

*Respecting nature  
- caring for people*



## Husqvarna Group in brief

# A global leading producer of outdoor power products

Husqvarna Group is a global leading producer of outdoor power products for forest, park and garden care. Products include chainsaws, trimmers, robotic lawn mowers and ride-on lawn mowers. The Group is also the European leader in garden watering products and a global leader in cutting equipment and diamond tools for the construction and stone industries. The Group's products and solutions are sold under brands including Husqvarna, Gardena, McCulloch, Poulan Pro, Weed Eater, Flymo, Zenoah and Diamant Boart via dealers and retailers to consumers and professionals in more than 100 countries. Net sales in 2015 amounted to SEK 36bn and the Group has more than 13,000 employees in 40 countries.

## Divisions

### Husqvarna

A global leader with a broad and innovative range of premium outdoor products such as chainsaws, trimmers and mowers for forest, park and garden care. Products are sold to professionals and demanding consumers through servicing dealers in more than 100 countries. Brands include Husqvarna, Zenoah and Jonsered.

Share of Group  
net sales

49%

### Gardena

A European leader in garden watering and hand tools. The leadership position is built on offering innovative products based on consumer insight driven design and a strong brand recognition among the passionate gardeners. Products and solutions are mainly sold at leading retailers.

Share of Group  
net sales

13%

### Consumer Brands

Targets the broader mass consumer segments in the forest and garden areas with a wide product offering. Brands include PoulanPro, McCulloch, Flymo and WeedEater and the products are sold mainly in North America and Europe at leading retailers.

Share of Group  
net sales

27%

### Construction

A global leader in professional equipment and diamond tools for cutting and drilling in concrete, stone, masonry, tile and asphalt. Brands include Husqvarna for the construction industry and Diamant Boart for the stone industry. The division is represented in more than 70 countries.

Share of Group  
net sales

11%

## Our offering



### Wheeled products

Products that facilitate efficient everyday lawn care – riders, garden tractors, zero-turn mowers, lawn mowers, tillers and snow throwers to be used in your own garden or in parks and larger green spaces.

### Handheld products

Petrol-powered chainsaws, trimmers, leaf-blowers, brush cutters and similar products for professional forest and green space care, or for maintaining your own garden.



### Electric products

A range of electric and battery-powered wheeled and handheld products as well as robotic lawn mowers. Choose from powerful machines for professional use or products relevant for consumers.



### Watering and garden hand tools

A wide selection of watering solutions and hand tools for a well-kept garden such as water hoses, couplings, sprinklers, water controls, pumps and various kinds of hand tools for trimming, cutting and pruning.



### Accessories and parts

To go with our products, we also offer accessories and parts that facilitate, improve or enhance their use. These include everything from lubricants to safety equipment and clothing.

### Construction products

Equipment to cut, drill, grind and finish as well as products for the demolition of concrete, steel and other hard materials used by the stone industry for renovation and construction of commercial buildings and infrastructure projects.



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# The world of Husqvarna Group

Urbanization and the longing for a better future is a global megatrend that is shaping the world. One hundred years ago, there were only 12 cities with more than one million people and now there are 500, most of which are in Asia. This puts stress on the environment, but it is also a possibility to reduce poverty. For the first time in history, a global middle class is emerging. This is an opportunity, but also a challenge, since we are already facing resource scarcity on the planet.



## Husqvarna Group in Brief

With a rising middle class moving into cities, people's interest in caring for green spaces is expected to increase. Parks and green spaces play an important role in urban environments, providing a multifaceted set of environmental services such as reducing water run-off and improving air quality by absorbing airborne pollutants. Many urban green spaces also have significant positive health effects by reducing stress and anxiety and encouraging people to exercise. As urban areas continue to grow, so will the importance of providing green spaces. Unlike many other areas of the city, gardens and parks require more regular maintenance to benefit the community.

At Husqvarna Group, we envision a world where people can enjoy well-maintained gardens, parks and forests and experience refined buildings and roads. Our contribution is to provide professionals and consumers around the world with innovative quality products and solutions to make garden, park and forest care as well as construction easier.

Respect for nature and caring for people guide us when we innovate. For many years, we have been focusing on innovation, ergonomics and technologies that make petrol-powered products more energy-efficient and result in lower emissions, as well as developing battery-powered products with petrol performance, but with lower noise and fewer vibrations.



## Report by the President

# Strong performance during the first year with our new organization

Husqvarna Group had yet another year of solid increases in operating income and margins with contributions from the Accelerated Improvement Program through cost improvements and selective growth in product leadership areas. 2015 was also a year of major change for the Group as we introduced a new organization. Along with the completed improvement program, this gives us a strong foundation to build on in our journey to reach the full potential of market leadership in 2020.

Since 2015, the Group has been operating under a new organization. The brand-based divisions focus on their specific end-customer segments' needs and respective business models. This is our solution to combine distinct focus with the breadth and strength of the Group. The new structure empowers each division through operational resources, accountability and global profit and loss responsibility with a clear focus on executing their strategies.

But there are strategic synergies in acting as one group as well since there are important dependencies between the divisions. Husqvarna depends on Consumer Brands to provide sourcing and manufacturing to enjoy scale advantages, while Consumer Brands will benefit from innovation and technology developed in Husqvarna. Exploited correctly, this should give the Group a competitive advantage.

Increased focus and capturing vital scale synergies will support us in achieving long-term profitable growth and maintaining our strategic direction, and also help us realize our goal of market leadership by 2020.

Three of our divisions, representing about 70 percent of total Group sales, are performing above the Group target margin level of 10 percent, while Consumer Brands has yet to break even. This view is beneficial for us as it pinpoints where issues are and guides us in drawing the right conclusions and taking the right action to drive sustainable improvements. Consumer Brands will focus on a turnaround while Husqvarna, Gardena and Construction have the foundation to start their strategic profitable growth.

## Continued improvement in financial performance

The Group's performance improved significantly compared to 2014, to a large extent driven by the Accelerated Improvement Program that was launched in late 2013. Operating income increased by 27 percent to SEK 2,980m and the margin rose by 1 percentage points to 8.2 percent, excluding items affecting comparability.

The Husqvarna Division generated an increase in sales mainly driven by product leadership areas, especially in robotic mowers, which contributed to earnings growth as a result of favorable mix. Gardena delivered an increase in sales and earnings where one key contribution was the launch of a re-designed line of watering products and strong execution and flexibility in supply to fill demand driven by a strong season.

Consumer Brands has focused on improving margins and consequently, it reduced the size of its business. Despite a 16

percent drop in volume and unfavorable currency impacts, earnings were higher than in the previous year. This is a strong sign of the turnaround case for Consumer Brands, which aims to reach a 5 percent operating margin by 2018. The turnaround will include a range of actions such as product cost improvements, changes in manufacturing footprint, more efficient logistics as well as adjustments within sales and administration, and it will also require a consistent business model execution over several years.

Finally, the Construction Division enjoyed another year of steady progress with growing sales, income and margins. In particular, in the North American market, sales developed favorably. Continued investments to secure efficient products for our end-users and a high level of local service are paying off.

## Proud of our achievements to date

Both 2014 and 2015 have shown the impact of selling more of the right products to drive improved gross margin through product mix. It has also shown the success of another part of the Accelerated Improvement Program – direct material cost reductions. These excellent results were partly offset by unfavorable changes in exchange rates. In 2016, currency will be a major headwind for the Group and we have initiated improvement activities to compensate for this. The currency impact is estimated to be up to SEK -500m compared with 2015, with the biggest impact in the first quarter.

We have every reason to be proud of what we have achieved during this journey of change. In just two years, the Group's operating income has improved by more than 80 percent and the margin has increased from 5.3 to 8.2 percent, excluding items affecting comparability, despite a margin dilution of more than 1 percentage point due to currency translation effects on net sales. As a consequence of the negative currency development, it is no longer realistic to aim for the targeted 10 percent operating margin in 2016, but the target remains.

## Create funds to invest in profitable growth activities

Our stronger foundation gives us the opportunity to gradually shift focus towards profitable growth, which will require new initiatives and actions. The funding of these activities and the need to offset negative currency effects will demand that we implement additional cost efficiency measures in 2016 and 2017. We see this as an opportunity to further strengthen the Group's competitiveness. The additional measures will focus on continued direct material cost

“ The brand-driven organization introduced in 2015 was a proactive measure to position the Group for the next phase to realize the full potential of profitable growth and our aspiration for market leadership by 2020.



reductions, indirect material and logistic costs, capacity adjustments in the supply chain and improved efficiency in terms of selling and administrative expenses.

#### Innovation and business development

We believe in success through the courage to invest in technology based on an understanding of how this will add customer value and thus enable future business. We have several exciting growth initiatives that we expect to yield results in the coming years – commercial lawn and garden concepts, robotic mowers, smart garden solutions, battery-powered products as well as accessories and parts.

One example is Gardena Smart System that will be launched in selected markets in 2016. By connecting water control systems and robotic mowers with sensors in the garden and allowing the user to monitor and operate the system via a smartphone or tablet, the system brings the Internet of Things to the garden. This allows gardening to become convenient, smart and sustainable, and also frees up time for other more exciting gardening projects.

Another investment area is professional landscaping and park maintenance in urban areas where we are investing in new technology as well as services and solutions. Petrol products are, and will remain, important, but they need to be complemented by battery-powered products. The advantages of these products range from lower noise to better working conditions through reduced emissions – both of which are vital in urban areas. A commercial landscaper has the option to add connectivity features to collect data from products to optimize use and service intervals for higher productivity and less downtime.

The ongoing shift in power sources may change some of the competitive landscape since there are new players entering the market. We possess valuable know-how built up over many years that will be key to leveraging in this area as well – a wealth of relevant applications and end-user knowledge, well-recognized brands and global distribution power.

It is also crucial for us to invest in business development for our trade partners, the many thousands of often small dealers that sell our products and services to professionals and consumers. We want to be their business development partner to keep the dealer channel relevant and the preferred choice for professional forest, park and garden products. For this reason, we are developing shop concepts and solutions to create better in-store experiences. We are investing in online platforms and strategies to increase

customer retention rates and help dealers build attractive service businesses by providing service plans and offering a high availability of spare parts.

#### Sustainability is a competitive advantage

Innovative products and profitable growth go hand in hand with our sustainability statement “respecting nature – caring for people.” During the year, we further refined our sustainability strategy by adding sustainability targets on a divisional level to make it a part of everything we do. We strive to be a company that acts responsibly in respect of people, products and processes throughout the value chain.

Husqvarna Group is a signatory to the UN Global Compact's ten principles on human rights, labor, environment and anti-corruption. We will continue our dedicated work to promote good workplaces, reduce negative environmental impacts and ensure responsible sourcing and good business ethics. By innovating and manufacturing high quality products we can make the biggest difference in terms of environmental and social impact.

#### Margin improvement focus remains

The brand-driven organization introduced in 2015 was a proactive measure to position the Group for the next phase to realize the full potential of profitable growth and our aspiration for market leadership by 2020. The priority of margin improvement remains in 2016 at the same time as we will start investing for profitable growth while offsetting negative currency impacts.

Looking back at the success of the Accelerated Improvement Program, our achievements in the past year and the stability in the new organization, I feel that we have a strong foundation and new confidence to manage the challenges of the coming years. With these achievements behind us, I would like to sincerely thank all of our employees for your hard work and dedication in 2015. Indeed, you are the most critical part of this exciting journey.

Stockholm March, 2016

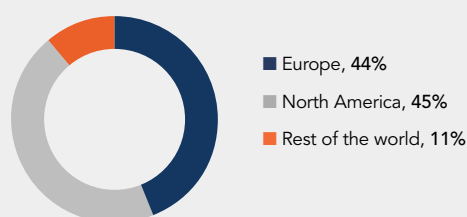
Kai Wärn  
President and CEO

## The year in summary

# Continued improved financial performance

- Net sales decreased by 1 percent to SEK 36,170m, adjusted for changes in exchange rates.
- Operating income increased by 27 percent to SEK 2,980m (2,348), excluding items affecting comparability.
- Operating income improved for all divisions.
- The higher operating income was to a large extent driven by the Accelerated Improvement Program, in particular material cost reductions and a more favorable product mix.
- Operating margin rose by 1.0 percentage point to 8.2 percent (7.2), excluding items affecting comparability.
- Earnings per share rose to SEK 3.28 (1.43) after dilution.
- Return on equity increased to 14.6 percent (6.7).
- A new brand-driven organization was fully implemented by January 1, 2015.
- The Board of Directors proposes a dividend of SEK 1.65 per share (1.65) for 2015.

Net sales by geographical area, 2015



## Key figures

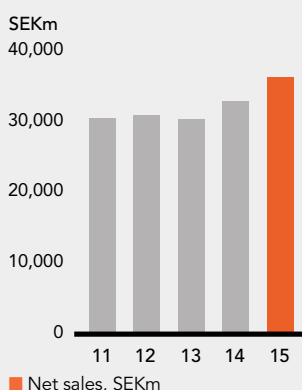
| SEKm                                                     | 2015   | 2014 <sup>1</sup> | 2013   | 2012 <sup>2</sup> | 2011   |
|----------------------------------------------------------|--------|-------------------|--------|-------------------|--------|
| Net sales                                                | 36,170 | 32,838            | 30,307 | 30,834            | 30,357 |
| Gross margin, %                                          | 28.1   | 28.5              | 26.5   | 26.9              | 27.7   |
| EBITDA                                                   | 3,980  | 3,315             | 2,586  | 2,737             | 2,671  |
| Operating income                                         | 2,827  | 1,581             | 1,608  | 1,675             | 1,551  |
| Operating income, excl. items affecting comparability    | 2,980  | 2,348             | 1,608  | 1,931             | 1,615  |
| Operating margin, %                                      | 7.8    | 4.8               | 5.3    | 5.4               | 5.1    |
| Operating margin, excl. items affecting comparability, % | 8.2    | 7.2               | 5.3    | 6.3               | 5.3    |
| Income for the period                                    | 1,888  | 824               | 916    | 1,027             | 997    |
| Earnings per share, SEK                                  | 3.28   | 1.43              | 1.60   | 1.78              | 1.73   |
| Dividend per share, SEK <sup>3</sup>                     | 1.65   | 1.65              | 1.50   | 1.50              | 1.50   |
| Return on capital employed, %                            | 12.4   | 7.6               | 7.7    | 7.4               | 7.4    |
| Return on equity, %                                      | 14.6   | 6.7               | 8.1    | 8.8               | 8.0    |
| Capital turnover rate, times                             | 1.7    | 1.7               | 1.6    | 1.5               | 1.6    |
| Operating cash flow                                      | 1,668  | 1,425             | 1,813  | 1,144             | -472   |
| Average number of employees                              | 13,572 | 14,337            | 14,156 | 15,429            | 15,698 |

<sup>1</sup> 2014 has been restated.

<sup>2</sup> 2012 has been restated due to the amended IAS 19.

<sup>3</sup> The dividend for 2015 as proposed by the Board.

## Net sales



## Operating income and margin<sup>1</sup>



## Financial goals

# Margin recovery is the priority

The Group's long-term financial goals were defined in connection with the stock exchange listing in 2006. As a consequence of the medium-term priority to improve the operating margin, the sales growth target was removed in 2013. Dividend and capital structure targets were reached in 2015. The operating margin, excluding items affecting comparability, improved to 8.2 percent from 7.2 percent, despite significant margin dilution due to changes in exchange rates.

## Long-term financial goals



### Operating margin

Operating margin of more than 10 percent over the course of a business cycle.

> 10%

### Capital structure

Capital structure should meet the criteria for a long-term credit rating corresponding to at least BBB. It is considered that this requires that seasonally adjusted net debt in relation to EBITDA should not exceed a multiple of 2.5 in the long term.

< 2.5x ✓

### Dividend

The dividend shall normally exceed 40 percent (payout ratio) of income for the year.

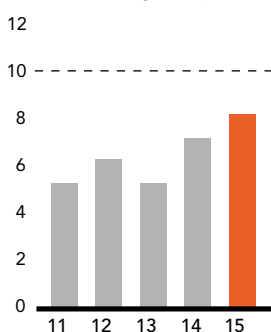
> 40% ✓

## Goal achievement



Operating margin, excluding items affecting comparability, increased to 8.2 percent (7.2).

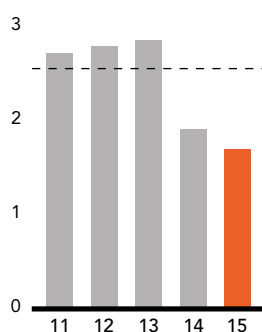
The average operating margin was 6.5 percent from 2011 to 2015 and 7.6 percent from 2006 to 2015, excluding items affecting comparability.



■ Operating margin, %<sup>1)</sup>

<sup>1)</sup> Excluding items affecting comparability.

Seasonally adjusted net debt/EBITDA was 1.7 (1.9) at year-end.

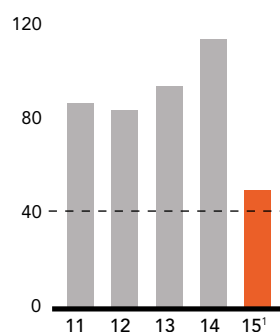


■ Net debt/EBITDA, times<sup>1)</sup>

<sup>1)</sup> Excluding items affecting comparability.

The Board proposes a dividend for 2015 of SEK 1.65 per share (1.65).

The payout ratio for 2015 corresponds to 50 percent (115) of income for the year.



■ Dividend as share of income for the year, %

<sup>1)</sup> As proposed by the Board.

## Innovating for superior productivity

Husqvarna Group has been in business for more than 325 years and for close to 100 years, we have engineered high performing tools to help people and cities take care of green spaces. With a century of experience, we understand the importance of ergonomics and that every minute of uptime counts. This drives us to constantly look for better ways to push the industry forward.

The big game changer during the last century was adding motors to saws and lawn mowers. The next game changer is shifting the power source from petrol to battery. We also believe that exploiting the opportunities brought with connectivity will play an important role in the years to come.

Husqvarna pioneered the industry when introducing the first commercialized robotic mower 20 years ago and today, in addition to the robotic mowers, Husqvarna Group has an extensive portfolio of high-performing battery-powered tools for professionals such as trimmers, brushcutters, hedge trimmers, leaf blowers and chainsaws. These products are silent, ergonomic and produce no emissions during use.

Connectivity will most likely change our future – and how we care for green spaces. With the help of connectivity, operators can get guidance on how to perform tasks while staying on top of health and safety. It will alert technicians about maintenance needs before there is a need for service, information that can be shared with a dealer to enable fast and accurate support. It will also allow landscaping management companies to plan and drive their businesses in a whole new way.

At Husqvarna Group, we are respecting nature and caring for people by doing what we do best: innovating for superior productivity.





### Smart Garden

In 2016 Gardena will launch its new smart system for garden use. The smart sensor gathers information which is then transferred to the smartphone app via the Gardena Smart Gateway connected to the home router. This allows gardeners to have a constant overview of their garden and enables them to control and configure all of their connected devices. The connected watering control and robotic mower thus automatically manages the garden even when you're on the move. Read more on page 14.



### Husqvarna Ramus

Husqvarna has designed Husqvarna Ramus - an ultra-light and intelligent concept hedge trimmer to manifest its belief in the potential from connectivity and high-performing battery products. The visionary concept trimmer features existing technologies from the forefront of different industries and a visor that uses augmented reality and real-time data from the trimmer to support operators. Read more on page 18.



### Fleet Services

Sometimes it can be difficult to have complete control over your landscaping business. Especially if the business is growing. That's why we've developed Husqvarna Fleet Services. So that you always have all the information you need to make the right decisions for the smartest, most profitable commercial lawn and garden business. Read more on page 28.

Stepping  
into the  
future

## Strategy

# First things first

Margin recovery has been the priority for the Group in recent years. The aim of the Accelerated Improvement Program launched in 2013, has been to improve the Group's margin, to reduce complexity and to increase focus. From an activity perspective, the program was closed at the end of 2015.

In 2015, the operating margin improved by 1.0 percentage points to 8.2 percent, excluding items affecting comparability. Following the close of the Accelerated Improvement Program, a set of additional improvement measures will be implemented in 2016 and 2017. The Group's priority will gradually shift towards expansion and profitable growth with the goal to realize the full potential of market leadership by 2020.

## Growth investments and currency headwind require further improvement measures

The global currency markets experienced rapid changes in 2014 and at the beginning of 2015. In particular, this relates to a significant strengthening of the US dollar. Compared with the situation at the time of the launch of the Accelerated Improvement Program in 2013, these changes have inflated the reported net sales, thereby diluting the operating margin. In 2016, the changes in exchange rates will adversely impact the operating income for the Group.

To mitigate the negative impact and to fund investments for initiatives to drive future profitable growth, the Group will implement additional measures to reduce costs and increase efficiency. These include continued direct material cost-out activities, reductions in terms of indirect material and logistics costs, right-sizing the supply chain footprint and improved efficiency in terms of selling and administrative expenses. The measures will support margin improvement and prepare the Group for a long-term focus on profitable growth.

### Accelerated Improvement Program

- Focus on core brands and the most attractive product segments ("profit pools")
- Operational Excellence
- Dealer and retail business model differentiation
- Further measures to turn around Americas' (former business area) results
- Growth in emerging markets

### Strategic priorities for 2020

- Continued Operational Excellence
- Profitable growth for Husqvarna, Gardena and Construction
- Turnaround of Consumer Brands' performance
- Innovative products and solutions
- Multi-channel distribution
- Growth in emerging markets

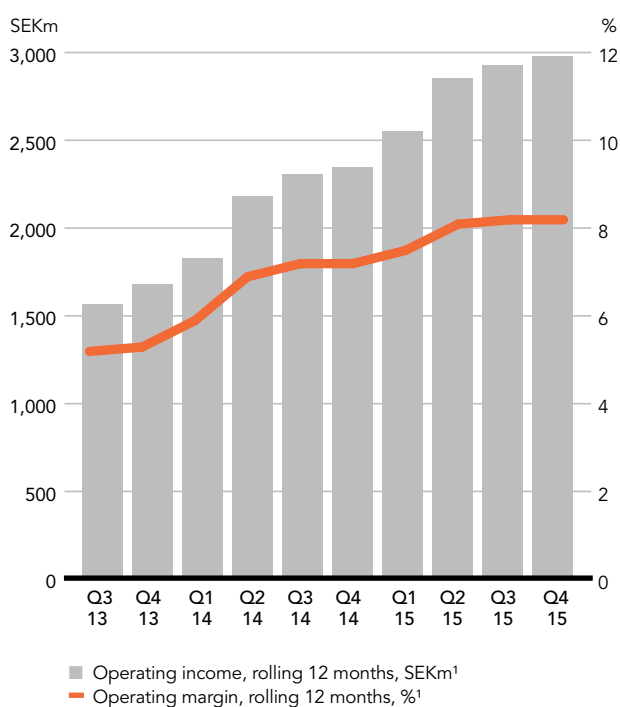


## Accelerated Improvement Program

# Closure of a successful program

The Accelerated Improvement Program has been the Group's vehicle for profitability and focus. The program included five initiatives, of which the first two were the most relevant for the margin recovery. In short, the program aimed to increase the operating margin to at least 10 percent by improving the mix of products and brands sold and reducing the product cost. Due to unfavorable developments in foreign exchange rates since the launch of the program, the realization for the margin target has been delayed. The program was finalized in 2015 and will deliver full financial impact in 2016.

**Operating income and margin development since the launch of the Accelerated Improvement Program**



<sup>1</sup> Excluding items affecting comparability.

## Focus on core brands and the most attractive product segments ("profit pools")

Husqvarna Group has a wide and diversified range of products and accessories under many different brands that are sold through the retail and dealer channels to reach targeted end-customers.

### Selling the right mix of products, accessories and spare parts is key

The main objective of this initiative is to grow selectively and sell the right mix of products to the right customers. Product categories and brands vary in terms of attractiveness and some are more profitable than others. Naturally, it is essential to focus on areas with profitability above average. For Husqvarna Group, this translates into Husqvarna and Gardena in terms of brands, and to product segments where the Group has leadership positions: professional handheld products, robotic lawn mowers and watering products. In addition, accessories and parts constitute an attractive area and thus an important part of the initiative.

### Focusing resources is an important enabler

These prioritized product segments and brands represent a large portion of sales and a significant share of profitability. Resources in marketing, product development and sales have been focused in these areas accordingly during the program.

In 2015, sales in profit pool segments had a growth rate exceeding the average of the Group.

## Operational Excellence

The Operational Excellence Initiative aims to secure competitiveness by setting the right product cost and complexity.

Cost reductions are driven by cross-functional teams in purchasing, product development (R&D) and manufacturing. Savings may be classified in three main categories: reducing the cost of sourced components and parts realized by purchasing activities, value engineering efforts, which means utilizing R&D resources to find smarter solutions for already existing products (i.e. introducing a smarter design that leads to lower costs without sacrificing product performance) and productivity and efficiency savings in manufacturing. The Group is well on its way to achieving a 10 percent reduction in direct material costs for 2016 compared with 2013.

Cost reductions are supported by significant complexity reductions in the product offering. Complexity often leads to hidden costs in areas such as product development, sourcing, manufacturing, inventory and distribution. Since 2013, the number of product SKUs (Stock Keeping Units) has been reduced by the targeted 30 percent.

## Strategy 2020

# Everything starts with the end-customers



The Group's competitiveness depends on its ability to drive and respond to customer needs. As the Group gradually shifts focus to profitable growth beyond 2016,

the organization will have an even stronger end-customer and market focus. The uniqueness in the breadth of the product offering will remain, however, paired with an increased focus on the differentiating factors for success in each end-customer segment, aiming to realize the full potential of market leadership by 2020.

### Market leader ambition

Husqvarna Group's main ambition for 2020 is to be the market leader. Market leadership means being the number one or number two player competing for the number one position. It also means having the ability to capture the full financial potential of such market leadership. A market leader drives industry evolution in terms of innovation, end-customer focus and operational excellence. A market leader is a value grower with the ability to outperform peers in both profitability and growth.



Husqvarna Group's main ambition for 2020 is to be the market leader.

## On a journey to market leadership 2020

2013

2014

2015

2016

2017

2020

**Accelerated Improvement Program**  
Target: operating margin improvement from 5% to 10%

**Full potential of market leadership**

Measures to mitigate currency impact, fund growth initiatives and continue margin improvement

- Gradual shift to profitable growth for Husqvarna, Gardena and Construction
- Consumer Brands remain in turn-around phase until 2018



## Six fundamental strengths for building profitable growth

→ Husqvarna Group has a unique set of strengths that represent a strong starting point and a valuable asset on which to build future success. The Group has leading market share positions in many segments and has a strong presence in both the dealer and retail sales channels, serving leading retailers and more than 25,000 independent dealers worldwide. In terms of brands, the portfolio consists of strong global brands complemented by important regional ones. Product and technology leadership with long-standing proven capacity for innovation, global end-customer insight-driven research and development and supply capacity as well as a 325-year-long heritage are other fundamental strengths that the Group can leverage.

- Leading market positions
- Strong distribution channel positions
- Strong brands
- Product and technology leadership
- Global R&D and supply capacity
- 325-year heritage

## End-customer segments

→ End-customer segmentation is the starting point and the most important platform of Strategy 2020. Knowing which segments to target and how to serve them effectively determines success in the market, and end-customers have been put at the center to understand their needs. Interviews with more than 5,000 consumers and 1,000 professionals were conducted around the world, resulting in profiles of the specific needs and requirements of different segments. The Group's ability to drive customer insight based development and respond to their needs is key for the Group's competitiveness.

### More efficient use of resources

Understanding different end-customer segment profiles will help the Group develop better offerings, a more balanced product mix, clear brand positioning and more targeted communication. This will also create new opportunities for developing products and solutions that will allow the Group to prioritize high value segments to make the best use of resources. The different brands play an important role here, as they are the direct link to end-customers.

## Market fundamentals

→ The overall forestry, lawn and garden industry segments in which the Group is present are attractive and demonstrate stable growth in volume and value. Average growth has been about 2 to 3 percent per year in the long term. Geographically, the market is dominated by Europe and North America that together account for around 80 percent of the global market. Husqvarna Group is well positioned with high market shares in many segments.

### Profitable growth opportunities

The market offers segments of high growth as well as areas of high profitability. The attractiveness of the segments varies and selecting the right mix is important for the Group's overall performance. The market is mature and fairly stable, but some trends are challenging the established structure. For example, battery technology is taking market share, the importance of emerging markets is growing and new buying behavior, such as online shopping, is evolving.

## Technology and innovation

→ Over the Group's more than 325 years of operation, one of the key success factors has always been the understanding of end-customer needs. In Strategy 2020, the ability to leverage end-customer insight into product development to drive differentiation between customer segments, brands and channels is a key success factor. The importance of placing end-customers at center stage and quickly responding to their needs by offering the most innovative products and solutions cannot be stressed enough.

### Ever-evolving demands

End-customer demands are constantly evolving and new business opportunities will arise as demand changes and new technology has an impact. One example is the emergence of products based on "intelligent experience" where sensor technologies, connected products and machine-to-machine interaction are leading to automated products and new markets. A robotic lawn mower can now be integrated with a watering system. Sensors detect when the lawn needs mowing or the grass needs watering, and the user monitors the system via a smartphone app. Another example is connected sensor technology installed on a fleet of commercial lawn and garden products. Collected data allows the operator to optimize run-time and service intervals, which minimizes downtime and maximizes productivity.

## Channel development

→ There are fundamental differences between the main channels to the market. The dealer channel is characterized by best-in-class products and services under strong brands. These are recognized by professionals and demanding consumers who value powerful and reliable products built for many hours of productive run-time every day. The retail channel is characterized by products that are adequate for mass consumers who in general are less demanding. Brand, scale and cost excellence are survival criteria for suppliers in the retail channel.

### Online impact

In general, the differences between the dealer and retail channels are expected to remain and continue to co-exist with their respective specific characteristics. Online buying, however, will impact both channels. Retailers, dealers and end-customers increasingly expect a multi-channel approach and it is up to suppliers to respond. Husqvarna Group aims to help and support channel partners to be successful in their online efforts.

## Breadth and focus

→ The brand-based organization introduced in 2015 is our solution to combine distinct focus with the breadth and strength of the Group. There is a large diversity of requirements coming from different customers, channels, products and brands. For example, successfully serving professional forestry experts requires a different focus and level of attention compared to serving urban homeowners. To reach full potential, the Group needs to focus on the differences that are essential for success in each business model. At the same time, the key scale advantages in the areas of manufacturing, sourcing, technology and belonging to a larger Group must be captured to ensure competitiveness. This is why the Group's broad business model has been transformed into differentiated divisions to be even more focused to compete successfully.



## New Gardena Smart System

In a smart garden, technology helps delivering optimal care to the plants.

With Gardena Smart System, gardeners can have a real-time overview of their garden via a smartphone or tablet app that enables them to control and configure all of their connected devices, even when they are on the move. Sensor collects live data on soil moisture, outdoor temperatures and light intensity, making it easier for gardeners not only to plan when to mow or water their lawns and plants, but also to adapt to all weather conditions. Connecting a watering system and a Gardena robotic mower to the system gets the job automatically done in the right time.

In the spring 2016, the system will be launched in Germany, Austria, Switzerland, the Netherlands and Belgium.



Smart ways  
to care for  
your garden



## The market

# An attractive market

The addressable global market for forest and garden products in the regions and product segments where Husqvarna Group is active is estimated at SEK 150bn. The addressable market for the construction and stone products is around SEK 20bn.

The overall forest and garden market is attractive and can be characterized as a mature market with stable growth. Average growth has kept pace with gross domestic product development (GDP) at between two to three percent per year. Demand is driven mainly by general economic trends. Housing starts, employment levels, consumer purchasing power and consumer confidence are important indicators. Weather conditions may be important in a given year, as they can impact the season and thus affect demand both positively and negatively. A large portion of demand is estimated to be driven by replacement needs.

Europe and North America, where a significant part of the world's forest, park and garden areas are located, are the biggest markets. Combined, the two regions make up around 80 percent of the global market in terms of value. The Asia/Pacific region accounts for around 20 percent. Consumers in many of these markets generally show less interest in gardening and there is no widespread tradition of garden care among individuals. Brazil, Russia and China are considered to be some of the emerging markets with the most attractive potential.

### Lawn mowers are the largest product segment, electric the fastest growing

The wheeled product segment, which includes ride-on mowers and walk-behind lawn mowers, is the largest in terms of market value followed by the handheld segment, which includes mainly chainsaws and trimmers. The electric category, which covers corded and battery-powered products, is a relatively small segment but it is currently showing the strongest growth rate in the market. Growth in electric products is being driven primarily by battery-

powered products. As batteries improve in terms of product performance, more users are turning to this source of power.

