<b>-18</b>		
	2017	-67	-62	-63	-48	-240
	2016	-57	-77	-62	-69	-265
<b>Total Group</b>	<b>2018</b>	1,373	1,925	<b>-124</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	1,373	1,925	<b>225</b>		
	2017	1,425	2,002	433	-70	3,790
	2016	1,166	1,729	431	-108	3,218

\* Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

<sup>1</sup> Restatement due to reclassification of certain sales between segments, for further information refer to pages 16 and 18.

## Operating margin by segment

%		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2018</b>	17.7	17.9	<b>-0.5</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	17.7	17.9	<b>1.3</b>		
	2017 <sup>1</sup>	16.8	19.1	10.6	3.9	14.2
	2016	15.5	18.0	9.8	2.4	12.9
<b>Gardena</b>	<b>2018</b>	14.6	21.1	<b>8.2</b>		
	2017	14.6	24.3	6.0	-30.9	12.5
	2016	14.9	22.5	5.0	-25.2	11.8
<b>Consumer Brands</b>	<b>2018</b>	-2.2	-1.1	<b>-24.6</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	-2.2	-1.1	<b>-7.2</b>		
	2017 <sup>1</sup>	1.8	2.7	-6.5	-9.8	-0.5
	2016	1.9	5.5	-5.2	-10.3	0.0
<b>Construction</b>	<b>2018</b>	11.9	15.8	<b>13.3</b>		
	2017	11.8	17.4	11.4	10.9	12.9
	2016	9.2	16.2	14.9	14.7	13.9
<b>Total Group</b>	<b>2018</b>	11.2	13.5	<b>-1.5</b>		
<i>Excl. items affecting comparability*</i>	<b>2018</b>	11.2	13.5	<b>2.8</b>		
	2017	11.2	15.3	5.8	-1.1	9.6
	2016	10.3	15.0	5.9	-1.9	8.9

\*Alternative Performance Measure, refer to page 20 for definitions and reconciliations.

<sup>1</sup>Restatement due to reclassification of certain sales between segments, for further information refer to pages 16 and 18.

## Net assets by segment

SEKm	Assets		Liabilities		Net Assets	
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Husqvarna <sup>1</sup>	13,669	12,018	3,707	3,395	9,962	8,623
Gardena	7,876	6,959	1,262	991	6,614	5,968
Consumer Brands <sup>1</sup>	5,423	5,610	1,353	1,396	4,070	4,214
Construction	6,502	5,572	1,034	873	5,468	4,699
Other	1,786	1,377	2,815	2,963	-1,029	-1,586
<b>Total</b>	<b>35,256</b>	<b>31,536</b>	<b>10,171</b>	<b>9,618</b>	<b>25,085</b>	<b>21,918</b>

Liquid assets and other interest-bearing assets, interest-bearing liabilities and equity are not included in the table above.

Other includes tax items and Husqvarna's common group services such as Holding, Treasury and Risk Management.

<sup>1</sup>2017 restated due to reclassification of certain sales between segments, for further information refer to pages 16 and 18.

## IFRS 15 TRANSITION, IFRS 9 TRANSITION AND RECLASSIFICATIONS

### a) IFRS 15 transition

Husqvarna Group applies IFRS 15 "Revenue From Contracts with Customers" from January 1, 2018. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction contracts". IFRS 15 establishes a new principle based model of recognizing revenue from customer contracts. The implementation resulted in a change in accounting principles, the new accounting principles have been disclosed in the Annual Report 2017 ([www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir)). Husqvarna Group have chosen the full retrospective method, hence the comparative figures for 2017 have been restated in the financial reports for periods beginning on or after January 1, 2018. IFRS 15 has not had an impact on operating income, net income nor balance sheet amounts. The opening balance for 2017 has not been affected by IFRS 15. Refer below for details regarding the impact on the financial reports:

Some transport/shipping income and expense have been reclassified in the income statement due to the more detailed requirements on allocation of the transaction price to the performance obligations identified and due to the more detailed definitions of acting as a principal versus agent. The reclassification has not had an impact on operating income but have reduced the Group's gross income and reduced the selling expenses by the corresponding amount. The opening balance of equity for 2017 has not been affected.

IFRS 15 includes extended disclosure requirements regarding revenue, for example regarding disaggregated revenue. Disaggregated revenue will be disclosed for periods starting from January 1, 2018, with comparatives for 2017 (periods prior to 2017 have not been disclosed).

