

Q1 2015 results presentation

2015-04-21

Summary, Q1 2015

- New brand-driven divisional organization working well
- Strong first quarter; operating income up 22%
 - Total sales declined, however a favorable divisional sales mix
 - Slow start due to cold weather conditions in U.S.
 - Short term positive currency impact
- Accelerated Improvement Program continues to deliver improving margins
- Additional improvement areas identified to balance unfavorable currency trend to reach margin target of 10% 2016



Financial highlights Q1 2015, Group

SEKm	Q1 2015	Q1 2014	% change, Q1		LTM ²	FY 2014
			As reported	Adjusted ¹		
Net sales	10,928	9,685	13	-3	34,081	32,838
Gross margin	27.2	26.4	-	-	28.7	28.5
EBIT	1,112	908	22	7	1,785	1,581
Excl. impairment	1,112	908	22	7	2,552	2,348
EBIT margin, %	10.2	9.4	-	-	5.2	4.8
Excl. impairment, %	10.2	9.4	-	-	7.5	7.2

¹ Adjusted for currency translation effects. ² Last twelve months rolling

- Sales declined -3% (currency adjusted)
 - Higher in all divisions, except for Consumer Brands
- Gross and EBIT margin improvement trend remains
- EBIT rose by 22% to SEK 1,112m (908)
 - Divisional mix positive
 - AIP delivers continued improvements
 - Short term positive currency impact
 - Negative sales volume impact and higher SG&A



Husqvarna Division Q1 2015

SEKm	Q1 2015	Q1 2014	% change, Q1		LTM ²	FY 2014
			As reported	Adjusted ¹		
Net sales	5,342	4,358	23	9	16,433	15,449
EBIT	897	667	35	23	2,238	2,008
<i>EBIT margin, %</i>	16.8	15.3	-	-	13.6	13.0

¹ Adjusted for currency translation effects. ² Last twelve months rolling

- Sales increased 9% (currency adjusted)
 - Europe: profit pool areas show good growth and earlier sell-in of wheeled products
 - North America dealer sales positive despite late spring
- EBIT rose by 35% to SEK 897m (667) and margin improved
 - Favorable sales volume impact
 - Increased productivity
 - Short-term favorable currency impact
 - Higher SG&A



Gardena Division Q1 2015

SEKm	Q1 2015	Q1 2014	% change, Q1		LTM ²	FY 2014
			As reported	Adjusted ¹		
Net sales	1,319	1,152	15	9	4,379	4,212
EBIT	204	177	15	6	410	383
<i>EBIT margin, %</i>	15.5	15.4	-	-	9.4	9.1

¹ Adjusted for currency translation effects. ² Last twelve months rolling

- Sales increased 9% (currency adjusted)
 - Good sell-in of watering products and robotic mowers
 - New customers
- EBIT rose by 15% to SEK 204m (177)
 - Positive sales volume impact
 - Favorable product mix
 - Higher R&D costs



Consumer Brands Division Q1 2015

SEKm	Q1 2015	Q1 2014	% change, Q1		LTM ²	FY 2014
			As reported	Adjusted ¹		
Net sales	3,343	3,393	-1	-21	9,788	9,838
EBIT	-11	44	n/a	n/a	-210	-155
EBIT margin, %	-0.3	1.3	-	-	-2.1	-1.6

¹ Adjusted for currency translation effects. ² Last twelve months rolling

- Sales declined -21% (currency adjusted)
 - Cautious retail buying behavior in North America due to cold weather
 - Higher sales in Europe
 - Generally, value prioritized before volume
- EBIT decreased to SEK -11m (44)
 - Lower absorption of fixed costs due to lower volume
 - AIP Operational Excellence deliver continued material cost reductions and productivity enhancements
 - Negative currency impact



Construction Division Q1 2015

SEKm	Q1 2015	Q1 2014	% change, Q1		LTM ²	FY 2014
			As reported	Adjusted ¹		
Net sales	924	782	18	2	3,481	3,339
EBIT	74	81	-9	-21	347	354
EBIT margin, %	8.0	10.4	-	-	10.0	10.6