### Construction market growing by about three percent

The long-term annual growth rate for the Group's product offering for the construction and stone industries is around three percent for construction industry products and slightly higher for stone industry products. Demand normally correlates strongly with activity in the construction industry, which is characterized by substantial cyclical variations.

### Customers and distribution

The Group sells forest, park and garden products to more than 25,000 dealers and leading retailers worldwide that sell them to end-customers. Dealers mainly sell products in the high performance segments to professional users and prosumers (demanding consumers) and offer product service. Retailers sell products in the low to medium-price ranges, mainly targeting the consumer segments. In terms of value, the market is split approximately 50/50 between the two channels, with the retail channel dominating in North America and the dealer channel in the rest of the world.

Construction and stone industry products are sold directly to end-customers such as sawing and drilling contractors and quarry operators, to rental companies that rent the equipment to end-customers, and to dealers who sell to professional construction end-customers.

### Market demand in 2015

Global demand for forest and garden products developed positively in 2015. Demand in Europe was in particular supported by warm late summer weather conditions, which was favorable for the sale of watering products. North America experienced another long winter, resulting in a delayed spring and late start to the gardening season. From a macro perspective the US forest and garden market was supported by continued recovery in the overall economy.

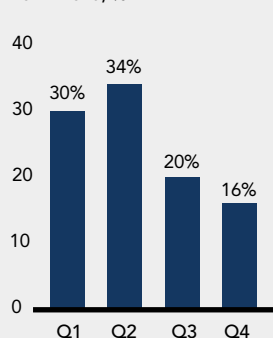
For construction and stone industry products, demand was favorable in North America, while demand in Europe and the rest of the world showed more uneven development.

## Seasonality

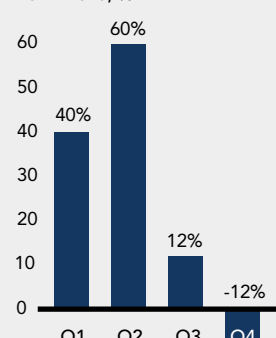
Forest and garden products, which represent the majority of the Group's total sales, are highly seasonal due to end-customer buying patterns. Most equipment is sold during spring and summer when the majority of lawn care and gardening activities take place. Because the main markets are located in the Northern hemisphere, sales are highest towards the end of the first quarter and during the second quarter. The third quarter generally marks the end of the garden season, given average weather patterns. The season for watering products is normally even shorter and often ends after the second quarter. Demand for forestry products tends to be somewhat higher during the second half of the year. For construction products, demand is fairly evenly distributed over the year.

Market data refer to 2014 and are estimates made by the Group.

**Net sales, seasonality**  
Average distribution per quarter  
2011–2015, %



**Operating income, seasonality<sup>1</sup>**  
Average distribution per quarter  
2011–2015, %



<sup>1</sup>Excluding items affecting comparability.

## Global presence

- Major production facilities
- Subsidiaries or distributors



### Husqvarna

Estimated addressable market value, SEK

**70bn**



### Gardena

Estimated addressable market value, SEK

**20bn**



### Consumer Brands

Estimated addressable market value, SEK

**60bn**



### Construction

Estimated addressable market value, SEK

**20bn**

#### Forest, park and garden

| Main competitors                  | Main products                                                                                                                                                    | Main markets             |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| STIHL Group                       | Handheld products for forest, park and garden such as chainsaws, clearing saws and trimmers for professional users and prosumers, robotic mowers and lawn mowers | Global                   |
| Deere & Company                   | Garden tractors and zero-turn mowers for professionals and prosumers                                                                                             | North America and Europe |
| Honda                             | Lawn mowers, robotic mowers, snow throwers and tillers                                                                                                           | Global                   |
| Toro                              | Mowing equipment for professional lawn care as well as lawn mowers for prosumers                                                                                 | North America and Europe |
| Yamabiko Corporation              | Handheld products for forest, park and garden for professional users and prosumers                                                                               | Global                   |
| Bosch Group                       | Electric and battery-powered garden products, including robotic mowers                                                                                           | Europe                   |
| Stanley Black & Decker            | Electric and battery-powered garden products for consumers                                                                                                       | Global                   |
| Fiskars                           | Tools for gardening and lawn care such as secateurs, loppers and rakes                                                                                           | Europe and North America |
| Kärcher                           | Home and garden products including watering systems                                                                                                              | Global                   |
| Hozelock                          | Watering products for consumers                                                                                                                                  | Europe                   |
| Global Garden Products (GGP)      | Ride-on and walk-behind lawn mowers                                                                                                                              | Europe                   |
| Modern Tool and Die Company (MTD) | Lawn mowers and ride-on lawn mowers for consumers                                                                                                                | North America and Europe |
| TTI                               | Handheld products for forest, park and garden as well as lawn mowers for consumers                                                                               | Global                   |
| Worx                              | Electric and battery-powered garden products for consumers                                                                                                       | Global                   |

#### Construction and stone industries

| Main competitors | Main products                                                | Main markets |
|------------------|--------------------------------------------------------------|--------------|
| Hilti            | Drilling equipment, wall saws, drills and diamond tools      | Global       |
| STIHL Group      | Power cutters                                                | Global       |
| Tyrolit          | Wall saws, floor saws, diamond tools and stone diamond tools | Global       |
| Ehwa and Shinhan | Diamond tools                                                | Global       |
| Skystone         | Multi-wire stone                                             | Global       |



90°

*A new  
landscape  
for landscaping*

**WORK**



Trimmed  
5%

Estimated time  
1 hrs 45 min

1,650 mm

## Husqvarna Ramus – meeting the future needs of landscaping

Quiet battery-powered products are already changing the game of professional landscaping, making it possible to work in our parks at all hours of the day. The next game changer will most likely come from connectivity. And in this area, Husqvarna is introducing Ramus, a concept hedge trimmer for the future.

Ramus is an ultra-light and intelligent concept hedge trimmer that manifests the potential from connectivity and high-performing battery products. The visionary concept trimmer features existing technologies from the forefront of different industries and a visor that uses augmented reality and real-time data from the trimmer to support operators. It can also be plugged into an additional hip belt battery to further prolong the run-time of the product.

The design concept behind Husqvarna Ramus was unveiled at an international press event in Antwerp in 2015.



PLAN

## Husqvarna Division

# A global leader in forest and garden products

Husqvarna is a global leader in forest and garden products. Key strengths include a broad and competitive product range, global distribution through dealer partnerships built over many years, proven innovation capability and brand recognition. Husqvarna enjoys a heritage position in professional handheld products and robotic mowers. Target end-customers are professionals and demanding consumers that have high demands and expectations on product performance and quality.

The division incorporates the core brand Husqvarna and tactical/regional brands such as Zenoah (Japan) and Jonsered (Nordic region and North America). The tactical/regional brands serve specific segments that the Husqvarna brand does not reach and also provide an opportunity to address the premium retail segment. Net sales in 2015 amounted to SEK 17.6bn (15.4), which represented 49 percent (47) of Group net sales, and the operating margin was 13.0 percent (13.0), excluding items affecting comparability.

The division operates globally, with the majority of sales in mature European and North American markets. This means that further opportunities exist in emerging markets, which offer relatively higher growth rates. Sustained technological and innovation leadership as well as maintained strong brand recognition is imperative for market acceptance of products and solutions. An opportunity to leverage the scale of the full Husqvarna Group to drive long-term cost efficiencies is a key strength.

### Global dealer channel distribution

Husqvarna reaches its end-customers mainly through the dealer channel, which is a global network of thousands of small, local and independent stores. Given the dealer-centric model driving dealer channel business development in partnership with dealers is a priority.

### Heritage position in handheld products and robotic mowers

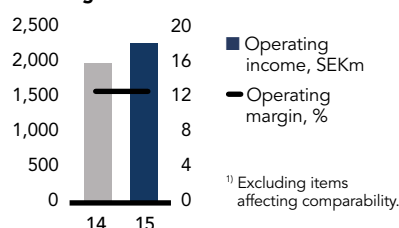
End-customers are found in areas such as forestry, tree care, landscaping and commercial lawn and garden services, as well as among home- and landowners. The overall global market share is around 20 percent, with a relatively higher share in the European market. By product category, market positions are strong for handheld products, especially chainsaws, and for wheeled products. In the rapidly-growing market for robotic mowers, Husqvarna is the undisputed global market leader.

A key priority is to leverage on lawn and garden application knowledge to build a leadership position in the market for battery-powered products as well. In addition, continued business development efforts are important to grow in the markets for spare parts, accessories and services.

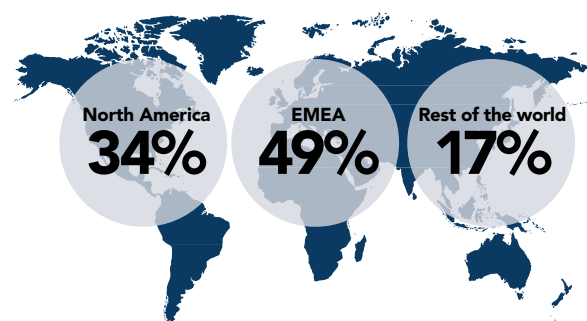
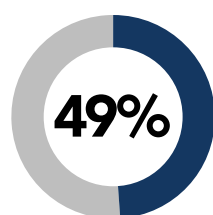
### Substantial R&D resources

Product innovation is critical for Husqvarna's long-term competitiveness. The Husqvarna Division is the main research and development (R&D) driver in the Group. R&D has a broad, end-customer insight-driven approach. Resources are located primarily in Sweden, the US, China and Japan, with a specific focus and expertise at each site to serve the market with innovative products and solutions.

Operating income and margin<sup>1)</sup>



Share of Group net sales



| Main brands | Product range                                                                                                                                                                                                                                                                                                                                                                                                                                                      | End-customers                                                                                                   | Distribution channels         | Main competitors                                                                                                                                      |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
|             | <ul style="list-style-type: none"> <li>Petrol-powered handheld products such as chainsaws, brushcutters, trimmers and leaf blowers</li> <li>Wheeled products such as front riders, garden tractors, zero-turn mowers, walk-behind mowers and snow throwers</li> <li>Electric products, i.e. battery-powered and corded products, robotic mowers and handheld products such as trimmers, leaf blowers and chainsaws</li> <li>Accessories and spare parts</li> </ul> | <ul style="list-style-type: none"> <li>Professional users</li> <li>Demanding consumers ("prosumers")</li> </ul> | Dealer-centric, multi-channel | <ul style="list-style-type: none"> <li>STIHL Group</li> <li>Deere &amp; Company</li> <li>Honda</li> <li>Toro</li> <li>Yamabiko Corporation</li> </ul> |



**“ The strategy has been embraced by the whole organization, and that is indeed a good starting point.**

**Pavel Hajman**  
President, Husqvarna Division

#### Looking back at 2015, what are you most proud of?

There are many positives to highlight such as the good sales growth and product mix, and a strong operating income. I am proud that despite the reorganization into the new Husqvarna Division, we kept focus and delivered according to the Accelerated Improvement Program, both for sales of profit pool products (professional handheld, robotics and accessories) as well as for the cost-out activities. I am also proud that we launched two ranges of handheld battery products – one for professionals and one for consumers, including chainsaws, trimmers, blowers and brushcutters.

#### What are you looking forward to in 2016?

I am convinced that our divisional strategy will be a success. The strategy has been embraced by the whole organization, and that is indeed a good starting point. 2016 is the division's second year of operation and we bring with us some valuable experience from 2015.

#### Priorities

- Grow profit pool segments: professional handheld products, robotic mowers, parts and accessories
- Dealer channel development and expansion
- Capture commercial lawn and garden opportunity
- Expand in battery-powered products



## Design award 2015

Husqvarna Technical Extreme, protective clothing for forestry workers, won the Grand Award of Design 2015.

Husqvarna has designed and developed protective workwear for professional forestry workers and landowners for more than 50 years. These clothes are designed to offer the best possible comfort, security and durability to enable the user to perform demanding work outdoors with maximum efficiency.



**STORA DESIGNPRISET**

## Celebrating 20 years

The robotic mower celebrates 20 years of excellence.

In 1995, Husqvarna pioneered lawn mowing by introducing the world's first commercialized robotic mower. During its 20 years of development, the product design team has conquered challenges in gardens such as slopes, narrow passages, bushes, trees and flower beds. Today, Husqvarna Automower® is the world leader in robotic mowers. With the help of an optional smartphone or tablet app developed to handle the robotic mower, Husqvarna Automower® can be controlled from anywhere in the world. The consumer can also individualize their Husqvarna Automower® by easily upgrading to new colors.



#### Full professional battery range

Husqvarna offers a complete range of battery-powered handheld products for professionals. With a brushless motor, the range provides performance and torque equivalent to petrol engines. One of these products is the quiet professional backpack battery blower that is powerful and light and equipped with cruise control and a boost function.

## Gardena Division

# A leading brand for the passionate gardeners

Gardena is the number one watering brand in Europe. It is recognized for high quality and market leading product innovation and design, strengths that provide substantial competitive advantages. There are many opportunities to leverage the business by expanding core product segments geographically and by expanding the offering in core markets.

The division incorporates the Gardena brand, complemented by the Neta brand in Australia and New Zealand. Net sales in 2015 amounted to SEK 4.7bn (4.2), representing 13 percent (13) of total Group net sales. The operating margin rose to 12.7 percent (9.1), excluding items affecting comparability.

The division operates globally, although more than 90 percent of sales are currently in Europe. As consumer shopping behavior is increasingly turning to online purchasing, distribution is evolving towards a multi-channel environment: retail, dealer and online. However, distribution still is dominated by the retail channel.

Watering products are highly seasonal and sales are also weather dependent. To support quick delivery readiness, production facilities are located in the core market Germany and in the Czech Republic and are optimized to achieve short lead times.

## A leader in consumer watering

Gardena offers the broadest range of gardening products in its markets and leads the market in Europe for watering and hand tools. Its products are typically in the medium to high price ranges. The product range is characterized by a solution and system character and much of the success has come from systems such as the Original Gardena System in watering products (garden hoses, connectors,

sprinklers, pumps, etc.) and the Gardena Combisystem for hand tools (digging tools, secateurs, loppers etc). The level of customer support is also an advantage, for example, for offering watering planning and spare parts availability. Maintaining this strength and exploiting it further into online is a key going forward.

## The brand for passionate gardeners

The Gardena brand enjoys strong brand awareness and recognition in the consumer segments in the European markets, but the main focus is on end-customers with a passion for gardening. These users take pride in crafting unique results and truly enjoy the different activities involved in gardening. For this reason, they demand reliable, user-friendly products with high quality.

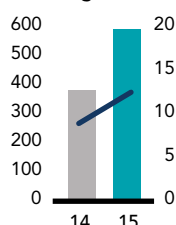
## Robotic, electric and connected products

Electric and battery-powered products such as robotic mowers built on the great experience from Husqvarna Automower®, lawn mowers, trimmers, hedge cutters and shrub shears are also included in the offering. Further building on these positions is key since they are the fastest growing segments. In 2016, Gardena will introduce a new concept enabled by connectivity and Internet of Things technology. The concept connects intelligent garden sensors, watering equipment and controls and robotic lawn mowers. A smartphone application lets the consumer control and monitor the devices to optimize and automate watering and mowing.

## Opportunity to expand geographically

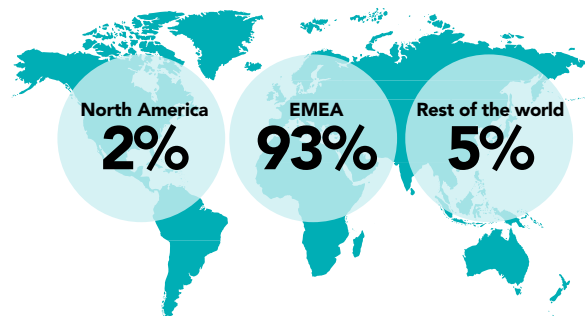
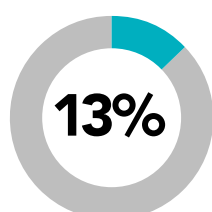
Gardena's core markets are Germany, Austria, Switzerland, Belgium and the Netherlands. Gardena is also well represented in other areas of Europe as well as in Australia, Canada and South Africa. There are significant opportunities to expand the core offering beyond the current core markets, as well as to leverage on Gardena's brand strength into new or adjacent product categories.

Operating income and margin<sup>1)</sup>



<sup>1)</sup> Excluding items affecting comparability.

Share of Group net sales



| Main brand | Product range                                                                                                                                                                                                                                                                                                                                                                                 | End-customers                        | Distribution channels         | Main competitors                                                                                                                          |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
|            | <ul style="list-style-type: none"> <li>Watering management: garden hoses, connectors, reels and sprayers; sprinklers and sprinkler systems; water pumps and watering controls</li> <li>Corded and battery-powered products such as robotic mowers, trimmers, hedge cutters and shrub shears</li> <li>Garden tools such as secateurs, loppers, axes, digging tools and winter tools</li> </ul> | Consumers – the passionate gardeners | Retail-centric, multi-channel | <ul style="list-style-type: none"> <li>Hozelock</li> <li>Fiskars</li> <li>Kärcher</li> <li>Bosch Group</li> <li>Private labels</li> </ul> |



**“ We will further strengthen our go-to-market approach and drive growth outside our current core markets.**

**Sascha Menges**  
President, Gardena Division

#### How would you summarize 2015?

This was our first year as the new Gardena Division and I'm proud to say that 2015 was a success, particularly in terms of growth and results. A very good weather profile helped us in the third quarter, but the key factor was the passionate Gardena team that executed our business with great focus and dedication.

#### What are your priorities for 2016?

We are launching an exciting set of new products, for example, moving the Gardena brand into the space of connectivity and the Internet of Things with Gardena Smart System and an expanded range of robotic mowers with the Gardena Sileno line. We will further strengthen our go-to-market approach and drive growth outside our current core markets.

#### Priorities

- Grow in profit pool segments watering and robotic mowers
- Geographical expansion of core segments
- Make launch of Gardena Smart System a success (see page 14)



## Gardena Combisystem fruit collector



Gardena Combisystem celebrates 40 years in 2016. It allows you to combine different handles with various tools so that many garden applications can be covered. Using the new addition to the system, the fruit collector, it is possible to pick fruit quickly and ergonomically.

#### Gardena Sileno+

For 2016 Gardena is extending its range of robotic lawn-mowers. Gardena Sileno+ cares for lawn areas up to 1,300 m<sup>2</sup> and is able to cope with inclines of up to 35 percent. Equipped with a sensor which determines the intensity of the lawn growth and align its activities accordingly, it can be integrated into Gardena Smart System, with which it will be possible to control the devices via an app.



## Original Gardena System

For 2015 Gardena has revised the core of its brand and the new generation of Original Gardena System offers a better hold at the connection between the hose and coupling, leading to improved handling with more to follow in 2016. This also applies to the cleaning nozzles, watering sprayers and spray lances. Water quantity can be adapted with one hand and an ergonomic trigger with an easy operating locking function regulates the continuous flow rate. The products also have frost protection.



## Koubachi and Neta acquisitions

Husqvarna Group recently acquired Neta Industries Pty Ltd. and Koubachi AG. Neta offers watering products specially designed to meet the requirements of the Australian market, including a water-saving drip irrigation system.

Koubachi AG is a pioneer and leader in the area of smart gardening based in Switzerland. The acquisition brings extensive experience and expertise from Internet of Things and home automation technology within gardening and plant care.

## Gardena turns 50

The company was founded in 1961 by German salesmen Werner Kress and Eberhardt Kastner for importing gardening tools from France. In 1966, its first own label product, a simple tool rack, was produced. The Gardena brand was born and the company transformed from a distributor into a manufacturer. Soon, many more innovative products and entire systems followed and built the foundation for commercial success.



## Consumer Brands Division

# Financial turnaround priority

The Consumer Brands Division possesses a broad and strong product offering, a portfolio of well-recognized brands, long-standing retail relationships and a solid market share position. Being part of Husqvarna Group gives competitive advantages such as access to industry-leading technology, innovation and scale. By leveraging on a renewed focus on its key strengths, the division has the opportunity to turnaround its financial performance.

Consumer Brands aims to be the leading forest and garden supplier for the broad mass consumer segments. The division includes brands such as McCulloch, Poulan Pro, WeedEater and Flymo as well as private label brands. In the US, the division also sells the Husqvarna brand to selected retail channel customers. Net sales in 2015 totaled SEK 9.9bn (9.8), representing 27 percent (30) of Group sales and an operating margin of -1.2 percent (-1.6), excluding items affecting comparability.

## North America, retail channel and wheeled products dominate

North America represents more than 80 percent of the division's sales and Europe accounts for almost 20 percent. Products are sold mainly through retailers such as Lowe's and Walmart in the US, and Castorama and B&Q in Europe. The retail landscape is highly consolidated in North America and competition in the mass consumer segment is fierce with a strong emphasis on price. Sales are dominated by petrol-powered ride-on and walk-behind lawn mowers and handheld products including chain-

saws, trimmers and leaf blowers, but battery-powered products are becoming increasingly popular.

The estimated addressable market amounts to SEK 60bn, of which around 60 percent in North America, 30 percent in Europe and the remaining 10 percent in the rest of the world.

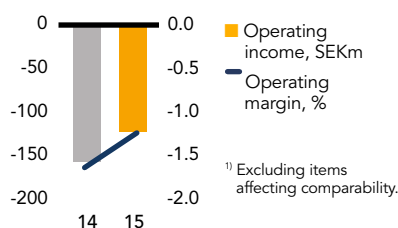
## Leveraging on Group innovation and scale

Consumer Brands has an important role. It has the opportunity to leverage on technology, innovation and scale from other parts of the Group, such as the Husqvarna Division. This will allow the division to benefit from new features and technology to keep products and brands relevant and exciting. The division also has an opportunity to leverage on and provide scale in areas such as manufacturing and sourcing. Leveraging these opportunities effectively will bring advantages over competitors positioned only in the consumer segments. The division also aims to protect premium and professional focus in other areas of the Group by providing compelling alternatives in the mass distribution retail channel.

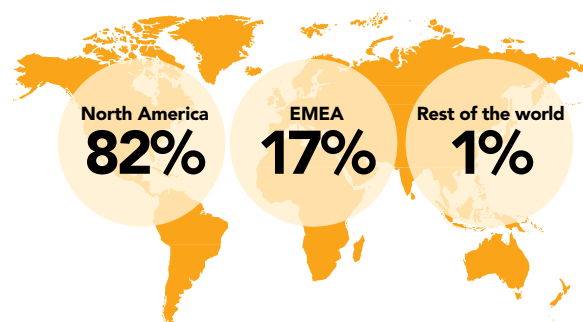
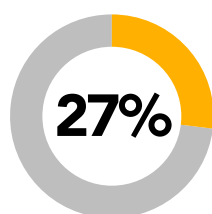
## Profitability first

Given the unsatisfactory financial starting point and current headwinds in terms of currency development, the priority is given to value or margin before revenue growth. Initially, the division will deliver on the Accelerated Improvement Program and additional measures aiming to reduce overall costs, optimize manufacturing and logistics practices and reduce complexity in the product offering. Furthermore, focus will be on improving profitability from an account perspective, on right-sizing the supply chain and additional product cost reductions. In Europe, there will be a special focus on logistics, sales and service costs. In the longer term, investments will be made to strengthen the market position, such as in online distribution, service parts and accessories and battery-powered products.

Operating income and margin<sup>1)</sup>



Share of Group net sales



| Main brands                    | Product range                                                                                                                                                                                                                                                                                                                                   | End-customers         | Distribution channels         | Main competitors                                                                                                                                                             |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><br><br><br>Private labels | <ul style="list-style-type: none"> <li>Ride-on lawn mowers: mainly garden tractors and zero-turn mowers</li> <li>Walk-behind lawn mowers, snow throwers and tillers</li> <li>Handheld products, both petrol-powered and electric, such as chain-saws, trimmers, hedge trimmers and leaf blowers</li> <li>Accessories and spare parts</li> </ul> | Mass-market consumers | Retail-centric, multi-channel | <ul style="list-style-type: none"> <li>Modern Tool and Die Company (MTD)</li> <li>Global Garden Products (GGP)</li> <li>TTI</li> <li>Worx</li> <li>Private labels</li> </ul> |



**“ The high level of dedication is imperative for making the financial turnaround successful.**

**Jeff Hohler**, President, Consumer Brands Division

#### Looking back at 2015, is there anything you would like to highlight?

I am very proud of our highly engaged team for not losing sight of the deliverables on the initiatives in the Accelerated Improvement Program – reducing overall costs across the division and optimizing manufacturing, warehouse practices, distribution methods and service levels. The high level of dedication is imperative for making the needed financial turnaround successful.

#### What is your focus going forward?

Needless to say – profitability improvement. Our short-term priorities include gaining efficiency within logistics, simplifying business and planning our sales and operations processes better. In the long term, I see a great opportunity to re-energize our brands and grow in emerging platforms such as cordless battery and reduced emission products.

#### Priorities

- Value before revenue
- Secure final deliverables of the Accelerated Improvement Program
- Additional cost reductions and efficiency improvements: manufacturing, logistics and product cost
- Excellence in retail partnerships

## McCulloch chainsaws

McCulloch chainsaws are designed to bring out the lumberjack in the customer. We also think that using a chainsaw should be safe and simple. This is why the saws have strong engines, are lightweight and have great ergonomics, superior durability and many other helpful features.

All chainsaws are easy to start thanks to their proven and reliable technology.



## McCulloch 4x4 mower in Europe

The McCulloch all-wheel-drive mower has been introduced in the European retail market. Excellent for larger hilly gardens and less often managed areas with higher grass, the 4x4 drive is combined with an innovative drive system for superior tracking performance.

## Cordless in North America

A new line of cordless Weed Eater handheld products is being launched in the North American market. These three new tools – a combination string trimmer/edger, blower ideal for hard surfaces and hedge trimmer – are among the lightest on the market. Powered by a 20V battery that can be interchanged between the machines to maximize work time, these tools are easy to use, yet powerful enough to get the job done quickly and effectively.



## Strengthening Poulan Pro

In 2015, several steps were taken to strengthen the position of the Poulan Pro brand in North America. The visual design language was adapted to the more powerful and dynamic appearance of our McCulloch branded products in Europe to refresh the brand and improve efficiencies, allowing the division to leverage greater scale. In addition, a new line of ride-on mowers will strengthen the presence of Poulan Pro among retailers.

During 2016, a new platform of powerful and convenient cordless tools, ranging from a string trimmer to a walk-behind mower with an interchangeable 40V battery, will be launched in the North American market.

## Construction Division

# Strong foundation for continued profitable growth

Construction is a world leader in machinery and diamond tools for the construction and stone industries. The foundation is built on product and technology leadership ensured by high investment levels in user-focused product development to offer professional users the most efficient and powerful solutions. Products and services are distributed globally in all relevant sales channels.

Construction includes the Husqvarna brand for construction products and the Diamant Boart brand for the stone industry. Net sales for the division in 2015 amounted to SEK 3.9bn (3.3), equaling 11 percent (10) of total Group sales, which was an increase of 6 percent adjusted for changes in exchange rates. The corresponding operating margin was 11.8 percent (10.6), excluding items affecting comparability.

The division develops, manufactures and sells mainly light construction products for cutting, drilling, grinding, polishing and demolishing concrete, steel and other hard materials. Products include power cutters, demolition robots, drilling equipment, wall and wire saws, floor and tile saws, floor grinding equipment and all related diamond tools. The division also develops, manufactures and sells a full range of diamond tools for the natural stone cutting market. Products are primarily used in the renovation and construction of commercial properties, in infrastructure projects such as highways and bridges, and in the stone industry. They are used exclusively by professionals who demand high-level performance, reliability and superior levels of technical service. Satisfying these demands is crucial for success.

### Strong global market positions

The global market for the division's product range for the construction and stone industries is valued at approximately SEK 20bn. The market is fragmented with many small, local competitors and a few global suppliers. The Group's combined global market share in relevant product categories is around 15 percent, with leading positions in several product categories. Positions are strongest in power cutters, floor, wall and wire saws as well as multi-wire.

### Successful restructuring journey

Construction has completed significant restructuring of its operations since the market downturn in 2009. The brand portfolio has been consolidated to mainly one brand, Husqvarna. Complexity in the product offering has been reduced, acquisitions have been fully integrated and some production has been transferred to China.

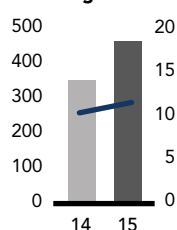
### Success factors

Operations are founded on offering access to a global service network, distribution through dealers and rental companies as well as direct sales to construction contractors. A high level of investments are made to maintain the widest, most innovative and powerful range of products in the market.

### Continued profitable growth

Sales grew for the fifth year in a row. Development in North America was very strong. Construction activity increased and sales also benefited from gains in market share. Sales in Europe also went up, however with disparities in development between certain countries.

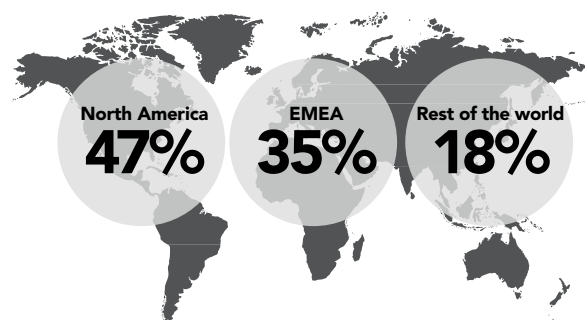
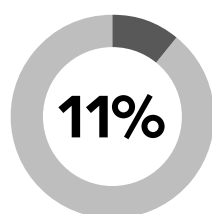
Operating income and margin<sup>1)</sup>



■ Operating income, Mkr  
— Operating margin, %

<sup>1)</sup> Excluding items affecting comparability.

Share of Group net sales



| Brands | Product range                                                                                                                                                                                                                                                                        | End-customers                                                                                                                                                                                                                   | Distribution channels                                                                                                                                                                                                                                                                           | Main competitors                                                                                                                          |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <br>   | <ul style="list-style-type: none"> <li>Power cutters</li> <li>Floor, tile and masonry saws, wall and wire saws</li> <li>Drill motors with stands</li> <li>Floor grinding machines</li> <li>Demolition robots</li> <li>Diamond tools for construction and stone industries</li> </ul> | <ul style="list-style-type: none"> <li>Construction industry: infrastructure projects such as road and bridge construction, renovation and construction of commercial residential properties</li> <li>Stone industry</li> </ul> | <ul style="list-style-type: none"> <li>Direct sales to professional end-customers: sawing, floor grinding and demolition contractors</li> <li>Rental companies that rent equipment to building companies and contractors</li> <li>Construction dealers and stone processing industry</li> </ul> | <ul style="list-style-type: none"> <li>Hilti</li> <li>STIHL Group</li> <li>Tyrolit</li> <li>Ehwa and Shinhan</li> <li>Skystone</li> </ul> |



**“ We increased our reach in the Middle East by establishing a regional office in Dubai.**

**Henric Andersson**  
President, Construction Division

#### How would you summarize 2015?

First, everyone in the division is proud of the fact that we have continued to deliver profitable growth, despite a headwind in a few important markets. We have been particularly successful with power cutters and surface preparation. 2015 was, like previous years, a year of product innovation with key launches such as the expansion of PRIME™ offering, the remote-controlled floor grinder PG 820 RC and upTool, an innovative after-sales service software support solution. We increased our reach in the Middle East by establishing a regional office in Dubai.

Internally, the main thing to be proud of is our strong, devoted team – a team that experienced a change when I succeeded Anders Ströby as Divisional President on September 1, 2015. It was Anders who formed the strong and confident division that we have today.

#### Priorities

- Continue the journey of profitable growth
- Expand presence in emerging markets
- Grow in specific segments such as stone multi-wire and surface preparation
- Launch a new web platform
- Invest to consolidate the position as the industry innovation leader

## Remote-controlled floor grinder

The world's first remote-controlled concrete floor grinder with Dual Drive Technology™ is called PG 820 RC. Dual Drive Technology™ allows the operator to selectively control the speed and direction of either the planetary head or the satellite discs. The RC version enables significantly higher productivity and even better work results together with more ergonomic operation and effortless transportation to and from the work site. The operator can also prepare the next set of tools and adjust hoses, etc. while the machine is running, which means greater uptime.



## Guide to the right diamond tool

A concrete cutting specialist working full time with cutting and drilling has different demands on diamond tools than a paving or pipe-laying contractor. For a construction worker who occasionally cuts into different materials during a work day, a durable, all-round diamond blade is often the best choice.

To help customers find the best tools, Husqvarna diamond tools are divided into three performance categories: Gold, Silver and Bronze.



## Expanded high-frequency product range

PRIME™ product range consists of light and powerful electric equipment for handheld cutting, drilling and wall sawing. It has now been expanded with the K6500 chain, a concrete chainsaw ideal for indoor cutting of irregularly shaped openings, minor adjustments to window and door openings or to prevent overcutting in corners when using a wall saw.



