

Strong growth and margin improvement

Third quarter 2020

- Net sales increased by 14% to SEK 9,570m (8,429), or by 22% when adjusted for exit of Consumer Brands business and changes in exchange rates.
- Operating income increased by 141% to SEK 997m (414), representing a margin of 10.4% (4.9).
- Earnings per share after dilution amounted to SEK 1.14 (0.47).
- The Board of Directors proposed a reinstated dividend of SEK 2.25 per share.

January – September 2020

- Net sales decreased by 2% to SEK 35,260m (35,869), or increased by 5% when adjusted for exit of Consumer Brands business and changes in exchange rates.
- Operating income increased by 9% to SEK 4,613m (4,225), excluding items affecting comparability, representing a margin of 13.1% (11.8).
- Earnings per share after dilution amounted to SEK 5.61 (5.09).
- Direct operating cash flow* amounted to SEK 6,255m (3,772).

Significant events after the quarter

- Husqvarna Group accelerates strategic growth initiatives within robotics, battery and watering categories including an increased focus on solutions for the professional segments. At the same time the overall competitiveness in the supply chain for petrol solutions will be increased, targeting annual savings of SEK 500m whereof SEK 250m will be reinvested in the strategic growth initiatives.
- The associated one-off costs are estimated to SEK 880m (of which SEK 500m are cash items) and the majority will be charged in the fourth quarter of 2020 (read more on page 9).
- A further step in optimizing and decentralizing the organization is taken. A new function, Strategy & Innovation, will be formed. Accordingly, the Group Management team will change, where Anders Johanson, Senior Vice President, Innovation & Technology and CTO, has decided to leave the Group.

Financial summary

Group, SEKm	Q3 2020	Q3 2019	Δ%	Jan-Sep 2020	Jan-Sep 2019	Δ%	LTM*	Full year 2019
Net sales	9,570	8,429	14	35,260	35,869	-2	41,667	42,277
Currency adjusted change*, %	21	0	-	-2	-1	-	-	-2
Operating income (EBIT)	997	414	141	4,613	4,183	10	4,119	3,690
Operating margin, %	10.4	4.9	-	13.1	11.7	-	9.9	8.7
Operating income excl. items affecting comparability*	997	414	141	4,613	4,225	9	4,302	3,915
Operating margin excl. items affecting comparability	10.4	4.9	-	13.1	11.8	-	10.3	9.3
Income for the period	653	269	142	3,211	2,915	10	2,825	2,528
Earnings per share after dilution, SEK	1.14	0.47	143	5.61	5.09	10	4.94	4.42
Net sales, Divisions								
Husqvarna	6,069	5,204	17	22,111	23,398	-5	26,219	27,506
Gardena	1,948	1,630	20	8,666	7,633	14	9,377	8,343
Construction	1,541	1,575	-2	4,441	4,789	-7	5,992	6,340
Operating income, Divisions								
Husqvarna	543	82	566	2,593	2,485	4	2,368	2,260
Excl. items affecting comparability*	543	82	566	2,593	2,527	3	2,493	2,427
Gardena	274	120	129	1,726	1,195	45	1,378	847
Excl. items affecting comparability*	274	120	129	1,726	1,195	45	1,378	847
Construction	236	229	3	508	673	-25	614	779
Excl. items affecting comparability*	236	229	3	508	673	-25	670	836

*Alternative Performance Measure, refer to "Definitions".

Reaching our margin target of >10%

“We delivered a very strong third quarter as we continue to win in our core categories and strengthen our positions in many markets. The performance was supported by a favorable stay-at-home trend and good weather conditions that prolonged the gardening season. Net sales increased by 22%* in the quarter with a solid development in all divisions and key regions. Our growth was particularly strong in the robotics, battery and watering categories driving Husqvarna and Gardena Division's growth to 27%* and 26%* respectively. Construction Division's net sales increased by 5%* in the quarter. In the first nine months Group net sales increased by 5%* with volumes shifting between quarters due to the Covid-19 situation.

We achieved an operating margin of 10.3% on a rolling 12-month basis (excluding items affecting comparability). The direct operating cash flow increased to SEK 6.3 billion (3.8) for the first nine months. This leaves us well-positioned to further accelerate the strategic growth initiatives which we presented last year. We are increasing our focus on sustainable solutions with strong customer demand supporting the transition to a lower carbon footprint. This includes increased investments in R&D, production and go-to-market capabilities for key categories such as robotics, battery and watering solutions including an increased focus on solutions for the professional segments.

At the same time we will further improve the overall competitiveness in our petrol supply chain by streamlining and reducing fixed costs within our component manufacturing, increasing the level of automation in our factories and by reallocating production volumes among our factories bringing final assembly closer to our customers.

These steps will reduce the global workforce by approximately 350 positions and result in annual

savings of around SEK 500m, fully effective in 2023, whereof SEK 250m will be reinvested annually into accelerated growth initiatives. This results in net savings of SEK 250m on a yearly basis. These efficiency measures entail one-off costs estimated to SEK 880m (of which SEK 500m are cash items) where the majority will be charged in the fourth quarter of 2020.

In conclusion, we have strengthened our market leadership positions and reached our profitability target. We have a clear strategy and are now taking further steps to build on our strengths and focus on execution. I would like to sincerely thank our team around the world for tremendous work showing decisiveness, agility and extraordinary commitment during this period.”

* Net sales is adjusted for changes in exchange rates and the exit of Consumer Brands.



Henric Andersson, President & CEO

Financial Performance

Third quarter

Net sales

Net sales for the third quarter increased by 14% to SEK 9,570m (8,429). Net sales increased by 22% when adjusted for exit of Consumer Brands business and changes in exchange rates. The growth was driven by good market development and strengthened market positions. The performance was supported by a favorable stay-at-home trend and a prolonged gardening season.

Operating income

Operating income for the third quarter increased to SEK 997m (414), driven by a strong growth in net sales and a favorable product mix. Changes in exchange rates contributed negatively with approximately SEK 15m compared to last year.

Financial items net

Financial items net amounted to SEK -79m (-123). The decrease was mainly related to lower interest rates and lower debt levels denominated in USD.

