

Q4 2015 results presentation

2016-02-05

Summary, 2015

- Continued trend of improved performance in Q4
- Seasonal operating loss in Q4 declined to SEK -212m (-265) *
 - Sales volume impact and cost reductions
 - Gardena and Construction main drivers of improvement by division
- Full-year operating income up 27% to SEK 2,980m (2,348) *
 - Operating margin rose to 8.2% (7.2)
 - Accelerated Improvement Program successfully closed as end of 2015
- Improved cash flow, lower net debt and stronger solvency ratios
- Further measures initiated to keep improvement momentum 2016-2017 to offset FX headwind and to fund profitable growth activities
- Board proposes a dividend of SEK 1.65 (1.65) per share



Financial highlights, Group

SEKm			% change, Q4				% change, 12M	
	Q4 2015	Q4 2014	As reported	Adjusted ¹	Jan-Dec 2015	Jan-Dec 2014	As reported	Adjusted ¹
Net sales	5,672	5,323	7	2	36,170	32,838	10	-1
Gross margin, %	23.0	26.3	-	-	28.1	28.5	-	-
Operating income	-365	-1,032	65	65	2,827	1,581	79	55
Excl. items affecting comparability	-212	-265	20	21	2,980	2,348	27	15
Operating margin, %	-6.4	-19.4	-	-	7.8	4.8	-	-
Excl. items affecting comparability, %	-3.7	-5.0	-	-	8.2	7.2	-	-

¹ Adjusted for currency translation effects.

- Higher sales in all divisions except Consumer Brands
- Gross margin hit by transactional currency impact
- Continued benefit from cost reductions driven by Accelerated Improvement Program
- Seasonal operating loss Q4 reduced to SEK -212m (-265) *
- *Strong full-year development of income statement, cash flow and decreased net debt*



* Excluding items affecting comparability

Husqvarna Division

SEKm	Q4 2015	Q4 2014	% change, Q4		Jan-Dec 2015	Jan-Dec 2014	% change, 12M	
			As reported	Adjusted ¹			As reported	Adjusted ¹
Net sales	3,036	2,789	9	6	17,624	15,449	14	6
Operating income	14	91	-84	-84	2,233	2,008	11	6
Excl. items affecting comparability	65	91	-29	-29	2,284	2,008	14	8
Operating margin, %	0.5	3.3	-	-	12.7	13.0	-	-
Excl. items affecting comparability, %	2.1	3.3	-	-	13.0	13.0	-	-

¹ Adjusted for currency translation effects.

- Good Q4 sales development
 - Increase mainly in North America
- EBIT and margin declined
 - Growth in segments with lower margin
 - Lower production volumes
 - Negative currency impact
- *Strong full-year EBIT development*
 - *Volume growth and favorable price/mix driven by focus on product leadership areas*



Gardena Division

SEKm	Q4 2015	Q4 2014	% change, Q4		Jan-Dec 2015	Jan-Dec 2014	% change, 12M	
			As reported	Adjusted ¹			As reported	Adjusted ¹
Net sales	495	469	5	6	4,669	4,212	11	8
Operating income	-128	-186	31	32	586	383	53	45
Excl. items affecting comparability	-123	-186	34	35	591	383	55	46
Operating margin, %	-25.9	-39.7	-	-	12.5	9.1	-	-
Excl. items affecting comparability, %	-24.8	-39.7	-	-	12.7	9.1	-	-

¹ Adjusted for currency translation effects.

- Good Q4 development for “in season” regions Australia/New Zealand, as well as in Europe
- Reduced Q4 seasonal loss primarily as a result of the volume growth, productivity and improved matching of costs throughout the year
- *Strong full-year EBIT and margin development*
 - *Volume growth, favorable mix, lower material costs, strong weather-driven demand in Q3*



Consumer Brands Division

SEKm	Q4 2015	Q4 2014	% change, Q4		Jan-Dec 2015	Jan-Dec 2014	% change, 12M	
			As reported	Adjusted ¹			As reported	Adjusted ¹
Net sales	1,242	1,259	-1	-10	9,936	9,838	1	-16
Operating income	-195	-158	-23	-16	-147	-155	5	-70
Excl. items affecting comparability	-168	-158	-6	-1	-120	-155	23	-39
Operating margin, %	-15.7	-12.5	-	-	-1.5	-1.6	-	-
Excl. items affecting comparability, %	-13.6	-12.5	-	-	-1.2	-1.6	-	-

¹ Adjusted for currency translation effects.

