

## Q2 2014 Results presentation

# Summary Q2 2014

---

- Strong second quarter and first half year for forest and garden
  - All in all continued strong demand, however, decreasing growth rates
  - Favorable April weather in Europe vs. last year
  - Challenging spring and early summer conditions in North America
- Accelerated Improvement Program strongly supports results improvement
  - Direct material cost reductions
  - Sales in prioritized product areas
  - Turn around U.S.
- Continued profitable growth for Construction
- Operating income for the Group up 35% to SEK 1,384m (1,022)
- Net debt/equity ratio improved to 0.60 (0.75)
- New brand driven organization effective as of January 1, 2015



# Financial highlights, Group

SEKm	Q2 2014	Q2 2013	% change, Q2		Jan-Jun 2014	Jan-Jun 2013	% change, H1		LTM <sup>2</sup>	FY 2013
			As reported	Adjusted <sup>1</sup>			As reported	Adjusted <sup>1</sup>		
Net sales, Group	11,045	10,227	8	7	20,730	19,251	8	7	31,786	30,307
Gross margin	31.1	28.3	-	-	28.9	26.8	-	-	27.5	26.5
EBIT	1,384	1,022	35	34	2,287	1,710	34	33	2,185	1,608
EBIT margin, %	12.5	10.0	-	-	11.0	8.9	-	-	6.9	5.3

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

## Q2 2014

- Sales increased 7% (FX adjusted)
  - + Higher for all business areas
- EBIT rose 35%, margin improved 2.5pp
  - + Volume increase
  - + Reduction of direct material costs
  - + Improved productivity
- Improved solvency ratios



# Europe & Asia/Pacific

SEKm	% change, Q2				% change, 6M					
	Q2 2014	Q2 2013	As reported	Adjusted <sup>1</sup>	Jan-Jun 2014	Jan-Jun 2013	As reported	Adjusted <sup>1</sup>	LTM <sup>2</sup>	FY 2013
Net sales	5,767	5,148	12	10	10,101	9,233	9	8	15,604	14,736
EBIT	1,101	800	38	36	1,770	1,350	31	29	1,908	1,488
<i>EBIT margin, %</i>	<i>19.1</i>	<i>15.5</i>	-	-	<i>17.5</i>	<i>14.6</i>	-	-	<i>12.2</i>	<i>10.1</i>

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

## Q2 2014

- Sales increased 10% (FX adjusted)
  - + Growth in select product priority areas
  - + Dealer channel
  - + Favorable weather conditions
- EBIT rose 38% and margin improved 3.6pp
  - + Higher volume and favorable mix
  - + Reduction of direct material costs
  - + Improved productivity
  - + FX impact SEK +30m



# Americas

SEKm	% change, Q2				% change, 6M				FY 2013	
	Q2 2014	Q2 2013	As reported	Adjusted <sup>1</sup>	Jan-Jun 2014	Jan-Jun 2013	As reported	Adjusted <sup>1</sup>		LTM <sup>2</sup>
Net sales	4,393	4,264	3	4	8,962	8,497	5	6	13,036	12,571
EBIT	220	156	41	43	438	298	47	51	170	30
EBIT margin, %	5.0	3.7	-	-	4.9	3.5	-	-	1.3	0.2

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

## Q2 2014

- Sales increased 4% (FX adjusted)
  - + Double digit growth in dealer channel
  - Slowdown in retail channel following
    - relatively high ingoing inventory stock levels
    - unfavorable weather first half of quarter in N.A.
- Continued profitability improvement
  - + Direct material cost reductions
  - + Improved productivity
  - + Product and sales channel mix
  - FX headwind SEK -26m



# Construction

SEKm	% change, Q2				% change, 6M				LTM <sup>2</sup>	FY 2013
	Q2 2014	Q2 2013	As reported	Adjusted <sup>1</sup>	Jan-Jun 2014	Jan-Jun 2013	As reported	Adjusted <sup>1</sup>		
Net sales	885	815	8	8	1,667	1,521	10	9	3,146	3,000
EBIT	121	100	21	21	198	146	36	36	329	277
EBIT margin, %	13.7	12.3	-	-	11.9	9.6	-	-	10.5	9.2