Income after financial items

Income after financial items increased to SEK 919m (290).

Taxes

Income tax amounted to SEK -266m (-22).

Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK 654m (269), corresponding to SEK 1.14 (0.47) per share after dilution.

January - September

Net sales

Net sales for January - September decreased by 2% to SEK 35,260m (35,869). Net sales increased by 5% when adjusted for exit of Consumer Brands business and changes in exchange rates. Due to the Covid-19 situation the start of the gardening season was weak. When markets gradually reopened, demand accelerated quickly, as consumers showed a high interest in lawn and garden products. This resulted in a relatively weaker first half of the year with volumes shifted to the strong third quarter.

Operating income

Operating income for January - September amounted to SEK 4,613m (4,225), excluding items affecting comparability. The increase was primarily related to higher net sales, favorable product mix, savings and cost avoidance activities. Changes in exchange rates contributed negatively with approximately SEK 40m compared to last year.

Financial items net

Financial items net amounted to SEK -265m (-437). The decrease is mainly related to lower interest rates and lower debt levels denominated in USD.

Income after financial items

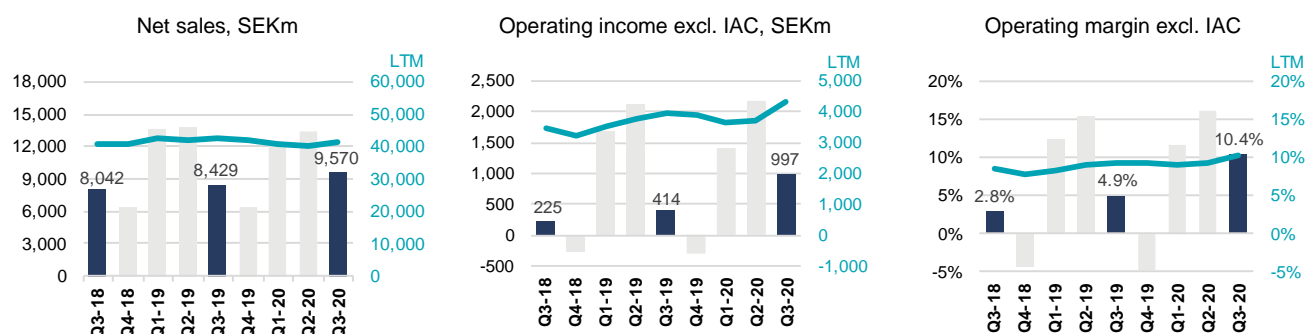
Income after financial items amounted to SEK 4,348m (3,747).

Taxes

Income tax amounted to SEK -1,136m (-832).

Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK 3,211m (2,915), corresponding to SEK 5.61 (5.09) per share after dilution.



Operating cash flow

Operating cash flow for January - September increased to SEK 7,059m (3,268) and direct operating cash flow increased to SEK 6,255m (3,772). The increase was related to higher cash flow from operations and positive effects from changes in inventories.

Due to the seasonal build-up of working capital, operating cash flow is normally negative in the first quarter (this year mitigated by exits of Consumer Brands business), followed by positive cash flow in the second and third quarters, while cash flow in the fourth quarter is negatively impacted by the pre-season production for the next year.

Financial position

Group equity as of September 30, 2020, excluding non-controlling interests, increased to SEK 19,747m (17,768), corresponding to SEK 34.5 (31.1) per share after dilution.

Net debt decreased to SEK 4,457m (11,609). The decrease was mainly related to strong operating cash flow. The net pension liability increased to SEK 2,670m (2,523), mainly due to decreased discount rates. Other interest-bearing liabilities increased to SEK 11,630m (10,509) and liquid funds and other interest-bearing assets increased to SEK 9,844m (2,280).

The Group has an unutilized revolving credit facility of SEK 5bn. In early April, additional financing was secured. The net debt/EBITDA ratio, excluding items affecting comparability*, decreased to 1.4 (1.9). The equity/assets ratio was 43% (42).

Effects of Covid-19

The Covid-19 pandemic is affecting the world and shows how interconnected people, markets and economies are. The situation is still volatile at this stage and involves a high level of uncertainty. As countries emerged from the immediate health crisis in the first half of the year, restarted their economies and lifted lockdown measures, the impact on Husqvarna Group's markets and channel partners has eased and customer demand has improved significantly. The interest for the Group's products and solutions has been high, partly accelerated by the stay-at-home trend. Currently, all manufacturing and warehouse sites are in operation adhering to health and safety restrictions. The Group's primary focus during this situation has been the health and safety of the employees while decisively safeguarding the business continuity as well as long-term operational resiliency. Given the uncertainty about the development of the pandemic and the effect on our business, the situation is closely monitored, and further measures are ready to be initiated should the situation change.

Financial summary

SEKm	Q3 2020	Q3 2019	Δ%	Jan-Sep 2020	Jan-Sep 2019	Δ%	LTM*	Full year 2019
Net sales	6,069	5,204	17	22,111	23,398	-5	26,219	27,506
Currency adjusted change*, %	25	-2	-	-6	-3	-	-	-4
Operating income	543	82	566	2,593	2,485	4	2,368	2,260
Operating margin, %	8.9	1.6	-	11.7	10.6	-	9.0	8.2
Operating income excl. items affecting comparability*	543	82	566	2,593	2,527	3	2,493	2,427
Operating margin excl. items affecting comparability*	8.9	1.6	-	11.7	10.8	-	9.5	8.8

* Alternative Performance Measure, refer to "Definitions".

Third quarter

Net sales increased 17% to SEK 6,069m (5,204) or by 25% when adjusted for changes in exchange rates. Net sales increased by 27% when adjusted for exits of Consumer Brands business and changes in exchange rates. The growth was strong in all key regions and the division strengthened its market positions, particularly for robotic lawnmowers and battery-powered products. New product innovations as well as increased focus on aftermarket & accessories contributed to the strong growth. The performance was supported by a favorable stay-at-home trend and a prolonged gardening season.