- Stable seasonal Q4 EBIT loss despite volume decline and unfavorable currency impact*
 - Accelerated Improvement Program cost reductions
- *Reduced full-year operating loss despite 16% volume decline and currency headwind*
 - Successful execution of AIP cost reductions
- Main revenue adjustment related to value before sales volume now behind us



* Excluding items affecting comparability

Construction Division

SEKm	Q4 2015	Q4 2014	% change, Q4		Jan-Dec 2015	Jan-Dec 2014	% change, 12M	
			As reported	Adjusted ¹			As reported	Adjusted ¹
Net sales	899	806	12	6	3,941	3,339	18	6
Operating income	17	49	-66	-70	395	354	11	-2
Excl. items affecting comparability	87	49	79	59	465	354	31	15
<i>Operating margin, %</i>	1.9	6.0	-	-	10.0	10.6	-	-
<i>Excl. items affecting comparability, %</i>	9.7	6.0	-	-	11.8	10.6	-	-

¹ Adjusted for currency translation effects.

- Continued good sales development in Q4
 - North America main driver
 - Mixed development in Europe continues
- EBIT and margin increased
 - Sales volume impact, favorable mix and currency
- *Good full-year EBIT and margin development*
 - *Sales volume leverage and favorable currency, partially offset by increase in sales and service resources*
 - *Restructuring cost to drive efficiency in manufacturing and sales*



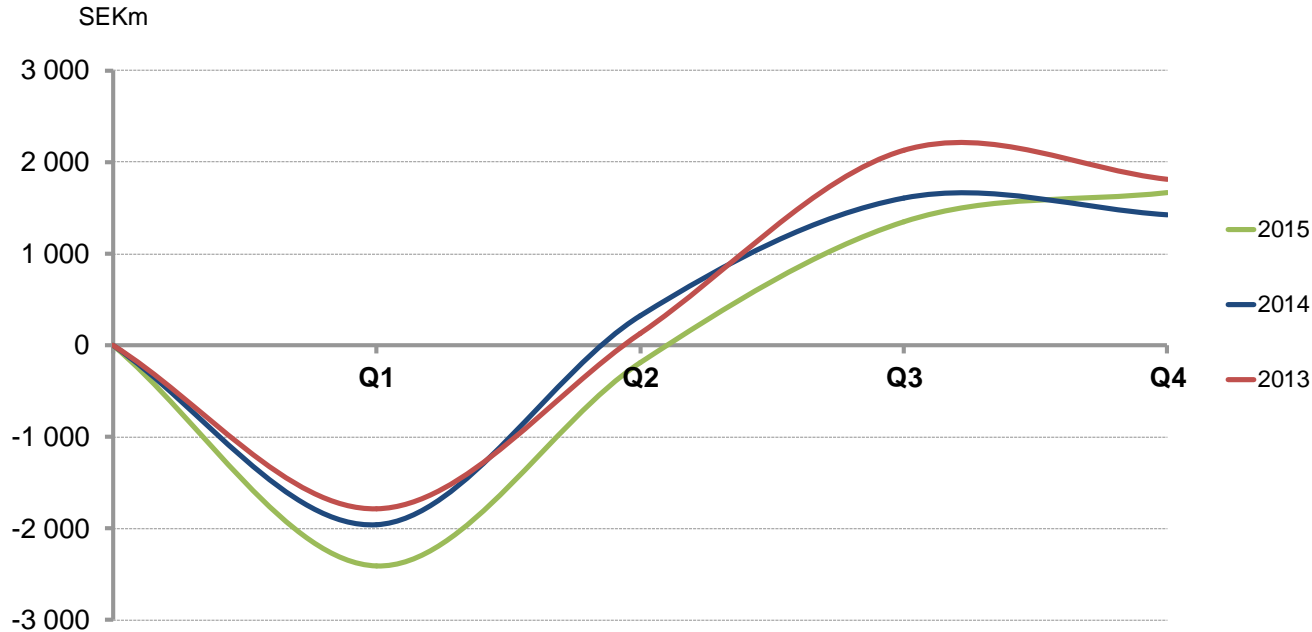
Consolidated income statement

SEKm	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Net sales	5,672	5,323	36,170	32,838
Cost of goods sold	-4,244	-3,921	-25,996	-23,488
Gross income	1,428	1,402	10,174	9,350
<i>Gross margin, %</i>	25.2	26.3	28.1	28.5
Selling expenses	-1,290	-1,282	-5,833	-5,626
Administrative expenses	-355	-388	-1,532	-1,392
Other operating income/expense	5	3	18	16
Operating income, excl. items affecting comparability	-212	-265	2,980	2,348
<i>Operating margin, % excl. items affecting comparability</i>	-3.7	-5.0	8.2	7.2
Items affecting comparability	-153	-767	-153	-7,637
Operating income¹	-365	-1,032	2,827	1,581
<i>Operating margin, %</i>	-6.4	-19.4	7.8	4.8
Financial items, net	-67	-49	-344	-325
Income after financial items	-432	-1,081	2,483	1,256
<i>Margin, %</i>	-7.6	-20.3	6.9	3.8
Income tax	193	119	-595	-432
Income for the period	-239	-962	1,888	824
Basic earnings per share, SEK	-0.42	-1.68	3.29	1.43
Diluted earnings per share, SEK	-0.42	-1.68	3.28	1.43
¹ Of which depreciation, amortization and impairment	-330	-1,027	-1,153	-1,734