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

## Q2 2014

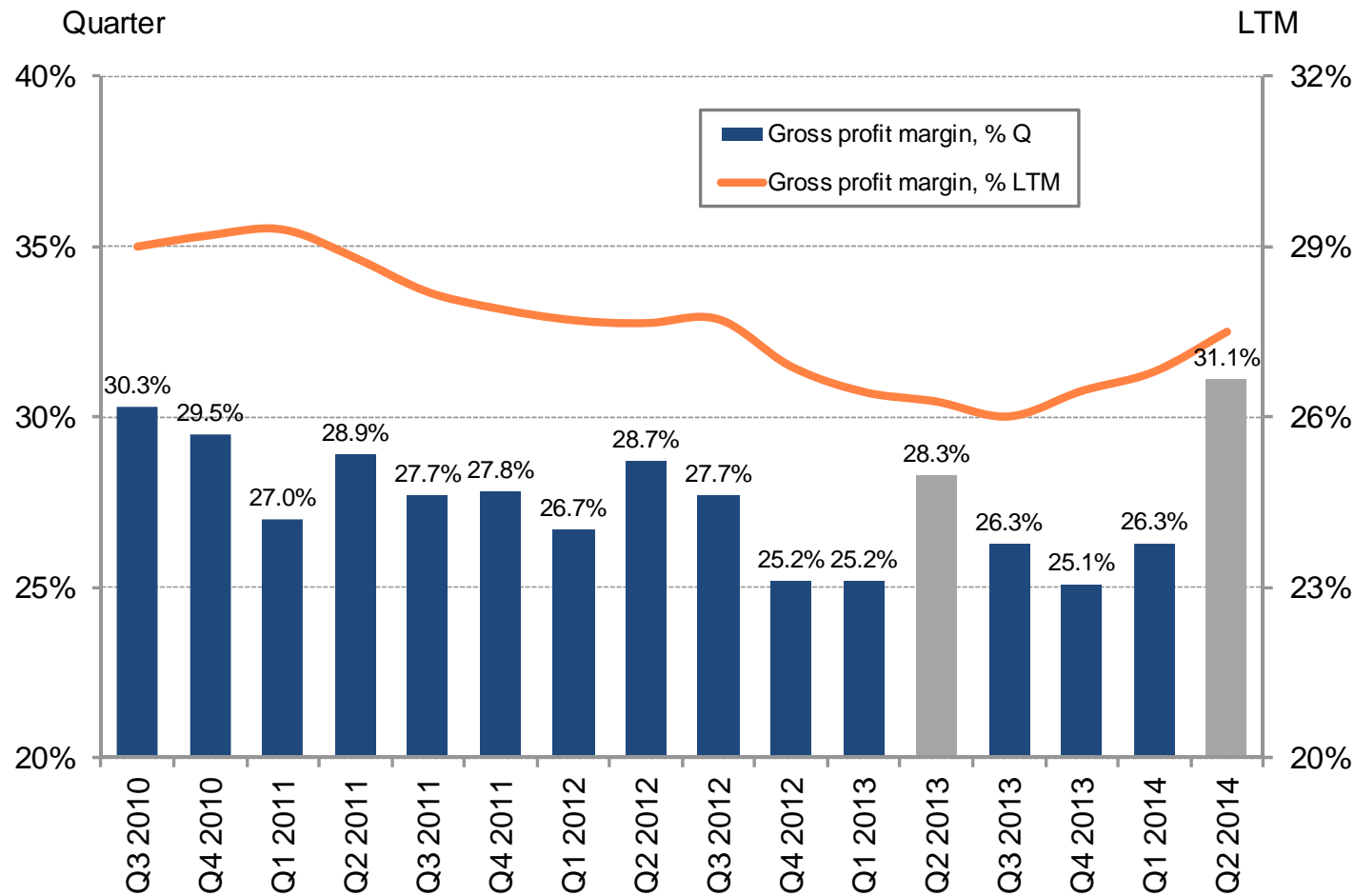
- Sales increased 8% (FX adjusted)
  - + Positive development in all regions
  - + Continued strong growth in Brazil
  - + New product range for HF products, Prime™, now introduced in North America
- Strong EBIT and margin development
  - + Volume increase
  - + Fixed cost leverage
  - FX headwind SEK -8m