### b) Reclassification of certain income and expenses related to changes in exchange rates (FX)

Certain income and expenses, such as change in value of currency hedging contracts and the translation of assets and liabilities in foreign currency, previously recorded in selling expense have been reclassified to cost of goods sold. The reclassification will better reflect the underlying performance of selling expenses and cost of goods sold. The comparative amounts for 2017 have been restated.

### c) IFRS 9 transition

Husqvarna Group applies IFRS 9 "Financial Instruments" from January 1, 2018. IFRS 9 replaces IAS 39 "Financial instruments: recognition and measurement". The implementation of IFRS 9 have resulted in changes in the Group's accounting principles, as disclosed in the Annual Report 2017 ([www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir)). The Group applies IFRS 9 retrospectively on the effective date January 1, 2018, which means that the opening retained earnings January 1, 2018 will be affected but the comparative information will not be restated. IFRS 9 does not have a significant impact on the financial reports in the Group. The Group's current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9, there is no significant impact on the accounting for its hedging relationships.

The new impairment model in IFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as is the case under IAS 39. It applies to the Group's financial assets classified at amortized cost as well as financial assets classified at fair value through other comprehensive income and result in an earlier recognition of credit losses. The restatement of the loss allowance provision on transition to IFRS 9, as a result of applying the expected credit loss model, amount to SEK -16m (before tax), affecting opening retained earnings January 1, 2018.

### d) Reclassification of certain sales between segments

To better reflect the responsibilities in the reporting, certain retail sales and costs have been transferred to the Consumer Brands Division from the Husqvarna Division in 2018. The comparative amounts for 2017 have been restated accordingly.

Please see below for details.



## Consolidated income statement

SEKm	a)			Q1 2017 restated	b)			Q2 2017 restated	a)			Q3 2017 restated
	Q1 2017	IFRS 15	FX reclass.		Q2 2017	IFRS 15	FX reclass.		Q3 2017	IFRS 15	FX reclass.	
Net sales	12,746	-	-	12,746	13,069	-	-	13,069	7,449	-	-	7,449
Cost of goods sold	-8,950	-275	-9	-9,234	-8,603	-291	-24	-8,918	-5,085	-182	-15	-5,282
<b>Gross income</b>	<b>3,796</b>	<b>-275</b>	<b>-9</b>	<b>3,512</b>	<b>4,466</b>	<b>-291</b>	<b>-24</b>	<b>4,151</b>	<b>2,364</b>	<b>-182</b>	<b>-15</b>	<b>2,167</b>
Gross margin, %	29.8			27.6	34.2			31.8	31.7			29.1
Selling expenses	-1,884	275	9	-1,600	-2,009	291	24	-1,694	-1,448	182	15	-1,251
Administrative expenses	-489	-	-	-489	-458	-	-	-458	-484	-	-	-484
Other operating income and expense	2	-	-	2	3	-	-	3	1	-	-	1
<b>Operating income</b>	<b>1,425</b>	<b>-</b>	<b>-</b>	<b>1,425</b>	<b>2,002</b>	<b>-</b>	<b>-</b>	<b>2,002</b>	<b>433</b>	<b>-</b>	<b>-</b>	<b>433</b>
Operating margin, %	11.2			11.2	15.3			15.3	5.8			5.8

\*There is no impact on financial items, income tax nor income for the period.

## Consolidated income statement

SEKm	a)			Q4 2017 restated	b)			Full year 2017 restated
	Q4 2017	IFRS 15	FX reclass.		Full year 2017	IFRS 15	FX reclass.	
Net sales	6,130	-	-	6,130	39,394	-	-	39,394
Cost of goods sold	-4,318	-132	-38	-4,488	-26,956	-880	-86	-27,922
<b>Gross income</b>	<b>1,812</b>	<b>-132</b>	<b>-38</b>	<b>1,642</b>	<b>12,438</b>	<b>-880</b>	<b>-86</b>	<b>11,472</b>
Gross margin	29.6			26.8	31.6			29.1
Selling expenses	-1,495	132	38	-1,325	-6,836	880	86	-5,870
Administrative expenses	-448	-	-	-448	-1,879	-	-	-1,879
Other operating income and expense	61	-	-	61	67	-	-	67
<b>Operating income</b>	<b>-70</b>	<b>-</b>	<b>-</b>	<b>-70</b>	<b>3,790</b>	<b>-</b>	<b>-</b>	<b>3,790</b>
Operating margin, %	-1.1			-1.1	9.6			9.6

\*There is no impact on financial items, income tax nor income for the period.