## Get connected with Husqvarna Fleet Services

Husqvarna Fleet Services is a cloud based service that connects the machine-fleet and the landscaping teams directly to an online portal, enabling landscaping businesses to get substantially improved business insight of their operations.

By mounting a small wireless machine sensor (data collector) to each piece of the outdoor power equipment, it becomes possible to optimize the use of equipment in the business. Whenever the product is in use, data on engine-on time, engine revolutions per minute distribution, temperature, operator IDs and more is collected wirelessly and uploaded into an online portal. The data enables managers to be informed on staff's exposure to vibrations, need for service on the equipment, optimization possibilities and more. The information can be accessed via a computer and a mobile application. This information can be used to guide people in the landscaping business into taking the right actions to create the conditions for a high utilization rate and good business.





*Improve  
your workflow*

## Sustainable and responsible business

# Integrating sustainability in our business

Husqvarna Group's business has significant impact on the environment and on society. Sustainability is integrated into our operations because it is regarded as a prerequisite for conducting profitable and responsible business.

### A prerequisite for market leadership

Understanding future stakeholder expectations is critical to develop a resilient, long-term strategy. An important part of understanding future customer requirements and the business landscape has been to assess the impacts of the megatrends shaping our world, such as climate change, urbanization and globalization on society.

### Together with our stakeholders

Dialogs with employees, investors, end-customers, trade partners and suppliers are ongoing.

During the year, Husqvarna Group's most important stakeholders – shareholders, customers, employees and potential employees – contributed to the strategy development by providing input for identifying and prioritizing relevant sustainability topics.

### Anchoring sustainability in our strategy

The sustainability strategy is focused on three main pillars:

- A profitable, growing, responsible company
- A leader in sustainable products and solutions
- An efficient and safe value chain

During the year, the Group further refined its sustainability strategy by adding divisional sustainability targets to make it a part of everything we do. Group objectives will be developed in 2016.

### Strong culture

Culture is considered an important building block for Husqvarna Group to reach the 2020 market leadership position. During the year, numerous culture dialogs were held in the Group around our key behaviors: seek the customer's point of view, demonstrate collaboration and maintain focus and simplicity. The starting point for these dialogs was to realize that change starts with me and by asking the question, "What can I do?"



Husqvarna Group participates in the UN Global Compact's initiative and supports the ten principles in the areas of human rights, labor, the environment and anti-corruption. These principles are closely aligned with the Group's way of doing business.



The Group is listed in the FTSE4Good Index, which brings together world-leading companies in terms of environmental, social and governance practices.



The Group is part of the STOXX® Global ESG Leaders indexes.



## Stakeholders in focus

**Integrating sustainability increases the attractiveness of the Group's products and solutions and increases the attractiveness of the workplace to shareholders and of the shares to investors.**

### Employees

Providing products mainly for maintaining forests, parks and gardens involves seasonal variations in sales, which affects the number of seasonal employees in our production facilities. The Group's workforce increases at the end of the year and is generally higher during the first quarter and at the beginning of the second quarter when manufacturing of garden products is highest, before it is reduced mid-year when production declines. In a typical year, the average proportion of temporary employees is slightly higher than 20 percent. During 2015, the average number of employees was 13,572 (14,337) and 13,053 (14,554) at year-end.

Several programs are in place to enhance Husqvarna Group as an attractive employer, such as the cooperation with AIESEC, a global youth-led network to help university students enter the workforce. In addition, the Group offers a two-year Global Trainee Program to high-potential graduates.

The Group has a well-developed process for evaluating, developing and ensuring a strong talent pipeline to meet business requirements. The professional development needs of employees are identified through a variety of talent management processes such as annual performance reviews, talent reviews and succession planning. Together with their managers, employees prioritize and plan their professional development activities. The annual performance reviews address performance and objectives and define action plans for development. In 2015, 69 percent (69) of all employees underwent a performance review. The goal is to reach 80 percent.

The Group has various leadership programs to provide managers with information and tools to support their teams in succeeding. Together with local training programs, the Group offers Group-wide leadership development programs for managers, future leaders and trainees. In 2015, Group Management and all Division and Group Function management teams attended a two-day training course focused on how leaders demonstrate Group key behaviors at work. Employees in production facilities also attend trainings and workshops. During the past two years, close to 400 employees working in manufacturing have been certified in the Group's lean manufacturing system.

Every year, Husqvarna Group conduct an employee satisfaction survey. In 2015, over 12,000 employees were invited to take part and the response rate was 90 percent (89). The survey shows a higher engagement level due to more clear communication on strategy and company goals, however one area that needs improvement is the performance review. Based on the team survey, each team registered improvement actions. By year-end, 87 percent of the teams registered improvement actions.



Corporate culture discussions at Husqvarna Group's annual Top Management Meeting.

### End-customers

The Group is committed to offering safe, high-quality products and solutions. One way to measure quality is to follow the service call rate, which was improved during the year. In 2015, the Group's Committee on Product Safety treated ten cases related to product safety and liability. Four of these resulted in rework and two in service recalls.

### Shareholders

Shareholders provide financing through share capital used for investments to create economic value. At the end of the year, 69 percent (64) of the number of outstanding shares were held by Swedish shareholders, mainly institutions and pension funds.

### Society

The Group contributes to economic development for example by paying wages, contributing to pensions and social security plans as well as by paying taxes.

Husqvarna Group has a long tradition of local community engagement. Support can be in the form of products, services or economic support.

## Sustainable and responsible business

## Impacts throughout the value chain

| Value chain             | 1 Product design and development                                                                                                     | 2 Sourcing                                                                                                                                     | 3 Manufacturing                                                                                                                                                                                                       |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Carbon footprint</b> | The largest part of a product's environmental impact is determined at the development stage.                                         |                                                               | Minimizing energy consumption, raw materials, water and chemical use and emissions.                                                |
| <b>Social</b>           | <ul style="list-style-type: none"> <li>• Five research and development centers located in North America, Europe and Asia.</li> </ul> | <ul style="list-style-type: none"> <li>• 2,300 suppliers</li> <li>• Close ties with top 150 suppliers</li> <li>• 19 supplier audits</li> </ul> | <ul style="list-style-type: none"> <li>• More than 13,500 average employees</li> <li>• 24 production facilities in 14 countries</li> <li>• 3.3 accidents per million hours worked</li> <li>• No fatalities</li> </ul> |

With employees across the globe and products sold by servicing dealers, the world's largest retail chains and directly to construction customers, the Group can positively contribute both to the environment and to the lives of people throughout the value chain.

Husqvarna Group strives to conduct its operations sustainably, with efficiency and care for individuals at the core of its efforts.

The most positive contribution is made by innovating and manufacturing high-quality, efficient products that help customers enhance their local environments. To bring value throughout the value chain the Group aims to improve working conditions by providing a safe and attractive workplace for employees, realizing shared objectives together with our business partners, reducing negative impacts from the operations, and contributing to dealing with the challenges facing society. Through this holistic approach, Husqvarna Group can deliver long-term investment returns for shareholders.

### 1. Product design and development

The environmental impacts and safety performance of our products are determined at the design stage. This phase includes decisions on energy efficiency and emission levels and the choice of materials. Decisions are also made on the features that improve ergonomics, noise levels, safety and serviceability as well as the degree of recyclability. Husqvarna Group's R&D centers are located near the manufacturing facilities in North America, Europe and Asia.

### 2. Sourcing

Husqvarna Group has 2,300 suppliers. The 150 largest suppliers account for around 65 percent of the Group's purchasing spend. Through a specific program, the Group has close ties with these suppliers. During the year, two supplier days were arranged, one in Munich and one in Shanghai.

Husqvarna Group's Code of Conduct and Supplier Code of Business Ethics outlines the Group's standards for doing good business. The Codes addresses concrete actions within labor, human rights, product safety, environmental and ethical business practices. Suppliers are also required to follow the Restricted Materials List. Staff from Husqvarna Group have arranged training sessions for suppliers in chemical legislations such as REACH and RoHS.

During 2015, supplier audits were conducted on suppliers in China. Four sustainability audits were carried out on high-risk suppliers. Additionally, 15 suppliers were revisited. Based on these audits, significant improvements had been made in the environmental and working conditions.

### 3. Manufacturing

Manufacturing is conducted in 24 major production facilities in 14 countries. The facilities are located in the US, Sweden, Germany, China and Japan. During the year, one facility was closed in China and one was acquired in the US.

Although manufacturing represents a minor part of the Group's total CO<sub>2</sub> emissions, it is important to minimize them. The Group's most significant environmental impacts include energy consumption, the use of raw materials, water and chemical use, emissions, and waste recycling and disposal. Each production facility works to continually improve its environmental performance through annual targets.

|                                                                                   | <b>4</b> Transportation and logistics                                             | <b>5</b> Point of sales                                                                                                               | <b>6</b> Use                                                                                                                                                                                                                | <b>7</b> Recycling                         |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
|  |  |                                                     |                                                                                                                                          |                                            |
|                                                                                   |  | <p>Sell the right product to fit the end-customer's needs.</p>                                                                        | <p>Investments in battery products and in technology to reduce fuel consumption and exhaust emissions from petrol-powered products.</p>  | <p>Participation in take-back schemes.</p> |
|                                                                                   | <ul style="list-style-type: none"> <li>• 15 own larger warehouses</li> </ul>      | <ul style="list-style-type: none"> <li>• 25,000 dealers</li> <li>• Retailers</li> <li>• Directly to construction customers</li> </ul> | <ul style="list-style-type: none"> <li>• Focus on safety, ergonomics, noise level, energy-efficiency and lowering exhaust emissions.</li> </ul>                                                                             |                                            |

Currently, four (3) locations are certified according to the occupational safety and health management system, OHSAS 18001. The Group's structured approach to health and safety continued with group-wide health and safety standards for follow-up and reporting as well as a KPI for less severe/more frequent injuries to increase focus on corrective actions.

Freedom of association is an integral part of our approach to protecting human rights among all of our employees. Approximately 40 percent of employees are covered by collective agreements. In countries that prohibit independent labor unions, several forums for employer-employee relations exist, such as consultations, environment and safety committees.

#### 4. Transportation and logistics

Transportation of components and products contributes to the Group's CO<sub>2</sub> emissions which is at par with manufacturing. Husqvarna Group continuously work continually to optimize packaging, improve truck fill rate and select the right method of transportation.

#### 5. Point of sales

The Group's products are sold and serviced via approximately 25,000 dealers and retailers in more than 100 countries. Products are marketed on the basis of quality, price and user benefits. One of the Group's challenges is to make sure that dealers and retailers provide end-customers with information on the products' environmental impact and how products are operated safely and efficiently.

#### 6. Use

The Group's products have the greatest environmental impact when they are used. It is difficult to measure the products' total environmental impact because it depends on how much they are used. A professional user, for example, uses products to a greater extent than a consumer. Developing more energy-efficient products is a priority. For chainsaws, trimmers, leaf blowers, robotic mowers, battery-powered lawn mowers and power cutters, for example, the latest product generations demonstrate lower fuel consumption and carbon emissions.

Battery products have significantly lower environmental impact throughout their life cycle compared to petrol-powered products. Husqvarna Group is also working to improve the environmental impact of its petrol-powered products. Husqvarna professional chainsaws are equipped with AutoTune™, where a computer chip regulates the fuel flow to optimize performance and minimize exhaust emissions. With the help of X-TORQ® technology, fuel consumption of two-stroke engines is reduced by up to 20 percent and exhaust emissions by 60 to 75 percent.

To ensure that products have good quality, quality audits and audits are conducted of both suppliers and finished products. Safety is key and how to use products safely is clearly described in user manuals and on Husqvarna Group's websites.

#### 7. Recycling

The Group participates in recycling systems for packaging materials, electrical equipment (WEEE) and batteries. Recycling systems are available in some markets in North America and Europe.

## Sustainable and responsible business

## Sustainability performance

## Summary

| GRI G4  | Economic, SEKm                                                                                  | 2015      | 2014      | 2013            | 2012      | 2011              |
|---------|-------------------------------------------------------------------------------------------------|-----------|-----------|-----------------|-----------|-------------------|
| EC1     | Group net sales                                                                                 | 36,170    | 32,838    | 30,307          | 30,834    | 30,357            |
| EC1     | Operating costs (materials and services)                                                        | 26,897    | 24,607    | 22,916          | 22,830    | 22,498            |
| EC1     | Employee salaries                                                                               | 4,508     | 4,157     | 3,758           | 4,016     | 3,904             |
| EC1     | Social security costs and pension plans                                                         | 1,133     | 957       | 917             | 968       | 1,029             |
| EC1     | Payments to state and municipality (taxes)                                                      | 252       | 231       | 394             | 431       | 413               |
| EC1     | Credit institutions (interest)                                                                  | 344       | 325       | 428             | 500       | 404               |
| EC1     | Shareholders (dividends)                                                                        | 945       | 859       | 859             | 859       | 859               |
| EC1     | Total economic value                                                                            | 9,273     | 8,231     | 7,391           | 8,004     | 7,859             |
| EC1     | Economic value retained                                                                         | 2,091     | 1,702     | 1,035           | 1,230     | 1,250             |
| GRI G4  | Environmental                                                                                   | 2015      | 2014      | 2013            | 2012      | 2011              |
|         | Production facilities with installed environmental management systems ISO 14001, % <sup>A</sup> | 92        | 92        | 92              | 89        | 88                |
| EN1     | Raw material in own production, steel, tonnes                                                   | 88,374    | 104,613   | 101,081         | 108,100   | 103,139           |
| EN1     | Raw material in own production, plastic, tonnes                                                 | 18,441    | 18,284    | 16,133          | 15,337    | 15,833            |
| EN1     | Raw material in own production, aluminum, tonnes                                                | 764       | 773       | 570             | 609       | 692               |
| EN1     | Raw material in own production, magnesium, tonnes                                               | 1,121     | 1,146     | 842             | 1,220     | 1,160             |
| EN3     | Direct energy use <sup>B</sup> , MWh                                                            | 110,420   | 122,271   | 122,378         | 124,586   | 145,992           |
| EN4     | Indirect energy use, MWh                                                                        | 259,887   | 246,277   | 259,165         | 254,705   | 271,889           |
| EN3+EN4 | Energy use, MWh                                                                                 | 370,307   | 368,548   | 381,543         | 379,291   | 417,882           |
| EN8     | Water consumed, m <sup>3</sup>                                                                  | 1,284,539 | 1,318,148 | 1,262,018       | 1,346,433 | 1,384,789         |
| EN16    | CO <sub>2</sub> emissions, tonnes (total energy)                                                | 165,221   | 166,592   | 168,617         | 170,295   | 180,459           |
|         | – direct energy, tonnes                                                                         | 33,656    | 40,825    | 38,162          | 44,141    | 43,033            |
|         | – indirect energy, tonnes                                                                       | 131,565   | 125,767   | 130,455         | 126,154   | 137,426           |
| EN17    | CO <sub>2</sub> emissions (personal air transport), thousand tonnes                             | 8.8       | 7.8       | 6.8             | 5.8       | 1.62 <sup>E</sup> |
| EN23    | Waste, tonnes                                                                                   | 30,955    | 30,131    | 26,931          | 30,042    | 29,258            |
| GRI G4  | Social                                                                                          | 2015      | 2014      | 2013            | 2012      | 2011              |
|         | Workforce (average number of employees)                                                         | 13,572    | 14,337    | 14,156          | 15,429    | 15,698            |
| LA1     | Employee turnover voluntary                                                                     | 10.5      | 7.1       | 6.5             | –         | –                 |
| LA7     | Accidents per million hours worked                                                              | 3.3       | 3.8       | 4.5             | 5.1       | 11.2 <sup>F</sup> |
| LA7     | Fatalities at production facilities, absolute number                                            | 0         | 0         | 0               | 0         | 0                 |
| LA11    | Performance reviews, %                                                                          | 69        | 69        | 64              | 67        | 66                |
|         | – white collar, %                                                                               | 86        | 87        | 85              | 84        | 82                |
|         | – blue collar, %                                                                                | 55        | 54        | 47              | 53        | 52                |
| LA12    | Proportion of women, % of employees                                                             | 35        | 36        | 36              | 37        | 35                |
| LA13    | Proportion of women in management positions, tier 1–3, % managers <sup>C</sup>                  | 24        | 12        | 15              | 13        | 11                |
| LA13    | Proportion of women on the Board of Directors <sup>D</sup> , %                                  | 38        | 33        | 38 <sup>G</sup> | 33        | 33                |

<sup>A)</sup> Production facilities with more than 100 employees.

<sup>B)</sup> Consists almost entirely of natural gas.

<sup>C)</sup> The US does not report on gender.

<sup>D)</sup> Employee representatives are excluded.

<sup>E)</sup> In 2011, personal air transport was not completely covered due to a change of travel agency.

<sup>F)</sup> Enhanced reporting procedures in 2012 revealed that the figure for 2011 is overstated.

<sup>G)</sup> As of July 2013.

1 tonnes equals 1,000 kg. Also referred as a metric ton.

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## Report by the Board of Directors

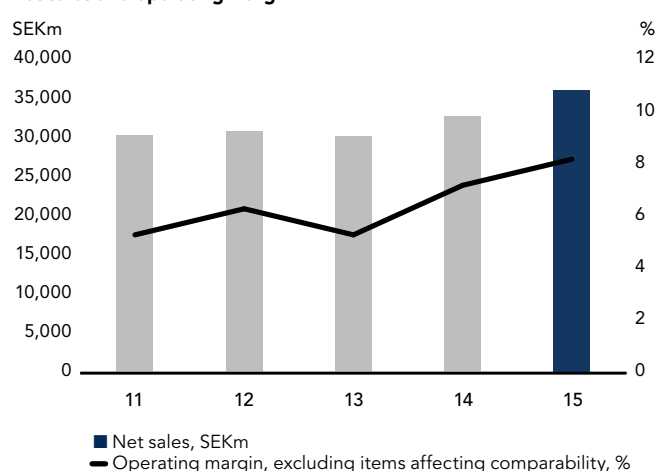
# Report by the Board of Directors

The Board of Directors and the President and CEO of Husqvarna AB (publ), corporate registration number 556000-5331, with its registered office in Jönköping, hereby submit the Annual Report and consolidated financial statements for the 2015 financial year.

- Net sales increased to SEK 36,170m (32,838). Adjusted for changes in exchange rates, net sales decreased –1%.
- Operating income for the Group, excluding items affecting comparability, increased by 27% to SEK 2,980m (2,348).
- Operating income improved for all divisions.
- Operating income was charged with restructuring costs amounting to SEK –153m. 2014 includes impairment of goodwill amounting to SEK –767m. Both are disclosed as items affecting comparability.
- The higher operating income for the Group, excluding items affecting comparability, was to a large extent driven by the Accelerated Improvement Program, in particular material cost reductions and a more favorable product mix.
- Operating margin rose by 1.0 percentage points to 8.2% (7.2), excluding items affecting comparability.
- Income for the period increased to SEK 1,888m (824).

- Earnings per share rose to SEK 3.28 (1.43) after dilution.
- Operating cash flow increased to SEK 1,668m (1,425).
- The net debt/equity ratio improved to 0.49 (0.60).
- A new brand-driven organization was fully implemented by January 1, 2015.
- The Board of Directors proposes a dividend of SEK 1.65 per share (1.65) for 2015.

Net sales and operating margin



### Key figures

| SEKm                                                                  | 2015   | 2014 <sup>1</sup> | 2013   | 2012 <sup>2</sup> | 2011   |
|-----------------------------------------------------------------------|--------|-------------------|--------|-------------------|--------|
| Net sales                                                             | 36,170 | 32,838            | 30,307 | 30,834            | 30,357 |
| Gross margin, %                                                       | 28.1   | 28.5              | 26.5   | 26.9              | 27.7   |
| EBITDA                                                                | 3,980  | 3,315             | 2,586  | 2,737             | 2,671  |
| EBITDA margin, %                                                      | 11.0   | 10.1              | 8.5    | 8.9               | 8.8    |
| Items affecting comparability                                         | –153   | –767              | –      | –256              | –64    |
| Operating income                                                      | 2,827  | 1,581             | 1,608  | 1,675             | 1,551  |
| Operating income, excl. items affecting comparability <sup>3</sup>    | 2,980  | 2,348             | 1,608  | 1,931             | 1,615  |
| Operating margin, %                                                   | 7.8    | 4.8               | 5.3    | 5.4               | 5.1    |
| Operating margin, excl. items affecting comparability, % <sup>3</sup> | 8.2    | 7.2               | 5.3    | 6.3               | 5.3    |
| Income after financial items                                          | 2,483  | 1,256             | 1,180  | 1,175             | 1,147  |
| Income for the period                                                 | 1,888  | 824               | 916    | 1,027             | 997    |
| Earnings per share after dilution, SEK                                | 3.28   | 1.43              | 1.60   | 1.78              | 1.73   |
| Dividend per share, SEK <sup>4</sup>                                  | 1.65   | 1.65              | 1.50   | 1.50              | 1.50   |
| Return on capital employed, %                                         | 12.4   | 7.6               | 7.7    | 7.4               | 7.4    |
| Return on equity, %                                                   | 14.6   | 6.7               | 8.1    | 8.8               | 8.0    |
| Net debt/equity ratio, times                                          | 0.49   | 0.60              | 0.58   | 0.75              | 0.56   |
| Operating cash flow                                                   | 1,668  | 1,425             | 1,813  | 1,144             | –472   |
| Average number of employees                                           | 13,572 | 14,337            | 14,156 | 15,429            | 15,698 |

<sup>1</sup> 2014 has been restated, see Note 25.

<sup>2</sup> 2012 has been restated due to the amendment of IAS 19. 2011 has not been restated.

<sup>3</sup> Items affecting comparability are provided on page 37.

<sup>4</sup> 2015 as proposed by the Board.

## Report by the Board of Directors

**Net sales and income****Net sales**

Net sales for 2015 increased 10% to SEK 36,170m (32,838). Adjusted for exchange rate effects, net sales for the Group declined by 1%. Adjusted for currency, sales in the Husqvarna Division were 6% higher, 8% higher in Gardena and 6% higher in Construction. Sales for Consumer Brands decreased by 16% adjusted for exchange rate effects.

**Operating income**

Operating income was charged with restructuring costs amounting to SEK –153m. The previous year was charged with an impairment of goodwill amounting to SEK –767m. Both are disclosed as items affecting comparability.

Operating income increased by 27% to SEK 2,980m (2,348) and the corresponding operating margin rose to 8.2% (7.2), excluding items affecting comparability.

Operating income was positively impacted primarily by a favorable price/mix and direct material cost reductions, which were partially offset by the impact from lower sales volumes and increased costs for sales and administration.

Changes in exchange rates had a total positive impact on operating income of approximately SEK 110m compared to 2014.

**Financial items net**

Financial items net amounted to SEK –344m (–325), of which net interest amounted to SEK –336m (–340). The average interest rate on borrowings at the end of the year was 4.0% (3.5).

**Income after financial items**

Income after financial items increased to SEK 2,483m (1,256). Excluding items affecting comparability, income after financial items increased to SEK 2,636m (2,023) corresponding to a margin of 7.3% (6.2).

**Taxes**

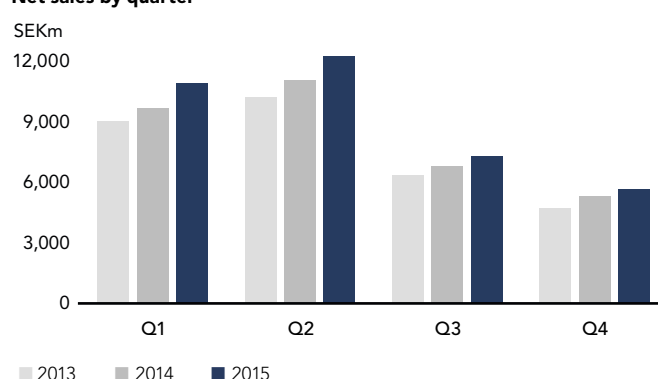
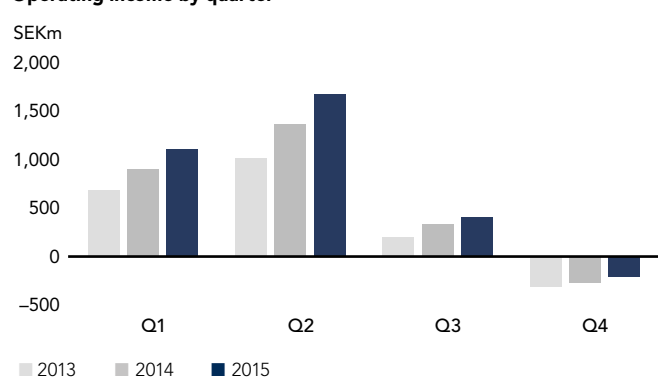
Tax amounted to SEK –595m (–432), corresponding to a tax rate of 24% (34) on income after financial items. The higher tax rate the previous year was mainly explained by the goodwill impairment charge which was not tax deductible.

**Earnings per share**

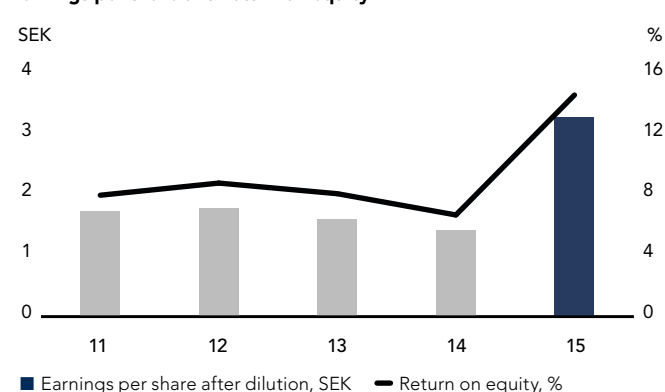
Income for the period attributable to equity holders of the Parent Company increased to SEK 1,883m (820), corresponding to SEK 3.28 (1.43) per share after dilution.

**Sales by region**

| %                 | 2015         | 2014         |
|-------------------|--------------|--------------|
| Sweden            | 3.8          | 3.7          |
| France            | 5.2          | 5.3          |
| Germany           | 10.1         | 9.5          |
| Rest of Europe    | 24.4         | 26.2         |
| <b>Europe</b>     | <b>43.5</b>  | <b>44.7</b>  |
| Asia/Pacific      | 7.8          | 7.4          |
| Canada            | 3.7          | 4.4          |
| US                | 40.7         | 39.0         |
| Latin America     | 3.6          | 3.6          |
| Rest of the world | 0.7          | 0.9          |
| <b>Total</b>      | <b>100.0</b> | <b>100.0</b> |

**Net sales by quarter****Operating income by quarter<sup>1</sup>**

<sup>1</sup> Excluding items affecting comparability.

**Earnings per share and return on equity****Items affecting comparability**

| SEKm                   | 2015        | 2014        | 2013     | 2012        | 2011       |
|------------------------|-------------|-------------|----------|-------------|------------|
| Impairment of goodwill | –           | –767        | –        | –           | –          |
| Restructuring charge   | –153        | –           | –        | –256        | –64        |
| <b>Total</b>           | <b>–153</b> | <b>–767</b> | <b>–</b> | <b>–256</b> | <b>–64</b> |

## Report by the Board of Directors

## Restructuring

Husqvarna Group is implementing changes to drive further cost reductions. Changes include adjustments of the manufacturing and logistics footprint in Sweden, the US and China, as well as efficiency improvements in sales and service resources. The cost reductions will be utilized for investments in profitable growth activities and to mitigate unfavorable currency impact going forward. The measures entail restructuring costs amounting to SEK –153m, which have been included in the Group's income statement for the fourth quarter of 2015. Restructuring charges amount to SEK –51m in Husqvarna, SEK –5m in Gardena, SEK –27m in Consumer Brands and SEK –70m in Construction.

## Cash flow

Operating cash flow for 2015 amounted to SEK 1,668m (1,425). The improved earnings supported an increase in cash flow from operations, excluding changes in operating assets and liabilities. This was partially offset by lower cash flow from changes in operating assets and liabilities, which was negatively impacted mainly by a higher inventory.

| SEKm                                                                             | 2015         | 2014         |
|----------------------------------------------------------------------------------|--------------|--------------|
| Cash flow from operations, excluding changes in operating assets and liabilities | 3,639        | 2,608        |
| Changes in operating assets and liabilities                                      | –583         | 203          |
| <b>Cash flow from operations</b>                                                 | <b>3,056</b> | <b>2,811</b> |
| Cash flow from investments, excluding acquisitions and divestments               | –1,388       | –1,386       |
| <b>Operating cash flow</b>                                                       | <b>1,668</b> | <b>1,425</b> |

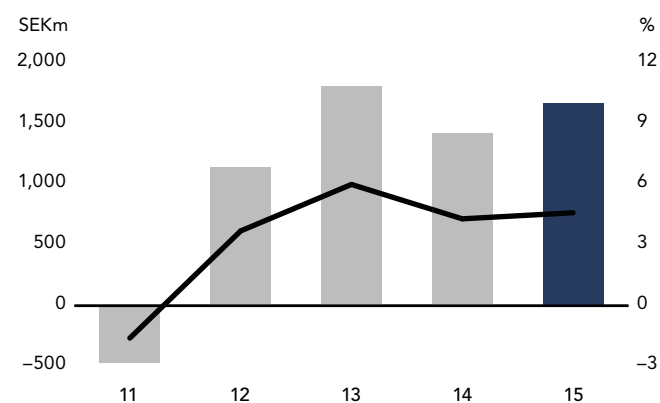
## Capital expenditure and Research &amp; Development (R&amp;D)

Capital expenditure in 2015 amounted to SEK 1,388m (1,386), corresponding to 3.8% (4.2) of net sales. Investments in property, plant and equipment amounted to SEK 1,029m (1,131) and investments in intangible assets totaled SEK 359m (255), of which SEK 243m (168) was related to R&D and SEK 115m (86) to IT and software.

Approximately 40% (35) of capital expenditure was related to new products, including investments in a new saw chain, 25% (25) to rationalization and replacement of production equipment, 10% (10) to expansion of capacity and 10% (5) to IT systems.

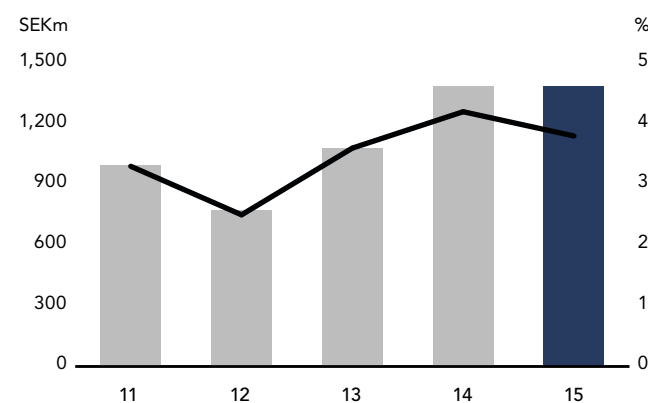
R&D costs amounted to SEK 1,138m (1,090), of which SEK 204m (198) was amortization of capitalized product development (intangible assets). The total R&D costs thus corresponded to 3.1% (3.3) of net sales.

## Operating cash flow



■ Operating cash flow, SEKm — Operating cash flow/net sales, %

## Capital expenditure



■ Capital expenditure, SEKm — Capital expenditure/net sales, %

## Report by the Board of Directors

**Financial position****Operating working capital**

Operating working capital at year-end amounted to SEK 7,923m (7,453). Inventories increased to SEK 7,874m (7,709), trade receivables totaled SEK 3,126m (2,898) and trade payables equaled SEK 3,077m (3,154).

**Change in operating working capital**

| SEKm                       |       |
|----------------------------|-------|
| December 31, 2014          | 7,453 |
| Changes in exchange rates  | -66   |
| Changes in working capital | 536   |
| December 31, 2015          | 7,923 |

**Equity**

Group equity as of December 31, 2015, excluding non-controlling interests, increased to SEK 13,041m (12,068), corresponding to SEK 22.7 per share (21.1) after dilution.