# Consolidated income statement

SEKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	FY 2013
Net sales	11,045	10,227	20,730	19,251	30,307
Cost of goods sold	-7,609	-7,333	-14,742	-14,085	-22,288
<b>Gross operating income</b>	<b>3,436</b>	<b>2,894</b>	<b>5,988</b>	<b>5,166</b>	<b>8,019</b>
<i>Margin, %</i>	<i>31.1</i>	<i>28.3</i>	<i>28.9</i>	<i>26.8</i>	<i>26.5</i>
Selling expense	-1,714	-1,550	-3,038	-2,819	-5,148
Administrative expense	-351	-322	-676	-633	-1,260
Other operating income/expense	13	0	13	-4	-3
<b>Operating income<sup>1</sup></b>	<b>1,384</b>	<b>1,022</b>	<b>2,287</b>	<b>1,710</b>	<b>1,608</b>
<i>Margin, %</i>	<i>12.5</i>	<i>10.0</i>	<i>11.0</i>	<i>8.9</i>	<i>5.3</i>
Financial items, net	-110	-106	-206	-192	-428
<b>Income after financial items</b>	<b>1,274</b>	<b>916</b>	<b>2,081</b>	<b>1,518</b>	<b>1,180</b>
<i>Margin, %</i>	<i>11.5</i>	<i>9.0</i>	<i>10.0</i>	<i>7.9</i>	<i>3.9</i>
Income tax	-299	-255	-490	-390	-264
<b>Income for the period</b>	<b>975</b>	<b>661</b>	<b>1,591</b>	<b>1,128</b>	<b>916</b>
Basic earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
Diluted earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
<sup>1</sup> Of which depreciation, amortization and impairment	-238	-243	-469	-490	-978