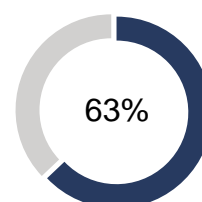
Operating income increased 566% to SEK 543m (82) and the operating margin increased by 7.3 percentage points to 8.9% (1.6). The margin was positively supported by a favorable product mix, higher volumes and cost avoidance activities. Changes in exchange rates had a neutral effect.

January – September

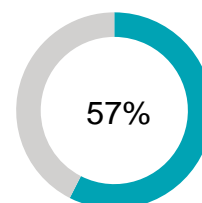
Net sales decreased 5% to SEK 22,111m (23,398) or by 6% when adjusted for changes in exchange rates. Net sales increased by 3% when adjusted for exits of Consumer Brands business and changes in exchange rates. Due to the Covid-19 situation and related lockdowns, the initial start of the season was weak, but improved rapidly as markets reopened. The growth was strong for robotic lawn mowers and aftermarket & accessories, whereas the petrol powered wheeled segment declined.

Operating income increased 3% to SEK 2,593m (2,527) and the operating margin increased by 0.9 percentage points to 11.7% (10.8). The margin was positively impacted by a favorable product mix, higher volumes and cost avoidance activities. Changes in exchange rates had a negative impact of approximately SEK 5m.

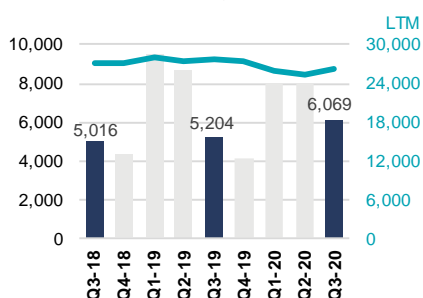
Share of Group net sales, LTM



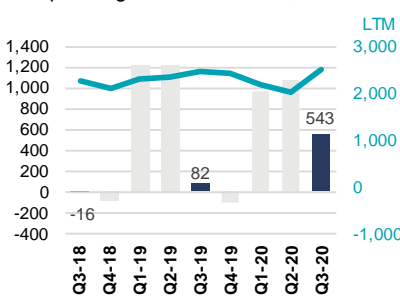
Share of Group operating income, LTM



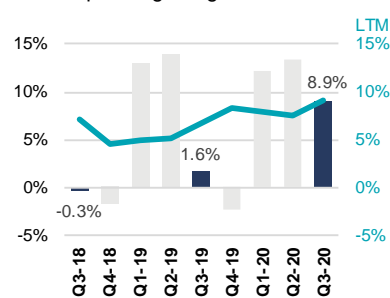
Net sales, SEKm



Operating income excl. IAC, SEKm



Operating margin excl. IAC



Financial summary

SEKm	Q3 2020	Q3 2019	Δ%	Jan-Sep 2020	Jan-Sep 2019	Δ%	LTM*	Full year 2019
Net sales	1,948	1,630	20	8,666	7,633	14	9,377	8,343
Currency adjusted change*, %	24	1	-	14	1	-	-	0
Operating income	274	120	129	1,726	1,195	45	1,378	847
Operating margin, %	14.1	7.4	-	19.9	15.7	-	14.7	10.2
Operating income excl. items affecting comparability*	274	120	129	1,726	1,195	45	1,378	847
Operating margin excl. items affecting comparability*	14.1	7.4	-	19.9	15.7	-	14.7	10.2

* Alternative Performance Measure, refer to "Definitions".

Third quarter

Net sales increased 20% to SEK 1,948m (1,630) or by 24% when adjusted for changes in exchange rates. Net sales increased by 26% when adjusted for exits of Consumer Brands business and changes in exchange rates. The growth was strong in all product categories, particularly for watering solutions and hand tools where Gardena strengthened the market positions significantly. The performance was supported by a favorable stay-at-home trend and good weather conditions that prolonged the gardening season.

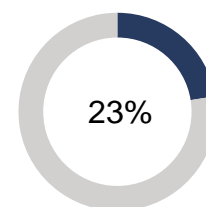
Operating income increased 129% to SEK 274m (120) and the operating margin increased by 6.7 percentage points to 14.1% (7.4). The margin improvement was driven by the strong volume development and a favorable product mix. Changes in exchange rates had a neutral impact.

January – September

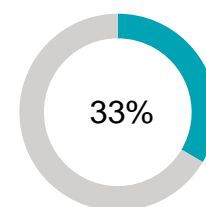
Net sales increased 14% to SEK 8,666m (7,633) or by 14% when adjusted for changes in exchange rates. Net sales increased by 18% when adjusted for exits of Consumer Brands business and changes in exchange rates. As markets reopened after Covid-19 lockdowns, the demand grew quickly. The growth was strong for all categories with good support from recent product launches and innovations.

Operating income increased 45% to SEK 1,726m (1,195) and the operating margin increased by 4.2 percentage points to 19.9% (15.7). The margin improvement was driven by the strong volume growth and a favorable product mix. Changes in exchange rates had a negative impact of approximately SEK 45m.

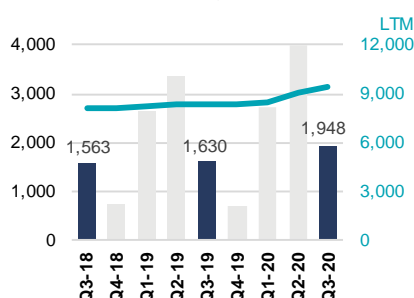
Share of Group net sales, LTM



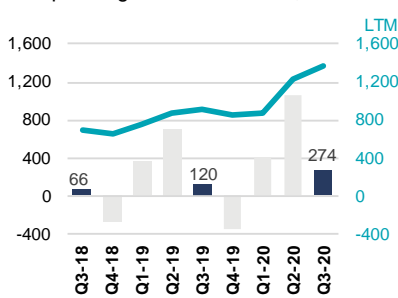
Share of Group operating income, LTM



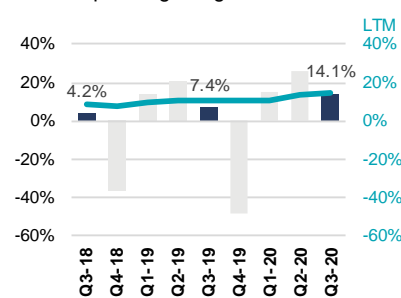
Net sales, SEKm



Operating income excl. IAC, SEKm



Operating margin excl. IAC



Financial Summary

SEKm	Q3 2020	Q3 2019	Δ%	Jan-Sep 2020	Jan-Sep 2019	Δ%	LTM*	Full year 2019
Net sales	1,541	1,575	-2	4,441	4,789	-7	5,992	6,340
Currency adjusted change*, %	5	4	-	-6	4	-	-	5
Operating income	236	229	3	508	673	-25	614	779
Operating margin, %	15.3	14.6	-	11.4	14.1	-	10.2	12.3
Operating income excl. items affecting comparability*	236	229	3	508	673	-25	670	836
Operating margin excl. items affecting comparability*	15.3	14.6	-	11.4	14.1	-	11.2	13.2