**Net debt**

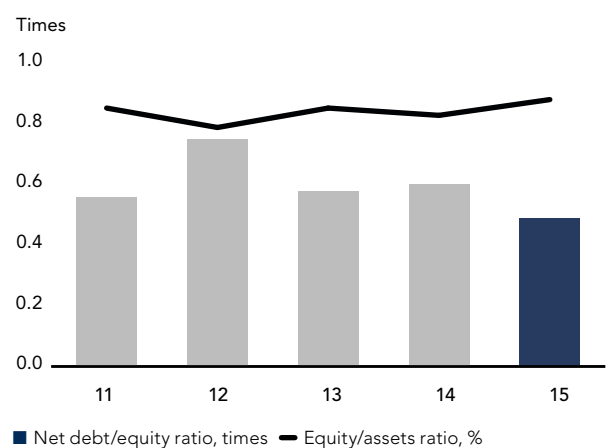
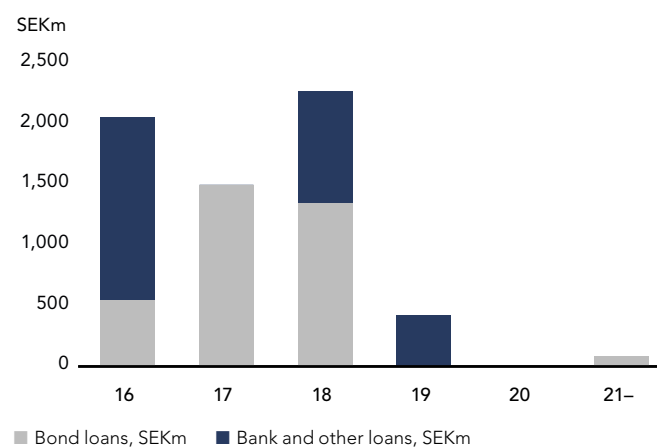
Net debt decreased to SEK 6,375m (7,234) of which liquid funds and other interest-bearing assets amounted to SEK 1,972m (2,105), and interest-bearing debt amounted to SEK 6,952m (7,504), excluding pensions. The main currencies used for debt financing are SEK and USD.

The net debt/equity ratio decreased to 0.49 (0.60) and the equity/assets ratio was 44% (41).

On December 31, 2015, non-current borrowings including financial leases amounted to SEK 4,580m (5,598) and current borrowings including financial leases totaled SEK 2,016m (1,154). Non-current borrowings consist of SEK 2,932m (3,493) in issued bonds and SEK 1,648m (2,105) in bank loans and financial leases. The bonds and bank loans mature between 2016 and 2019. The Group also has an unutilized SEK 5bn syndicated revolving credit facility maturing in 2020, with an option for an additional year.

For more information about the Group's funding, see Note 19.

| SEKm                                                 | 2015         | 2014         |
|------------------------------------------------------|--------------|--------------|
| Net pension liability                                | 1,395        | 1,835        |
| Other interest-bearing liabilities                   | 6,952        | 7,504        |
| Less: Liquid funds and other interest-bearing assets | -1,972       | -2,105       |
| <b>Net debt</b>                                      | <b>6,375</b> | <b>7,234</b> |
| Net debt/equity ratio, times                         | 0.49         | 0.60         |
| Equity/assets ratio, %                               | 44           | 41           |

**Net debt/Equity and Equity/Assets ratio****Maturity profile of loans**

## Report by the Board of Directors

## Performance by business segment

Husqvarna Group implemented a new brand-driven organization on January 1, 2015. The organization includes three global brand divisions for forest and garden operations: Husqvarna, Gardena and Consumer Brands, as well as the Construction Division.

## Husqvarna

| SEKm                                | 2015   | 2014   | Change, %   |                       |
|-------------------------------------|--------|--------|-------------|-----------------------|
|                                     |        |        | As reported | Adjusted <sup>1</sup> |
| Net sales                           | 17,624 | 15,449 | 14          | 6                     |
| Operating income                    | 2,233  | 2,008  | 11          | 6                     |
| Excl. items affecting comparability | 2,284  | 2,008  | 14          | 8                     |
| Operating margin, %                 | 12.7   | 13.0   | –           | –                     |
| Excl. items affecting comparability | 13.0   | 13.0   | –           | –                     |

<sup>1</sup> Adjusted for currency translation effects.

Net sales in Husqvarna increased by 6%, adjusted for changes in exchange rates. All regions showed growth, with the largest contribution coming from Europe where robotic mowers and riders showed particularly strong development.

Operating income, excluding items affecting comparability, increased by SEK 276m or 14% to SEK 2,284m (2,008). The higher sales volume and a favorable product mix development contributed to the increase, partly offset by higher sales and administrative expenses.

Operating income was charged with restructuring costs of SEK –51m related to staff reductions at the production facility in Huskvarna, Sweden.

Changes in exchange rates had a total positive year-on-year impact on operating income of approximately SEK 65m.

## Gardena

| SEKm                                | 2015  | 2014  | Change, %   |                       |
|-------------------------------------|-------|-------|-------------|-----------------------|
|                                     |       |       | As reported | Adjusted <sup>1</sup> |
| Net sales                           | 4,669 | 4,212 | 11          | 8                     |
| Operating income                    | 586   | 383   | 53          | 45                    |
| Excl. items affecting comparability | 591   | 383   | 55          | 46                    |
| Operating margin, %                 | 12.5  | 9.1   | –           | –                     |
| Excl. items affecting comparability | 12.7  | 9.1   | –           | –                     |

<sup>1</sup> Adjusted for currency translation effects.

Net sales in Gardena increased by 8%, adjusted for changes in exchange rates. The increase was mainly attributable to higher sales of mobile watering products and robotic lawn mowers in Europe. Demand over the season was strong, driven by warm and dry weather in Europe in the third quarter.

Operating income, excluding items affecting comparability, rose to SEK 591m (383) mainly as a result of higher sales volumes and favorable product mix. The corresponding operating margin rose to 12.7% (9.1).

Operating income was charged with restructuring costs of SEK –5m related to staff reductions.

Changes in exchange rates had a total negative year-on-year impact on operating income of about SEK –25m.

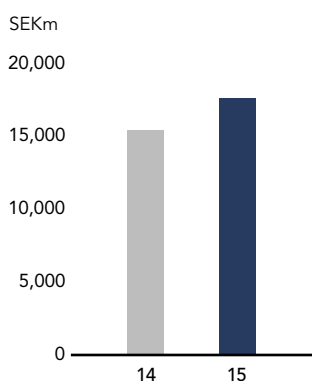
## Consumer Brands

| SEKm                                | 2015  | 2014  | Change, %   |                       |
|-------------------------------------|-------|-------|-------------|-----------------------|
|                                     |       |       | As reported | Adjusted <sup>1</sup> |
| Net sales                           | 9,936 | 9,838 | 1           | –16                   |
| Operating income                    | –147  | –155  | 5           | –70                   |
| Excl. items affecting comparability | –120  | –155  | 23          | –39                   |
| Operating margin, %                 | –1.5  | –1.6  | –           | –                     |
| Excl. items affecting comparability | –1.2  | –1.6  | –           | –                     |

<sup>1</sup> Adjusted for currency translation effects.

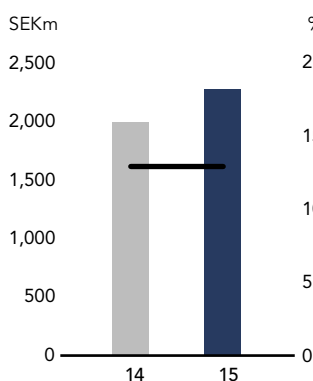
## HUSQVARNA

## Net sales



■ Net sales, SEKm

## Operating income and margin

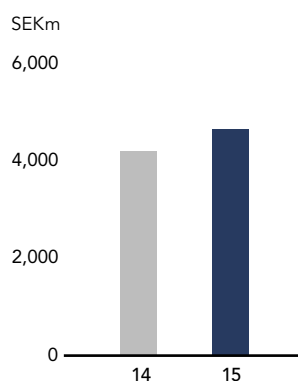


■ Operating income,<sup>1</sup> SEKm  
— Operating margin,<sup>1</sup> %

<sup>1</sup> Excluding items affecting comparability.

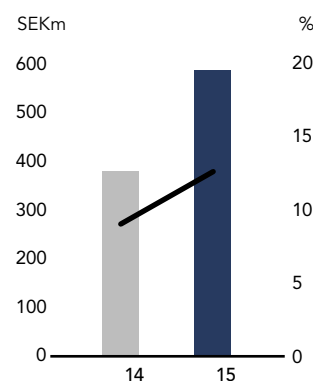
## GARDENA

## Net sales



■ Net sales, SEKm

## Operating income and margin



■ Operating income,<sup>1</sup> SEKm  
— Operating margin,<sup>1</sup> %

<sup>1</sup> Excluding items affecting comparability.

## Report by the Board of Directors

Net sales for Consumer Brands rose by 1% in 2015. However, adjusted for changes in exchange rates, sales declined by –16%, reflecting the Group's priority of value before revenue. Sales were lower in all regions and across most product categories.

The operating loss excluding items affecting comparability decreased to SEK –120m (–155) and the margin recovered to –1.2% (–1.6). Direct material cost reductions and lower costs for sales and administration compensated for the adverse impact due to lower sales and production volumes and unfavorable currency effects.

Operating income was charged with restructuring costs of SEK –27m mainly referring to changes in the logistics structure, which will be implemented during 2016 and 2017.

Changes in exchange rates had a total negative year-on-year impact on operating income of about SEK –50m.

## Construction

| SEKm                                |  | Change, % |       |                                     |
|-------------------------------------|--|-----------|-------|-------------------------------------|
|                                     |  | 2015      | 2014  | As reported   Adjusted <sup>1</sup> |
| Net sales                           |  | 3,941     | 3,339 | 18   6                              |
| Operating income                    |  | 395       | 354   | 11   –2                             |
| Excl. items affecting comparability |  | 465       | 354   | 31   15                             |
| Operating margin, %                 |  | 10.0      | 10.6  | –   –                               |
| Excl. items affecting comparability |  | 11.8      | 10.6  | –   –                               |

<sup>1</sup> Adjusted for currency translation effects.

Net sales in Construction increased by 6%, adjusted for changes in exchange rates. In North America, sales increased on the basis of higher demand as a result of increased construction activity and market share gains. Sales in Europe also grew, however more slowly and with mixed development between countries. In Latin America and Asia/Pacific, sales recovered slightly towards the end of the year.

Operating income increased by 31% to SEK 465m (354) excluding items affecting comparability. Operating income was positively impacted by higher sales volumes which were partly offset by investments in sales and service structure.

Operating income was charged with restructuring costs of SEK –70m related to efficiency improvements in manufacturing and sales.

Changes in exchange rates had a total positive year-on-year impact on operating income of around SEK 120m.

## Organizational changes

## New organization

As described in the Annual Report 2014, a new organization for the Group's forest and garden operations was fully implemented by January 1, 2015. Consequently, the Group's external segment reporting has been adjusted and it now includes four divisions: the three forest and garden divisions Husqvarna, Gardena and Consumer Brands, as well as the Construction division.

## Changes in Group Management

In April 2015, Jan Ytterberg, previously Chief Financial Officer of Scania Group, took over as Chief Financial Officer of Husqvarna Group and became a member of Group Management.

Effective May, Jeff Hohler was appointed President of Consumer Brands and a member of Group Management. Most recently, Jeff was President of the Tools Business Segment at Newell Rubbermaid, Inc.

In August, Henric Andersson was appointed President of Construction and Brian Belanger became General Counsel and Senior Vice President Legal Affairs. They replace Anders Ströby and Olle Wallén respectively, who both retired. Henric and Brian are members of Group Management.

Effective October, Sofia Axelsson, member of Group Management, was appointed Senior Vice President Group Communications, Brand & Marketing and Anders Johanson was appointed Senior Vice President Technology Office & CTO and became a member of Group Management.

## Acquisition of Koubachi

Husqvarna Group acquired Koubachi AG, a pioneer and leader in smart gardening. The product portfolio mainly consists of wireless sensors connected to a cloud-based plant library and system providing customers with plant care information and advice via a smart phone app. The acquisition brings extensive experience and expertise from automation within gardening and plant care, and will increase and accelerate the value of Gardena's own smart gardening concept that will be launched in 2016. The smart gardening concept connects automatic watering and robotic lawn mowing in a unique way and is managed by a smart phone app. The purchase price is not material to the Group.

## CONSUMER BRANDS

## Net sales

SEKm  
12,000  
9,000  
6,000  
3,000  
0

14

15

■ Net sales, SEKm

## Operating income and margin

SEKm  
600  
400  
200  
0  
–200

%  
6  
4  
2  
0  
–2

14

15

■ Operating income,<sup>1</sup> SEKm  
— Operating margin,<sup>1</sup> %

<sup>1</sup> Excluding items affecting comparability.

## CONSTRUCTION

## Net sales

SEKm  
5,000  
4,000  
3,000  
2,000  
1,000  
0

14

15

■ Net sales, SEKm

## Operating income and margin

SEKm  
500  
400  
300  
200  
100  
0

%  
20  
15  
10  
5  
0

14

15

■ Operating income,<sup>1</sup> SEKm  
— Operating margin,<sup>1</sup> %

<sup>1</sup> Excluding items affecting comparability.

**Report by the Board of Directors****Production moved from Shanghai to Changzhou**

As part of the Group's efficiency enhancements, the production facility in Shanghai was moved to the Group's facility in Changzhou. The financial impact was limited.

**Subsequent events**

No significant events have occurred subsequent to the balance sheet date that would have a material impact on the consolidated financial statements.

**The Husqvarna share**

At year-end 2015, the share capital in Husqvarna AB amounted to SEK 1,153m (1,153), comprising 113,694,826 A-shares (122,425,469) and 462,648,952 B-shares (453,918,309).

For information on the change in the number of shares during the year, see Note 18.

Each A-share carries one vote and each B-share carries 1/10 of a vote. All shares enjoy equal rights in terms of the company's assets and earnings.

There are no restrictions on the transfer of shares, voting rights or the right to participate in the Annual General Meeting (AGM).

The company is not aware of any agreements between shareholders that may limit the right to transfer shares. In addition, there are no stipulations in the Articles of Association regarding appointment or dismissal of Board members or agreements between the company and Board members or employees that require remuneration if such persons leave their posts, or if employment is terminated as a result of a public bid to acquire shares in the company.

As of December 31, 2015, the largest shareholders were Investor AB, with 32.7% (31.3) of the votes, and L E Lundbergföretagen, with 24.9% (23.8). No other shareholder held more than 10% of the votes.

Market capitalization amounted to SEK 32bn (33) at the end of the year.

For more information on major shareholders, see page 108.

**Repurchase of own shares**

The AGM 2015 authorized the Board to acquire B-shares totaling up to 1% of the total number of shares and to pay for the shares in cash.

The shares may be purchased on Nasdaq Stockholm in order to hedge the company's obligations pursuant to the long-term incentive programs.

The company has the right to adjust on an ongoing basis the number of shares that it holds to hedge the company's obligations pursuant to the implemented incentive programs.

The participants in the incentive programs shall be entitled to receive a maximum number of shares in accordance with the conditions of the programs, and transfers of shares under the programs will be made without consideration.

No B-shares were repurchased during 2015. A total of 105,519 options related to the long-term incentive program 2009 were exercised, decreasing the number of B-shares held by the company. At year-end 2015, Husqvarna owned 3,343,015 (3,448,534) repurchased B-shares corresponding to 0.58% (0.60) of the total number of outstanding shares.

**Legal matters and compliance**

Companies within Husqvarna Group are involved in commercial, product liability, regulatory and other disputes in the ordinary course of business. Such disputes can involve claims for compensatory damages, fines and penalties, property damage or personal injury compensation and occasionally also punitive damages. For certain types of claims (primarily product liability litigation), the Group has self-insurance, up to certain limits, as well as external

"excess" coverage. For most other types of damages claims, there is no available insurance coverage, and such damages can result in immediate impacts on the company's financial results. The Group continuously monitors and evaluates pending claims and disputes, and takes action when deemed necessary. The company believes that these activities help to minimize such risks. It is difficult to predict the outcome of each dispute, but based on its present knowledge, the Group estimates that none of the disputes in which it is currently involved will have a material adverse effect on the consolidated financial position or result.

Husqvarna is committed to a culture of compliance, to being a responsible employer and to being a good corporate citizen. Such commitment is reflected in the Code of Conduct that was adopted in 2008 and subsequently updated in 2013. The Code of Conduct applies to all employees. Husqvarna Group expects all of its suppliers, dealers, subcontractors, consultants and other business partners to also adopt and follow its principles. Employees who become aware of any non-compliance or other unethical conduct are expected to report such matters to our internal compliance function. Such reports may be made directly to a manager, via a dedicated compliance email or via a 24 hour toll-free hotline. Reports may be made anonymously and there is no retaliation against any employee making such a report in good faith.

**Environmental activities**

In 2015, Husqvarna Group operated 24 major production facilities, of which eleven were located in Europe, eight in the US, three in China, one in Brazil and one in Japan. All facilities have the environmental permits required for current operations.

**Husqvarna Group included in CSR indexes**

Husqvarna Group is a member of the FTSE4Good Index Series and a member of the STOXX Global ESG Leaders index. These indexes are designed to facilitate investments in companies that meet globally recognized corporate responsibility standards in environmental care, social care and corporate governance.

**Employees**

The average number of employees in 2015 was 13,572 (14,337), of which 1,770 (1,649) in Sweden. At year-end, the total number of employees was 13,053 (14,554).

Of the total average number of employees in 2015, 8,817 (9,195) were men and 4,755 (5,142) were women.

Salaries and remuneration in 2015 amounted to SEK 4,508m (4,157), of which SEK 970m (918) refers to Sweden.

For more information on employees, see Note 4.

**Annual General Meeting 2016**

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held in Jönköping, Sweden on April 6, 2016.

**Notification and proposals to the AGM**

The notice to attend the AGM 2016 has been available on the Group's website, [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm), since March 3, 2016. The full proposal to the AGM will be published on the Group's website no later than March 16, 2016.

**Proposed distribution of earnings**

The Board of Directors proposes a dividend for 2015 of SEK 1.65 per share (1.65) corresponding to a total dividend payment of SEK 945m (945) based on the number of outstanding shares as of March 2, 2016.

It is also proposed that the dividend be paid in two instalments to better match the Group's cash flow profile, with one payment of SEK 0.55 per share in April and the remaining SEK 1.10 per share in October.

## Report by the Board of Directors

The proposed record dates are April 8, 2016 for the first payment and October 10, 2016 for the second payment.

**SEKt**

The following profits are at the disposal of the AGM:

|                                              |                   |
|----------------------------------------------|-------------------|
| Share premium reserve                        | 2,605,747         |
| Fair value reserve                           | 34,249            |
| Retained earnings                            | 13,903,477        |
| Income for the period                        | 1,844,769         |
| <b>Total profit available for allocation</b> | <b>18,388,242</b> |

**SEKt**

The Board proposes the following allocation of available profits:

|                                                                  |                   |
|------------------------------------------------------------------|-------------------|
| Dividend to the shareholders of SEK 1.65 per share. <sup>1</sup> | 945,451           |
| To be carried forward                                            | 17,442,791        |
| <b>Total</b>                                                     | <b>18,388,242</b> |

<sup>1</sup> Calculated on the number of outstanding shares as per March 2, 2016.

The Board is of the opinion that the dividend proposed above is justifiable on both the Company and the Group level with regard to the demands on the Company and Group equity imposed by the type, scope and risks of the business and with regard to the Company and the Group's financial strength, liquidity and overall position.

**Remuneration principles to the Board and senior executives**

For the CEO and other members of Group Management, the principles for remuneration approved by the AGM 2015 apply. The Board of Directors proposes that the corresponding principles be approved by the AGM 2016 for the period up to and including the AGM 2017.

The principles set forth in this item shall apply to remuneration and other employment conditions of Group Management. The principles shall apply to contracts of employment entered into after the AGM 2016 and also to amendments made thereafter to contracts of employment that are in force. Remuneration to Group Management is determined by the Board of Directors based on proposals from the Board of Directors' Remuneration Committee.

**Principles**

The overall principles for remuneration to Group Management shall be based on the position held, individual performance and Group performance, and remuneration shall be on a competitive basis in the country of employment. The overall remuneration package for Group Management includes fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives, pensions and other benefits. In addition, there are conditions on notice of termination and severance pay.

The Group shall aim to offer a competitive total remuneration level with a primary focus on "pay for performance."

**Fixed salary**

Fixed salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and reflect the degree of responsibility involved in the position. The salary levels shall be reviewed annually to ensure continued competitiveness and correctly reward performance.

**Variable salary (Short-term Incentive "STI")**

Members of Group Management shall be entitled to an STI in addition to their fixed salary. The STI shall be based on the financial result for the Group and/or for the business unit for which

the member of Group Management is responsible. In addition, performance indicators can be used to focus on areas of improvement that are of special interest to the company.

Clearly defined objectives for "target" and "stretch" levels of performance shall be stated at the beginning of the year and reflect the plans approved by the Board.

The STI shall be dependent on the position of the employee and may amount to a maximum of 50% of salary on attainment of the "target" level and a maximum of 100% of the salary on attainment of the "stretch" level, which is also the maximum STI.

In the US, the STI component is normally higher and may in some cases amount to a maximum of 100% on attainment of the "target" level and a maximum of 150% of the salary on attainment of the "stretch" level.

The Board of Directors decides whether the maximum levels 50/100/150% shall be applied or if a lower level shall be used.

**Long-term Incentive ("LTI")**

The Board of Directors will annually evaluate if a long-term incentive program (e.g. share-based or share-price based) should be proposed to the AGM. For more information concerning the long-term incentive program, see Note 4.

**Pensions and insurance**

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment, and the value of the benefits shall match normally accepted levels in the country. If possible, pension plans shall be defined-contribution plans in accordance with the Group Pension Policy.

**Other benefits**

Other benefits can be provided in accordance with normal practice in the country where the member of Group Management is employed. However, these benefits shall not constitute a significant part of the total remuneration.

**Notice of termination and severance pay**

Members of Group Management shall be offered notice periods and levels of severance pay that are in line with accepted practice in the country where the member is employed. Members of Group Management shall be obliged not to compete with the company during the notice period. Based on the circumstances in each case, a non-competition obligation with continued payment may also be applied after the end of the notice period. Such a non-competition obligation shall not apply for more than 24 months from the end of the notice period.

**Previously determined remuneration that has not become payable**

For the main conditions for remuneration to Group Management in current employment agreements, see Note 4.

**Authority for the Board to deviate from the principles**

Under special circumstances, the Board of Directors may deviate from these guidelines. In the case of such deviation, the next AGM shall be informed of the reasons.

**Remuneration to the Board 2015**

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2015 AGM resolved on fees of SEK 5,260t.

No consulting fees were paid to Board members. No board fees are paid to Board members who are also employed by the Group.

For more information concerning remuneration, see Note 4.

## Risk management

# Risk management

All business operations involve risk. Therefore, the goal of risk management is not to eliminate risk, but rather to optimize the risk portfolio in a manner designed to best secure business goals. To do so, Husqvarna Group strives to identify and prioritize all material risks that could affect the operations, and to limit, control and manage such prioritized risks in a proactive manner.

The President and CEO is ultimately responsible for ensuring proper risk management within Husqvarna Group in accordance with the Board of Directors' guidelines and instructions. The Presidents of the divisions and the Group staff functions, in turn, are responsible for risk management implementation within their divisions/areas of responsibility.

The Group also has a dedicated risk management function that oversees the Group's overall Enterprise Risk Management efforts and secures appropriate insurance coverage for insurable risks. The risk management function assesses and facilitates the prioritization of the Group's risks. Identification and evaluation of risks provides support for management's strategic decision-making and associated risk mitigation. The assessment also aims at generating enhanced awareness of risks throughout the organization, including everyone from operational decision-makers to the Board of Directors.

Management of financial risks, including currency exchange rate exposure, is primarily the responsibility of Group Treasury.

### Operational and market risks

The Group applies the precautionary principle and takes action to prevent or mitigate injury or harm to human health or the environment. The Code of Conduct, policies, guidelines and a strong corporate culture provide a foundation for a sound business environment.

The following sections highlight certain material risks facing Husqvarna Group both with respect to its own operations and external market factors.

### Maintaining competitive products

Husqvarna Group's long-term profitability depends on, among other things, the ability to successfully develop, manufacture and market new products that meet customers' performance and price requirements. Husqvarna Group, as any company, is subject to the risk that its competitors can develop and offer alternative products at a better cost to performance ratio. Other vital factors for maintaining competitiveness include maintaining flexible, cost-efficient manufacturing of products while meeting the customers' demand of quality, and rational management of fluctuations in the prices of raw materials and components.

Product life cycles are becoming shorter, requiring product development to become more efficient. Many of the Group's products require long development lead times, making it essential to understand the end-customers' need to ensure that the product will be demanded. Customer demands and needs may also

change as a result of overall macro-economic and demographic changes, such as the trend towards urbanization, changing climate effects and or the advent of new technologies, such as the increasing number, and performance, of battery-powered products on the market. The Group must also be a leader in terms of more efficient and environmentally adapted products in order to differentiate the Group's offering from those of its competitors.

### Weather conditions

Demand for the Group's products is also dependent on the weather. Unexpected or unusual weather conditions in specific areas or regions can affect sales either adversely or positively. Dry weather can reduce demand for products such as lawn mowers and tractors, but can stimulate demand for watering products. Demand for chainsaws normally increases after storms and during cold winters. Husqvarna Group has established a flexible production and supplier structure that can be adjusted at short notice to meet actual demand.

### Markets and competition

Husqvarna Group operates in competitive markets, most of which are relatively mature, which means that underlying demand is relatively stable under normal economic conditions. Price competition is intense, particularly for entry price point consumer products for the retail market. With a shift in technology, such as battery, new competitors can enter the market. The Group's strategy is based on product innovation, utilization of the Group's strong brands, global distribution and scale efficiency to create differentiated product and solutions offerings for the different end-customer segments. Corruption could exist in markets where the Group conducts business. In regions with estimated higher risks, the Group strengthens its efforts to mitigate these risks by increasing its internal control and audit activities.

### Customers

Consumer products are sold mainly through large retail chains. This market is highly consolidated in North America and the UK, while in the rest of Europe the market consolidation is still ongoing. This implies that the Group's retail customers are becoming larger and fewer in number, which gives them greater bargaining power and several of them source products that they market under their own brands. However, this situation also provides Husqvarna Group with an opportunity to generate higher growth by displaying the Group's products in a large number of retail outlets in a wider geographical market. Consolidation has involved a greater degree of dependence on individual customers, which has resulted in higher levels of trade receivables and credit risks related to these customers.

Professional products are sold mainly through local independent dealers or in some cases directly to end-customers, which means that these customers purchase much smaller volumes and generally are not individually significant for the Group. Unit costs for sales to dealers are higher than, for example, retail chains but the level of risk related to receivables and credit is lower and the margins are higher.

### Production

Husqvarna Group's production consists mainly of assembly of purchased components, and is normally sufficiently flexible to meet fluctuations in demand resulting from economical, seasonal and

weather variations, but subject to the availability of components. Handheld products such as chainsaws and clearing saws, for which the Group also manufactures engines, as well as watering products feature a higher proportion of specialized components that are produced in-house. Having a broad supply chain potentially increases the risk that products may contain components that are not produced sustainably. The Group and its suppliers must share the same high standards for the environment, labor and human rights.

Electronic components are becoming increasingly common and important for the Group's products and services. Availability is dependent on suppliers and if they have supply interruptions or lack of capacity, it may have an adverse effect on the Group's production and deliveries.

The Group is currently investing substantial resources in building a production facility for manufacturing saw chains. The Group has limited experience of producing saw chains, so this involves adding and building new technological expertise. Such investments always involve risks, including, but not limited to unsatisfactory ramp up of the production capacity, or fine tuning of the manufacturing equipment parameters that could take longer than planned to achieve desired quality.

The Group's operations and operations at its suppliers' facilities are subject to disruption for a variety of reasons, including, but not limited to, work stoppages, fire, earthquake, flooding, or other natural disasters. Such disruption could interrupt Husqvarna Group's ability to manufacture certain products. Any significant disruption could negatively impact the Group's sales and earnings.

Risks related to human rights, health, safety and the environment can arise in the entire supply chain, both at our suppliers and at our own production facilities, and these risks can be followed by reputational risks for well-known brands owned by the Group.

In light of the seasonal variations in the Group's operations, the number of temporary employees increases rapidly in preparation for the peak production season, and decreases rapidly at the end of the production season. The production season for most products is during the first and second quarters, whereas chainsaws and other handheld products have its production peak in the third quarter. Husqvarna Group relies to a great extent on temporary labor for the seasonal production, which poses risks in terms of training and availability of such temporary labor. Sick leave and issues related to wellness can negatively impact the productivity of the Group and unsatisfied employees may also not recommend Husqvarna Group as an employer.

#### **Risks related to prices for raw materials, other materials and components**

The Group's operations and its performance are affected by fluctuations in the prices of raw materials and components. The most important raw materials are steel, aluminium and various types of plastic. These prices can fluctuate considerably in the course of a year, as a result of changes in world prices for raw materials or the ability of suppliers to deliver them. The total consumption is linked to production volume and production mix.

In 2015, Husqvarna Group purchased materials, components and finished products amounting to SEK 18,000m (16,277).

The Group does not use financial instruments to hedge prices of raw materials, but manage the risk through bilateral agreements. In some cases, Husqvarna Group's material requirements are met by single suppliers who individually cover the Group's short-term needs. The effects of interrupted deliveries vary, depending on

the specific materials and components. A shortfall in deliveries or quality-related issues from a supplier could have negative consequences for production and for deliveries of finished products.

The Group's purchasing organization works closely with suppliers in order to manage deliveries, and monitors the suppliers' financial stability, quality-assurance systems and flexibility of production.

#### **Cost structure, Group**

|                                                                                    | 2015           |               | 2014           |               |
|------------------------------------------------------------------------------------|----------------|---------------|----------------|---------------|
|                                                                                    | % of net sales | SEKm          | % of net sales | SEKm          |
| Cost of goods sold:                                                                |                |               |                |               |
| Raw materials, components and finished products                                    | 49.8           | 18,000        | 49.6           | 16,277        |
| Factory OH, R&D, tools                                                             | 13.9           | 5,036         | 14.2           | 4,670         |
| Direct wages                                                                       | 3.9            | 1,396         | 4.3            | 1,410         |
| Restructuring <sup>1</sup>                                                         | 0.3            | 122           | –              | –             |
| Other                                                                              | 4.0            | 1,442         | 3.4            | 1,131         |
| <b>Total cost of goods sold</b>                                                    | <b>71.9</b>    | <b>25,996</b> | <b>71.5</b>    | <b>23,488</b> |
| <b>Gross operating income</b>                                                      | <b>28.1</b>    | <b>10,174</b> | <b>28.5</b>    | <b>9,350</b>  |
| Selling expense                                                                    | 16.1           | 5,808         | 17.2           | 5,626         |
| Administrative expense                                                             | 4.2            | 1,526         | 4.2            | 1,392         |
| Restructuring <sup>1</sup>                                                         | 0.1            | 31            | –              | –             |
| Impairment of goodwill <sup>1</sup>                                                | –              | –             | 2.3            | 767           |
| Other                                                                              | –0.1           | –18           | –0.0           | –16           |
| <b>Operating margin/income</b>                                                     | <b>7.8</b>     | <b>2,827</b>  | <b>4.8</b>     | <b>1,581</b>  |
| <b>Operating margin/income excluding items affecting comparability<sup>1</sup></b> | <b>8.2</b>     | <b>2,980</b>  | <b>7.2</b>     | <b>2,348</b>  |

<sup>1)</sup> Items affecting comparability consist of restructuring charges of SEK 153m for 2015 and impairment of goodwill of SEK 767m for 2014.

#### **Acquisitions**

Husqvarna Group may undertake acquisitions from time to time, and integration of acquired businesses always involves risks. Sales may be adversely affected, the costs of integration may be higher than anticipated, and synergy effects may be lower than expected. In case of acquisitions or cessation of operations, environmental risk assessments are always conducted by qualified experts.

#### **Risks related to restructuring and organizational change**

Restructuring and organizational changes always involve the risk of creating higher costs or lower revenues than anticipated and losing key personnel, or that estimated savings deviate, both up and down, from announced targets.

#### **Changes in legislation**

Husqvarna Group's products are subject to national and international regulations regarding their environmental impact and other issues arising from the use and recycling of products, such as exhaust emissions, noise and safety. Husqvarna Group has adapted its products steadily in this respect. The Group is the market leader in terms of the development of two-stroke engines, for example, and allocates resources for product development to enable compliance with stricter criteria in the future. The Group strives to ensure that the changes in regulatory requirements are monitored to allow for sufficient adaptive planning.

## Risk management

**Product liability**

In many countries, legislation may require Husqvarna Group to recall products in specific circumstances, which can be time consuming, expensive and damaging to the different brands of the Group.

The Group is also exposed to product liability in the event that products are alleged to have caused damage to persons or property. The Group is insured against such claims, partly through insurance in its own captive subsidiaries, and partly through external insurers. However, there is no guarantee that such insurance cover is valid or sufficient in a specific case, or that claims regarding product liability may not have an adverse effect on the company's earnings and financial position. External insurance is subject to availability and pricing, which may vary over time. The Committee on Product Safety, led by the Group's SVP Technology Office & CTO, includes representatives from operational units, as well as Group Staff Legal Affairs. The tasks of the Committee include ensuring that product safety is integrated into the design, production and distribution of all Group products.