# Gross margin development



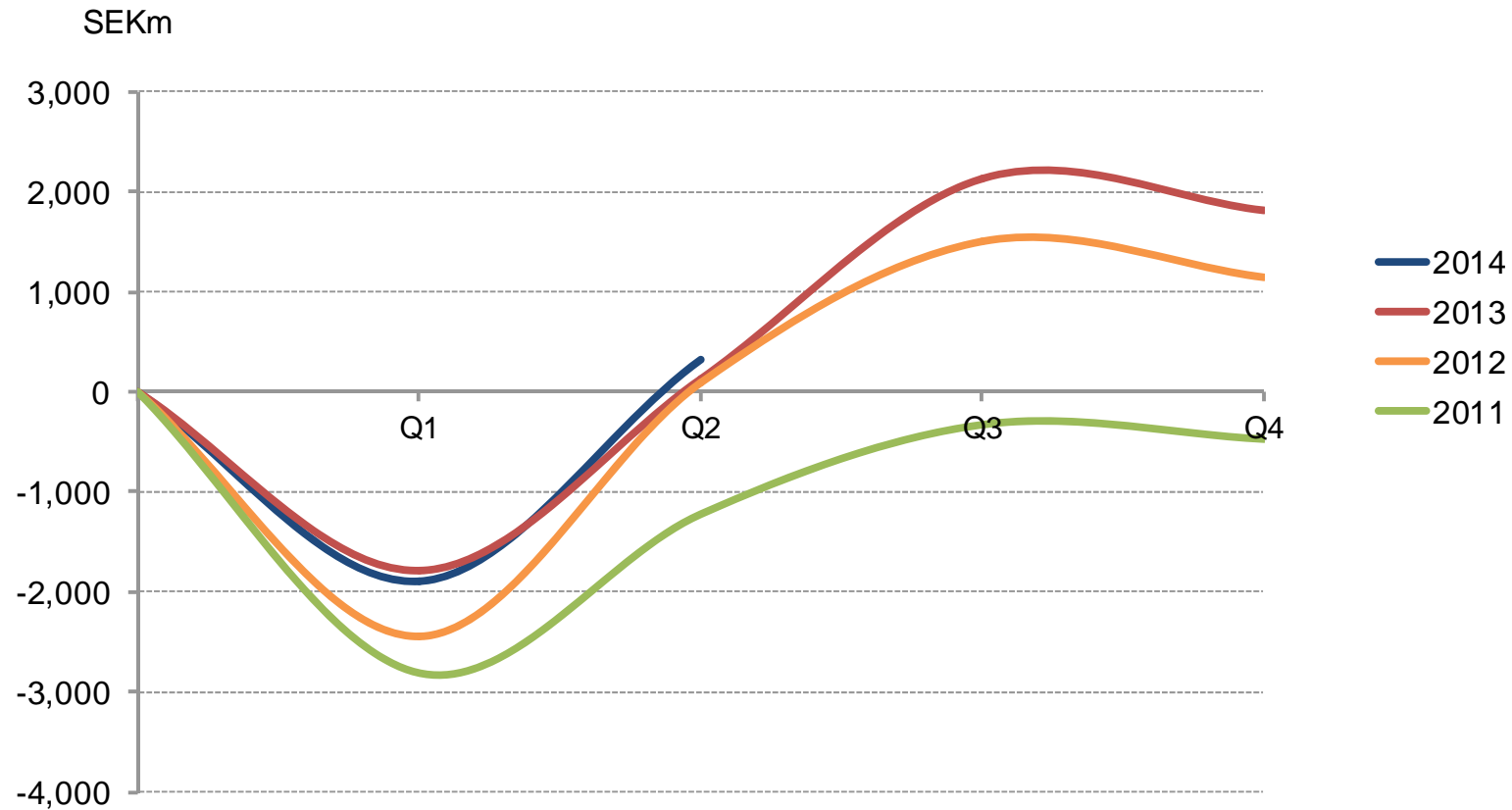
LTM = Last twelve months



# Consolidated balance sheet

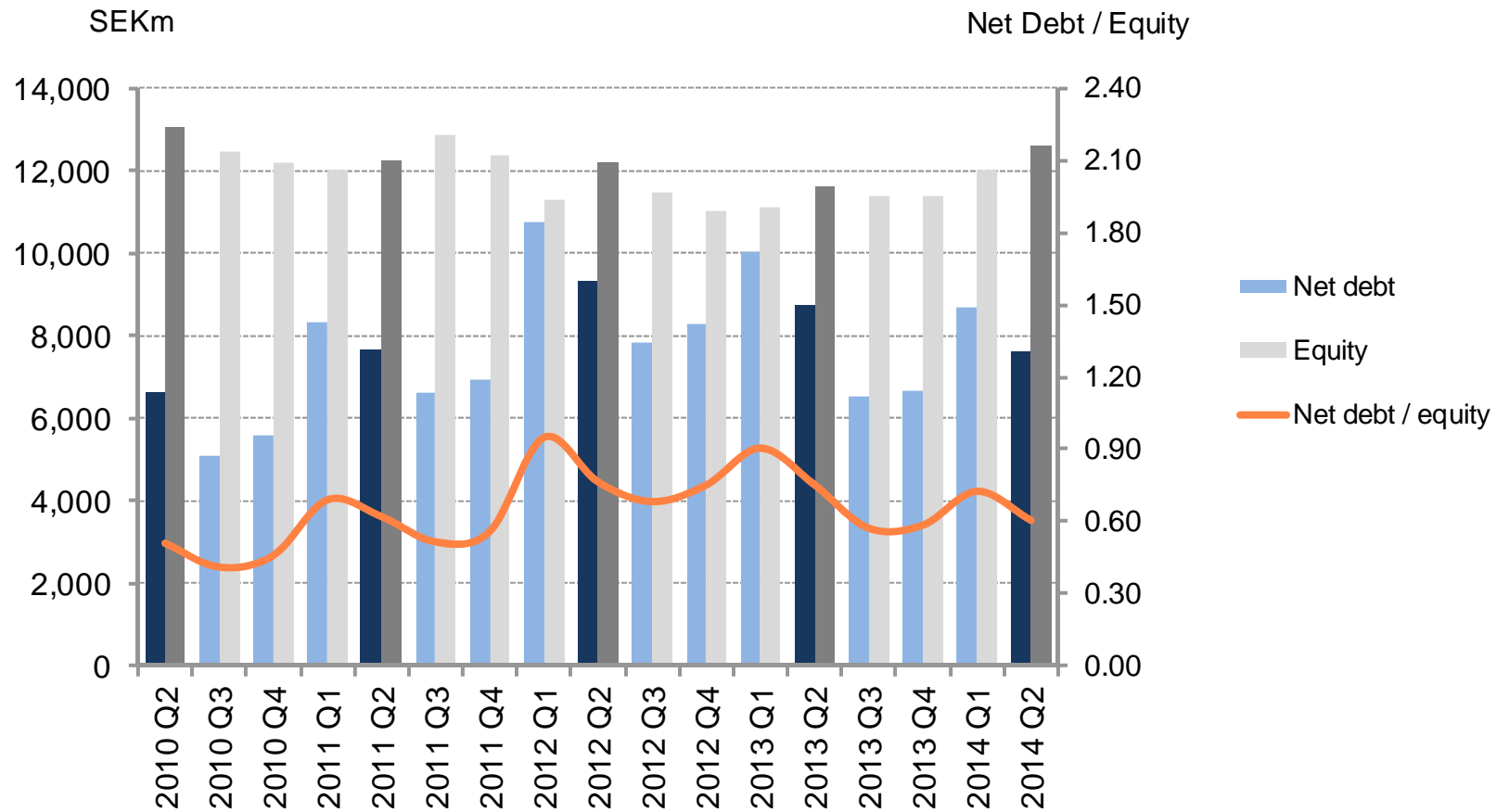
SEKm	30 Jun 2014	30 Jun 2013
Non-current assets	15,018	14,420
Inventories	6,945	6,678
Trade receivables	6,457	6,467
Other current assets	716	823
Liquid funds	2,330	1,940
<b>Total assets</b>	<b>31,466</b>	<b>30,328</b>
Total equity	12,576	11,614
Interest-bearing liabilities	8,525	9,209
Pension liabilities	1,408	1,464
Provisions	2,412	2,372
Trade payables	3,686	2,903
Other current liabilities	2,859	2,766
<b>Total equity and liabilities</b>	<b>31,466</b>	<b>30,328</b>