¹ Adjusted for currency translation effects. ² Last twelve months rolling

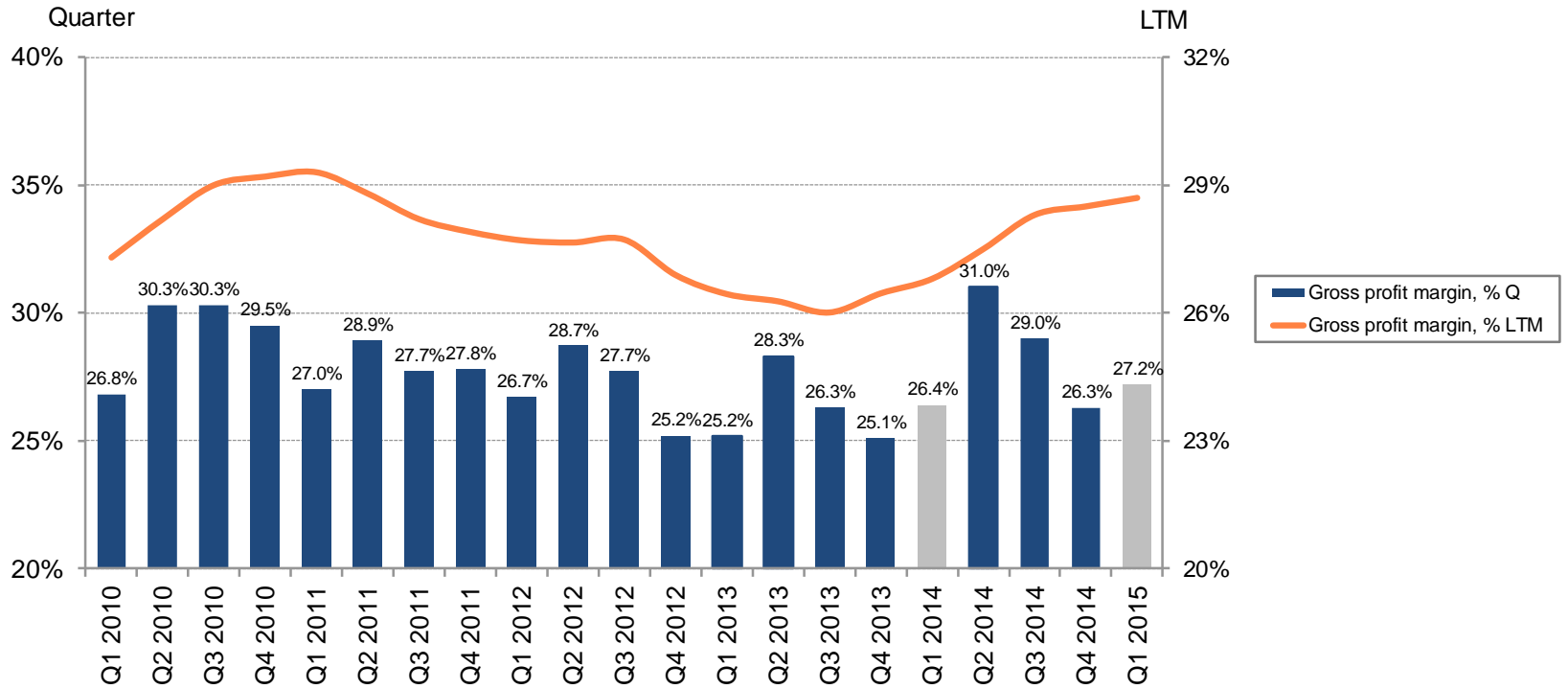
- Sales increased 2% (currency adjusted)
 - Supply issues in North America due to west coast harbor strike
 - Higher sales in Europe, despite a slow start
 - Customer inventory reductions in Brazil
- Higher run-rate of sales growth in March
- EBIT decreased to SEK 74m (81)
 - Higher cost due to investments in sales capacity and product development as well as some one-off costs
 - Favorable currency impact



Consolidated income statement

SEKm	Q1 2015	Q1 2014	FY 2014
Net sales	10,928	9,685	32,838
Cost of goods sold	-7,952	-7,128	-23,488
Gross income	2,976	2,557	9,350
<i>Gross margin, %</i>	27.2	26.4	28.5
Selling expense	-1,467	-1,324	-5,626
Administrative expense	-397	-325	-1,392
Other operating income/expense	0	0	16
Impairment of goodwill	-	-	-767
Operating income¹	1,112	908	1,581
<i>Operating margin, %</i>	10.2	9.4	4.8
Financial items, net	-55	-96	-325
Income after financial items	1,057	812	1,256
<i>Margin, %</i>	9.7	8.4	3.8
Income tax	-269	-192	-432
Income for the period	788	620	824
Basic earnings per share, SEK	1.37	1.08	1.43
Diluted earnings per share, SEK	1.37	1.08	1.43
¹ Of which depreciation, amortization and impairment	-261	-231	-1,734