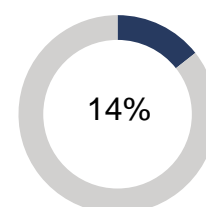
* Alternative Performance Measure, refer to "Definitions".

Third quarter

Net sales decreased 2% to SEK 1,541m (1,575) or increased by 5% when adjusted for changes in exchange rates. Sales developed positively in North America, Europe and Asia-Pacific, driven by market recovery and strengthened market positions, whereas the market situation in the Middle East was weaker.

Operating income increased 3% to SEK 236m (229) and the operating margin increased by 0.7 percentage points to 15.3% (14.6). The margin improvement was driven by the sales growth and cost avoidance activities. Changes in exchange rates had a negative impact of approximately SEK 15m, where the division's sales in the US had the largest impact.

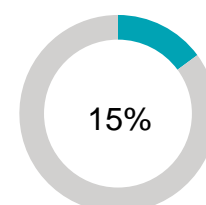
Share of Group net sales, LTM



January - September

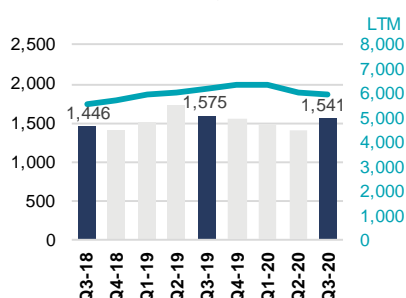
Net sales decreased 7% to SEK 4,441m (4,789) or by 6% when adjusted for changes in exchange rates. The decline in net sales was primarily due to Covid-19, with lowered demand that affected the markets. This affected the end of the first quarter and during the second quarter, where customers were more hesitant to acquire new equipment, while the aftermarket sales were less affected. Markets started to recover towards the end of the second quarter and most of them continued to improve in the third quarter.

Share of Group operating income, LTM

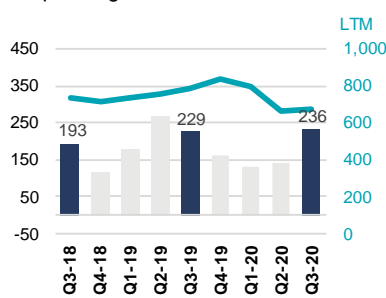


Operating income decreased 25% to SEK 508m (673) and the operating margin decreased by 2.7 percentage points to 11.4% (14.1). The decline was due to lower volumes but partly offset by cost avoidance activities. Changes in exchange rates had a positive impact of approximately SEK 10m.

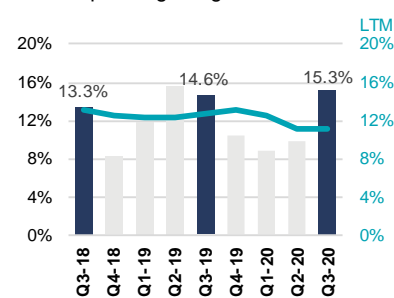
Net sales, SEKm



Operating income excl. IAC SEKm



Operating margin excl. IAC



Additional information

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. 205,152 shares were converted in the third quarter. The total number of registered shares in the company at September 30, 2020 amounted to 576,343,778 of which 111,694,980 were A-shares and 464,648,798 were B-shares. The total number of votes amounted to 158,159,859.8.

Parent Company

Net sales for January – September 2020 for the Parent Company, Husqvarna AB, amounted to SEK 14,288m (14,832), of which SEK 11,061m (11,708) referred to sales to Group companies and SEK 3,227m (3,124) to external customers.

Income after financial items decreased to SEK 2,238m (8,185), mainly due to Group internal transactions. Income for the period decreased to SEK 1,774m (8,163). Investments in property, plant and equipment and intangible assets amounted to SEK 787m (788). Cash and cash equivalents amounted to SEK 7,128m (145) at the end of the period. Undistributed earnings in the Parent Company amounted to SEK 28,978m (26,933).

Important events

Restructuring of the Consumer Brands Division

As communicated in 2018, Husqvarna Group is exiting certain low-margin petrol-powered product segments in the underperforming former Consumer Brands Division and instead focusing on its strengths in premium offerings under the core brands of Husqvarna and Gardena.

In 2019 the Group exited net sales of SEK 1.4 billion related to Consumer Brands. Exits in the first nine months of 2020 amounted to SEK 2.2 billion.

Appointment of New President & CEO

The Board of Directors of Husqvarna AB appointed Henric Andersson to succeed Kai Wörn as the President & CEO of the Husqvarna Group and was effective as of April 2, 2020. Previously, Henric Andersson was President of the Construction Division of Husqvarna Group and has been a member of the Group Management team since 2012 and has worked

in the Group for the last 22 years. He was born in 1973 and has a Master of Science degree in Industrial Engineering & Management from Linköping Institute of Technology.

Group Management Changes

Karin Falk has been appointed President Construction Division and is also a member of Husqvarna Group's Management Team. Most recently Karin Falk was Senior Vice President Services & Customer Quality at Volvo Trucks and took up her new position within Husqvarna Group on September 1, 2020.

Brian Belanger, SVP Legal Affairs and General Counsel, assumed the additional role as acting SVP Business Development as Per Ericson, former SVP Business Development, left Husqvarna Group June 30, 2020.