# Operating cash flow



2014 YTD vs. 2013 YTD: Improvement in operating cash flow driven mainly by the higher result

# Net debt and equity



# Key figures

	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	FY 2013
Net sales, SEKm	11,045	10,227	20,730	19,251	30,307
Gross margin, %	31	28	29	27	27
Operating income, SEKm	1,384	1,022	2,287	1,710	1,608
Operating margin, %	12.5	10.0	11.0	8.9	5.3
Working capital, SEKm	6,431	7,179	6,431	7,179	4,885
Return on capital employed, %	-	-	10.6	5.9	7.7
Return on equity, %	-	-	11.8	6.5	8.1
Earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
Capital-turnover rate, times	-	-	1.7	1.5	1.6
Operating cash flow, SEKm	2,282	1,915	322	129	1,813
Net debt/equity ratio	-	-	0.60	0.75	0.58
Capital expenditure, SEKm	295	232	588	435	1,078
Average number of employees	16,128	14,773	15,714	15,164	14,156

# Summary Q2 2014

---

- Strong second quarter and first half year for forest and garden
  - All in all continued strong demand, however, decreasing growth rates
  - Favorable April weather in Europe vs. last year
  - Challenging spring and early summer conditions in North America
- Accelerated Improvement Program strongly supports results improvement
- Continued profitable growth for Construction
- Operating income for the Group up 35% to SEK 1,384m (1,022)
- Net debt/equity ratio improved to 0.60 (0.75)
- New brand driven organization effective as of January 1, 2015
- *From a demand perspective the third quarter may be more challenging in terms of comparison with prior year, as 2013 benefitted from a favorable garden season*



# Accelerated improvement program for 10% margin – Finalized 2015 with full impact 2016



1. Focus on core brands and profit pools
2. Dealer and retail business model differentiation
3. Further measures to turn-around U.S.
4. Operational Excellence
5. Emerging markets growth