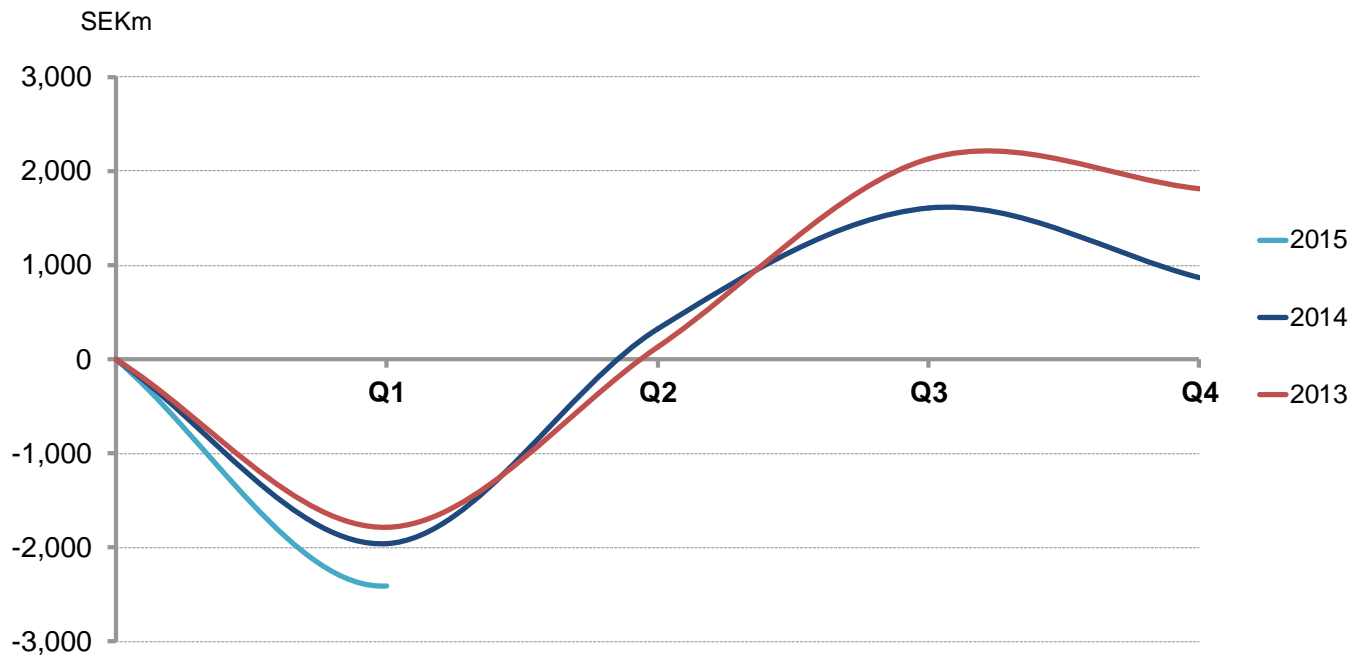
Gross margin development



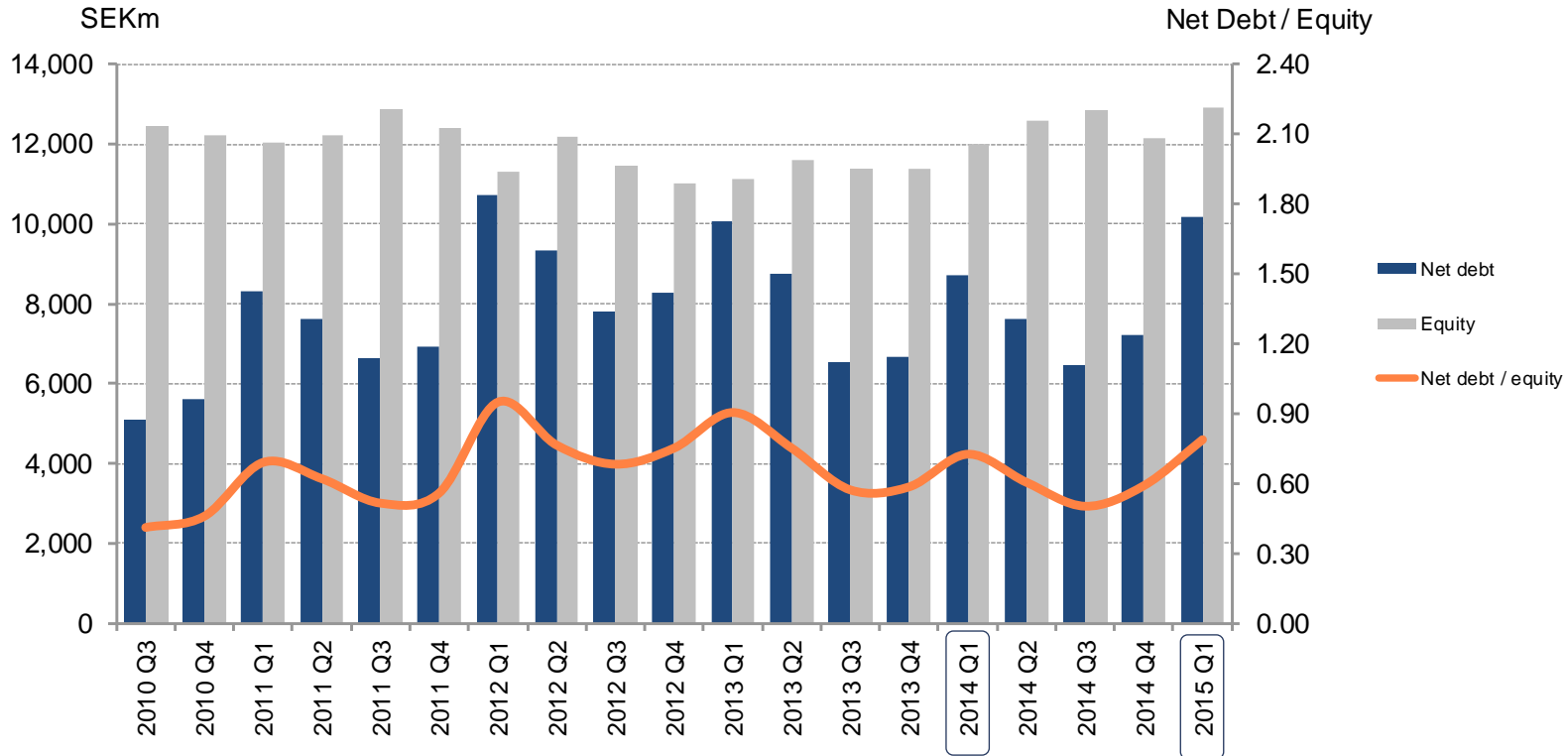
Consolidated balance sheet

SEKm	31 Mar 2015	31 Mar 2014	31 Dec 2014
Non-current assets	16,299	14,640	15,748
Inventories	9,338	7,277	7,709
Trade receivables	7,805	7,180	2,898
Other current assets	655	630	716
Liquid funds	2,241	1,755	2,105
Total assets	36,338	31,482	29,176
Total equity	12,933	11,923	12,088
Interest-bearing liabilities	10,479	9,096	7,504
Pension liabilities	1,934	1,357	1,835
Provisions	2,693	2,328	2,550
Trade payables	5,632	4,514	3,154
Other current liabilities	2,667	2,264	2,045
Total equity and liabilities	36,338	31,482	29,176

Operating cash flow



Net debt and equity



Key figures

	Q1 2015	Q1 2014	Full-year 2014
Net sales, SEKm	10,928	9,685	32,838
Gross margin, %	27.2	26.4	28.5
Operating income, SEKm	1,112	908	1,581
<i>Excl. items affecting comparability</i>	<i>1,112</i>	<i>908</i>	<i>2,348</i>
Operating margin, %	10.2	9.4	4.8
<i>Excl. items affecting comparability</i>	<i>10.2</i>	<i>9.4</i>	<i>7.2</i>
Working capital, SEKm	8,308	7,209	5,066
Return on capital employed, %	8.5	8.6	7.6
Return on equity, %	7.9	9.1	6.7
Earnings per share, SEK	1.37	1.08	1.43
Capital turn-over rate, times	1.7	1.6	1.7
Operating cash flow, SEKm	-2,410	-1,960	868
Net debt/equity ratio	0.79	0.73	0.60
Capital expenditure, SEKm	243	292	1,386
Average number of employees	14,436	15,750	14,337

Further actions planned to reach 10% operating margin target in 2016

- Solid recovery of operating income and margin since launch of Accelerated Improvement Program
- Recent current currency exchange rate development will have negative impact on margins
 - Flat for rest of 2015 but negative 2016 vs. 2015
- Additional actions needed to reach 10% margin. Potential improvement areas include
 - Group-wide: indirect material spend and logistics costs
 - Divisional reviews: Capacity adjustments and efficiency enhancements



Summary, Q1 2015

- New brand-driven divisional organization working well
- Strong first quarter; operating income up 22%
- Accelerated Improvement Program continues to deliver improving margins
- Recent currency exchange rate development will have negative impact on margins
- Additional improvement areas identified to reach 10% margin target 2016
- Stable demand expected for Q2





**Husqvarna
Group**

www.husqvarnagroup.com