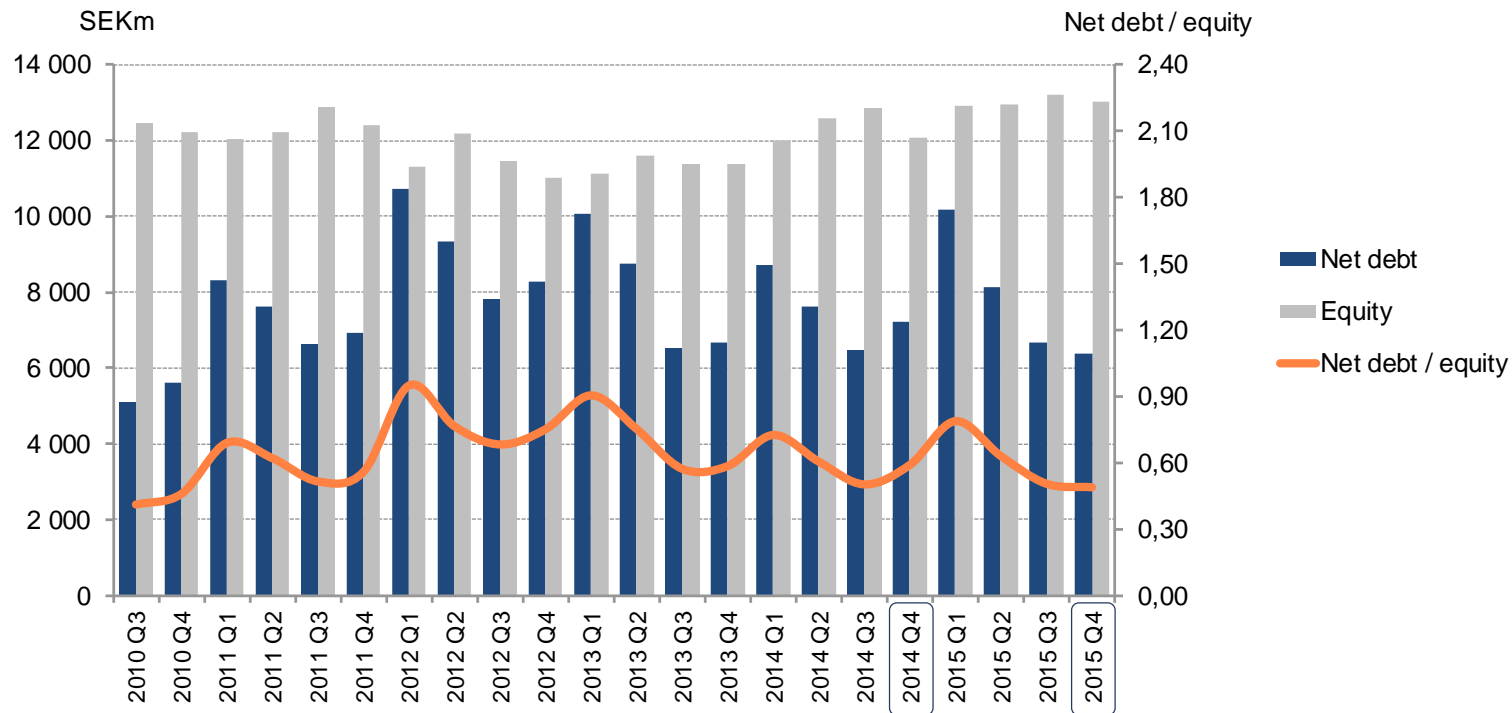
Consolidated balance sheet

SEKm	Dec. 31 2015	Dec. 31 2014
Non-current assets	15,749	15,748
Inventories	7,874	7,709
Trade receivables	3,126	2,898
Other current assets	952	716
Liquid funds	1,968	2,105
Total assets	29,669	29,176
Total equity	13,061	12,088
Interest-bearing liabilities	6,952	7,504
Pension liabilities	1,425	1,835
Provisions	2,953	2,550
Trade payables	3,077	3,154
Other current liabilities	2,201	2,045
Total equity and liabilities	29,669	29,176