2020 Annual General Meeting

The AGM of Husqvarna AB (publ) was held on June 26, 2020. Shareholders participated in the meeting by voting or submitting questions in advance on the proposals at the AGM. In accordance with the Board Proposal no dividend for financial year 2019 was decided (a deviation from the proposal in the Annual Report).

Reinstated dividend

The Board of Directors has assessed the Company's financial performance and cash position, as well as general market conditions, and concluded that a reinstatement of the dividend is appropriate. Therefore, the Board of Directors has called for an extraordinary general meeting on October 23, 2020, to decide on a proposal of a dividend of SEK 2.25 per share to be paid for the fiscal year 2019.

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.

The situation with Covid-19 can have a significant impact on Husqvarna Group operations, both in terms of difficulties of supply of raw materials and components and also effects on demand of Husqvarna Group's products and solutions.

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 2019 which is available at www.husqvarnagroup.com

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 2019, which is available at www.husqvarnagroup.com.

Auditors' review report

This interim report has not been subject to review by the auditors.

Stockholm, October 20, 2020

Henric Andersson
President and CEO

Significant events after the quarter

Accelerated growth initiatives and increased competitiveness in petrol supply chain

The Group will accelerate strategic investments in sustainable solutions with strong long-term growth potential. The strategic growth initiatives include R&D, production and go-to-market capabilities for key categories such as robotics, battery and watering solutions including an increased focus on solutions for the professional segments. At the same time the overall competitiveness will be further improved in the petrol supply chain by streamlining and reducing fixed costs within component manufacturing, increasing the level of automation in the factories and by reallocating production volumes among the factories bringing final assembly closer to the customers.

These steps will reduce the global workforce by approximately 350 positions and result in annual savings of around SEK 500m, fully effective in 2023, whereof SEK 250m will be reinvested annually into accelerated growth initiatives resulting in net savings of SEK 250m on a yearly basis. The associated one-off costs are estimated to SEK 880m (of which SEK 500m are cash items) where the majority will be charged in the fourth quarter of 2020. Overall, the Group is well-positioned to accelerate investments in sustainable growth areas to continue to reduce carbon footprint, cater to changing customer needs and deliver value to all stakeholders.

Group management changes

A further step in optimizing and decentralizing the organization is taken. A new function Strategy & Innovation will be formed, initially headed by Henric Andersson, CEO, on an acting basis. Activities within two existing functions, Business Development and Innovation & Technology, are merged in this new function. Activities within the function Operations Development will be moved to other functions or the Divisions. Accordingly, Anders Johanson, Senior Vice President, Innovation & Technology and CTO has decided to leave the Group. Brian Belanger will leave his interim role as Senior Vice President Business Development and continue in his role as Senior Vice President, Legal Affairs. Pavel Hajman will continue as Senior Vice President Global Information Services and CIO. The organizational changes are effective from December 1, 2020.

Consolidated income statement

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Net sales	9,570	8,429	35,260	35,869	42,277
Cost of goods sold	-6,641	-6,048	-23,905	-24,772	-29,748
Gross income	2,929	2,381	11,355	11,097	12,529
Gross margin, %	30.6	28.2	32.2	30.9	29.6
Selling expenses	-1,400	-1,542	-5,057	-5,403	-6,985
Administrative expenses	-537	-420	-1,705	-1,512	-2,051
Other operating income/expense	5	-4	19	1	197
Operating income	997	414	4,613	4,183	3,690
Operating margin, %	10.4	4.9	13.1	11.7	8.7
Financial items, net	-79	-123	-265	-437	-568
Income after financial items	919	290	4,348	3,747	3,122
Margin, %	9.6	3.4	12.3	10.4	7.4
Income tax	-266	-22	-1,136	-832	-594
Income for the period	653	269	3,211	2,915	2,528
Income for the period attributable to:					
Equity holders of the Parent Company	654	269	3,211	2,915	2,527
Non-controlling interest	-1	0	0	0	1
Earnings per share:					
Before dilution, SEK	1.14	0.47	5.61	5.10	4.42
After dilution, SEK	1.14	0.47	5.61	5.09	4.42
Average number of shares outstanding:					
Before dilution, millions	572.6	572.2	572.4	572.0	572.0
After dilution, millions	573.2	572.4	572.8	572.2	572.2

Consolidated comprehensive income statement

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Income for the period	653	269	3,211	2,915	2,528
Other comprehensive income					
<i>Items that will not be reclassified to the income statement:</i>					
Remeasurements on defined benefit pension plans, net of tax	52	-195	-124	-351	-302
Total items that will not be reclassified to the income statement, net of tax	52	-195	-124	-351	-302
<i>Items that may be reclassified to the income statement:</i>					
Currency translation differences	-592	987	-741	1,761	916
Net investment hedge, net of tax	323	-688	181	-1,130	-525
Cash flow hedges, net of tax	-37	-8	-53	-165	-79
Total items that may be reclassified to the income statement, net of tax	-306	291	-613	466	312
Other comprehensive income, net of tax	-254	96	-737	115	10
Total comprehensive income for the period	399	365	2,474	3,030	2,538
Total comprehensive income attributable to:					
Equity holders of the Parent Company	400	365	2,474	3,029	2,537
Non-controlling interest	-1	0	0	1	1

Consolidated balance sheet

SEKm	Sep 30 2020	Sep 30 2019	Dec 31 2019
Assets			
Property, plant and equipment	6,667	6,670	6,794
Right of use assets	1,320	1,559	1,585
Goodwill	7,219	7,541	7,338
Other intangible assets	5,641	5,676	5,629
Investments in associated companies	33	33	33
Derivatives	0	0	1
Other non-current assets	668	608	669
Deferred tax assets	1,520	1,606	1,690
Total non-current assets	23,066	23,691	23,739
Inventories	8,002	10,108	10,858
Trade receivables	4,613	4,605	3,620
Derivatives	403	334	592
Tax receivables	208	771	250
Other current assets	782	977	1,011
Other short term investments	-	-	0
Cash and cash equivalents	9,063	1,623	1,911
Total current assets	23,071	18,418	18,242
Total assets	46,138	42,109	41,981
Equity and liabilities			
Equity attributable to equity holders of the Parent Company	19,747	17,768	17,281
Non-controlling interests	2	1	2
Total equity	19,750	17,769	17,283
Borrowings	6,803	6,125	7,047
Lease liabilities	1,077	1,251	1,304
Derivatives	97	91	55
Deferred tax liabilities	1,685	1,738	1,732
Provisions for pensions and other post-employment benefits	2,885	2,723	2,622
Other provisions	614	682	610
Total non-current liabilities	13,160	12,611	13,370
Trade payables	3,947	3,475	4,099
Tax liabilities	877	422	269
Other liabilities	3,942	3,480	2,995
Dividend payable	-	858	-
Borrowings	2,840	1,973	2,694
Lease liabilities	405	417	457
Derivatives	408	652	229
Other provisions	808	454	585
Total current liabilities	13,228	11,730	11,328
Total equity and liabilities	46,138	42,109	41,981