## Parent Company Income statement

SEKm	a)			Q1 2017 restated	b)			Q2 2017 restated	a)			Q3 2017 restated
	Q1 2017	IFRS 15	FX reclass.		Q2 2017	IFRS 15	FX reclass.		Q3 2017	IFRS 15	FX reclass.	
Net sales	5,065	-	-	5,065	5,008	-	-	5,008	2,645	-	-	2,645
Cost of goods sold	-3,481	-28	-19	-3,528	-3,500	-44	-14	-3,558	-2,103	-23	1	-2,125
<b>Gross income</b>	<b>1,584</b>	<b>-28</b>	<b>-19</b>	<b>1,537</b>	<b>1,508</b>	<b>-44</b>	<b>-14</b>	<b>1,450</b>	<b>542</b>	<b>-23</b>	<b>1</b>	<b>520</b>
Selling expense	-321	28	19	-274	-397	44	14	-339	-274	23	-1	-252
Administrative expense	-251	-	-	-251	-264	-	-	-264	-249	-	-	-249
Other operating income/expense	0	-	-	0	0	-	-	0	0	-	-	0
<b>Operating income</b>	<b>1,012</b>	<b>-</b>	<b>-</b>	<b>1,012</b>	<b>847</b>	<b>-</b>	<b>-</b>	<b>847</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>

\*There is no impact on on financial items, income tax nor income for the period.

## Parent Company Income statement

SEKm	a)			Q4 2017 restated	b)			Full year 2017 restated
	Q4 2017	IFRS 15	FX reclass.		Full year 2017	IFRS 15	FX reclass.	
Net sales	2,944	-	-	2,944	15,662	-	-	15,662
Cost of goods sold	-2,526	-21	-28	-2,575	-11,610	-117	-59	-11,786
<b>Gross income</b>	<b>418</b>	<b>-21</b>	<b>-28</b>	<b>369</b>	<b>4,052</b>	<b>-117</b>	<b>-59</b>	<b>3,876</b>
Selling expense	-335	21	28	-286	-1,327	117	59	-1,151
Administrative expense	-252	-	-	-252	-1,016	-	-	-1,016
Other operating income/expense	0	-	-	0	0	-	-	0
<b>Operating income</b>	<b>-169</b>	<b>-</b>	<b>-</b>	<b>-169</b>	<b>1,709</b>	<b>-</b>	<b>-</b>	<b>1,709</b>

\*There is no impact on on financial items, income tax nor income for the period.

## Consolidated balance sheet

SEKm	Dec. 31, 2017	c) IFRS 9	Jan. 1, 2018 restated
<b>Assets</b>			
Trade receivables	3,407	-16	3,391
<b>Total current assets</b>	<b>16,127</b>	<b>-16</b>	<b>16,111</b>
<b>Total assets</b>	<b>35,418</b>	<b>-16</b>	<b>35,402</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the Parent Company	15,665	-12	15,653
<b>Total equity</b>	<b>15,667</b>	<b>-12</b>	<b>15,655</b>
Deferred tax liabilities	1,895	-4	1,891
<b>Total non-current liabilities</b>	<b>9,108</b>	<b>-4</b>	<b>9,104</b>
<b>Total equity and liabilities</b>	<b>35,418</b>	<b>-16</b>	<b>35,402</b>

## Husqvarna Division

SEKm	Q1 2017	d) Re- class.	Q1 2017 restated	Q2 2017	d) Re- class.	Q2 2017 restated	Q3 2017	d) Re- class.	Q3 2017 restated
Net sales	6,372	-236	6,136	6,314	-150	6,164	3,734	-65	3,669
<b>Operating income</b>	<b>1,047</b>	<b>-15</b>	<b>1,032</b>	<b>1,186</b>	<b>-6</b>	<b>1,180</b>	<b>385</b>	<b>3</b>	<b>388</b>
Operating margin, %	16.4		16.8	18.8		19.1	10.3		10.6
Assets	15,140	-257	14,883	13,664	-194	13,470	12,124	-106	12,018
Liabilities	4,779	-3	4,776	4,228	-4	4,224	3,398	-3	3,395
<b>Net Assets</b>	<b>10,361</b>	<b>-254</b>	<b>10,107</b>	<b>9,436</b>	<b>-190</b>	<b>9,246</b>	<b>8,726</b>	<b>-103</b>	<b>8,623</b>