**Core brands**



**Profit pools**



**Product leadership positions**

**P&A**

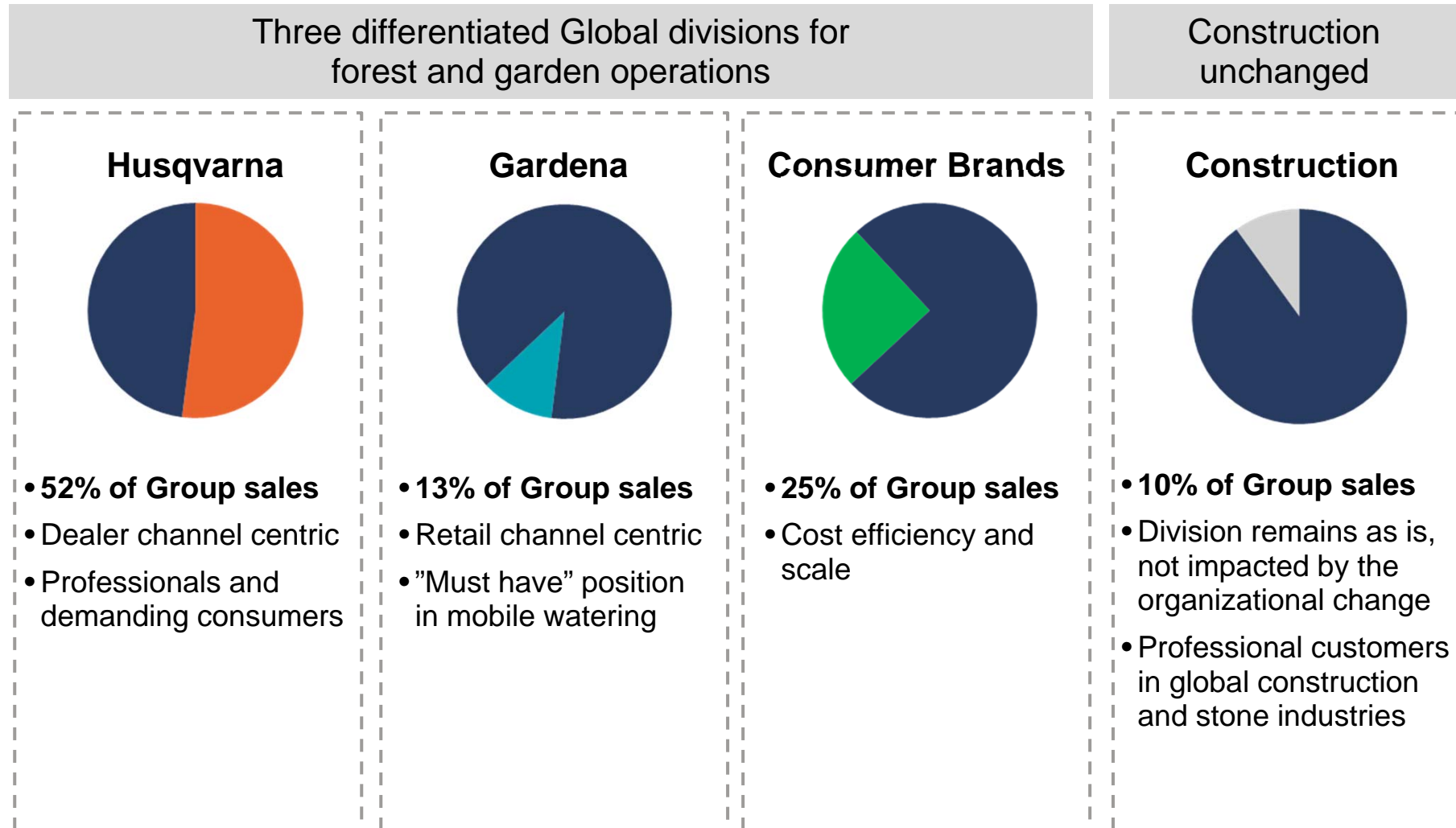
# New organization – why

---

- To reach the full potential of our market leadership, we see a need to take further steps to differentiate our business models.
- Competitiveness depends on ability to drive and respond to customer needs. In our situation, we see that the brands distinctly represents the different business models.
- A brand based organization will in our case
  - Be the vehicle to focus on distinct and different end customers with different needs
  - Further develop the brand equity and recognition. Construction is a good example of this.
- The Accelerated Improvement Program (AIP) will remain a top priority. It will be governed by a PMO set-up reporting directly to the CEO.