**Risks in Construction Division**

The construction market is financially cyclical and politically dependent, and less weather sensitive than the forest and garden market. The cyclicity can have a significant impact on the capital intense equipment and the rental channel overall, as the extreme development during the 2008–09 financial crisis exemplifies. However, the specific sub-markets the Division addresses tend to have smaller cyclical amplitudes than the overall construction industry. This is largely because of the high relative share of consumables (diamond tools) and the fact that the Division's products are often used in renovation projects, which are relatively stable compared to new construction work.

**IT security risks**

To a large extent the Group relies on IT systems in its operations. Disruptions or faults in critical systems may have a direct impact on operations such as production and logistics. Cyber security risks are increasing in society in general and may have an adverse impact on the Group's operations. The Group works continuously to keep systems protected and in addition, is also investing in enhanced disaster recovery, confidential or data storage capabilities and cyber security expertise as well as information security awareness and training.

**Financial risks**

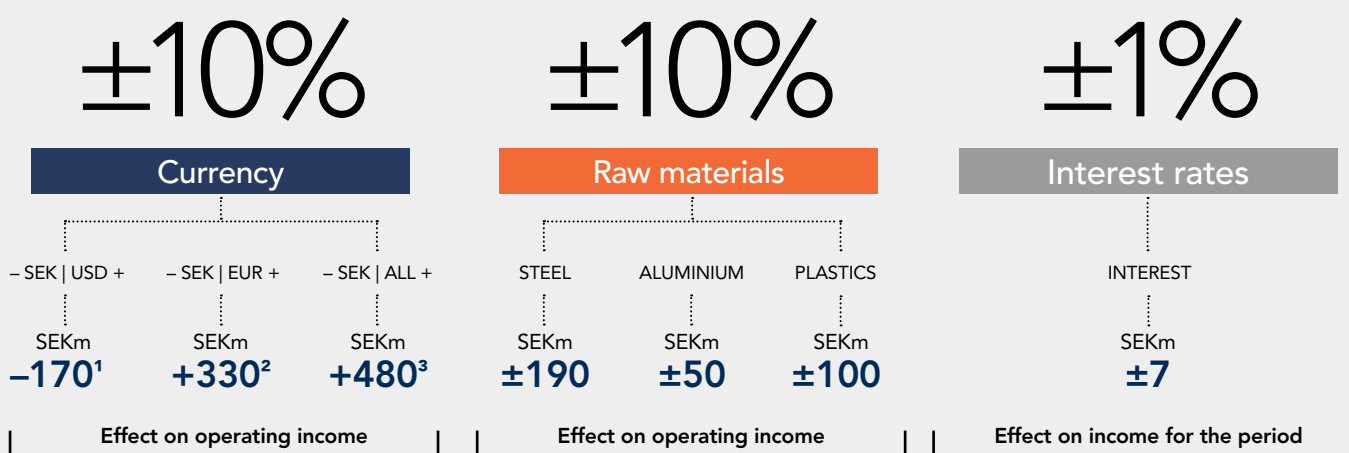
The Group's financial risks are managed on the basis of the Group's financial and credit policies, which are annually updated and approved by the Board of Directors. Management of financial risks is based largely on the use of financial instruments and is mainly centralized in Group Treasury, which operates in accordance with specified risk mandates and limits.

For more information on accounting principles and risk management and risk exposure, see Notes 1 and 19.

**Financing risks**

Financing risks refer to possible delays, increased costs or cancellations related to financing of the Group's capital requirements and refinancing of outstanding loans.

Financing risks are reduced by maintaining an evenly distributed maturity profile of loans, having access to credit facilities and ensuring that short-term borrowings do not exceed current liquidity.

**Sensitivity analysis**

<sup>1</sup> Excluding hedge effects. SEK -240m refer to effect of transactions and SEK 70m to translation effects.

<sup>2</sup> Excluding hedge effects. SEK 280m refer to effect of transactions and SEK 50m to translation effects.

<sup>3</sup> Excluding hedge effects. SEK 290m refer to effect of transactions and SEK 190m to translation effects. All other refers to the other currencies including USD and EUR.

**Interest rate risk**

Interest rate risk refers to the adverse effects of changes in market interest rates on the Group's net income. The main factor determining this risk is the interest fixing period. The interest rate risk is managed by changing the interest from fixed to floating or vice versa by using derivatives such as interest rate swaps.

**Foreign exchange risk**

The goal of foreign exchange risk management is to minimize the short-term adverse effects of currency exchange rate fluctuations on the Group's earnings and financial position. As Husqvarna Group sells its products in more than 100 countries and has production in approximately 10 countries, the Group is exposed to such exchange rate fluctuations. These fluctuations affect the Group's earnings in terms of translation of income statements in foreign subsidiaries, i.e. translation exposure, as well as in the sale of products on the export market and purchases of materials in foreign currencies, i.e. transaction exposure, and also in terms of the translation of balance sheet items such as trade receivables and trade payables.

Changes in exchange rates also affect Group equity. Assets and liabilities of foreign subsidiaries are affected by changes in exchange rates, generating translation differences that impact equity.

In order to limit negative effects on Group results and equity resulting from transaction exposure and translation differences, part of the Group's transaction exposure and net investments in foreign operations is hedged using foreign exchange derivatives.

**Credit risks**

The Group's credit risks are managed on the basis of standardized credit ratings, active monitoring of credits and routines for follow-up of trade receivables. The need for reserves for doubtful trade receivables is monitored continuously. Major credits are approved annually by the Board of Directors.

To some extent, the Group utilizes credit insurance to reduce credit risk in trade receivables.

The Group's financial assets are used primarily for the repayment of loans. Liquid funds are placed in highly liquid interest-bearing instruments issued by institutions with a credit rating of at least A-, according to Standard & Poor's or similar agencies.

**Tax risk**

Husqvarna Group operates in many countries and undertakes a great number of international transactions. The operations are subject to complex national and international tax rules that change over time.

The Husqvarna Group runs a centralized transfer pricing model based on the Group's operating model with central Group Strategic Functions and global brand divisions. Due to the increased focus and the changing regulative environment following e.g. the Base Erosion and Profit Shifting initiative launched by the G20 countries, transfer pricing related exposure for multinational companies has in general increased.

From 2013, new restrictions on tax deductibility of interest expenses on intra-group loans apply in Sweden. Interest is only deductible provided one of two exceptions is satisfied: i) the loan is mainly motivated by business reasons, or ii) the interest beneficiary is taxed at income tax rate of at least 10% and the loan is not merely tax driven. At the moments it is not clear how these exceptions will apply. For this reason, Husqvarna Group has made provisions to mitigate potential exposure related to these restrictions.

**Pension commitments**

Husqvarna Group's net liability for pensions and other post-employment benefits amounted to SEK 1,395m (1,835) at year-end 2015. The present value of obligations amounted to SEK 3,837m (4,243) and the fair value of the pension plan assets amounted to SEK 2,442m (2,408). At year-end 2015, 42% (42) of these funds were invested in shares, 56% (57) in bonds and 2% (1) in liquid assets or other investments.

Changes in the value of the assets and liabilities depend primarily on trends in share prices and interest rates. Factors affecting pension obligations include changes in assumptions such as discount rate, life expectancy and expected salary increases. In the interest of effective control and cost-efficient management of the Group's pension assets, management is centralized in Group Treasury and conducted in accordance with the pension fund policy adopted by the Board of Directors.

For more information on pension commitments, see Note 20.

## Corporate Governance Report

# Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and The Swedish Code of Corporate Governance (the "Swedish Code"). Husqvarna's auditors have reviewed the report and their opinion has been included in the Auditor's Report. In addition to the above external regulations, Husqvarna operates under internal regulations, which include the Company's Articles of Association, policies and governance documents.

In accordance with the Swedish Companies Act, Husqvarna's primary obligation is to generate value for its shareholders as well as striving to operate in a sustainable manner. In principal, this means (a) giving due consideration to the effect of our actions on the environment and on our non-shareholder stakeholders (i.e. employees, customers, suppliers, local communities, etc.) and (b) trying to identify and promote those actions where there is an alignment between the interests of the environment, such other stakeholders and long-term value creation for our shareholders.

The Swedish Code, as revised in 2015, expressly states that a principle task of the Board of Directors is to define appropriate guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability. The Company's sustainability ambitions are described briefly on pages 30–34 and in more detail in the Group's Sustainability Report, which can be found at [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

The highest corporate decision-making body in the Company is the Shareholders' General Meeting, which is normally held once a year in the form of the Annual General Meeting ("AGM"), but can also be in the form of an Extraordinary General Meeting under certain circumstances. The 2016 AGM will take place at 4 p.m. on Wednesday, April 6, 2016 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden.

The Company prepares the AGM agenda with influence from its shareholders, who have the right to propose matters for consideration at the AGM.

### Shareholders

Husqvarna AB's shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2015, the share capital amounted to SEK 1,153m, represented by 113,694,826 A-shares and 462,648,952 B-shares, each with a par value of SEK 2.

A-shares carry one vote and B-shares carry one tenth of a vote. As per the Articles of Association, holders of A-shares are entitled to request conversion of A-shares into B-shares on a 1:1 basis. In 2015, 8,730,643 A-shares were converted to an equivalent number of B-shares.

On December 31, 2015, the number of shareholders was 54,494. Of the total number of shares, foreign shareholders accounted for approximately 31%. Investor AB is the single largest shareholder with a holding of approximately 16.8% of the share capital and approximately 32.7% of the votes as of December 31, 2015. Measured by number of votes, L E Lundbergföretagen is the second largest owner with a holding of approximately 7.5% of the capital and approximately 24.9% of the votes on December 31, 2015. For further information on the Husqvarna shares and shareholders, see page 108.

### Nomination Committee

In accordance with the Swedish Code, Husqvarna is required to have a Nomination Committee, the primary responsibilities of which are to consider and submit to the AGM proposals and recommendations regarding:

- The Chair of the AGM;
- The number of Board members;
- The nominees for the Board;
- The Chair of the Board;
- Remuneration to Board members, including the Chair, and remuneration for Board members' work on Board committees;
- Selection of external auditors (if applicable);
- Remuneration to external auditors; and
- Changes to the process regarding the composition and operation of the Nomination Committee for the following year (if applicable).

<sup>1)</sup> The AGM 2014 resolved to appoint Ernst & Young as auditor for the period from the AGM 2014 up until the end of AGM 2018, which is in accordance with Husqvarna's current Articles of Association, which state that "the term of office for the Auditors is four years." Accordingly, this item is not applicable to the 2016 AGM.

The AGM determines the process for establishing the Nomination Committee and its members. At Husqvarna's 2013 AGM it was decided that the following process would apply until the AGM resolves otherwise:

- The Company shall have a Nomination Committee consisting of five members.
- The members shall consist of one representative of each of the four largest shareholders in the Company in terms of voting rights held as of the last banking day of August, with the fifth member being the Chair of the Board.
- In the event that any of the four largest shareholders elects not to nominate a representative to the Nomination Committee, the right to appoint such a representative passes to the fifth largest shareholder and so on.
- The Company's Board Secretary shall serve as secretary of the Nomination Committee.

These rules established at the 2013 AGM have not been changed by any subsequent AGM and therefore continue to apply.

The formation of the Nomination Committee for the 2016 AGM was announced on September 25, 2015. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2016 AGM are:

| Member                     | Appointing shareholder   |
|----------------------------|--------------------------|
| Petra Hedengran (Chair)    | Investor AB              |
| Claes Boustedt             | L E Lundbergföretagen AB |
| Ricard Wennerklint         | If Skadeförsäkring AB    |
| Henrik Didner              | Didner & Gerge Fonder    |
| Tom Johnstone <sup>1</sup> | –                        |

<sup>1)</sup> Chair of the Husqvarna Board of Directors

The determination of the four largest shareholders for purposes of nominating representatives to the Nomination Committee was based on known holdings of voting rights as of August 31, 2015. Nomination Committee members do not receive compensation from Husqvarna for their work on the Nomination Committee.

As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board of Directors. Normally, the starting point for such recommendations is a survey conducted each year by the Chair of the Board of Directors to assess the Board's work, composition, qualifications, experience and efficiency, the results of which are shared and discussed with the Nomination Committee. The Nomination Committee also meets separately with the Company's President and CEO, and occasionally with individual Board members.

Based on survey results and subsequent discussions and interviews, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the goal to achieve an even gender balance in the Board of Directors, as well as the need to ensure that the independence requirements of the Swedish Code are met.

These requirements stipulate that at least the majority of Board members must be independent from the Company's management, and that at least two (from such majority) are also independent of the Company's largest shareholders. The Nomination Committee also takes into account any proposals made to the Nomination Committee about the composition of the Board that may have been suggested by other shareholders. Shareholders who wish to submit proposals to the Nomination Committee may do so by sending an email to [nominationcommittee@husqvarnagroup.com](mailto:nominationcommittee@husqvarnagroup.com).

While there is no cut-off date for proposals, it was recommended in the September 25, 2015 notice of the formation of Nomination Committee that such shareholders' proposals should be received by the Company no later than February 3, 2016.

For the 2016 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the website on March 3, 2016. The Nomination Committee will then present and explain its work and proposals at the AGM.

## Annual General Meeting

### General

The AGM is the highest decision-making body of the Company. In accordance with the Swedish Companies Act, the Husqvarna AGM must be convened annually on a date not later than six months after the close of the preceding financial year, and is normally held in March or April each year.

According to Husqvarna's Articles of Association, the AGM must be held in Jönköping, Sweden or in Stockholm, Sweden, although it is traditionally held in Jönköping, Sweden. The notice of the

AGM (specifying its date, location, agenda, etc.) shall be made public at least four weeks and not more than six weeks prior to the AGM. In Husqvarna's case, it is published in the Swedish daily newspaper, *Svenska Dagbladet* and the *Swedish Official Gazette (Post- och Inrikes Tidningar)*. It is also announced in a press release and on the Company's website at [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm). For the 2016 AGM, such notice was published on March 7, 2016. Shareholders who are listed in the share registry on the record day (i.e. Thursday, March 31, 2016) and wish to be represented at the AGM must register to do so with the Company by no later than Thursday, March 31, 2016.

Shareholders who are individuals may attend the AGM in person or by proxy. Shareholders attending the meeting by proxy, including all corporate shareholders, must submit a valid power of attorney as well as other required documentation in due time before the AGM. This allows the Company to compile a book of shareholders from the Swedish Central Securities Depository, Euroclear Sweden. Following this compilation, voting certificates are sent to all shareholders attending the meeting or their designated representatives. Voting certificates are proof of voting rights and also serve as an entrance card to the AGM.

### AGM agenda items & written documentation

The agenda for the AGM is reviewed and approved by the Board and consists of matters that are statutory (as per the Swedish Companies Act), voluntary standards (as per the Swedish Code) or internal (as per the Company's Articles of Association). These typically include the following matters:

- Election of Chair of the AGM;<sup>1)</sup>
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and President and CEO;
- Disposition of the Company's profit;
- Number of Board members;<sup>1)</sup>
- Remuneration to Board members, committee members and external auditors<sup>1)</sup>;
- Election of external auditor (every fourth year according to the Articles of Association)<sup>1)</sup>;
- Election of Chair of the Board;<sup>1)</sup>
- Election of Board members;<sup>1)</sup>
- Principles of remuneration for Group Management;
- Adoption of long-term incentive programs (if applicable);
- Repurchase and transfer of the Company's own shares (if applicable); and
- Authorization to resolve on the issuance of new shares (if applicable);

<sup>1)</sup> Indicates agenda items for which the Nomination Committee makes a proposal.

Shareholders may also, prior to the publication of the notice to attend the AGM, propose matters to be put on the AGM agenda.

At the AGM, the Chair of the Board presents a report on the Board's work during the preceding year, the President and CEO gives an overview of the Company's business and current priorities, and the auditors present their report and their review of the Company's finances. If required, the Chair of the Remuneration Committee reports on remuneration to Group Management and, if it is to be decided by the AGM, the Company's long-term incentive programs. Shareholders may also direct questions to the Chair of the Board, the President and CEO, the Chair of the Nomination Committee, the Chair of the Remuneration Committee, the external auditors or any other Board member. Written documentation is presented at the AGM, normally both

## Corporate Governance Report

in English and Swedish. This documentation may be downloaded from the Company's website and is also sent to shareholders upon request. Such documentation includes:

- The agenda for the AGM;
- Proposals from the Board of Directors and the Nomination Committee;
- The Remuneration Committee's evaluation of programs of variable remuneration for Group Management, the application of the principles of remuneration for Group Management and applicable remuneration structures and levels in the Company;
- The Nomination Committee's motivated opinion regarding the proposal for appointment of Board members;
- The Board's report in relation to the proposed dividend and the proposal on the acquisition of the Company's own shares (if applicable).

The AGM is held in Swedish, but simultaneous translation into English is available. The minutes recorded at the AGM are normally published within a few days of the AGM. A press release including the decisions made by the AGM is published immediately after the AGM.

### Annual General Meeting 2015

The AGM 2015 was held on April 21, 2015 in Jönköping, Sweden with 839 shareholders attending in person or by proxy, representing 50% of the total number of shares and 72% of the total number of votes. Also attending were the Board of Directors, the external auditors and members of Group Management. The following resolutions were passed:

- Adoption of the income statements and balance sheets for 2014, together with the Board of Directors' dividend proposal, which was set at SEK 1.65 per share in total, to be paid in two separate payments of SEK 0.55 per share to be paid on April 28, 2015, and SEK 1.10 per share to be paid on October 28, 2015.
- The Board of Directors and the President and CEO were discharged from liability for the financial year 2014.
- The Nomination Committee's proposal for the number of Board members and the election of Tom Johnstone, Magdalena Gerger, Ulla Litzén, Katarina Martinson, Daniel Nodhäll, David Lumley, Lars Pettersson and Kai Wärn as Directors of the Board. Tom Johnstone was appointed Chair of the Board.
- The Nomination Committee's proposed remuneration to the Board of SEK 5,260t in total, of which SEK 1,725t to the Chair of the Board and SEK 500t to each of the Board members elected by the AGM and not employed by the Company, was adopted. Furthermore, according to the Nomination Committee's proposal, remuneration of SEK 175t to the Chair of the Audit Committee and SEK 80t to each of the other two members of the Audit Committee was resolved, as well as SEK 100t to the Chair of the Remuneration Committee and SEK 50t to each of the other two members.
- The Nomination Committee's proposal that the auditor's fee be paid on the basis of approved invoices.
- The Board of Directors' proposal for principles of remuneration to Husqvarna Group Management, based on fixed salary, variable salary, long-term incentives, pensions and other benefits.
- The Board's proposal for a performance-based long-term incentive program for 2015, LTI 2015, to be offered to 70 senior managers, whereby, subject to the fulfilment of certain performance targets and other conditions during a three-year vesting period, the participants would have the right to receive certain Class B-shares.
- The Board of Directors was authorized on one or more occasions during the period up until the next AGM, to approve the repurchase of B-shares on Nasdaq Stockholm, on the condition that the Company's holding does not at any time exceed 1% of

the total number of shares in the Company, for the purpose of hedging certain obligations (including social security charges) on resolved incentive programs.

- The Board of Directors was authorized, on one or more occasions during the period up to the next AGM, to sell Class B-shares in Husqvarna on Nasdaq Stockholm for the purpose of hedging certain costs (including social security charges) for resolved incentive programs.
- In order to hedge the obligations of the Company under the LTI 2015, the Board of Directors was authorized, during the period up until the next AGM, to direct the Company to enter one or more equity swap agreements with a third party (e.g. a bank). Such swap agreements may be entered into on one or more occasions on terms and conditions in accordance with market practice.
- The Board was authorized to approve the issue of not more than 57,634,377 new B-shares against consideration in kind on one or more occasions during the period up to the AGM in 2016.

### Annual General Meeting 2016

The Annual General Meeting 2016 of Husqvarna AB will be held at 4 p.m. on Wednesday, April 6, 2016 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden. For more information regarding the AGM 2016, see page 110.

### The Board of Directors

According to Husqvarna AB's Articles of Association, the Board of Directors shall be comprised of no less than five and no more than ten Board members. The Articles of Association do not contain any specific provisions concerning the appointment and dismissal of directors (or the method by which the Articles of Association themselves may be amended), meaning that the rules otherwise stated in the Swedish Companies Act apply. There are currently eight Board members elected by the AGM (see table on page 51). In addition to the Board members elected by the AGM, Swedish trade unions have the statutory right to appoint two ordinary Board members with voting rights, as well as two non-voting deputies.

In accordance with the Swedish Code, the principle tasks of the Board include:

- Establishing the overall goals and strategy of the Company;
- Appointing, evaluating and, if necessary, dismissing the chief executive officer;
- Ensuring that there is an appropriate system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations;
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines; and
- Ensuring that the Company's external communications are characterized by openness and that they are accurate, reliable and relevant.

The Board has adopted Rules of Procedure for its internal activities, which include rules regarding the number of Board meetings, matters to be handled at regular Board meetings and the duties of the Chair of the Board. These Rules of Procedure are updated and adopted by the Board each year at the "Statutory Board Meeting" which is normally held immediately after the AGM. The Chair shall also ensure that the Board evaluates the President and CEO on a regular basis, at least once a year.

The Board has also issued written instructions specifying when and how information required to enable the Board to evaluate the Company and the Group's financial position shall be reported to the Board, as well as the distribution of duties between the Board and

## Board of Directors

|                               |                         | Attendance 2015 |                           |                |                 |                        |                                            |                                           |                                           |
|-------------------------------|-------------------------|-----------------|---------------------------|----------------|-----------------|------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------|
| Name                          |                         | Nationality     | Independence <sup>1</sup> | Board meetings | Audit Committee | Remuneration Committee | Authorized fees, total in SEK <sup>2</sup> | Holdings, number of A-shares <sup>3</sup> | Holdings, number of B-shares <sup>3</sup> |
| Lars Westerberg <sup>4</sup>  | Board Chair             | SE              | Yes/Yes                   | 3/3            |                 | 1/1                    |                                            | –                                         | –                                         |
|                               | Committee member        |                 |                           |                |                 |                        |                                            |                                           |                                           |
| Tom Johnstone <sup>5</sup>    | Board Chair             | UK              | Yes/No                    | 9/9            |                 | 6/6                    | 1,825                                      | 990                                       | 14,800                                    |
|                               | Committee Chair         |                 |                           |                |                 |                        |                                            |                                           |                                           |
| Magdalena Gerger              |                         | SE              | Yes/No                    | 9/9            |                 |                        | 500                                        | 4,300                                     | –                                         |
| Ulla Litzén                   | Committee Chair         | SE              | Yes/Yes                   | 9/9            | 7/7             |                        | 675                                        | –                                         | 10,000                                    |
| David Lumley <sup>6</sup>     |                         | US              | Yes/Yes                   | 6/9            |                 | 2/5                    | 550                                        | –                                         | 6,252                                     |
| Katarina Martinson            | Committee member        | SE              | Yes/No                    | 9/9            | 7/7             |                        | 580                                        | 113,478                                   | 378,737                                   |
| Daniel Nodhäll                | Committee member        | SE              | Yes/No                    | 9/9            | 7/7             |                        | 580                                        | –                                         | 10,000                                    |
| Lars Pettersson               | Committee member        | SE              | Yes/No                    | 9/9            |                 | 6/6                    | 550                                        | –                                         | 5,000                                     |
| Kai Wärn                      |                         | SE              | No/Yes                    | 9/9            |                 |                        | –                                          | –                                         | 163,634                                   |
| Soili Johansson               | Employee representative | SE              | –                         | 9/9            |                 |                        | –                                          | 225                                       | 750                                       |
| Annika Ögren                  | Employee representative | SE              | –                         | 8/9            |                 |                        | –                                          | –                                         | –                                         |
| Carita Spångberg <sup>7</sup> | Employee representative | SE              | –                         | 9/9            |                 |                        | –                                          | –                                         | –                                         |
| Lotta Widehäll <sup>7</sup>   | Employee representative | SE              | –                         | 9/9            |                 |                        | –                                          | –                                         | –                                         |
| Total                         |                         |                 |                           | 9              | 7               | 6                      | 5,260                                      | 118,993                                   | 589,173                                   |

<sup>1</sup> Refers to independence in relation to the Company and management, and independence in relation to major shareholders.

<sup>2</sup> Board members are expected to engage themselves financially in Husqvarna shares within a period of five years, corresponding to one year's Board fees.

<sup>3</sup> Refers to December 31, 2015 and includes related parties and holdings through legal persons.

<sup>4</sup> Resigned at the 2015 AGM, remuneration presented during 2014.

<sup>5</sup> Board Chair as of the 2015 AGM.

<sup>6</sup> Committee member as of the 2015 AGM.

<sup>7</sup> Deputy.

the President and CEO. The duties of the Board are partly exercised through its Audit Committee and Remuneration Committee. The Board has adopted charters for each such Board committee, which charters are periodically updated and approved by the Board.

The Chair of the Board ensures that the Board's work and procedures are evaluated and discussed with Board members annually, and are brought to the attention of the Nomination Committee with the aim of developing the Board's working methods and efficiency. In 2015, such evaluation was conducted principally through a combination of individual interviews and a detailed Board questionnaire. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as to the full Board. Evaluation of the Chair of the Board shall also be carried out annually. The Board members elected by the AGM fulfil the independence criteria set out by the Swedish Code, which requires that a majority be independent of the Company's management, and that at least two of those be independent as to the Company's largest shareholders, see above.

### Fees to Board members

Fees to Board members, including fees for committee work, are set by the shareholders at the AGM. For information on fees to the Board of Directors in 2015, see Note 4.

### Board meetings

According to the Board's Rules of Procedure, the Board shall hold at least four ordinary meetings and one statutory meeting per calendar year. In 2015, the Board held nine meetings, of which three were by telephone, two were held in Huskvarna, Sweden, and four were held in Stockholm, Sweden.

At Board meetings, the Company's President and CEO, the Company's CFO and the Company's General Counsel are present. The General Counsel serves as the Board's secretary and records the minutes of the Board meetings. Other members of Group Management or other senior managers of the Company may also be asked to attend and report on significant matters.

When relevant and at least quarterly, Group Management presents forecasts and key performance indicators, providing the Board with an overview of the financial development and expectations of the Company. The Company's budget is reviewed and approved once a year, generally in the fall. The Board also reviews the Company's significant litigations and follows up on the Company's compliance work.

In addition, the Company's external auditors meet with the Board once a year, without participation of the members of Group Management.

### Audit Committee

In accordance with the Swedish Companies Act, the Board annually appoints an Audit Committee whose primary responsibilities are to (a) monitor the Company's financial reporting, (b) oversee the effectiveness of the Company's internal control, internal audit function and risk management as they relate to financial reporting, (c) review and supervise the Company's external auditors' impartiality and independence, and (d) when applicable, assist in the preparation of proposals for the AGM's election of auditors. The Audit Committee may also exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time.

The Board determines the composition of the Audit Committee, which shall have at least three members, none of whom may be employed by the Company, and at least one of whom must be independent of the Company and have auditing or accounting expertise. The Board appoints the Committee members annually at the Statutory Board Meeting or when a Committee member needs to be replaced.

The Committee members appointed in April 2015 were Ulla Litzén (Chair), Daniel Nodhäll and Katarina Martinson, who were the same members as the previous year. Audit Committee meetings are also attended by the Company's internal auditor who keeps the minutes of the meetings, the Company's CFO and the General Counsel. Other members of Group Management are present to report on matters as relevant.

## Corporate Governance Report

In 2015, the Audit Committee held seven meetings, which fulfils its own charter rule that it shall meet at least four times per year. The Audit Committee meetings follow an adopted agenda plan, which includes a review of open issues, a treasury and tax update, and an internal audit update. The Audit Committee also reviews the Company's Interim Reports and Board of Directors' Report before they are submitted to the Board. The Committee meets frequently with the Company's external auditors and solicits reports on auditing work and the closing of the books. At least once a year, the Committee meets separately with the Company's internal auditor. It also reviews the Company's compliance work quarterly.

### Remuneration Committee

In accordance with the Swedish Code, the Husqvarna Board annually appoints a Remuneration Committee whose primary responsibilities are to (a) prepare proposals on remuneration and other terms of employment for the executive management of the Company, (b) monitor and evaluate programs for variable remuneration for Group Management, and (c) monitor and evaluate current remuneration structures and levels in the Company. The Remuneration Committee is also increasingly taking an active interest in talent management within the Company. The Remuneration Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time.

The Board determines the composition of the Remuneration Committee, which shall have at least three members, of which at least two must be independent of the Company and its executive management. The Board appoints the Committee members annually at the Statutory Board Meeting or when a Committee member needs to be replaced. The Committee members appointed in April 2015 were Tom Johnstone (Chair), Lars Pettersson and David Lumley. All Remuneration Committee meetings are also attended by the Company's SVP People & Organization, who takes the minutes of the meetings. Other participants are invited, if relevant. For more information on remuneration to Group Management, see Note 4.

In 2015, the Remuneration Committee held six meetings, which fulfils the charter criteria that it shall meet at least twice a year. All Committee meetings follow an adopted agenda plan, which includes a review of the Company's long-term incentive ("LTI") and short-term incentive ("STI") programs and ensures that these programs follow legal and internal policies, decisions from the AGM and other relevant rules and instructions. If needed, the Committee solicits advice and external benchmarks to ensure that the Company's remuneration principles are up to date. The Remuneration Committee also ensures that the performance of Group Management members and the President and CEO is evaluated once a year. The Remuneration Committee reports on its findings and recommendations at each Board meeting held in person, and if relevant, at Board meetings by telephone.

### Auditors

At the 2014 AGM, in accordance with the proposal of the Nomination Committee, Ernst & Young AB was elected as auditor for the period from the AGM 2014 up until the end of the AGM 2018. The auditor-in-charge is Hamish Mabon.

As per the decision taken at the 2015 AGM, the auditor's fee until the 2016 AGM shall be paid on the basis of approved invoices. For more information see, Note 7.

### Organization and Executive Management

Husqvarna's organization and Executive Management is based on a brand-driven organization with four separate reporting divisions: Husqvarna, Gardena, Consumer Brands and Construction. Each division has its own President, who in turn reports to the President and CEO of Husqvarna AB. Each of the four division Presidents is

responsible for the income statement and balance sheet for his/her respective division. However, all decisions made by a division are subject to the Group's overall strategic goals, Group policies, processes, instructions and guidelines. For more information about Husqvarna's divisions please see pages 20-27. This brand-driven organization became fully effective on January 1, 2015, and replaced the Company's earlier structure that was based on the three business areas: Europe/Asia Pacific, Americas and Construction.

In the new organization, Husqvarna Group's Executive Management consists of the President & CEO, the Executive Team (as described below) and Group Management (as described below). Clear roles and responsibilities apply for each of the Group functions as well as for the divisions. In the new organization, a Group governance structure has been implemented to ensure that decisions are made as close to operations as possible. Clear guidance has been provided to identify the level on which different types of decisions should be made. Changes to the governance structure (including applicable roles and responsibilities) can only be made by the decision of the Executive Team.

### The President and CEO

The President and CEO is appointed by the Board and is responsible for the ongoing management of the Company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information for decisions and ensuring that commitments, agreements and other legal documents do not conflict with Swedish or foreign legislation or ordinances, including applicable competition law. The President and CEO shall also ensure compliance with goals, policies and strategic plans, and also update these when necessary. The President and CEO appoints all members of Group Management.

### The Executive Team

The Executive Team has eight members and is comprised of the President and CEO, the four Division Presidents and the three Group Staff function heads (see "Group Staff Functions" below). The Executive Team makes decisions on (a) enhancing Group synergies, (b) internal financial and business follow-up, (c) external financial reporting for Board approval, (d) Group governance, (e) Group staffing plans, and (f) issue resolution. Executive Team meetings are chaired by the President and CEO. The Executive Team meets monthly by video and/or telephone and quarterly in person.