Consolidated cash flow statement

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Cash flow from operations					
Operating income	997	414	4,613	4,183	3,690
Non cash items	518	574	2,096	1,732	2,359
<i>Cash items</i>					
Paid restructuring expenses	-33	-97	-154	-230	-272
Net financial items, received/paid	-77	-140	-241	-388	-490
Taxes paid	-130	-133	-396	-751	-811
Cash flow from operations, excluding change in operating assets and liabilities	1,275	618	5,918	4,546	4,476
Operating assets and liabilities					
Change in inventories	580	490	2,557	1,649	627
Change in trade receivables	2,669	2,230	-1,183	-764	114
Change in trade payables	-420	-1,421	-78	-1,360	-656
Change in other operating assets/liabilities	-460	-613	1,151	718	347
Cash flow from operating assets and liabilities	2,369	686	2,447	243	432
Cash flow from operations	3,644	1,304	8,365	4,789	4,908
Investments					
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	-2	1	11	24	349
Investments in property, plant and equipment and intangible assets	-451	-555	-1,306	-1,521	-2,232
Investments and divestments of financial assets	510	32	2	32	-56
Cash flow from investments	57	-522	-1,293	-1,465	-1,939
Cash flow from operations and investments	3,701	782	7,072	3,324	2,969
Financing					
Dividend paid to shareholders	-	-	-	-428	-1,287
Dividend paid to non-controlling interests	-	-	-	-2	-1
Other financing activities	-1,006	-1,285	175	-2,698	-1,159
Cash flow from financing	-1,006	-1,285	175	-3,128	-2,447
Total cash flow	2,694	-503	7,247	196	522
Cash and cash equivalents at the beginning of the period	6,413	2,116	1,911	1,346	1,346
Exchange rate differences referring to cash and cash equivalents	-45	10	-94	81	43
Cash and cash equivalents at the end of the period	9,064	1,623	9,064	1,623	1,911
	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Operating cash flow, SEKm					
Cash flow from operations	3,644	1,304	8,365	4,789	4,908
Investments in property, plant and equipment and intangible assets	-451	-555	-1,306	-1,521	-2,232
Operating cash flow	3,193	749	7,059	3,268	2,676
	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Direct operating cash flow, SEKm					
EBITDA excl. items affecting comparability	1,547	944	6,265	5,768	5,996
Change in inventories	580	490	2,557	1,649	627
Change in trade receivables	2,669	2,230	-1,183	-764	114
Change in trade payables	-420	-1,421	-78	-1,360	-656
Investments in property, plant and equipment and intangible assets	-451	-555	-1,306	-1,521	-2,232
Direct operating cash flow	3,925	1,688	6,255	3,772	3,849

Key performance indicators

Income statement

	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
EBITDA, SEKm*					
Operating income	997	414	4,613	4,183	3,690
Reversal of depreciation, amortization and impairment	550	530	1,652	1,542	2,089
EBITDA*	1,547	944	6,265	5,725	5,779
<i>Excl. items affecting comparability*</i>	1,547	944	6,265	5,768	5,996
<i>EBITDA margin, %</i>	16.2	11.2	17.8	16.0	13.7
<i>Excl. items affecting comparability*</i>	16.2	11.2	17.8	16.1	14.2

	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Key data, SEKm					
<i>Net sales growth, %</i>	14	5	-2	4	3
Operating income	997	414	4,613	4,183	3,690
<i>Operating margin, %</i>	10.4	4.9	13.1	11.7	8.7
Operating income excl. items affecting comparability*	997	414	4,613	4,225	3,915
<i>Operating margin excl. items affecting comparability*</i>	10.4	4.9	13.1	11.8	9.3
Average number of employees	12,249	12,158	12,321	12,910	12,708

* Alternative Performance Measure, refer to "Definitions".

Balance sheet

	Sep 30 2020	Sep 30 2019	Dec 31 2019
Key data, SEKm			
Operating working capital	8,667	11,238	10,379
<i>Operating working capital / net sales*, %</i>	26.0	27.2	27.3
<i>Return on capital employed, %</i>	12.5	11.8	12.9
<i>Excl. items affecting comparability*, %</i>	13.1	15.2	14.1
<i>Return on equity, %</i>	15.2	11.7	14.7
<i>Excl. items affecting comparability*, %</i>	15.9	15.3	15.5
Capital turn-over rate, times	1.5	1.5	1.5
<i>Equity/assets ratio, %</i>	43	42	41
Equity per share after dilution, SEK	34.5	31.1	30.2

	Sep 30 2020	Sep 30 2019	Dec 31 2019
Net debt, SEKm*			
Net pension liability	2,670	2,523	2,427
Other interest-bearing liabilities	11,630	10,509	11,786
Dividend payable	-	858	-
Less: Liquid funds and other interest-bearing assets	-9,844	-2,280	-2,898
Net debt*	4,457	11,609	11,315
Net debt/equity ratio	0.23	0.65	0.65
Net debt/EBITDA excl. Items affecting comparability*	1.4	1.9	1.9

* Alternative Performance Measure, refer to "Definitions".