Operating cash flow



Net debt and equity

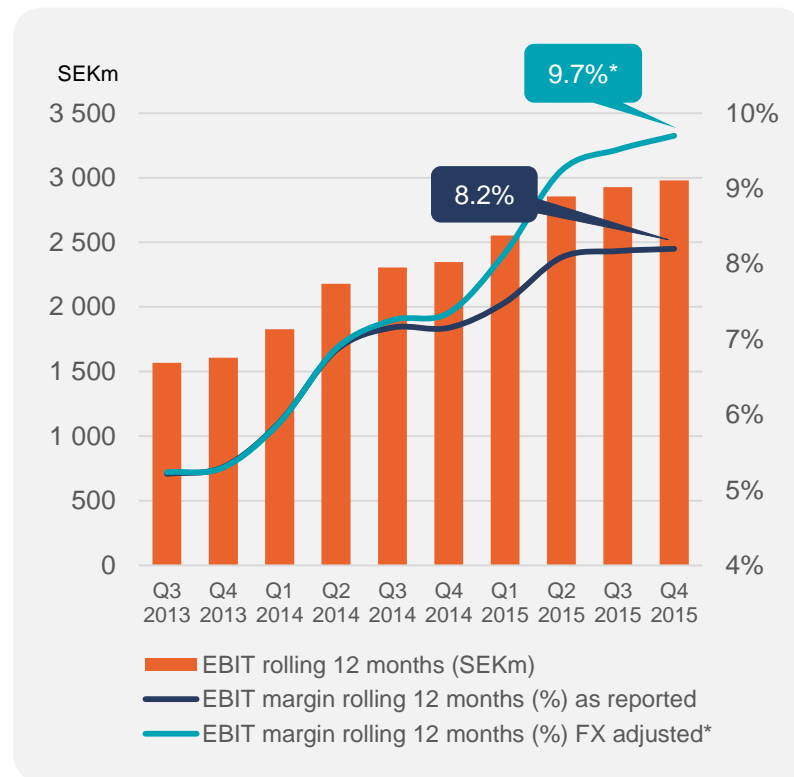


Key data, Group

	Q4 2015	Q4 2014	Jan-Dec 2015	Jan-Dec 2014
Net sales, SEKm	5,672	5,323	36,170	32,838
<i>Net sales growth, %</i>	6.6	13.1	10.1	8.4
<i>Gross margin, %</i>	23.0	26.3	28.1	28.5
Operating income, SEKm	-365	-1,032	2,827	1,581
<i>Excl. items affecting comparability</i>	-212	-265	2,980	2,348
<i>Operating margin, %</i>	-6.4	-19.4	7.8	4.8
<i>Excl. items affecting comparability</i>	-3.7	-5.0	8.2	7.2
Working capital, SEKm	-	-	5,275	5,066
<i>Return on capital employed, %</i>	-	-	12.4	7.6
<i>Excl. items affecting comparability</i>	-	-	13.1	11.1
<i>Return on equity, %</i>	-	-	14.6	6.7
<i>Excl. items affecting comparability</i>	-	-	15.5	12.9
Earnings per share after dilution, SEK	-0.42	-1.68	3.28	1.43
Capital turn-over rate, times	-	-	1.7	1.7
Operating cash flow, SEKm	319	-227	1,668	1,425
Net debt/equity ratio	-	-	0.49	0.60
Capital expenditure, SEKm	441	483	1,388	1,386
Average number of employees	12,560	12,852	13,572	14,337

EBIT increased 85% over last two years

- The Accelerated Improvement Program closed, delivered above expectations
 - Growth in product leadership areas ✓
 - Direct material cost reductions ✓
 - Complexity reduction ✓
- Work towards 10% operating margin continues
 - Direct material cost-out, Indirect material and logistics cost reductions, Rightsizing of footprint, SG&A efficiency
 - Execution of Division growth plans
- Improvement momentum to balance 2016 result
 - Mitigate estimated SEK ~ -500m currency impact in 2016
 - Support funding further investments in profitable growth activities



* FX adjusted only for translation effect on sales.

Summary, 2015

- Continued trend of improved performance in Q4
 - Seasonal operating loss* for Q4 declined to SEK -212m (-265)*
 - Full-year operating income up 27% to SEK 2,980m (2,348)*
 - Operating margin rose to 8.2% (7.2)
 - Improved cash flow, lower net debt and stronger solvency ratios
 - Board proposes dividend of SEK 1.65 (1.65) per share
- Stable to slightly positive pre-season demand expected in Q1
 - Further measures initiated to keep strong improvement momentum going in 2016-17
 - Challenge for Q1 to offset currency impact estimated to SEK ~ -250m, at the same time as investing in activities to drive profitable growth





**Husqvarna
Group**

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