### Group Management

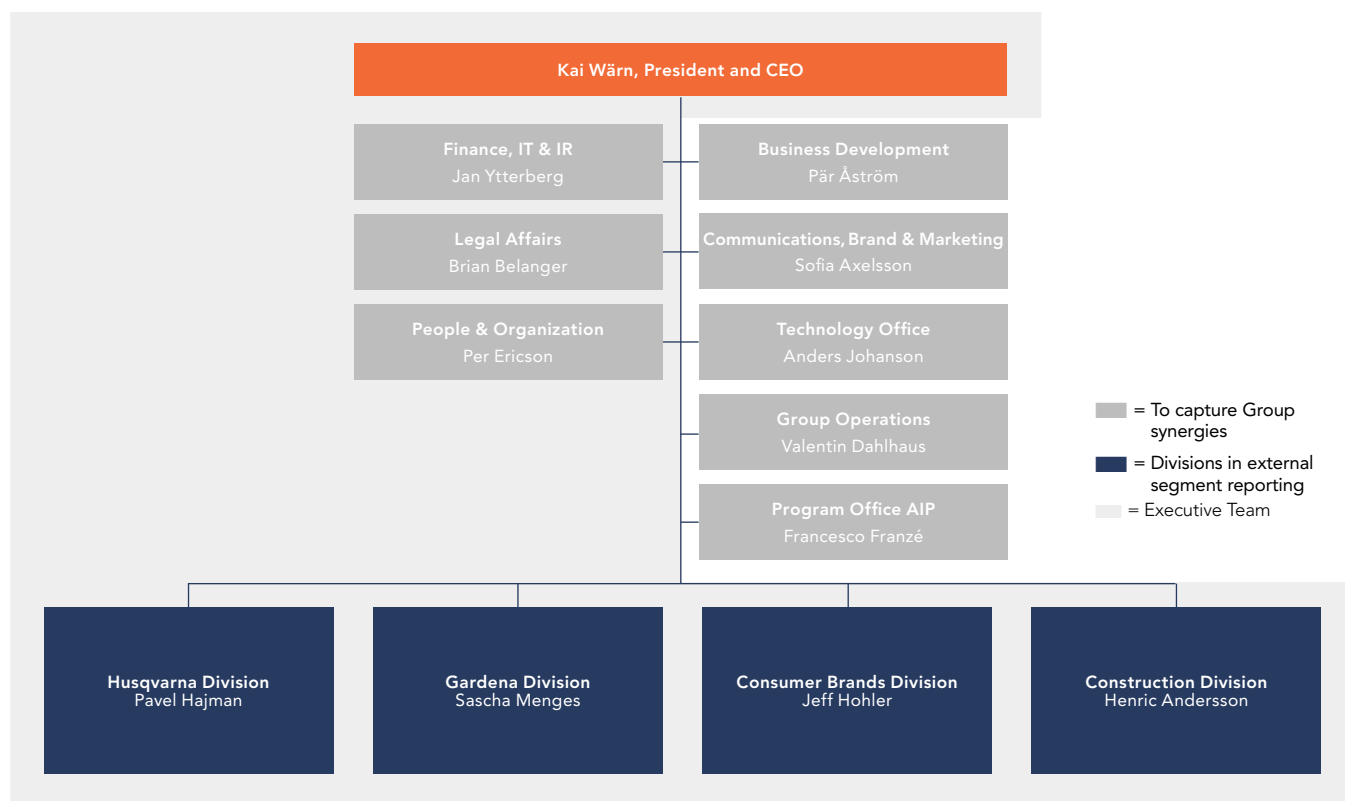
Group Management has 13 members and consists of the eight members of the Executive Team plus the heads of each of the five Group Strategic Functions (see "Group Strategic functions" below). Group Management is the management team for the Company and makes decisions on matters related to (a) the Group's strategic and business development, (b) budgets, (c) external affairs, (d) Board reporting, (e) risk management and mitigation as well as (f) Group policies and guidelines. Group Management meetings are chaired by the President and CEO. Group Management meets monthly by video and/or telephone and quarterly in person.

### Group Staff Functions

Husqvarna has three "Group Staff Functions" as follows:

1. Finance, Information Technology & Investor Relations. This function is primarily responsible for the Group's financial reporting as well as for Tax, Internal Audit, Group IT and Investor Relations (IR).
2. Legal Affairs. The Legal Affairs function is responsible for the Group's Legal Affairs, enterprise risk management, real estate management and sustainability strategy. Legal Affairs also

## Group Management Structure



deploys policies and rules for the Group's legal and ethical compliance and reporting.

3. People & Organization. This function is responsible for the Group's human resources, including compensation and benefit programs and talent management within the Group.

### Group Strategic Functions

Husqvarna has five "Group Strategic Functions" as described below. These five functions, collectively, are responsible for designing the strategic framework under which each part of the value chain operates in order to secure synergies within the Group and to ensure that the four divisions execute their business in line with such a framework.

1. Business Development. This function is responsible for Group strategy, acquisitions and divestments.
2. Communications, Brand & Marketing. This function is responsible for managing the Group's brand portfolio, brand positioning, brand and customer insight, and business intelligence. It is also responsible for capturing group marketing synergies and establishing the Group's framework for outbound licensing and pricing strategies. In 2015, this function also assumed responsibility for internal and external Group communications.
3. Technology Office. This function leads the Group's technology and innovation management. In addition, it develops the product commonality strategy to ensure that the Group can capture product and technology synergies within and between the different divisions.
4. Group Operations. This function is responsible for ensuring that the Group can capture operational synergies across the

different divisions such as in purchasing and supply chain management.

5. Program Office – Accelerated Improvement Program and Other Initiatives. This function has been responsible for following up on the Accelerated Improvement Program (see page 11) and other cost-related initiatives.

### External information

Husqvarna's Board has adopted an information policy that complies with the information disclosure requirements of Nasdaq Stockholm's Rule Book for Issuers. The policy applies to the Board and Group Management and covers both written and oral information.

#### Financial information is regularly issued in the form of:

- Interim reports, published as press releases;
- Annual Reports;
- Press releases concerning news and important issues;
- Presentations and telephone conferences for financial analysts, investors and media on the day of publication of the interim and year-end reports, and in connection with the publication of other important information;
- Presentations for financial analysts and investors in connection with Capital Market Days and road shows, etc.

All reports, presentations and press releases are published on the Group's website at [www.husqvarnagroup.com](http://www.husqvarnagroup.com)

## Corporate Governance Report

# Internal control over financial reporting

## Husqvarna Group's process for internal control is designed to manage and minimize the risk of inaccuracy in financial reporting.

This description and evaluation of the Group's internal control activities is based on the COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission) and, as required by the Swedish Code, describes the Board's measures for monitoring that the internal controls related to financial reports and reporting to the board function adequately. The COSO framework comprises five components; control environment, risk assessment, control activities, information and communication, and monitoring activities.

### Control environment

Internal control over financial reporting is based on the overall control environment. This involves clear definitions of organizational structure, decision-making paths and authority, which are communicated in the form of internal control documents such as policies, instructions and guidelines. The control environment also includes laws and other external regulations.

The Board of Directors is ultimately responsible for ensuring good internal controls, including that the Company has formalized routines to ensure that (i) approved principles for financial reporting and internal controls are applied, (ii) the Company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies, and (iii) there is an appropriate system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations. The Board established Rules of Procedure and clear instructions for its work, that also cover the activities of the Audit and Remuneration Committees.

The overall duty of the Audit Committee is to support the Board's supervision of auditing and reporting processes, and to ensure the quality of such processes. The activities of the Audit Committee during the year are described in greater detail on page 51.

Responsibility for maintaining an effective control environment as well as the ongoing work on risk management and internal control over financial reporting is delegated to the President and CEO. This responsibility is in turn delegated to managers within their specific areas at various levels in the Company.

Responsibility and authority are defined in instructions to the President and CEO, regarding the right to sign for the Company, as well as within various internal manuals, various policies, routines and codes. The Board approves, on an annual basis, certain Group policies and the Code of Conduct. Group Management approves other policies and instructions, and divisions and Group staff functions issue guidelines and monitor the implementation of all policies and instructions.

Group rules for accounting and reporting are stipulated in the accounting manual, which is available to all employees within finance and accounting. Policies and Instructions are reviewed and updated regularly with reference to for example changes in legislation, accounting standards, procedures and listing requirements.

### Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure and documentation. Items in the balance sheet and the income statement based on estimates, or generated by complex processes, are relatively more exposed to risk of error than other items. Major items in this respect include impairment test of intangible assets with indefinite useful life, inventory, deferred tax, provisions for pensions and other post-employment benefits, share-based compensation, warranty provision, provision for restructuring, claims reserves and contingent liabilities. For further information refer to Note 2.

The Group's finance function performs risk assessments regarding the Group's balance sheet and income statement, taking into consideration both qualitative and quantitative risks. The purpose of this risk assessment is to direct internal control activities to these areas and to ensure that internal control regarding financial reporting is satisfactory.

### Control activities

Control activities are designed to prevent, identify and correct errors and deviations in financial reporting, i.e. specifications of the control activities that shall be included in each business process to ensure and maintain a uniform level of internal control over financial reporting within the Group. Control activities are integrated in processes for accounting and financial reporting and include, among other things, routines for authorization and signing for the Company, reconciliation of bank balances and accounts, analysis of results, segregation of duties, automatic controls integrated in IT systems, and control of the basic IT environment.

The Group maintains several control processes for financial reporting and is running a project to identify and standardize key processes and controls within the Group. The control function, like financial responsibility, follows the Company's organizational and responsibility structure.

Husqvarna Group also has a function for internal control. The objective of Group Internal Control is to provide support for Group Management and the management of the divisions, enabling them to continually provide solid and improved internal control relating to financial reporting. The tasks performed by the Internal Control function aim to ensure compliance with policies, instructions and guidelines as well as to create efficient conditions for specific control activities in key processes related to financial reporting. The Audit Committee is informed of the results of the work carried out by the Internal Control function.

Each operative unit has a controller whose responsibilities include ensuring that the unit's internal controls comply with Group standards, as well as compliance with Group guidelines and principles. The controller is also responsible for ensuring that financial information is correct and complete and that it is delivered on time. Country Officers are appointed by Husqvarna Group in each country where the Group has subsidiaries. The duties of the Officers include safeguarding the interests of shareholders as well as identifying and reporting risks linked to fiscal regulations and other legislation.

Group Management performs monthly reviews of the results for the Group and the operative units, as well as updated forecasts, plans and strategic issues.

**Information and communication**

Husqvarna Group maintains information and communication systems to facilitate correct and complete financial reporting. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition, other policies relevant to internal control over financial reporting are available to all relevant employees on the Group's intranet. Changes in accounting routines are communicated and explained in quarterly newsletters from the Group's accounting function.

**Monitoring activities**

Husqvarna Group maintains a comprehensive financial reporting system for monitoring operations, which enables the identification of possible deviations from the IFRS financial reporting defined in the Husqvarna accounting manual, which includes rules for accounting and evaluation principles that are mandatory for all companies within the Group, as well as instructions for reporting. The manual is reviewed and updated regularly.

Financial data is reported every month together with a forecast for the coming period. Consolidation, reporting and controlling are performed from both legal and operational perspectives, which ensure a detailed analysis and focus of the items where potential misstatements can have a material effect on the financial reporting of the Group. Deviations from both forecasted and historical levels and trends are investigated and assessed for potential internal control activities. All consolidation is centralized and the financial reports are stored in a central database from which data is retrieved for analysis and monitoring on Group, division and entity levels. Considerations made in the quarterly closings as well as potential deviations are discussed with the Audit Committee before the financial reports are presented to the financial market. Areas defined as potential risks for material misstatements in the risk assessment process, are presented regularly by management to the Audit Committee. The same areas are focused both by the external and internal auditors in their audit work, which is presented to the Audit Committee.

The Group Internal Audit function supports the development and improvement of internal control over financial reporting. Group Internal Audit is established by the Audit Committee as part of their monitoring role. An annual internal audit plan based on an independent risk assessment process is approved by the Audit Committee. Based on this audit plan, Internal Audit performs independent and objective audits to evaluate and enhance the efficiency of internal controls, including internal control over financial reporting. The results of these audits are presented to the CFO, the President and CEO, and the Audit Committee. Besides correcting the detected internal control weaknesses in the audited entity, the findings are used to improve the processes in other parts of the Group. The level of materiality and the scope for the external audit is also defined to support the internal control activities. Both the findings of the internal and the external audits are reported to the Audit Committee together with the progress to eliminate the internal control weaknesses.

## Corporate Governance Report

## Board of Directors and Auditors

**Tom Johnstone***Chairman of the Board*

Born 1955. M.A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, US. Hon. Doc. in Science, Cranfield University, UK. Elected 2006. Chairman of the Remuneration Committee.

**Other major assignments:** Board Chairman of Combient AB and of the British-Swedish Chamber of Commerce. Board member of Investor AB, Volvo Cars and Wärtsilä Corporation.

**Previous positions:** President and CEO of AB SKF 2003–2014. Executive Vice President of AB SKF 1999–2003. President Automotive Division, AB SKF 1995–2003. Senior management positions within AB SKF since 1987.

**Holdings in Husqvarna:** 990 A-shares, 14,800 B-shares.

**Kai Wörn***Board member*

Born 1959. M. Sc. in Mechanical Engineering, the Royal Institute of Technology, Stockholm, Sweden. Elected 2014. President and CEO of Husqvarna AB.

**Previous positions:** Operations partner at IK Investment Partners Norden AB 2011–2013. President and CEO of Seco Tools AB 2004–2010. Various positions within ABB 1985–2004.

**Holdings in Husqvarna:** 100,000 B-shares (Legal person), 63,634 B-shares (Own).

**Magdalena Gerger***Board member*

Born 1964. M. Econ. and MBA, Stockholm School of Economics, Sweden. Elected 2010. President of Systembolaget AB.

**Other major assignments:** Board member of Investor AB and IFN (Research Institute of Industrial Economics). Member of IVA (Royal Academy of Engineering Sciences) and the Swedish Trade Federation.

**Previous positions:** Senior Vice President responsible Global Fresh Dairy, Arla Foods 2005–2009. Management consultant, Futoria AB, 2004. Category Director (UK and Ireland) Nestlé UK Ltd, 2000–2003, ICI Paints 1998–2000 and Procter & Gamble 1996–1997.

**Holdings in Husqvarna:** 4,300 A-shares.

**Ulla Litzén***Board member*

Born 1956. B. Sc., Stockholm School of Economics, Sweden and an MBA, Massachusetts Institute of Technology, US. Elected 2010. Chairman of the Audit Committee.

**Other major assignments:** Board member of Atlas Copco AB, Boliden AB, Alfa Laval AB and NCC AB.

**Previous positions:** President of W Capital Management AB 2001–2005. Senior management positions and member of the Management Group, Investor AB, 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB, 1996–1998.

**Holdings in Husqvarna:** 10,000 B-shares.

**David Lumley***Board member*

Born 1954. B.A. in Communications/Marketing, Western Illinois University, Macomb, Illinois, US; MSJ Journalism, Northwestern University Medill School of Journalism, Evanston, Illinois, US and an MBA, Northwestern University Kellogg School of Management, Evanston, Illinois, US. Elected 2014. Member of the Remuneration Committee.

**Other major assignments:** Board member of Valspar Corporation.

**Previous positions:** President and CEO of Spectrum Brands, Middleton, Wisconsin, US President Rubbermaid Home Products, Newell-Rubbermaid Inc., Atlanta, Georgia, US President and CEO, EAS Inc., Golden, Colorado, US President Brunswick Bicycles, Brunswick Corp., Lake Forest, Illinois, US President OMC International and Senior Vice President Marine Power Group, Outboard Marine Corp., Waukegan, Illinois, US General Manager Wilson Sporting Goods Co., Chicago, Illinois, US

**Holdings in Husqvarna:** American depository receipts (ADR) B 6,252.

**Katarina Martinson***Board member*

Born 1981. M.Sc., Stockholm School of Economics, Sweden. Elected 2012. Member of the Audit Committee. Portfolio management for the Lundberg Family.

**Other major assignments:** Board member of L E Lundbergföretagen AB, Fastighets AB L E Lundberg, Byggnads AB Karlsson & Wingsjö, LE Lundberg Kapitalförvaltning AB, Indutrade AB, Fidelio Capital AB, AniCura AB, Lyko AB and Greenfood AB.

**Previous positions:** Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, US, 2006–2008, investment research at ISI, International Strategy & Investment Group, New York, US 2005–2006.

**Holdings in Husqvarna:** 113,478 A-shares, 378,737 B-shares.

## Corporate Governance Report

**Daniel Nodhäll**

*Board member*

Born 1978. M.Sc., Stockholm School of Economics, Sweden. Elected 2013. Member of the Audit Committee. Managing Director, Head of Listed Core Investments at Investor AB.

**Previous positions:** Analyst focused on the engineering sector at Investor AB since 2002.

**Holdings in Husqvarna:** 10,000 B-shares.

**Lars Pettersson**

*Board member*

Born 1954. M. Sc. in Technical Physics, Material Sciences, Uppsala University, Sweden. Elected 2014. Member of the Remuneration Committee.

**Other major assignments:** Board Chairman of KP-Komponenter A/S. Board member of Festo AG, AB Industrivärden, Indutrade AB, LKAB, L E Lundberg-företagen AB and Uppsala University. **Previous positions:** President and CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002. **Holdings in Husqvarna:** 5,000 B-shares.

**Auditors****Hamish Mabon**

Ernst & Young AB

Born 1965.

Authorized Public Accountant.

**Other audit assignments include:**

AB Tetra Pak and

If Skadeförsäkring AB.

**Holdings in Husqvarna:** 0 shares.

**Soili Johansson**

*Employee representative*

Born 1962. Representative of the Federation of Salaried Employees in Industry and Services.

**Holdings in Husqvarna:** 225 A-shares, 750 B-shares.

**Annika Ögren**

*Employee representative*

Born 1965. Representative of the Swedish Confederation of Trade Unions.

**Holdings in Husqvarna:** 0 shares.

**Carita Spångberg**

*Deputy employee representative*

Born 1968. Representative of the Swedish Confederation of Trade Unions.

**Holdings in Husqvarna:** 0 shares.

**Lotta Widehäll**

*Deputy employee representative*

Born 1976. Representative of the Federation of Salaried Employees in Industry and Services.

**Holdings in Husqvarna:** 0 shares.

All holdings in Husqvarna AB shares are as of December 31, 2015.

## Corporate Governance Report

Group Management<sup>1</sup>**Kai Wärn***President and CEO*

Born 1959. M.Sc. in Mechanical Engineering, the Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2013.

**Previous positions:** Operations partner at IK Investment Partners Norden AB 2011–2013. President and CEO of Seco Tools AB 2004–2010. Various positions at ABB 1985–2004.

**Holdings in Husqvarna:** 63,634 B-shares (Own), 100,000 B-shares (Legal person).

**Pavel Hajman***President, Husqvarna Division*

Born 1965. M.Sc. in Industrial Engineering and Management, Linköping Institute of Technology, Sweden. Employed 2014. Member of Group Management since 2014.

**Previous positions:** Executive Vice President, Head of Asia/Pacific, Husqvarna Group 2014. President Assa Abloy AHG Greater China 2013–2014. Various positions in Seco Tools 1990–2013, President Asia Pacific, Senior Vice President Group Business Development, Regional Director CEE.

**Holdings in Husqvarna:** 10,453 B-shares.

**Sascha Menges***President, Gardena Division*

Born 1971. M.Sc. in Ind. Engineering & Management, Swiss Federal Institute of Technology, Zurich, Switzerland. MBA, INSEAD, France. Employed 2004. Member of Group Management since 2011.

**Previous positions:** Executive Vice President, Head of Manufacturing & Logistics, Husqvarna Group 2011–2014. Various positions in Supply Chain Management and Operations, Husqvarna Group 2007–2011. Vice President Supply Chain Management, Gardena AG 2004–2007. Associate Principal Management Consulting, McKinsey & Company, Inc 1996–2004.

**Holdings in Husqvarna:** 42,867 B-shares.

**Jeff Hohler***President, Consumer Brands Division*

Born 1965. B.Sc. in Journalism, Bowling Green State University, US and an MBA in Marketing, John Hopkins University, US. Employed 2015. Member of Group Management since 2015.

**Previous positions:** President, Tools Business Segment, Newell Rubbermaid, Inc., US. Various positions within Newell Rubbermaid, 2001–2015. Various positions within the Black & Decker Corporation, 1991–2001.

**Holdings in Husqvarna:** 7,329 B-shares.

**Henric Andersson***President, Construction Division*

Born 1973. M.Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Linköping, Sweden. Employed 1997. Member of Group Management since 2012.

**Previous positions:** Senior Vice President, Technology Office, Husqvarna Group 2014–2015. Executive Vice President, Head of Product Management & Development Husqvarna Group, 2011–2014. Vice President Construction Equipment, Husqvarna Group 2008–2011. Vice President Commercial Lawn & Garden and President Husqvarna Turf Care 2004–2008. Vice President Riders & Robotic Mowers 2002–2004. Various positions in product and business management, Husqvarna 1997–2001.

**Holdings in Husqvarna:** 14,190 B-shares.

<sup>1</sup> During the year the following members of Group Management have ended their employment.; Ulf Liljedahl, Alan Shaw, Anders Ströby and Olle Wallén.

All holdings in Husqvarna AB shares are as of December 31, 2015.

## Corporate Governance Report

**Jan Ytterberg**

*Senior Vice President and Chief Financial Officer*

Born 1961. M.Sc. in Business Administration & Economics, Stockholm University, Sweden. Employed 2015. Member of Group Management since 2015.

**Previous positions:** Executive Vice President and Chief Financial Officer, Scania Group 2006–2015. Various positions in accounting and finance, Scania Group, 1987–2006.

**Holdings in Husqvarna:** 7 A-shares, 5,865 B-shares.

**Brian Belanger**

*General Counsel and Senior Vice President, Group Staff Legal Affairs, Husqvarna Board Secretary*

Born 1969. J.D./LLM, Duke University School of Law, Durham, NC, US; Law Clerk, US. Circuit Court of Appeals for the District of Columbia Circuit. Employed 2006. Member of Group Management since 2015.

**Previous positions:** Vice President Legal Affairs Husqvarna Asia/Pacific Region, Husqvarna Group 2009–2012. Acting General Counsel Husqvarna Americas, Husqvarna Group 2013. Associate General Counsel, Husqvarna Americas, Husqvarna Group 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.

**Holdings in Husqvarna:** 7,785 B-shares.

**Per Ericson**

*Senior Vice President, Group Staff People & Organization*

Born 1963. Forest Engineer, US. Forestry Studies and Swedish University of Agricultural Sciences, Sweden. Studies in Change Management in Organization and Social Systems, International Association for Organisational and Social Development (IOD), Belgium. Employed 2011. Member of Group Management since 2011.

**Previous positions:** Executive Vice President Human Resources, Haldex 2006–2011. Various positions, Stora Enso 1987–2006.

**Holdings in Husqvarna:** 18,183 B-shares.

**Pär Åström**

*Senior Vice President, Business Development*

Born 1972. M.Sc. in Industrial Engineering & Management, Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2015.

**Previous positions:** Vice President Business Development, Husqvarna Group, 2013–2014. Principal, A.T. Kearney Management Consultants, 2007–2013. A.T. Kearney and Occam Associates Management Consulting 1998–2007.

**Holdings in Husqvarna:** 12,946 B-shares.

**Sofia Axelsson**

*Senior Vice President, Group Communications, Brand & Marketing*

Born 1973. M.Sc. in Public finance and accounting/Business administration, Gothenburg University, Sweden. Employed 2011. Member of Group Management since 2015.

**Previous positions:** Senior Vice President, Brand & Marketing, Husqvarna Group 2014–2015. Vice President Brand Management and Global Marketing, Husqvarna Group 2011–2014. CEO, Diplomatkörrar and Snickarper/Inwido Group 2007–2011. Global Marketing Director Husqvarna, Pfaff, Singer 2006–2007. Various positions within Brand & Marketing in Husqvarna/Pfaff Sewing machines 1998–2005.

**Holdings in Husqvarna:** 7,335 B-shares.

**Anders Johanson**

*Senior Vice President, Technology Office & CTO*

Born 1969. M.Sc. Chemical Engineering and an MBA, Chalmers University of Technology, Gothenburg, Sweden. Employed 2015. Member of Group Management since 2015.

**Other major assignments:** Part time role as adjunct professor in industrial product development, KTH, Royal Institute of Technology, Stockholm, Sweden 2015–. **Previous positions:** Partner and Global Practice Leader Technology and Innovation Management, Arthur D. Little 2000–2006; 2008–2015. Director Strategic Product and Technology Planning, Gambro 2008. Director Business office and head of Business Consulting, Volvo IT 2006–2007. Various positions within Nobel Biocare 1996–2000.

**Holdings in Husqvarna:** 0 shares.

**Valentin Dahlhaus**

*Senior Vice President, Group Operations*

Born 1973. MBA, Freie Universität, Berlin, Germany. Employed 2010. Member of Group Management since 2015.

**Previous positions:** Vice President Demand and Supply Chain Management, Husqvarna Group, 2013–2014. Supply Chain development/PO, Husqvarna Group, 2011–2013. Demand and Supply Chain development, Husqvarna Group, 2010–2011. Arcandor AG (Primondo GmbH), Nürnberg/Fürth, 2007–2010. Continental AG, Hannover, 2004–2007.

**Holdings in Husqvarna:** 2,305 B-shares.

**Francesco Franzé**

*Senior Vice President, Program Office – Accelerated Improvement Program and Quality*

Born 1964. M.Sc. in Mechanical Engineering, the Royal Institute of Technology, Stockholm, Sweden. Employed 1989. Member of Group Management since 2015.

**Previous positions:** Venture capital and management consultancy, own enterprise, 2009–2013. Head of Electric Category, Husqvarna Group, 2004–2008. Senior Vice President Industrial Operations Dishwashers, Electrolux 1998–2003. Various positions within Operations in Electrolux Professional, 1989–1999.

**Holdings in Husqvarna:** 17,676 B-shares.

## Consolidated income statement

| SEKm                                   | Note              | 2015          | 2014 <sup>1</sup>        |
|----------------------------------------|-------------------|---------------|--------------------------|
| Net sales                              | 3                 | 36,170        | 32,838                   |
| Cost of goods sold                     | 5                 | -25,996       | -23,488 <sup>1</sup>     |
| <b>Gross income</b>                    |                   | <b>10,174</b> | <b>9,350<sup>1</sup></b> |
| Selling expenses                       | 5, 8              | -5,833        | -5,626                   |
| Administrative expenses                | 5                 | -1,532        | -1,392                   |
| Other operating income                 | 6                 | 23            | 18                       |
| Other operating expenses               | 5, 6              | -5            | -2                       |
| Impairment of goodwill                 | 5, 14             | -             | -767                     |
| <b>Operating income</b>                | <b>3, 4, 7, 9</b> | <b>2,827</b>  | <b>1,581<sup>1</sup></b> |
| Financial income                       | 10                | 44            | 76                       |
| Financial expenses                     | 10                | -388          | -401                     |
| <b>Financial items, net</b>            |                   | <b>-344</b>   | <b>-325</b>              |
| <b>Income after financial items</b>    |                   | <b>2,483</b>  | <b>1,256</b>             |
| Income tax                             | 11                | -595          | -432 <sup>1</sup>        |
| <b>Income for the period</b>           |                   | <b>1,888</b>  | <b>824<sup>1</sup></b>   |
| Income for the period attributable to: |                   |               |                          |
| Equity holders of the Parent Company   |                   | 1,883         | 820                      |
| Non-controlling interests              |                   | 5             | 4                        |
|                                        |                   | <b>1,888</b>  | <b>824</b>               |
| Earnings per share:                    |                   |               |                          |
| Before dilution, SEK                   | 12                | 3.29          | 1.43 <sup>1</sup>        |
| After dilution, SEK                    | 12                | 3.28          | 1.43 <sup>1</sup>        |
| Average number of shares outstanding:  |                   |               |                          |
| Before dilution, million               | 12                | 573.0         | 572.8                    |
| After dilution, million                | 12                | 574.2         | 573.1                    |

<sup>1</sup> 2014 has been restated, refer to note 25.

## Consolidated comprehensive income statement

| SEKm                                                                                 | Note | 2015         | 2014 <sup>1</sup>        |
|--------------------------------------------------------------------------------------|------|--------------|--------------------------|
| Income for the period                                                                |      | 1,888        | 824 <sup>1</sup>         |
| <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                          |      | 295          | –377                     |
| <b>Total items that will not be reclassified to the income statement, net of tax</b> |      | <b>295</b>   | <b>–377</b>              |
| <i>Items that may be reclassified to the income statement:</i>                       |      |              |                          |
| Exchange rate differences on translating foreign operations                          |      |              |                          |
| Currency translation differences                                                     | 18   | 12           | 1,762                    |
| Net investment hedge, net of tax                                                     | 18   | –250         | –721                     |
| Cash flow hedges                                                                     |      |              |                          |
| Result arising during the period, net of tax                                         | 18   | 36           | 98                       |
| Reclassification adjustments to the income statement, net of tax                     | 18   | –96          | 34                       |
| <b>Total items that may be reclassified to the income statement, net of tax</b>      |      | <b>–298</b>  | <b>1,173</b>             |
| <b>Other comprehensive income, net of tax</b>                                        |      | <b>–3</b>    | <b>796</b>               |
| <b>Total comprehensive income for the period</b>                                     |      | <b>1,885</b> | <b>1,620<sup>1</sup></b> |
| Total comprehensive income attributable to:                                          |      |              |                          |
| Equity holders of the Parent Company                                                 |      | 1,882        | 1,614                    |
| Non-controlling interests                                                            |      | 3            | 6                        |
|                                                                                      |      | <b>1,885</b> | <b>1,620</b>             |

<sup>1)</sup> 2014 has been restated, refer to note 25.

## Consolidated balance sheet

| SEKm                                                                     | Note  | Dec 31, 2015  | Dec 31, 2014 <sup>1</sup> |
|--------------------------------------------------------------------------|-------|---------------|---------------------------|
| <b>Assets</b>                                                            |       |               |                           |
| <i>Non-current assets</i>                                                |       |               |                           |
| Property, plant and equipment                                            | 9, 13 | 4,620         | 4,481 <sup>1</sup>        |
| Goodwill                                                                 | 14    | 5,613         | 5,520                     |
| Other intangible assets                                                  | 14    | 3,926         | 4,001                     |
| Derivatives                                                              | 19    | 4             | 0                         |
| Other non-current assets                                                 | 15    | 165           | 102                       |
| Deferred tax assets                                                      | 11    | 1,421         | 1,644 <sup>1</sup>        |
| <b>Total non-current assets</b>                                          |       | <b>15,749</b> | <b>15,748<sup>1</sup></b> |
| <i>Current assets</i>                                                    |       |               |                           |
| Inventories                                                              | 16    | 7,874         | 7,709 <sup>1</sup>        |
| Trade receivables                                                        | 19    | 3,126         | 2,898                     |
| Derivatives                                                              | 19    | 342           | 526                       |
| Tax receivables                                                          |       | 70            | 51                        |
| Other current assets                                                     | 17    | 882           | 665                       |
| Other short-term investments                                             | 19    | 4             | 0                         |
| Cash and cash equivalents                                                | 19    | 1,622         | 1,579                     |
| <b>Total current assets</b>                                              |       | <b>13,920</b> | <b>13,428<sup>1</sup></b> |
| <b>Total assets</b>                                                      |       | <b>29,669</b> | <b>29,176<sup>1</sup></b> |
| <b>Equity and liabilities</b>                                            |       |               |                           |
| <i>Equity attributable to equity holders of the Parent Company</i>       |       |               |                           |
| Share capital                                                            | 18    | 1,153         | 1,153                     |
| Other paid-in capital                                                    | 18    | 2,605         | 2,605                     |
| Other reserves                                                           | 18    | -359          | -63                       |
| Retained earnings                                                        | 18    | 9,642         | 8,373 <sup>1</sup>        |
| <b>Total equity attributable to equity holders of the Parent Company</b> |       | <b>13,041</b> | <b>12,068<sup>1</sup></b> |
| Non-controlling interests                                                | 18    | 20            | 20                        |
| <b>Total equity</b>                                                      |       | <b>13,061</b> | <b>12,088</b>             |
| <i>Non-current liabilities</i>                                           |       |               |                           |
| Borrowings                                                               | 19    | 4,580         | 5,598                     |
| Derivatives                                                              | 19    | 10            | 30                        |
| Deferred tax liabilities                                                 | 11    | 1,554         | 1,492                     |
| Provisions for pensions and other post-employment benefits               | 20    | 1,425         | 1,835                     |
| Other provisions                                                         | 21    | 860           | 848                       |
| <b>Total non-current liabilities</b>                                     |       | <b>8,429</b>  | <b>9,803</b>              |
| <i>Current liabilities</i>                                               |       |               |                           |
| Trade payables                                                           | 19    | 3,077         | 3,154                     |
| Tax liabilities                                                          |       | 121           | 50 <sup>1</sup>           |
| Other liabilities                                                        | 22    | 2,080         | 1,995                     |
| Borrowings                                                               | 19    | 2,016         | 1,154                     |
| Derivatives                                                              | 19    | 346           | 722                       |
| Other provisions                                                         | 21    | 539           | 210                       |
| <b>Total current liabilities</b>                                         |       | <b>8,179</b>  | <b>7,285<sup>1</sup></b>  |
| <b>Total equity and liabilities</b>                                      |       | <b>29,669</b> | <b>29,176<sup>1</sup></b> |

<sup>1</sup> 2014 has been restated, refer to note 25.