Change in Group equity

SEKm	Attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
Opening balance January 1, 2019	16,007	2	16,009
Share-based payment	18	-	18
Dividend	-1,286	-2	-1,288
Total comprehensive income	3,029	1	3,030
Closing balance September, 2019	17,768	1	17,769
Opening balance January 1, 2020	17,281	2	17,283
Share-based payment	-8	-	-8
Total comprehensive income	2,474	0	2,474
Closing balance September 30, 2020	19,747	2	19,750

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 20, respectively, in the Annual Report 2019. The carrying value approximates fair value for all financial instruments except for non-current borrowings, which are shown in the table below. Fair value corresponds to book value in all material aspects.

SEKm	Sep 30 2020		Sep 30 2019		Dec 31 2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<i>Non-current borrowings</i>						
Loans	6,803	6,878	6,125	6,037	7,046	6,966
Total non-current borrowings	6,803	6,878	6,125	6,037	7,046	6,966

Net sales and income by quarter

Group, SEKm	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	9,570	13,482	12,208	6,408	8,429	13,789	13,651
Net sales, LTM*	41,667	40,526	40,834	42,277	42,339	41,953	42,433
Operating income	997	2,191	1,424	-494	414	2,125	1,644
Operating margin, %	10.4	16.3	11.7	-7.7	4.9	15.4	12.0
Operating income excl. IAC*	997	2,191	1,424	-311	414	2,125	1,686
Operating margin excl. IAC*, %	10.4	16.3	11.7	-4.8	4.9	15.4	12.3
Operating income, LTM*	4,119	3,536	3,470	3,690	3,079	2,542	2,341
Operating margin, LTM*, %	9.9	8.7	8.5	8.7	7.3	6.1	5.5
Operating income, LTM excl. IAC*	4,302	3,719	3,653	3,915	3,943	3,755	3,553
Operating margin, LTM excl. IAC*, %	10.3	9.2	8.9	9.3	9.3	8.9	8.4
Income for the period	653	1,567	992	-387	269	1,505	1,140
Husqvarna, SEKm	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	6,069	8,042	8,001	4,108	5,204	8,688	9,506
Net sales, LTM*	26,219	25,355	26,001	27,506	27,708	27,520	28,178
Operating income	543	1,078	972	-224	82	1,217	1,186
Operating margin, %	8.9	13.4	12.2	-5.5	1.6	14.0	12.5
Operating income excl. IAC*	543	1,078	972	-100	82	1,217	1,228
Operating margin excl. IAC*, %	8.9	13.4	12.2	-2.4	1.6	14.0	12.9
Operating income, LTM	2,368	1,907	2,046	2,260	1,859	1,433	1,370
Operating margin, LTM*, %	9.0	7.5	7.9	8.2	6.7	5.2	4.9
Operating income, LTM excl. IAC*	2,493	2,032	2,171	2,427	2,450	2,353	2,290
Operating margin, LTM excl. IAC*, %	9.5	8.0	8.3	8.8	8.8	8.5	8.1
Gardena, SEKm	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	1,948	4,011	2,708	711	1,630	3,373	2,630
Net sales, LTM*	9,377	9,058	8,421	8,343	8,379	8,312	8,264
Operating income	274	1,054	398	-349	120	703	372
Operating margin, %	14.1	26.3	14.7	-49.1	7.4	20.8	14.1
Operating income excl. IAC*	274	1,054	398	-348	120	703	372
Operating margin excl. IAC*, %	14.1	26.3	14.7	-49.0	7.4	20.8	14.1
Operating income, LTM	1,378	1,223	872	846	696	641	532
Operating margin, LTM*, %	14.7	13.5	10.4	10.1	8.3	7.7	6.4
Operating income, LTM excl. IAC*	1,378	1,224	873	846	920	867	758
Operating margin, LTM excl. IAC*, %	14.7	13.5	10.4	10.1	11.0	10.4	9.2
Construction, SEKm	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	1,541	1,412	1,487	1,550	1,575	1,720	1,494
Net sales, LTM*	5,992	6,025	6,332	6,340	6,187	6,059	5,928
Operating income	236	140	132	106	229	267	177
Operating margin, %	15.3	9.9	8.9	6.8	14.6	15.5	11.8
Operating income excl. IAC*	236	140	132	163	229	267	177
Operating margin excl. IAC*, %	15.3	9.9	8.9	10.5	14.6	15.5	11.8
Operating income, LTM	614	608	735	780	744	707	691
Operating margin, LTM*, %	10.2	10.1	11.6	12.3	12.0	11.7	11.6
Operating income, LTM excl. IAC*	670	664	792	836	788	752	735
Operating margin, LTM excl. IAC*, %	11.2	11.0	12.5	13.2	12.7	12.4	12.4
Group Common, SEKm	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	12	15	13	38	20	8	21
Operating income	-55	-80	-78	-27	-17	-62	-91
Operating income excl. IAC*	-55	-80	-78	-25	-17	-62	-91

*Alternative Performance Measure, refer to "Definitions".

Items affecting comparability

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Restructuring provisions	-	-	-	-9	-213
Impairment of non-current assets	-	-	-	-	-8
Write-down of inventory	-	-	-	-	-4
Other restructuring related expenses	-	-	-	-33	-
Total items affecting comparability	-	-	-	-42	-225

Classification in the income statement

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Cost of goods sold	-	-	-	-42	-117
Selling expenses	-	-	-	-	-57
Administrative expenses	-	-	-	-	-51
Total items affecting comparability	-	-	-	-42	-225

Net assets by segment ¹

SEKm	Assets		Liabilities		Net Assets	
	Sep 30 2020	Sep 30 2019	Sep 30 2020	Sep 30 2019	Sep 30 2020	Sep 30 2019
Husqvarna	18,691	19,750	5,283	4,513	13,408	15,237
Gardena	9,006	10,043	2,762	2,110	6,244	7,933
Construction	6,707	7,319	1,129	1,093	5,578	6,225
Other ²	1,673	2,484	2,696	2,535	-1,023	-51
Total	36,076	39,596	11,870	10,251	24,206	29,345

¹ Liquid assets, other interest-bearing assets, interest-bearing liabilities and equity are not included in the table above.

² Other includes tax items, associates and common Group services such as Holding, Treasury and Risk Management.