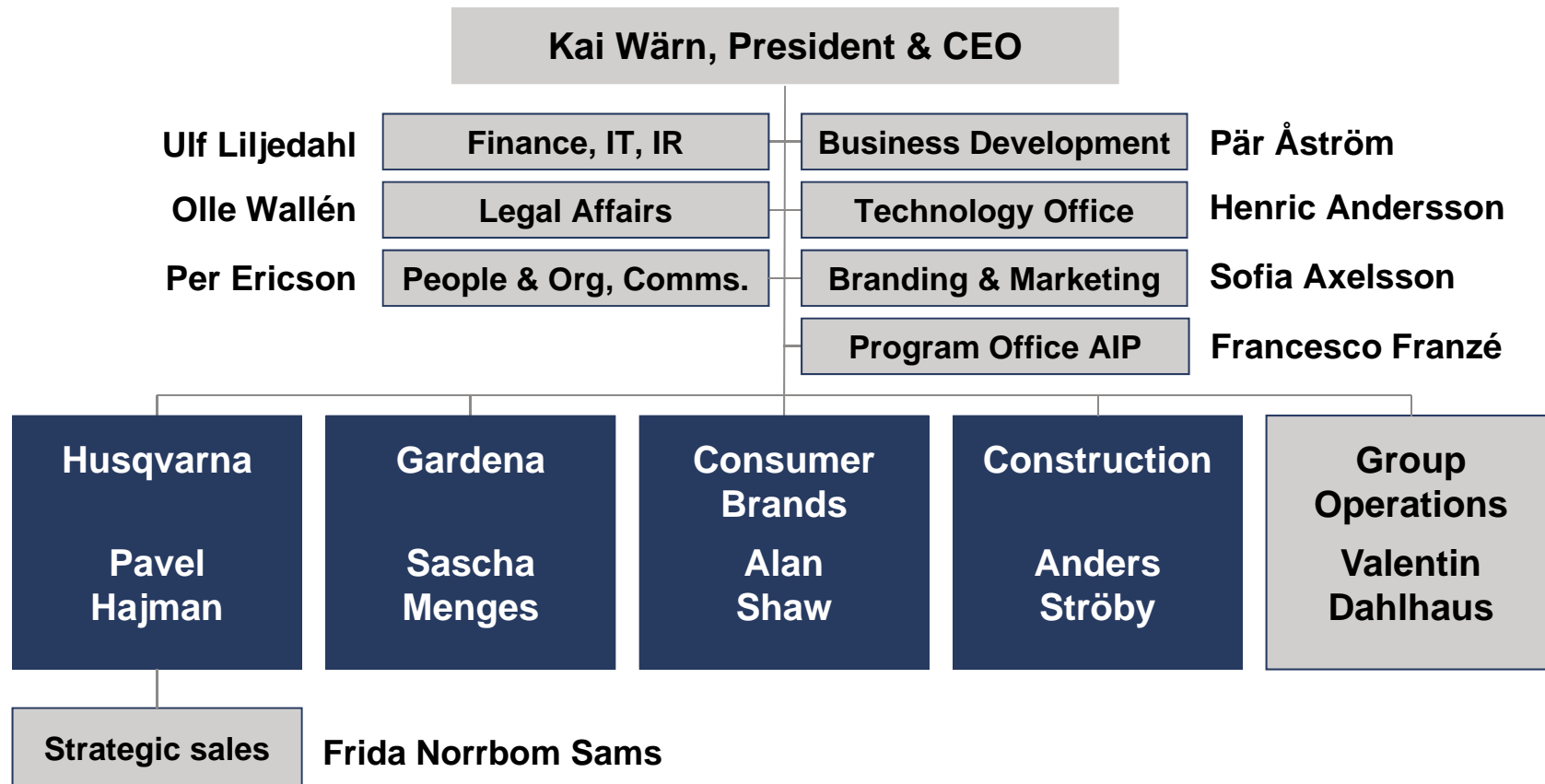


# The four divisions as of January 1, 2015





# Husqvarna Group as of Jan. 1, 2015



= Divisions in external segment reporting
  = to capture Group synergies

# Capital Market Day; September 25, 2014



- Program starts at 10:00, concludes with dinner
- Location; Huskvarna, Sweden
- Topics will include
  - Accelerated Improvement Program
  - Direction 2020
  - New organization
- Product event
- Register at [www.husqvarnagroup.com/en/cmd-2014](http://www.husqvarnagroup.com/en/cmd-2014)





**Husqvarna  
Group**

[www.husqvarnagroup.com](http://www.husqvarnagroup.com)

# 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.