## Consolidated cash flow statement

| SEKm                                                                                   | Note      | 2015          | 2014 <sup>1</sup> |
|----------------------------------------------------------------------------------------|-----------|---------------|-------------------|
| <b>Cash flow from operations</b>                                                       |           |               |                   |
| Operating income                                                                       |           | 2,827         | 1,581             |
| <i>Non cash items</i>                                                                  |           |               |                   |
| Depreciation/amortization and impairment                                               | 5, 13, 14 | 1,153         | 1,734             |
| Capital gains and losses                                                               | 6         | -18           | -4                |
| Other non cash items                                                                   |           | 271           | -113              |
| <i>Cash items</i>                                                                      |           |               |                   |
| Paid restructuring costs                                                               |           | -27           | -96               |
| Net financial items, received/paid                                                     |           | -315          | -263 <sup>2</sup> |
| Taxes paid                                                                             |           | -252          | -231              |
| <b>Cash flow from operations, excluding change in operating assets and liabilities</b> |           | <b>3,639</b>  | <b>2,608</b>      |
| <b>Change in operating assets and liabilities</b>                                      |           |               |                   |
| Change in inventories                                                                  |           | -89           | -60               |
| Change in trade receivables                                                            |           | -287          | 137               |
| Change in trade payables                                                               |           | -175          | -10               |
| Change in other operating assets/liabilities                                           |           | -32           | 136               |
| <b>Cash flow from operating assets and liabilities</b>                                 |           | <b>-583</b>   | <b>203</b>        |
| <b>Cash flow from operations</b>                                                       |           | <b>3,056</b>  | <b>2,811</b>      |
| <b>Investments</b>                                                                     |           |               |                   |
| Acquired and divested assets/subsidiaries                                              |           | 63            | -26               |
| Investments in property, plant and equipment                                           | 13        | -1,029        | -1,131            |
| Investments in intangible assets                                                       | 14        | -359          | -255              |
| Other                                                                                  |           | 0             | 0                 |
| <b>Cash flow from investments</b>                                                      |           | <b>-1,325</b> | <b>-1,412</b>     |
| <b>Cash flow from operations and investments</b>                                       |           | <b>1,731</b>  | <b>1,399</b>      |
| <b>Financing</b>                                                                       |           |               |                   |
| Change in short-term investments                                                       |           | -4            | 16                |
| New borrowings                                                                         |           | 946           | 499               |
| Repayment of borrowings                                                                |           | -938          | -695              |
| Net investment hedge                                                                   |           | -774          | -557 <sup>2</sup> |
| Transfer of treasury shares                                                            |           | 5             | 5                 |
| Dividend paid to shareholders                                                          |           | -945          | -859              |
| Dividend paid to non-controlling interests                                             |           | -3            | -4                |
| <b>Cash flow from financing</b>                                                        |           | <b>-1,713</b> | <b>-1,595</b>     |
| <b>Total cash flow</b>                                                                 |           | <b>18</b>     | <b>-196</b>       |
| Cash and cash equivalents at beginning of year                                         |           | 1,579         | 1,594             |
| Exchange rate differences referring to cash and cash equivalents                       |           | 25            | 181               |
| <b>Cash and cash equivalents at year-end</b>                                           |           | <b>1,622</b>  | <b>1,579</b>      |

<sup>1</sup> 2014 has been restated, refer to note 25.

<sup>2</sup> Net investment hedge has been moved from operations to financing activities, which is a more appropriate presentation under IFRS.

## Consolidated statement of changes in equity

| Attributable to equity holders of the Parent Company |                            |                                          |                                |                                   |        |                                               |                 |
|------------------------------------------------------|----------------------------|------------------------------------------|--------------------------------|-----------------------------------|--------|-----------------------------------------------|-----------------|
| SEKm                                                 | Share capital<br>(Note 18) | Other<br>paid-in<br>capital<br>(Note 18) | Other<br>reserves<br>(Note 18) | Retained<br>earnings<br>(Note 18) | Total  | Non-<br>controlling<br>interests<br>(Note 18) | Total<br>equity |
| Opening balance Jan 1, 2014                          | 1,153                      | 2,605                                    | -1,234                         | 8,848                             | 11,372 | 18                                            | 11,390          |
| Correction of prior year <sup>1</sup>                | –                          | –                                        | –                              | -75                               | -75    | –                                             | -75             |
| Opening balance Jan 1, 2014                          | 1,153                      | 2,605                                    | -1,234                         | 8,773                             | 11,297 | 18                                            | 11,315          |
| Income for the period <sup>1</sup>                   | –                          | –                                        | –                              | 820                               | 820    | 4                                             | 824             |
| Other comprehensive income                           | –                          | –                                        | 1,171                          | -377                              | 794    | 2                                             | 796             |
| Total comprehensive income                           | –                          | –                                        | 1,171                          | 443                               | 1,614  | 6                                             | 1,620           |
| <b>Transactions with owners</b>                      |                            |                                          |                                |                                   |        |                                               |                 |
| Share-based payment                                  | –                          | –                                        | –                              | 11                                | 11     | –                                             | 11              |
| Transfer of treasury shares <sup>2</sup>             | –                          | –                                        | –                              | 5                                 | 5      | –                                             | 5               |
| Dividend to non-controlling interests                | –                          | –                                        | –                              | –                                 | –      | -4                                            | -4              |
| Dividend SEK 1.50 per share                          | –                          | –                                        | –                              | -859                              | -859   | –                                             | -859            |
| Closing balance Dec 31, 2014                         | 1,153                      | 2,605                                    | -63                            | 8,373                             | 12,068 | 20                                            | 12,088          |
| Income for the period                                | –                          | –                                        | –                              | 1,883                             | 1,883  | 5                                             | 1,888           |
| Other comprehensive income                           | –                          | –                                        | -296                           | 295                               | -1     | -2                                            | -3              |
| Total comprehensive income                           | –                          | –                                        | -296                           | 2,178                             | 1,882  | 3                                             | 1,885           |
| <b>Transactions with owners</b>                      |                            |                                          |                                |                                   |        |                                               |                 |
| Share-based payment                                  | –                          | –                                        | –                              | 31                                | 31     | –                                             | 31              |
| Transfer of treasury shares <sup>2</sup>             | –                          | –                                        | –                              | 5                                 | 5      | –                                             | 5               |
| Dividend to non-controlling interests                | –                          | –                                        | –                              | –                                 | –      | -3                                            | -3              |
| Dividend SEK 1.65 per share                          | –                          | –                                        | –                              | -945                              | -945   | –                                             | -945            |
| Closing balance Dec 31, 2015                         | 1,153                      | 2,605                                    | -359                           | 9,642                             | 13,041 | 20                                            | 13,061          |

<sup>1</sup> 2014 has been restated, refer to note 25.

<sup>2</sup> Options exercised related to 2009 LTI-program.

## Group notes

### Note 1 Accounting principles

#### BASIS OF PREPARATION

The consolidated financial statements of Husqvarna AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. Entities within Husqvarna apply uniform accounting principles. The policies set out below have been consistently applied to all years presented, unless otherwise stated. In addition, Swedish Annual Accounts Act and RFR 1, Supplementary Rules for Groups, have been applied. The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss (derivative instruments).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

#### Correction of balance sheet and income statement 2014

Husqvarna has revisited the calculation model for elimination of internal profits in inventory. The application of the new model results in a correction of the opening balance of Group inventory as of Jan 1, 2014 and a restatement of 2014. For further information refer to note 25.

#### CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

##### New and amended standards adopted by Husqvarna Group 2015

There are no new or amended standards adopted by Husqvarna Group as of January 1, 2015 that has had a material impact on the Group.

##### New standards and amendments from 2016 and forward

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after December 31, 2015, and have not been applied in preparing these consolidated financial statements.

IFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 will replace the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three primary measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. IFRS 9 softens the requirements for hedge effectiveness by replacing the hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018, provided EU approval. The Group is assessing the impact of IFRS 9.

IFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, provided EU approval. The Group is assessing the impact of IFRS 15.

There are no other IFRS or IFRIC interpretations that are not yet effective and are expected to have a material impact on the Group.

#### ACCOUNTING AND VALUATION PRINCIPLES

##### Principles applied for consolidation

###### Subsidiaries

The financial statements include Husqvarna AB and all companies (subsidiaries) which the Parent Company controls. Husqvarna controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns

through the power over the entity. Husqvarna generally controls a company by a shareholding of more than 50% of the voting rights referring to all shares and participations. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

Husqvarna applies the acquisition method to account for business combinations, whereby the assets, liabilities and contingent liabilities in a subsidiary on the date of acquisition are valued at fair value to determine the acquisition value to the Group. The valuation includes evaluation of any contingent consideration which is recognized at fair value at the acquisition date. All subsequent changes in the contingent consideration are recognized in the income statement. Transaction costs related to the business combination are expensed as they are incurred. If the consideration paid for the business combination exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized as goodwill. If the fair value of the acquired net assets exceeds the consideration paid for the business combination, as in a bargain purchase, the difference is recognized directly in the income statement. The consolidated income statement for the Group includes the income statements for the Parent Company and its directly and indirectly owned subsidiaries after:

- elimination of intercompany transactions, balances and unrealized inter-company profits in stock, and
- depreciation and amortization of acquired surplus values.

At year-end 2015, the Group comprised 125 operating units, and 89 legal entities.

##### Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the equity holders. Acquisitions from non-controlling interests result in an adjustment to equity, corresponding to the difference between the consideration paid and the carrying value of the non-controlling interest. Gains or losses on disposals to non-controlling interests are reported in equity. Disposals to non-controlling interests which result in loss of control are recorded as gains and losses in the income statement.

##### Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The financial statements are presented in Swedish kronor, SEK, which is the Parent Company's functional currency and the presentation currency of Husqvarna Group.

Exchange rate gains or losses that occur from transactions in foreign currency and in translation of monetary assets or liabilities to the exchange rate at closing date are reported in the income statement. An exception to this accounting treatment is if the transaction qualifies as cash flow hedges or hedge of net investments of which the unrealized exchange gains or losses are recognized in other comprehensive income.

Exchange rate gains and losses that relate to borrowing costs or liquid assets are accounted for in the income statement within the finance net. Other foreign exchange rate differences are accounted for in the operating income.

The income statements and balance sheets for all Group companies with functional currency other than the presentation currency of Husqvarna Group is translated to the Groups currency. Assets and liabilities for each balance sheet presented are translated at the closing rate. Income and expenses for each income statement are translated at average rates for each month respectively.

All currency translation differences that occur from the translation are accounted for in other comprehensive income. When a foreign operation is divested, currency translation differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

##### Segment reporting

Husqvarna Group's operating segments are reported in a manner consistent with the internal reporting provided to the President and CEO (Husqvarna's Chief operating decision maker) as a basis for evaluating the performance and for decision on how to allocate resources to the

## Notes – Group

segments. Husqvarna comprises four segments (divisions): Husqvarna, Gardena, Consumer Brands and Construction.

For a more detailed description of the segments, see note 3.

### Property, plant and equipment

Property, plant and equipment are reported at historical cost less accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred. Land is not depreciated as it is considered to have an unlimited useful life. Depreciation is based on the following estimated useful lives:

|                                       |             |
|---------------------------------------|-------------|
| Buildings and land improvements       | 10–40 years |
| Machinery and technical installations | 3–15 years  |
| Other equipment                       | 3–10 years  |

The Group assesses the estimated useful lives as well as whether there is any indication that any of the company's fixed assets are impaired at the end of each reporting period.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs of those assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### Intangible assets

#### Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess between the purchase price and the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is reported as an intangible asset with indefinite useful life and measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination.

The value of goodwill is continuously monitored, and is tested annually for impairment or more regularly if there is an indication that the asset might be impaired. Any impairment is recognized immediately as an expense and is not subsequently reversed.

#### Brands

Brands that have been acquired separately are shown at historical cost. Brands that have been acquired through business combination are recognized at fair value at the acquisition date. All brands with finite useful lives are amortized on a straight-line basis during the useful life, estimated at 10 years. Brands are carried at cost less accumulated amortization and accumulated impairment. The brand Gardena is reported as an intangible asset with indefinite useful life. No other brands are identified as having indefinite useful lives.

### Product development expenses

Husqvarna capitalizes certain development expenses for new products provided that the level of certainty as to their future economic benefits and useful lives are high. An intangible asset is only recognized to the degree that the product is sellable on existing markets and that resources exist to complete the development. Only expenditure, which is directly attributable to the new product's development, is recognized. Capitalized development costs are amortized over their useful lives, ranging between 3 to 5 years. The assets are tested for impairment annually or when there is an indication that the intangible asset may be impaired.

### Other intangible assets

Other intangible assets include computer software, patents, licenses and customer relations. Computer software, patents and licenses are recognized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. Computer software has an estimated useful life of 3–6 years and patents and licenses have a useful life of 10–13 years.

Customer relations are capitalized at fair value in connection with business combinations. The values of these customer relationships are amortized over their useful lives of 5–12 years.

### Impairment of non-financial assets

Assets that have an indefinite useful life (goodwill and the brand Gardena) or intangible assets not ready for use are not subject to amortization but tested annually for impairment, or more often if there is an indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indication of impairment the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized by the amount by which the net book value of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped in cash generating units, which are the smallest identifiable group of assets generating cash inflows that are substantially independent of the cash inflows from other assets or group of assets. The Group's cash generating units are the four segments (divisions); Husqvarna, Gardena, Consumer Brands and Construction. Refer to note 2 and note 14 regarding impairment of intangible assets with indefinite useful life.

### Financial instruments

#### Classification of financial instruments

Husqvarna classifies its financial instruments in the following categories, depending on the intention with the acquisition:

- Financial assets or liabilities at fair value through profit or loss
- Loans and receivables
- Other financial liabilities

The classification is determined at initial recognition and is thereafter reviewed at each reporting date.

#### Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss are financial assets/liabilities held for trading. Derivatives are categorized as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if expected to be settled within 12 months, otherwise they are classified as non-current.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets with the exception of maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. This category includes financial non-current assets, accounts receivables, other receivables, short-term investments and cash and cash equivalents.

#### Other financial liabilities

Other financial liabilities refer to all financial liabilities that are not included in the category financial liabilities at fair value through profit or loss or has been identified as items hedged. This category includes borrowings, financial lease liabilities, trade payables and other liabilities. Other financial liabilities due within 12 months are classified as short-term liabilities, while those due after 12 months are classified as long-term liabilities.

#### Recognition and measurement of financial instruments

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs reported in the income statement.

Financial assets are derecognized when the right to receive cash flows from the investments has expired or has been transferred and when the Group has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognized when the obligation is satisfied, cancelled or has expired.

Financial assets and liabilities at fair value through profit or loss are carried to fair value. All changes to fair value are reported in the income

statement when they arise and are reported within operating income. Refer to note 19 regarding disclosures of measurement at fair value.

Loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method less provision for impairment.

At each closing date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Husqvarna Group has entered into master netting arrangements for certain financial derivatives. When the criteria for offsetting are fulfilled the derivatives are netted in the balance sheet.

#### Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of highly probable forecast transactions (cash flow hedges) or hedges of net investments in a foreign operation (net investment hedge). When hedging net investments in foreign operations and forecasted cash flows from sales and purchases, the hedged risk is defined as the risk of changes in the spot rate.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as risk-management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the hedging inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Disclosures regarding fair value for the Group's derivatives are shown in note 19. Changes in the cash flow hedge reserve are shown in note 18. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than 12 months and as current asset or liability if the maturity is shorter than 12 months.

#### Cash flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as operating income.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale which is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement within financial items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

#### Liquid funds

Liquid funds consist of cash on hand, bank deposits, other short-term highly liquid investments and fair value derivative assets.

#### Inventories

Inventories and work in progress are valued at the lower of cost and net realizable value. The value of inventories is determined by using the weighted average cost formula. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to execute the sale at market value. Gains and losses previously deferred in equity on hedged forecast transactions are also included in the initial measurement cost of the inventory. The cost of finished goods and work in progress comprises raw material, direct labour, other direct cost and other related production overheads. Borrowing costs are not included in inventory. Appropriate provisions have been made for obsolescence.

#### Current and deferred tax

The tax expense for the period consists of both current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case tax is reported in other comprehensive income and equity respectively.

Current tax is calculated based on the taxable result for the year. This can differ to the income before tax reported in the income statement due to adjustment for non-taxable and non-deductible income and expenses and temporary differences. The current income tax is calculated on the basis on the tax laws in the country of the Parent Company or the subsidiaries.

Management periodically review the positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax also includes adjustments to income tax related to prior years.

Deferred tax is accounted for in accordance with the liability method. This means that a deferred tax asset or liability is reported on all temporary differences arising between the tax basis for assets and liabilities and their net book value. Deferred tax is calculated based on the tax rates in the respective country.

Taxes incurred by Husqvarna are affected by appropriations and other taxable (or tax-related) transactions in the individual Group companies. They are also affected by the utilization of tax losses carried forward referring to previous years or to acquired companies. Deferred tax assets on tax losses, temporary differences and tax credits are recognized to the extent it is probable that they will be utilized in future periods.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are shown net when a company or a group of companies, has a legally enforceable right to set off tax assets against tax liabilities, they refer to the same taxation authority and the intention is to settle the assets/liabilities with a net payment.

#### Pensions and other post-employment benefits

##### Pension obligations

Pensions and other post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

All other pensions and other post-employment benefit plans are defined benefit plans. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, depending on factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined

**Notes – Group**

by discounting the estimated future cash outflows using interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid, in most countries AA-rated corporate bond indexes matching the duration of the pension obligation and in Sweden mortgage bonds. In countries without a deep market in such bonds, the market rate on government bonds is used.

Past-service costs are recognized immediately in the operating income. Interest on the Group's net pension plans are reported net within the Group's finance items, and is calculated applying the discount rate as when calculating the net defined liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

**Termination benefits**

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date, or whenever they accept voluntary redundancy in exchange for these benefits. Termination benefits are recognized at the earlier of a) when the Group can no longer withdraw the offer of those benefits and b) when the entity recognizes costs for a restructuring and involves the payment of termination benefits.

**Share-based compensation**

Husqvarna Group has share-based, equity settled, compensation programs where the Group receives services from employees as consideration for equity instruments (shares and options). The cost of the granted instruments' fair value at grant date is recognized during the vesting period. The fair value of the instruments is the market value at grant date, adjusted for the discounted value of future dividends which employees will not receive. At the end of each reporting period, the Group revises the estimates of the number of instruments that are expected to vest. Husqvarna Group recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, the Group provides for employer social contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over the vesting period. The provision is periodically revalued on the basis of the fair value of the instruments at each closing date.

**Provisions**

Provisions are recognized when the Group has a present legal or contractual obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. Provisions are measured at present value, when material.

Provisions for warranties are recognized at the date of sale of the products covered by the warranty and are calculated on the basis of historical data for similar products.

Restructuring provisions are recognized when the Group has adopted a detailed formal plan for the restructuring and has either started the implementation of the plan or communicated its main features to those affected by the restructuring.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of trade discounts, returns, value added taxes and specific sales taxes. The Group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Husqvarna mainly generates revenue from sales of finished products, but also some from accessories and services, refer below:

**Sales of finished products and accessories**

Husqvarna manufactures and sells finished products and accessories mainly to dealers and retailers but also directly to consumers. The revenue is recognized when the significant risks and rewards associated with ownership of the goods have been transferred to the buyer in accordance with the sales and delivery terms, and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably.

**Services**

Revenues from services are recorded when the service, such as product repairs, has been performed.

**Extended warranty**

Revenue from extended warranty is recorded over the contract period.

**Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

**Dividend**

Dividends are recognized when it is determined that payments will be received.

**Government grants**

Government grants relate to financial grants from governments, public authorities and similar local, national, or international bodies. These are recognized when there is a reasonable assurance that Husqvarna Group will comply with the conditions attached to them and that the grants will be received. Government grants relating to assets are included in the balance sheet as prepaid income and recognized as income over the useful life of the assets. Government grants relating to expenses are recognized in the income statement as a deduction of such related expenses.

**Leasing**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged on a straight-line basis during the lease period. Leasing agreements where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the leases commencement date at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. Each lease payment is divided between amortization of the lease liability and interest. Corresponding rental obligations, net of finance charges, are reported in the balance sheet as non-current or current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Husqvarna Group leases a number of production facilities, warehouses and office premises as well as certain office equipment. Main part of the Group's leasing agreements are classified as operating leases.

**Dividend distribution**

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

**Cash flow**

The cash flow statement has been prepared according to the indirect method.

**Note 2 Important accounting estimates and assessments**

In order to prepare these financial statements, management needs to make estimates and assessments and therefore use certain assumptions concerning the future. Management makes estimates and assessments based on past experience and assumptions that are believed to be reasonable and realistic under the circumstances. The use of such estimates and assessments has an impact on the income statement as well as the balance sheet and on the disclosures presented, such as contingent liabilities. Actual results could differ from these estimates under different assumptions or circumstances. Summarized below are those accounting principles that require subjective judgement from management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

**Impairment test of intangible assets with indefinite useful life**

Intangible assets that have an indefinite useful life (goodwill and the brand Gardena) are tested annually for impairment, or more often if there is an indication of impairment. If there is an indication of impairment, the Group

estimates the recoverable amount of the asset. An impairment loss is recognized by the amount by which the net book value of an asset exceeds its recoverable amount. The recoverable amount for a cash generating unit is determined on the basis of value in use estimated by using the discounted cash flow method based on expected future results. Key assumptions for forecasting are expected growth, margin and discount rates. For further information regarding the Group's impairment test, refer to note 14.

### Inventory

Husqvarna Group's inventory is accounted for to the lowest of the acquisition value in accordance with the weighted average cost formula, and the net realizable value. The net value is adjusted for the estimated write-down for older articles, physically damaged goods, excess inventory and sales costs. Husqvarna's large seasonality in stockpiling and sales together with weather-dependent products increase the difficulty to estimate the value of inventory. To minimize these difficulties, Husqvarna is constantly working with streamlining the production chain, keeping the inventory levels on a reasonably low level and focus on the inventory valuation to ensure that it is accurate in accordance with the circumstances on the closing date. The total provision for obsolescence amounts to SEK 443m (424) and the inventory net of provisions amounts to SEK 7,874m (7,709).

### Deferred tax

In the preparation of the financial statements, Husqvarna Group estimates income tax for each of the taxing jurisdictions in which Husqvarna Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets, which primarily relate to tax loss carry-forwards and temporary differences, are recognized if future taxable income is expected to allow for the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates may result in significant differences in the valuation of deferred taxes. For further information regarding deferred tax refer to note 11.

### Provisions for pensions and other post-employment benefits

The present value of the Group's net pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used calculating the net pension liability comprise of for example; discount rate, inflation, mortality, future salary increases etc. Any changes in these assumptions will impact the carrying amount of the net pension liability. Sensitivity analysis of the effect from a change in the main assumptions and potential risks affecting the liabilities are included in note 20.

### Share-based compensation

Husqvarna Group has share-based, equity settled, compensation programs where the Group receives services from employees as consideration for equity instruments. The share-based compensation includes matching shares awards and performance based share awards. In order to receive the share match and the performance based shares, the employee is required to stay employed three years after the grant date and to maintain the original investment. The number of performance based share awards that vest further depend on the fulfilment of certain levels of increase of the Company's value creation as determined by the Board of Directors. These levels are "entry", "target" and "stretch". "Entry" constitutes a minimum level which must be exceeded in order for the performance based share awards to vest and give right to Class B-shares. At the end of each reporting period, the Group revises the estimates of the number of instruments that are expected to vest. The number of performance based shares that are expected to vest is based on management's best estimate. For further information refer to note 4.

### Warranty provision

Provision for warranty comprises all potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to two years. The provision is estimated for each group of products and based on historical information. For further information refer to note 21.

### Provision for restructuring

Provision for restructuring represents the expected payments to be incurred in the coming years as a consequence of Husqvarna's decision to close some factories, rationalize production and reduce personnel. The

amounts are based on the Husqvarna management's best estimates and are adjusted when changes to these estimates are known. Provision for reduction of personnel is calculated on individual basis except for most Blue Collar workers where negotiations are made collectively and are based on management's best estimate of the amount expected to be paid out. For further information refer to note 21.

### Claims reserves

Husqvarna Group maintains third-party insurance coverage and is insured through wholly-owned insurance subsidiaries (captives) in regards to a variety of exposures and risks, such as property damage, business interruption and product liability claims. Claims reserves in the captives, mainly for product liability claims, are calculated on the basis of a combination of case reserves and reserves for claims incurred but not reported. Actuarial calculations are undertaken to assess the adequacy of the reserves based on historical loss development experience, benchmark reporting and payment patterns. These actuarial calculations are based on several assumptions and changes in these assumptions may result in significant differences in the valuation of the reserves. For further information refer to note 21.

### Contingent liabilities

The Group is involved in various disputes arising from time to time in its ordinary course of business. Husqvarna Group estimates that none of the disputes in which the Group is presently involved in or that have been settled recently have had, or may have, a material effect on Husqvarna's financial position or profitability. However, the outcome of complicated disputes is also difficult to foresee, and it cannot be ruled out that the disadvantageous outcome of a dispute may result in a significantly adverse impact on the Group's results of operations and financial position. For further information refer to note 23.

## Note 3 Segment information

Husqvarna Group has established a new brand-driven organization for its forest and garden operations, which was fully effective as of January 1, 2015. The comparative information for 2014 has been restated due to the new organization. The new organization includes three global segments (divisions) for the forest and garden operations; Husqvarna, Gardena and Consumer Brands. The Construction Division was not affected by the reorganization. These four Divisions forms the basis for the Group's internal reporting reviewed by the Group's President and CEO (Husqvarna's chief operating decision maker) in order to assess performance and take decision on allocating resources.

The Divisions are responsible for the operating income (excluding items affecting comparability) and the net assets used in their operations which also are the financial measure used when the Group's President and CEO makes in his assessment of the performance of the segment. Net financial income/expense, tax, net debt and equity are undistributed items, not reported per division.

The Divisions consist of separate legal units as well as parts of multi-segment legal units meaning that an amount of allocation of costs and net assets is distributed among the Divisions. Operating costs not included in the Divisions are shown under Group common costs, which mainly include costs for Husqvarna's corporate functions.

Segment consolidation is based on the same accounting principles as for the Group as a whole. The Divisions are responsible for the management of operational assets and their performance is measured at this level, while the financing of the operations is managed by Husqvarna Group Treasury at Group and country level. Consequently, liquid funds, interest-bearing assets and liabilities, equity and tax items are not allocated to the Divisions. Group common include common group services such as Holding, Treasury and Risk Management.

All divisions include production, development, logistics, marketing and selling. The Divisions Husqvarna, Gardena and Consumer Brands include selling of forest, park and garden products to retailers and dealers. Forest and garden products comprise five product categories; Wheeled products, Electric products, Handheld products, Watering and garden hand tools and finally Accessories. For details about the products included in each category see page 1. The Construction Division includes sales of machines and diamond tools for the construction and stone industries.

## Notes – Group

## 2015

| SEKm                                                                     | Husqvarna     | Gardena      | Consumer Brands | Construction | Group common <sup>1</sup> | Undistributed items <sup>2</sup> | Group         |
|--------------------------------------------------------------------------|---------------|--------------|-----------------|--------------|---------------------------|----------------------------------|---------------|
| <b>Net sales (external)</b>                                              | <b>17,624</b> | <b>4,669</b> | <b>9,936</b>    | <b>3,941</b> | <b>–</b>                  | <b>–</b>                         | <b>36,170</b> |
| Operating income                                                         | 2,233         | 586          | –147            | 395          | –240                      | –                                | 2,827         |
| Where of items affecting comparability <sup>3</sup>                      | –51           | –5           | –27             | –70          | –                         | –                                | –153          |
| Operating income adjusted for items affecting comparability <sup>3</sup> | 2,284         | 591          | –120            | 465          | –240                      | –                                | 2,980         |
| Financial income                                                         | –             | –            | –               | –            | –                         | 44                               | 44            |
| Financial expenses                                                       | –             | –            | –               | –            | –                         | –388                             | –388          |
| <b>Income after financial items</b>                                      | <b>2,233</b>  | <b>586</b>   | <b>–147</b>     | <b>395</b>   | <b>–240</b>               | <b>–344</b>                      | <b>2,483</b>  |
| <b>Total assets</b>                                                      | <b>10,917</b> | <b>6,434</b> | <b>5,443</b>    | <b>3,342</b> | <b>40</b>                 | <b>3,493</b>                     | <b>29,669</b> |
| Liabilities                                                              | 3,021         | 735          | 1,699           | 624          | 477                       | 10,052                           | 16,608        |
| Total equity                                                             | –             | –            | –               | –            | –                         | 13,061                           | 13,061        |
| <b>Total equity and liabilities</b>                                      | <b>3,021</b>  | <b>735</b>   | <b>1,699</b>    | <b>624</b>   | <b>477</b>                | <b>23,113</b>                    | <b>29,669</b> |
| Cash flow from operations <sup>4</sup>                                   | 1,786         | 593          | –188            | 325          | –240                      | –                                | 2,276         |
| Depreciation/amortization/impairment <sup>3</sup>                        | 464           | 182          | 308             | 197          | 2                         | –                                | 1,153         |
| Investments in property, plant and equipment                             | –524          | –232         | –176            | –97          | 0                         | –                                | –1,029        |
| Investments in intangible assets                                         | –200          | –103         | –27             | –29          | 0                         | –                                | –359          |
|                                                                          | <b>1,526</b>  | <b>440</b>   | <b>–83</b>      | <b>396</b>   | <b>–238</b>               | <b>–</b>                         | <b>2,041</b>  |
| Change in other operating assets/liabilities <sup>5</sup>                | –             | –            | –               | –            | –                         | 194                              | 194           |
| Acquired and divested assets/subsidiaries                                | –             | –            | –               | –            | –                         | 63                               | 63            |
| Net financial items, received/paid                                       | –             | –            | –               | –            | –                         | –315                             | –315          |
| Taxes paid                                                               | –             | –            | –               | –            | –                         | –252                             | –252          |
| <b>Cash flow from operations and investments</b>                         | <b>1,526</b>  | <b>440</b>   | <b>–83</b>      | <b>396</b>   | <b>–238</b>               | <b>–310</b>                      | <b>1,731</b>  |

## 2014

| SEKm                                                      | Husqvarna     | Gardena      | Consumer Brands | Construction | Group common <sup>1</sup> | Undistributed items <sup>2</sup> | Group         |
|-----------------------------------------------------------|---------------|--------------|-----------------|--------------|---------------------------|----------------------------------|---------------|
| <b>Net sales (external)</b>                               | <b>15,449</b> | <b>4,212</b> | <b>9,838</b>    | <b>3,339</b> | <b>–</b>                  | <b>–</b>                         | <b>32,838</b> |
| Operating income                                          | 2,008         | 383          | –155            | 354          | –1,009                    | –                                | 1,581         |
| Where of items affecting comparability <sup>3</sup>       | –             | –            | –               | –            | –767                      | –                                | –767          |
| Financial income                                          | –             | –            | –               | –            | –                         | 76                               | 76            |
| Financial expenses                                        | –             | –            | –               | –            | –                         | –401                             | –401          |
| <b>Income after financial items</b>                       | <b>2,008</b>  | <b>383</b>   | <b>–155</b>     | <b>354</b>   | <b>–1,009</b>             | <b>–325</b>                      | <b>1,256</b>  |
| <b>Total assets</b>                                       | <b>10,025</b> | <b>6,449</b> | <b>5,645</b>    | <b>3,215</b> | <b>42</b>                 | <b>3,800</b>                     | <b>29,176</b> |
| Liabilities                                               | 2,942         | 639          | 1,723           | 538          | 365                       | 10,881                           | 17,088        |
| Total equity                                              | –             | –            | –               | –            | –                         | 12,088                           | 12,088        |
| <b>Total equity and liabilities</b>                       | <b>2,942</b>  | <b>639</b>   | <b>1,723</b>    | <b>538</b>   | <b>365</b>                | <b>22,969</b>                    | <b>29,176</b> |
| Cash flow from operations <sup>4</sup>                    | 1,928         | 325          | 60              | 344          | –1,009                    | –                                | 1,648         |
| Depreciation/amortization/impairment <sup>3</sup>         | 428           | 149          | 247             | 141          | 769                       | –                                | 1,734         |
| Investments in property, plant and equipment              | –680          | –177         | –198            | –76          | 0                         | –                                | –1,131        |
| Investments in intangible assets                          | –121          | –59          | –46             | –29          | 0                         | –                                | –255          |
|                                                           | <b>1,555</b>  | <b>238</b>   | <b>63</b>       | <b>380</b>   | <b>–240</b>               | <b>–</b>                         | <b>1,996</b>  |
| Change in other operating assets/liabilities <sup>5</sup> | –             | –            | –               | –            | –                         | –77                              | –77           |
| Acquired and divested assets/subsidiaries                 | –             | –            | –               | –            | –                         | –26                              | –26           |
| Net financial items, received/paid                        | –             | –            | –               | –            | –                         | –263                             | –263          |
| Taxes paid                                                | –             | –            | –               | –            | –                         | –231                             | –231          |
| <b>Cash flow from operations and investments</b>          | <b>1,555</b>  | <b>238</b>   | <b>63</b>       | <b>380</b>   | <b>–240</b>               | <b>–597</b>                      | <b>1,399</b>  |

<sup>1</sup> Group common include common group services such as Holding, Treasury and Risk Management.