Parent Company

Income statement

SEKm	Q3 2020	Q3 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Net sales	3,768	3,355	14,288	14,832	17,838
Cost of goods sold	-2,858	-2,696	-10,444	-11,033	-13,626
Gross income	910	659	3,844	3,799	4,212
Selling expense	-329	-312	-1,091	-1,115	-1,449
Administrative expense	-276	-276	-873	-937	-1,308
Other operating income/expense	-	-	-	-	9
Operating income	306	71	1,880	1,747	1,464
Financial items, net	374	-620	358	6,438	7,048
Income after financial items	680	-549	2,238	8,185	8,512
Appropriations	-24	-20	-61	-45	110
Income before taxes	655	-569	2,177	8,140	8,622
Tax on profit for the year	-140	207	-403	23	-92
Income for the period	515	-362	1,774	8,163	8,530

Balance sheet

SEKm	Sep 30 2020	Sep 30 2019	Dec 31 2019
Non-current assets	38,160	38,901	38,226
Current assets	14,938	9,332	9,987
Total assets	53,098	48,233	48,213
Equity	31,500	29,297	29,801
Untaxed reserves	794	794	794
Provisions	141	191	101
Non-current liabilities	6,711	5,979	6,881
Current liabilities	13,952	11,972	10,636
Total equity and liabilities	53,098	48,233	48,213

Number of shares

	Outstanding A-shares	Outstanding B-shares	Repurchased B-shares ¹	Total
Number of shares as of December 31, 2019	112,015,629	460,186,985	4,141,164	576,343,778
Conversion of A-shares into B-shares	-320,649	320,649	-	-
Shares allocated to 2017 LTI-program	-	375,314	-375,314	-
Number of shares as of September 30, 2020	111,694,980	460,882,948	3,765,850	576,343,778

¹ All repurchased B-shares are included in a third party share swap agreement.

Definitions

This report includes financial measures as required by the financial reporting framework applicable to Husqvarna Group, which is based on IFRS. In addition, there are other measures (alternative performance measures) used by management and other stakeholders to analyze trends and performance of the Group's operations that cannot be directly read or derived from the financial statements. Husqvarna stakeholders should not consider these as substitutes, but rather as additions, to the financial reporting measures prepared in accordance with IFRS. Please note that the alternative performance measures as defined, may not be comparable to similarly titled measures used by other companies. Refer below for a list of definitions of all measures and indicators used, referred to and presented in this report.

Computation of average amounts

In computation of key ratios where averages of capital balances are included, the average capital balances are based on the opening balance and all quarter-end closing balances included in the reporting period, i.e. five quarters.

Roundings

All items are stated in SEKm and, accordingly, rounding differences can occur.

Growth measures

Net sales adjusted for changes in exchange rates

Change in net sales adjusted for currency translation effects. Net sales are also 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.

Net sales growth

Change in net sales compared to previous period in percent.

Organic growth

Change in net sales, adjusted for acquisitions, divestments and currency translation effects.

Profitability measures

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 table below the income statement.

EBITDA margin

EBITDA as a percentage of net sales.

Gross margin

Gross income as a percentage of net sales.

Last twelve months (LTM)

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

Operating margin

Operating income as a percentage of net sales.

Return on capital employed

Operating income plus financial income (last twelve months) as a percentage of average capital employed.

Return on equity

Net income attributable to equity holders of the Parent Company last twelve months as a percentage of average equity attributable to equity holders of the Parent Company.

Share-based measures

Earnings per share, after dilution

Net income attributable to equity holders of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.

Equity per share, after dilution

Equity attributable to equity holders of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.

Capital indicators

Capital employed

Total equity and liabilities less non-interest-bearing debt including deferred tax liabilities.

Capital expenditure

Investments in property, plant and equipment, right of use assets and intangible assets.

Interest bearing liabilities

Long-term and short-term borrowings, net pension liability and fair value derivative liabilities.

Liquid funds

Cash and cash equivalents, short-term investments and fair value derivative assets.

Net assets

Total assets excluding liquid funds and interest-bearing assets less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Net debt

Net debt describes 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 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 table below the balance sheet.

Operating working capital

Inventories and trade receivables less trade payables.

Capital measures*Equity/assets ratio*

Equity attributable to equity holders of the Parent Company as a percentage of total assets.

Capital turnover rate

Net sales last twelve months divided with average net assets.

Net debt/EBITDA excl. items affecting comparability

Average net debt in relation to EBITDA last twelve months, excluding items affecting comparability.

Net debt/equity ratio

Net debt in relation to total equity.

Operating working capital/net sales

Average operating working capital as a percentage of net sales last twelve months.

Other measures*Direct operating cash flow*

Direct operating cash flow is a measure of the cash generated by the Groups operating business. The measure is defined as EBITDA, excluding items affecting comparability, adjusted for change in trade payables, inventory and trade receivables and investments in property, plant and equipment and intangible assets. For a reconciliation of direct operating cash flow refer to the table below the cash flow statement.

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 in this report. 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.

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 table below the cash flow statement.



Telephone Conference

A conference call, hosted by Henric Andersson, President & CEO, and Glen Instone, CFO, will be held at 10:00 CET on October 20, 2020.

To participate, please dial +46 (0) 8 505 583 59 (Sweden) or +44 333 300 9031 (UK) ten minutes prior to the start of the conference. Conference ID: Husqvarna.

The conference call is also available through <https://husqvarna-group.creo.se/201020>. A replay will be available later the same day.



Dates for Financial Reports 2021

February 3	Year-end report 2020
April 22	Interim report for January-March
July 16	Interim report for January-June
October 20	Interim report for January- September



Contacts

Glen Instone, CFO, Senior Vice President, Finance, IR & Communication
+46 8 738 90 00

Johan Andersson, Director, Group Corporate Communications and Investor Relations, +46 702 100 451

Husqvarna AB (publ), Box 7574, SE-103 92 Stockholm
Regeringsgatan 28, 08-738 90 00, www.husqvarnagroup.com

Reg. Nr: 556000-5331
NASDAQ OMX Stockholm: HUSQ A, HUSQ B

This report contains insider information that Husqvarna AB is required to disclose under the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact person set out above, at 07.30 CET on October 20, 2020.

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.