SEKm	Q4 2017	d) Re- class.	Q4 2017 restated	Full year 2017	d) Re- class.	Full year 2017 restated
Net sales	3,313	-73	3,240	19,733	-524	19,209
<b>Operating income</b>	<b>122</b>	<b>5</b>	<b>127</b>	<b>2,740</b>	<b>-13</b>	<b>2,727</b>
Operating margin, %	3.7		3.9	13.9		14.2
Assets	12,890	-149	12,741	12,890	-149	12,741
Liabilities	3,863	-7	3,856	3,863	-7	3,856
<b>Net Assets</b>	<b>9,027</b>	<b>-142</b>	<b>8,885</b>	<b>9,027</b>	<b>-142</b>	<b>8,885</b>

## Consumer Brands Division

SEKm	Q1 2017	d) Re- class.	Q1 2017 restated	Q2 2017	d) Re- class.	Q2 2017 restated	Q3 2017	d) Re- class.	Q3 2017 restated
Net sales	3,461	236	3,697	3,087	150	3,237	1,419	65	1,484
<b>Operating income</b>	<b>53</b>	<b>15</b>	<b>68</b>	<b>80</b>	<b>6</b>	<b>86</b>	<b>-94</b>	<b>-3</b>	<b>-97</b>
Operating margin, %	1.5		1.8	2.6		2.7	-6.6		-6.5
Assets	7,719	257	7,976	6,106	194	6,300	5,504	106	5,610
Liabilities	2,549	3	2,552	2,087	4	2,091	1,393	3	1,396
<b>Net Assets</b>	<b>5,170</b>	<b>254</b>	<b>5,424</b>	<b>4,019</b>	<b>190</b>	<b>4,209</b>	<b>4,111</b>	<b>103</b>	<b>4,214</b>

SEKm	Q4 2017	d) Re- class.	Q4 2017 restated	Full year 2017	d) Re- class.	Full year 2017 restated
Net sales	1,042	73	1,115	9,009	524	9,533
<b>Operating income</b>	<b>-104</b>	<b>-5</b>	<b>-109</b>	<b>-65</b>	<b>13</b>	<b>-52</b>
Operating margin, %	-10.0		-9.8	-0.7		-0.5
Assets	5,622	149	5,771	5,622	149	5,771
Liabilities	1,451	7	1,458	1,451	7	1,458
<b>Net Assets</b>	<b>4,171</b>	<b>142</b>	<b>4,313</b>	<b>4,171</b>	<b>142</b>	<b>4,313</b>

## PARENT COMPANY

### Income statement

SEKm	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Net sales	3,027	2,645	13,970	12,718	15,662
Cost of goods sold <sup>1</sup>	-2,964	-2,125	-11,138	-9,211	-11,786
<b>Gross income</b>	<b>63</b>	<b>520</b>	<b>2,832</b>	<b>3,507</b>	<b>3,876</b>
Selling expense <sup>1</sup>	-299	-252	-982	-865	-1,151
Administrative expense	-214	-249	-850	-764	-1,016
Other operating income/expense	0	0	0	0	0
<b>Operating income</b>	<b>-450</b>	<b>19</b>	<b>1,000</b>	<b>1,878</b>	<b>1,709</b>
Financial items, net	738	399	-523	749	1,185
<b>Income after financial items</b>	<b>288</b>	<b>418</b>	<b>477</b>	<b>2,627</b>	<b>2,894</b>
Appropriations	-16	-16	-37	-44	-759
<b>Income before taxes</b>	<b>272</b>	<b>402</b>	<b>440</b>	<b>2,583</b>	<b>2,135</b>
Tax on profit for the year	105	-37	70	-510	-283
<b>Income for the period</b>	<b>377</b>	<b>365</b>	<b>510</b>	<b>2,073</b>	<b>1,852</b>

<sup>1</sup>Restatement due to IFRS 15 transition and reclassification of certain exchange rate effects, for further information refer to pages 16 and 17.

### Balance sheet

SEKm	Sep. 30, 2018	Sep. 30, 2017	Dec. 31, 2017
Non-current assets	33,655	32,583	33,343
Current assets	8,288	8,561	7,774
<b>Total assets</b>	<b>41,943</b>	<b>41,144</b>	<b>41,117</b>
Equity	22,968	23,822	23,679
Untaxed reserves	806	-	806
Provisions	103	134	78
Non-current liabilities	5,791	4,747	4,250
Current liabilities	12,275	12,441	12,304
<b>Total equity and liabilities</b>	<b>41,943</b>	<b>41,144</b>	<b>41,117</b>

### Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares <sup>2</sup>	Total
<b>Number of shares as of December 31, 2017</b>	<b>112,513,001</b>	<b>458,630,777</b>	<b>5,200,000</b>	<b>576,343,778</b>
Conversion of A-shares into B-shares	-73,453	73,453	-	-
Shares allocated to 2015 LTI-program	-	529,584	-529,584	-
<b>Number of shares as of September 30, 2018<sup>1</sup></b>	<b>112,439,548</b>	<b>459,233,814</b>	<b>4,670,416</b>	<b>576,343,778</b>

<sup>1</sup>In October 2018, no further A-shares were converted.

<sup>2</sup>The 4,670,416 B-shares are entirely in a third party share swap agreement.

## DEFINITIONS AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) has issued guidelines on Alternative Performance Measures (APMs) for listed issuers. The guidelines apply to APMs disclosed by issuers on or after July 3, 2016.

APMs refer to measures used by management and investors to analyze trends and performance of the Group's operations that cannot be directly read or derived from the financial statements. These measures are relevant to assist management and investors in analyzing the Group's performance. Investors should not consider these APMs as substitutes, but rather as additions, to the financial reporting measures prepared in accordance with IFRS. It should be noted that these APMs as defined, may not be comparable to similarly titled measures used by other companies.

### Currency adjusted change

Net sales adjusted for currency translation effects. Net sales are disclosed adjusted for currency translation effects as Husqvarna Group is a global company generating significant transactions in other currencies than the reporting currency (SEK) and the currency rates have proven to be volatile.

### EBITDA

EBITDA is a measure of earnings before interest, taxes, depreciation, amortization and impairment charges. EBITDA measures Husqvarna Group's operating performance and the ability to generate cash from operations, without considering the capital structure of the Group or its fiscal environment. For a reconciliation of EBITDA refer to page 8.

### Items affecting comparability

To assist in understanding Husqvarna Group's operations, we believe that it is useful to consider certain measures and ratios exclusive of items affecting comparability. Items affecting comparability includes items that are non-recurring, have a significant impact and are considered to be important for understanding the operating performance when comparing results between periods. The items affecting comparability are disclosed on page 13. All measures and ratios in this report have been disclosed including items affecting comparability first and then excluding items affecting comparability as a second measure when deemed appropriate.

### Last twelve months (LTM)

Last twelve months rolling has been included to assist investors in their analysis of the seasonality that the Husqvarna Group's business is exposed to, refer to page 13.

### Net debt

Net debt is a measure to describe the Group's gearing and its ability to repay its debts from cash generated from the Group's ordinary business (see operating cash flow below), if they were all due today. It's also used to analyze whether the Group is over- or underfunded and how future net interest costs will impact earnings. Net debt is defined as total interest-bearing liabilities plus dividend payable, less liquid funds and interest-bearing assets. For a reconciliation of net debt refer to page 10.

### Operating cash flow

Operating cash flow is a measure of the amount of cash generated by the Group's ordinary business operations. The measure is defined as total cash flow from operations and investments, excluding acquisitions and divestments of subsidiaries/operations, divestments of property plant and equipment and investments/divestments of financial assets. For a reconciliation of operating cash flow refer to page 11.

### Organic growth

Change in net sales, adjusted for acquisitions, divestments and changes in exchange rates.

For additional definitions refer to page 119 of the Group's Annual Report 2017.

## TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Kai Wärm, President and CEO, and Jan Ytterberg, CFO, will be held at Husqvarna Group's office, Regeringsgatan 28, Stockholm at 10:00 CET on October 19, 2018. To participate, please dial +46 (0) 8 566 184 30 (Sweden) or +44 (0) 8 448 228 902 (UK) ten minutes prior to the start of the conference. Conference ID: Husqvarna or 1693525. The conference call will also be audio cast live on [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). A replay will be available later the same day.

## DATES FOR FINANCIAL REPORTS 2019

February 5      Year-end report 2018

## CONTACTS

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- Tobias Norrby, Investor Relations Manager, +46 8 738 93 35

### Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements comprise, among other things, financial goals, goals of future business and financial plans. These statements are based on present expectations and are subject to risks and uncertainties that may give rise to major deviations in the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction in sales by important distributors, success in developing new products and in marketing, outcome of product responsibility litigation, progress in terms of reaching the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, integration of these into the existing business and successful achievement of goals for making the supply chain more efficient.