<sup>2</sup> Undistributed items consist of liquid funds and other interest-bearing assets, interest-bearing liabilities, equity and tax items.

<sup>3</sup> Husqvarna Group assess the performance of the segments based on operating income, excluding items affecting comparability. In 2015 the items affecting comparability consist of restructuring cost and in 2014 impairment of goodwill. Impairment in the Group amount to SEK 77m (780) whereof SEK 21m (13) refer to the Husqvarna Division, SEK 1m (0) to Gardena, SEK 26m (0) to Consumer Brand, SEK 29m (0) to Construction and SEK 0m (767) Group common.

<sup>4</sup> Cash flow from operations per division is calculated excluding depreciation/amortization and impairment, capital gains and losses, other non-cash items, paid restructuring expenses, net financial items, taxes paid and change in other operating assets/liabilities.

<sup>5</sup> Change in other operating assets/liabilities also include other non cash items, paid restructuring costs, and capital gains and losses.

**Geographic information**

The table below shows sales per geographical market, regardless of where the goods are produced. Assets are reported where the asset is located.

| SEKm              | External sales |               | Non-current assets <sup>1</sup> |               |
|-------------------|----------------|---------------|---------------------------------|---------------|
|                   | 2015           | 2014          | 2015                            | 2014          |
| Sweden            | 1,379          | 1,220         | 2,715                           | 2,350         |
| France            | 1,874          | 1,745         | 9                               | 8             |
| Germany           | 3,650          | 3,132         | 5,756                           | 5,889         |
| Rest of Europe    | 8,827          | 8,619         | 737                             | 780           |
| Asia/Pacific      | 2,810          | 2,421         | 831                             | 982           |
| Canada            | 1,328          | 1,429         | 128                             | 140           |
| US                | 14,730         | 12,797        | 3,964                           | 3,825         |
| Latin America     | 1,291          | 1,190         | 16                              | 24            |
| Rest of the World | 281            | 285           | 3                               | 4             |
| <b>Total</b>      | <b>36,170</b>  | <b>32,838</b> | <b>14,159</b>                   | <b>14,002</b> |

<sup>1)</sup> Non-current assets include property, plant and equipment, goodwill and other intangible assets.

**Net sales per product category**

| SEKm                       | 2015          | 2014          |
|----------------------------|---------------|---------------|
| Forest and garden products | 32,229        | 29,499        |
| Construction products      | 3,941         | 3,339         |
| <b>Total</b>               | <b>36,170</b> | <b>32,838</b> |

**Information about major customers**

Husqvarna Group has no single customer to which net sales exceeds 10% of the Group's total net sales.

**Note 4 Employees and employee benefits****Average number of employees**

|                                      | 2015         |              |               | 2014         |              |               |
|--------------------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
|                                      | Men          | Women        | Total         | Men          | Women        | Total         |
| Sweden                               | 1,351        | 419          | 1,770         | 1,276        | 373          | 1,649         |
| Germany                              | 969          | 509          | 1,478         | 945          | 513          | 1,458         |
| Czech republic                       | 396          | 437          | 833           | 403          | 428          | 831           |
| UK                                   | 233          | 67           | 300           | 221          | 67           | 288           |
| Poland                               | 226          | 147          | 373           | 216          | 150          | 366           |
| Rest of Europe                       | 1,039        | 345          | 1,384         | 1,053        | 352          | 1,405         |
| <b>Total Europe</b>                  | <b>4,214</b> | <b>1,924</b> | <b>6,138</b>  | <b>4,114</b> | <b>1,883</b> | <b>5,997</b>  |
| China                                | 1,009        | 344          | 1,353         | 1,137        | 527          | 1,664         |
| Japan                                | 332          | 60           | 392           | 338          | 64           | 402           |
| Rest of Asia/Pacific                 | 110          | 128          | 238           | 130          | 73           | 203           |
| <b>Total Asia/Pacific</b>            | <b>1,451</b> | <b>532</b>   | <b>1,983</b>  | <b>1,605</b> | <b>664</b>   | <b>2,269</b>  |
| US                                   | 2,867        | 2,172        | 5,039         | 3,201        | 2,474        | 5,675         |
| Canada                               | 105          | 47           | 152           | 93           | 47           | 140           |
| <b>Total North America</b>           | <b>2,972</b> | <b>2,219</b> | <b>5,191</b>  | <b>3,294</b> | <b>2,521</b> | <b>5,815</b>  |
| Brazil                               | 122          | 44           | 166           | 116          | 35           | 151           |
| Rest of Latin America                | 27           | 20           | 47            | 33           | 12           | 45            |
| <b>Total Latin America</b>           | <b>149</b>   | <b>64</b>    | <b>213</b>    | <b>149</b>   | <b>47</b>    | <b>196</b>    |
| Other markets                        | 29           | 18           | 47            | 33           | 27           | 60            |
| <b>Total</b>                         | <b>8,815</b> | <b>4,757</b> | <b>13,572</b> | <b>9,195</b> | <b>5,142</b> | <b>14,337</b> |
| Whereof:                             |              |              |               |              |              |               |
| Board members                        | 30           | 5            | 35            | 27           | 6            | 33            |
| Presidents and other senior managers | 44           | 1            | 45            | 41           | 4            | 45            |

## Notes – Group

## Salary and remuneration

| SEKm                                        | 2015         | 2014         |
|---------------------------------------------|--------------|--------------|
| Salary costs                                | 4,508        | 4,157        |
| Social costs                                | 913          | 755          |
| Pension costs – defined benefit obligations | 95           | 119          |
| Pension costs – defined contribution plans  | 125          | 83           |
| <b>Total</b>                                | <b>5,641</b> | <b>5,114</b> |

Whereof remuneration to Board, Presidents and other senior managers<sup>1</sup>:

|                                |      |      |
|--------------------------------|------|------|
| Salary cost                    | 113  | 105  |
| (whereof variable salary cost) | (44) | (33) |
| Social costs                   | 32   | 26   |
| Pension costs                  | 17   | 14   |

<sup>1</sup> Refers to salary costs for all board members, presidents and other senior executives in the Parent Company and subsidiaries.

## Remuneration to Group Management

| SEKt                                           | 2015          |                 |               |                     |                             |                    | Total         |
|------------------------------------------------|---------------|-----------------|---------------|---------------------|-----------------------------|--------------------|---------------|
|                                                | Fixed salary  | Variable salary | Pension costs | Long-term incentive | Other benefits <sup>1</sup> | Severance pay etc. |               |
| President and CEO                              | 8,500         | 5,259           | 3,401         | 3,224               | 180                         | –                  | 20,564        |
| Other members of Group Management <sup>2</sup> | 32,510        | 18,929          | 11,467        | 5,331               | 1,014                       | 2,728              | 71,979        |
| <b>Total</b>                                   | <b>41,010</b> | <b>24,188</b>   | <b>14,868</b> | <b>8,555</b>        | <b>1,194</b>                | <b>2,728</b>       | <b>92,543</b> |

<sup>1</sup> Refers to housing, travel and car benefits.

<sup>2</sup> Other members of Group Management comprise twelve individuals. There are eight new members and five have left Group Management. The remuneration shown above refers to the remuneration part of the year during which the individual in question was a member of Group Management.

| SEKt                                           | 2014          |                 |               |                     |                             |                    | Total         |
|------------------------------------------------|---------------|-----------------|---------------|---------------------|-----------------------------|--------------------|---------------|
|                                                | Fixed salary  | Variable salary | Pension costs | Long-term incentive | Other benefits <sup>1</sup> | Severance pay etc. |               |
| President and CEO                              | 7,763         | 7,272           | 3,105         | 1,138               | 305                         | –                  | 19,583        |
| Former President and CEO <sup>2</sup>          | –             | 1,100           | –             | –                   | –                           | –                  | 1,100         |
| Other members of Group Management <sup>3</sup> | 30,067        | 24,858          | 8,650         | 2,290               | 1,450                       | 5,488              | 72,803        |
| <b>Total</b>                                   | <b>37,830</b> | <b>33,230</b>   | <b>11,755</b> | <b>3,428</b>        | <b>1,755</b>                | <b>5,488</b>       | <b>93,486</b> |

<sup>1</sup> Refers to housing, travel and car benefits.

<sup>2</sup> Former CEO and President, Hans Linnarson left his position as per July 1, 2013 and the employment was terminated March 31, 2014 as he then attained the retirement age 62. The cost for his remuneration in 2014 has been charged 2013, with the exception of variable salary as shown above which was paid in March 2014.

<sup>3</sup> Other members of Group Management comprise nine individuals. There is one new member, one has left and one has been part of Group Management as acting member during part of the year. The remuneration shown above refers to the remuneration part of the year during which the individual in question was a member of Group Management. The cost for salary and pension during notice period as well as severance pay has affected the result in 2014 and is shown above in the column Severance pay etc.

## Remuneration Committee

The Remuneration Committee is established by the Board of Directors of Husqvarna AB assigned to (i) prepare the Board's decisions on principles for remuneration and other terms of employment for the President and CEO and for other members of Group Management, (ii) to monitor and evaluate programs for variable remuneration, both ongoing and those that have ended during the year, for Group Management, (iii) to monitor and evaluate the application of the principles for remuneration as well as the current remuneration structures and levels in the Company, to (iv) evaluate future talents for Group Management positions and monitor succession planning. The Committee consists of three board members: Tom Johnstone (Chairman), Lars Pettersson and David Lumley.

## Principles for remuneration to Group Management

The overall principles for remuneration to Group Management are that remuneration should be based on the position held, on individual and Group performance and on a competitive basis in the country of employment. The overall remuneration package for Group Management comprises fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives and benefits such as pension and insurance benefits. Husqvarna aims to offer competitive and performance based remuneration. Variable remuneration may constitute a significant proportion of total remuneration, but could also be zero if the lowest target level "entry" is not achieved or capped if the maximum level "stretch" is attained. Variable salary to the President and Group Management is based on the Group's operating income, cash flow, Accelerated Improvement Program and quality targets.

### Terms of employment for the President

The remuneration to the President and CEO comprises fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. The remuneration is reviewed annually per January 1. The annual fixed salary to the President amounts to SEK 8,500t, effective January 1, 2015. The variable salary is based on operating income, cash flow, Accelerated Improvement Program and quality targets for the Group and amounts to 50% of the fixed salary at "target" level and is capped at 100% at "stretch" level. The President participates in the Group's long term incentive programs for 2013, 2014 and 2015 (LTI 2013, LTI 2014 and LTI 2015). For information on these programs, see below Long Term Incentive programs (LTI).

The notice period for termination is 12 months on the part of the Company and 6 months on the part of the President. The President is entitled to severance pay, corresponding to 12 monthly salaries with deduction for any other income, in the event of notice of termination from the employer. The President is entitled to housing allowance.

### Pension terms for the President

The retirement age for the President is 62. The President is covered by the collectively agreed ITP plan, the alternative rule of the plan, and the Husqvarna Executive Pension Plan. The Husqvarna Executive Pension Plan is a defined contribution plan. The employer contribution to the plan for the President is equivalent to 40% of the fixed salary which also includes the contributions for the benefits of the ITP-plan, alternative ITP and any supplementary disability and survivor's pension.

### Terms of employment for other members of Group Management

As with the President, other members of Group Management receive a remuneration package comprised of fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. Remuneration is revised annually per January 1. The variable salary is based on operating income, cash flow, Accelerated Improvement Program and quality targets for the Group and/or for the relevant business unit. The variable salary is 30–75% of the fixed salary at "target" level and is capped at 60–150% at "stretch" level. One of the members of Group Management is also covered by a special turn-around bonus which amounts to 75% and maximum 150% of the fixed salary. This bonus is paid in March 2019 if defined target for the division's operating income has been achieved by the end of 2018. Members of Group Management participate in the Group's long term incentive programs which consist of the programs for 2009, 2013, 2014 and 2015 (LTI 2009, LTI 2013, LTI 2014 and LTI 2015). For information on these programs, see below Long Term Incentive programmes (LTI). The notice period for termination is 12 months on behalf of the Company and 6 months on the part of the employee and in the event of notice of termination from the employer, the member of Group Management is entitled to severance pay corresponding to 12 monthly salaries with deduction for any other income. Shorter period of notice and no right to severance pay might apply depending on position and country of employment.

### Pension terms for other members of Group Management

The members of Group Management employed in Sweden (10 out of 12) are covered by the collectively agreed ITP plan and the alternative rule of the plan. Most of these individuals are also covered by the Husqvarna Executive Pension Plan, which is a defined contribution plan. The employer contribution to the plan is equivalent to 35% of the pensionable salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary. Also last year's variable salary paid is pensionable for those who were covered by the plan before 2013. The pension age is 65 for the members of Group Management who are employed in Sweden. The members of Group Management that are not employed in Sweden are covered by the Group's company retirement plans in the respective country of employment (Germany and the US). Pension age is 65 or higher.

### Fees to the Board of Directors

The Annual General Meeting 2015 authorized fees to the Board of Directors amounting to SEK 5,260t (5,595) in total, whereof SEK 1,725t (1,675) to the Chairman and SEK 500t (485) to each of the other Board members, not employed by the company, including additional total of SEK 535t (525) as fees for Board Committee work.

| SEKt                          | 2015         |                              | 2014         |              |
|-------------------------------|--------------|------------------------------|--------------|--------------|
|                               | Fee          | Fee for Board committee work | Total fee    | Total fee    |
| Tom Johnstone <sup>1</sup>    | 1,725        | 100                          | 1,825        | 585          |
| Magdalena Gerger              | 500          | –                            | 500          | 485          |
| Ulla Litzén                   | 500          | 175                          | 675          | 660          |
| David Lumley <sup>2</sup>     | 500          | 50                           | 550          | 485          |
| Katarina Martinson            | 500          | 80                           | 580          | 560          |
| Daniel Nodhäll                | 500          | 80                           | 580          | 560          |
| Lars Pettersson               | 500          | 50                           | 550          | 535          |
| Lars Westerberg <sup>3</sup>  | –            | –                            | –            | 1,725        |
| Kai Wärn                      | –            | –                            | –            | –            |
| Soili Johansson               | –            | –                            | –            | –            |
| Annika Ögren                  | –            | –                            | –            | –            |
| Carita Spångberg <sup>4</sup> | –            | –                            | –            | –            |
| Lotta Widehäll <sup>4</sup>   | –            | –                            | –            | –            |
| <b>Total</b>                  | <b>4,725</b> | <b>535</b>                   | <b>5,260</b> | <b>5,595</b> |

<sup>1</sup> Chairman in 2015, Board member in 2014.

<sup>2</sup> Remuneration Committee member as of the 2015 AGM.

<sup>3</sup> Chairman in 2014, resigned at the 2015 AGM.

<sup>4</sup> Deputy.

In 2009 and 2010 the Board remuneration was partly emitted in the form of synthetic shares, with a right to receive an amount in cash after five years, i.e. in 2014 and 2015 respectively. This remuneration has not been renewed. However, board members are expected to engage themselves financially in Husqvarna by acquiring Husqvarna shares within a period of five years, corresponding to approximately one year's board fee. There are no agreements in place governing severance pay to board member not employed by the Company.

### Long Term Incentive programmes (LTI)

The purpose of the long term incentive programmes is to influence and award performance long term, align shareholders' and managements' interest, attract and retain key employees and provide variable remuneration instead of fixed salary. There are three on-going long term incentive programmes not yet vested; LTI 2013, LTI 2014 and LTI 2015. In addition, there is a LTI program, LTI 2009, where the participants received stock options in 2012 which could be exercised until June 1, 2017.

### LTI 2013, LTI 2014 and LTI 2015

The Annual General Meetings 2013, 2014 and 2015 authorized the implementation of the incentive programmes LTI 2013, LTI 2014 and in LTI 2015, which comprise less than 50 (LTI 2013) / 70 (LTI 2014 and LTI 2015) senior managers. The programmes comprise of share match awards and performance based share awards and have a three year vesting period. In order to participate in the program, the employees must buy Class B-shares in Husqvarna to a value corresponding to minimum 5% and maximum 10% of his/her annual fixed salary. With regard to LTI 2013, the employee had the possibility to participate with Husqvarna shares, to a value corresponding to minimum 5% and maximum 10% of the fixed salary for 2013, purchased some time ago. For each share which the employee participates with within

## Notes – Group

the framework of LTI 2013 LTI 2014 and LTI 2015, the Company will grant one matching share award.

In addition, the Company grants a number of performance based share awards. The grant of performance based share awards is linked to the participant's annual target salary (fixed salary plus variable salary at target level) in 2013 (LTI 2013) / in 2014 (LTI 2014) / in 2015 (LTI 2015). In order to receive the share match and the performance based shares, the employees are required to stay employed three years after grant date and to maintain the original investment.

The number of performance based share awards that vest and give right to Class B-shares further depend on the fulfilment of certain levels of increase of the Company's value creation during the calendar years 2013–2015 (LTI 2013) / 2014–2016 (LTI 2014) / 2015–2017 (LTI 2015). These levels are "entry", "target" and "stretch", with a linear progression between each level. Entry constitutes a minimum level which must be exceeded in order for the performance based share awards to vest and give right to Class B-shares. The levels correspond to the following number of right to Class B-shares:

## Performance level

|         |                                                     |
|---------|-----------------------------------------------------|
| Entry   | 0 shares                                            |
| Target  | 25% of target salary / share price <sup>1,2,3</sup> |
| Stretch | 40% of target salary / share price <sup>1,2,3</sup> |

<sup>1</sup> SEK 39.24 for LTI 2013 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the period 14–27 February 2013.

<sup>2</sup> SEK 41.24 for LTI 2014 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the period 10–21 February 2014.

<sup>3</sup> SEK 66.14 for LTI 2015 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the period 16–27 February 2015.

If the price for the Class B-share would increase more than 100% during the three year vesting period, the number of performance based share awards that vest and give right to Class B-shares will be reduced, whereby the maximum value to be received by each participant will be limited to the value of the maximum allocation at "stretch" level at a share price increase of 100% during the vesting period.

The participants participate in the programs with Husqvarna shares in total 146,916 in LTI 2014 and 148,880 in LTI 2015. The programmes comprise maximum 1,291,998 in LTI 2014 and 1,082,523 in LTI 2015, matching shares and performance shares. The value of the programmes is calculated based on the fair value of the share on grant date, as was SEK 46.70 for LTI 2014 and SEK 59.70 for LTI 2015, adjusted for expected dividend. Total number of outstanding share match and performance based share rights, based on that the performance level "target" will be achieved, amount to the following:

| Participants                      | LTI 2015        |                    |                      |
|-----------------------------------|-----------------|--------------------|----------------------|
|                                   | Matching shares | Performance shares | Estimated cost, SEkt |
| President and CEO                 | 13,064          | 48,193             | 3,657                |
| Other members of Group Management | 41,335          | 152,479            | 11,571               |
| Other participants                | 94,481          | 382,853            | 28,497               |
| <b>Total</b>                      | <b>148,880</b>  | <b>583,525</b>     | <b>43,725</b>        |

| Participants                      | LTI 2014        |                    |                      |
|-----------------------------------|-----------------|--------------------|----------------------|
|                                   | Matching shares | Performance shares | Estimated cost, SEkt |
| President and CEO                 | 14,705          | 70,590             | 3,983                |
| Other members of Group Management | 27,579          | 118,377            | 6,816                |
| Other participants                | 104,632         | 526,715            | 29,484               |
| <b>Total</b>                      | <b>146,916</b>  | <b>715,682</b>     | <b>40,283</b>        |

## LTI 2013 result

The performance period for LTI 2013 ended December 31, 2015. The following table shows the number of matching and performance based share awards to be awarded to participants by May 17, 2016 (when the shares are fully vested), provided that the participant remains employed then and has maintained the personal investment in shares. The targets for value creation, determined by the Board of directors, are SEK 1,000m for "entry" level, SEK 2,875m for "target" level and SEK 4,000m for the maximum level "stretch". The actual result was SEK 1,460m, which means that performance share awards shall be awarded to 24.5% of defined award on "target" level.

| Participants                      | Share awards LTI 2013 |                    |                |
|-----------------------------------|-----------------------|--------------------|----------------|
|                                   | Matching shares       | Performance shares | Total          |
| President and CEO                 | 15,865                | 14,634             | 30,499         |
| Other members of Group Management | 25,704                | 21,323             | 47,027         |
| Other participants                | 86,217                | 78,013             | 164,230        |
| <b>Total</b>                      | <b>127,786</b>        | <b>113,970</b>     | <b>241,756</b> |

## Share awards

The table below outlines the number of granted share rights forfeited and exercised during current and previous year.

| Share awards     | 2015             |                  |                | 2014             |                  |          |
|------------------|------------------|------------------|----------------|------------------|------------------|----------|
|                  | LTI 2015         | LTI 2014         | LTI 2013       | LTI 2014         | LTI 2013         | LTI 2011 |
| At Jan 1         | –                | 1,491,389        | 1,007,241      | –                | 1,085,409        | 98,224   |
| Granted          | 1,102,791        | –                | –              | 1,580,498        | –                | –        |
| Forfeited        | –20,268          | –199,391         | –765,485       | –89,109          | –78,168          | –1,729   |
| Exercised        | –                | –                | –              | –                | –                | –96,495  |
| <b>At Dec 31</b> | <b>1,082,523</b> | <b>1,291,998</b> | <b>241,756</b> | <b>1,491,389</b> | <b>1,007,241</b> | <b>–</b> |

The long-term incentive programmes are expensed during the three years vesting period and during 2015, SEK 39m (15) has been charged to the income statement, whereof SEK 8m (4) refers to cost for employer social contributions.

## LTI 2009

The performance period for LTI 2009 ended December 31, 2011 and matching shares and options were awarded the participants on vesting date June 1, 2012. The awarded options give the participants the right to buy one Husqvarna class-B share for each option, to an exercise price of SEK 48 per share. The weighted average share price of the options exercised during the period was SEK 64.73. The options could be exercised until June 1, 2017. The table below shows the number of outstanding options.

| Participants                      | LTI 2009                      |  |
|-----------------------------------|-------------------------------|--|
|                                   | Number of options to exercise |  |
| President and CEO                 | –                             |  |
| Former President and CEO          | 18,824                        |  |
| Other members of Group Management | 26,881                        |  |
| Other participants                | 188,744                       |  |
| <b>Total</b>                      | <b>234,449</b>                |  |

**Note 5 Expenses by nature**

| SEKm                                     | 2015          | 2014          |
|------------------------------------------|---------------|---------------|
| Costs for supplies and raw materials     | 18,000        | 16,277        |
| Employee benefit expenses                | 5,641         | 5,114         |
| Amortization/depreciation and impairment | 1,153         | 967           |
| Impairment of goodwill                   | –             | 767           |
| Other                                    | 8,572         | 8,150         |
| <b>Total</b>                             | <b>33,366</b> | <b>31,275</b> |

Research and development amount to SEK 1,138m (1,090) and is included in the expenses above.

Amortization/depreciation and impairment for the year is included in the following lines in the income statement

| SEKm                    | Intangible assets |              | Property, plant and equipment |            |
|-------------------------|-------------------|--------------|-------------------------------|------------|
|                         | 2015              | 2014         | 2015                          | 2014       |
| Cost of goods sold      | 287               | 264          | 747                           | 589        |
| Selling expenses        | –                 | –            | 32                            | 28         |
| Administrative expenses | 62                | 64           | 25                            | 22         |
| Impairment of goodwill  | –                 | 767          | –                             | –          |
| <b>Total</b>            | <b>349</b>        | <b>1,095</b> | <b>804</b>                    | <b>639</b> |

Impairment for property, plant and equipment was recorded within Cost of goods sold by SEK 54m (0) and within Administrative expenses by SEK 3m (0).

Impairment for intangible assets is recorded within Cost of goods sold by SEK 16m (6) and within Administrative expenses by SEK 4m (7).

**Note 6 Other operating income and operating expenses**

| SEKm                            | 2015      | 2014      |
|---------------------------------|-----------|-----------|
| <b>Other operating income</b>   |           |           |
| Gain on acquisition of assets   | –         | 12        |
| Gain on sale of:                |           |           |
| – Property, plant and equipment | 2         | 6         |
| – Assets/subsidiaries           | 21        | –         |
| <b>Total</b>                    | <b>23</b> | <b>18</b> |
| <b>Other operating expenses</b> |           |           |
| Loss on sale of:                |           |           |
| – Property, plant and equipment | –5        | –2        |
| <b>Total</b>                    | <b>–5</b> | <b>–2</b> |

**Note 7 Fees to auditors**

| SEKm                                                   | 2015      | 2014      |
|--------------------------------------------------------|-----------|-----------|
| <b>EY</b>                                              |           |           |
| Audit fees for the annual audit engagement             | 19        | 19        |
| Audit fees not included in the annual audit engagement | 2         | 1         |
| Tax advices                                            | 3         | 9         |
| Other services                                         | 10        | 15        |
| <b>Total fees to EY<sup>1)</sup></b>                   | <b>34</b> | <b>44</b> |
| <b>Audit fees to other auditors</b>                    | <b>0</b>  | <b>0</b>  |
| <b>Total fees to auditors</b>                          | <b>34</b> | <b>44</b> |

<sup>1)</sup> Of the total fee to EY, SEK 9m (14) is related to non-audit fees for projects initiated before EY was elected as auditor.

**Note 8 Exchange rate gains and losses in operating income**

| SEKm                                                             | 2015       | 2014        |
|------------------------------------------------------------------|------------|-------------|
| Exchange rate gains and losses in operating income <sup>1)</sup> | 218        | –105        |
| <b>Total</b>                                                     | <b>218</b> | <b>–105</b> |

<sup>1)</sup> Included in selling expenses within operating income.

Operating income includes SEK 140m (–16) of foreign exchange hedging result previously reported in other comprehensive income.

Information related to the accounting of cash flow hedges is presented in note 1.

**Note 9 Leasing****Operating leases**

There are no material contingent expenses or restrictions among the Group's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 384m (433) in 2015.

Future minimum lease payments are allocated as follows:

| SEKm          | 2015         | 2014         |
|---------------|--------------|--------------|
| Within 1 year | 360          | 413          |
| 1–5 years     | 733          | 929          |
| > 5 year      | 253          | 193          |
| <b>Total</b>  | <b>1,346</b> | <b>1,535</b> |

**Financial leases**

No financial non-cancellable contracts are subcontracted within the Group. Neither are there any significant contingent expenses in the period's results, nor any significant restrictions in the contracts related to the leasing of facilities.

Future minimum lease payments are allocated as follows:

| SEKm                 | 2015       | 2014       |
|----------------------|------------|------------|
| Within 1 year        | 40         | 40         |
| 1–5 years            | 145        | 150        |
| > 5 year             | 205        | 244        |
| <b>Nominal value</b> | <b>390</b> | <b>434</b> |
| <b>Present value</b> | <b>229</b> | <b>181</b> |

Maturity profile for financial leasing liabilities are included in note 19.

Financial leases, recognized as non-current assets, consisted of:

| SEKm                                  | 2015       | 2014       |
|---------------------------------------|------------|------------|
| <b>Acquisition value</b>              |            |            |
| Buildings and land                    | 474        | 455        |
| Machinery and technical installations | 16         | 35         |
| <b>Closing balance, Dec 31</b>        | <b>490</b> | <b>490</b> |
| <b>Accumulated depreciation</b>       |            |            |
| Buildings and land                    | 341        | 343        |
| Machinery and technical installations | 9          | 22         |
| <b>Closing balance, Dec 31</b>        | <b>350</b> | <b>365</b> |
| <b>Net book value, Dec 31</b>         | <b>140</b> | <b>125</b> |

## Notes – Group

**Note 10** Financial income and expenses

| SEKm                                       | 2015        | 2014        |
|--------------------------------------------|-------------|-------------|
| <b>Financial income</b>                    |             |             |
| Interest income on deposits                | 17          | 14          |
| Exchange rate differences                  |             |             |
| – on borrowings                            | 166         | –74         |
| – on derivatives held for trading          | –139        | 133         |
| Other financial income                     | 0           | 3           |
| <b>Total financial income</b>              | <b>44</b>   | <b>76</b>   |
| <b>Financial expenses</b>                  |             |             |
| Interest expenses                          |             |             |
| – on borrowings                            | –179        | –216        |
| – on cashflow hedges, interest derivatives | –30         | –29         |
| – on derivatives held for trading          | –103        | –67         |
| – net on pension assets/liabilities        | –37         | –42         |
| Other financial expenses                   | –39         | –47         |
| <b>Total financial expenses</b>            | <b>–388</b> | <b>–401</b> |
| <b>Financial income and expenses, net</b>  | <b>–344</b> | <b>–325</b> |

**Note 11** Tax

| SEKm                                 | 2015        | 2014        |
|--------------------------------------|-------------|-------------|
| Current tax on income for the period | –297        | –278        |
| Deferred tax income/expense          | –298        | –154        |
| <b>Total</b>                         | <b>–595</b> | <b>–432</b> |

**Theoretical and actual tax rates**

|                                                        | 2015         |             | 2014         |             |
|--------------------------------------------------------|--------------|-------------|--------------|-------------|
|                                                        | Tax, %       | Result      | Tax, %       | Result      |
| Profit before tax                                      | –            | 2,483       | –            | 1,256       |
| Theoretical tax rate                                   | –26.9        | –668        | –30.6        | –384        |
| Non-taxable/non-deductible income statement items, net | 3.4          | 85          | 17.3         | 219         |
| Impairment of goodwill, non-deductible                 | –            | –           | –18.8        | –238        |
| Change in valuation of deferred tax                    | –1.5         | –38         | –7.4         | –94         |
| Utilization of previously unrecognized tax losses      | 0.3          | 7           | 1.8          | 23          |
| Effect of tax rate change                              | 0.2          | 6           | –0.7         | –9          |
| Withholding tax                                        | –1.6         | –40         | –0.8         | –10         |
| Other                                                  | 2.1          | 53          | 4.8          | 61          |
| <b>Actual tax rate</b>                                 | <b>–24.0</b> | <b>–595</b> | <b>–34.4</b> | <b>–432</b> |

The theoretical tax rate for the Group is calculated on the basis of the weighted total earnings before tax per country, multiplied by the local statutory tax rate.

**Tax loss carry-forwards and other tax credits**

As of December 31, 2015, the Group has tax loss carry-forwards, other deductible temporary differences and tax credits of SEK 2,270 m (3,453), whereof SEK 296m (420) has not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows (gross amounts):

| SEKm               | 2015         | 2014         |
|--------------------|--------------|--------------|
| Within a year      | 0            | 0            |
| 1–5 year           | 10           | 1            |
| > 5 year           | 892          | 1,273        |
| Without time limit | 1,119        | 1,875        |
| <b>Total</b>       | <b>2,021</b> | <b>3,149</b> |

**Changes in deferred taxes**

| SEKm                                            | Balance, Jan 1, 2015 | Recognized in income statement | Recognized in comprehensive income statement | Exchange rate differences | Balance, Dec 31, 2015 |
|-------------------------------------------------|----------------------|--------------------------------|----------------------------------------------|---------------------------|-----------------------|
| Non-current assets                              | –1,171               | 19                             | –                                            | 8                         | –1,144                |
| Inventories                                     | 64                   | 6                              | –                                            | –9                        | 61                    |
| Current receivables                             | 68                   | –42                            | –                                            | –2                        | 24                    |
| Provision for pensions and similar commitments  | 381                  | 29                             | –111                                         | 6                         | 305                   |
| Other provisions                                | 158                  | 71                             | –                                            | 3                         | 232                   |
| Financial and operating liabilities             | 36                   | –17                            | 87                                           | 2                         | 108                   |
| Other items                                     | –252                 | –40                            | –                                            | 0                         | –292                  |
| Tax losses carried forward                      | 868                  | –324                           | –                                            | 29                        | 573                   |
| <b>Deferred tax assets and liabilities, net</b> | <b>152</b>           | <b>–298</b>                    | <b>–24</b>                                   | <b>37</b>                 | <b>–133</b>           |

## Notes – Group

| SEKm                                            | Balance,<br>Jan 1, 2014 | Recognized<br>in income<br>statement | Recognized in<br>comprehensive<br>income<br>statement | Exchange rate<br>differences | Balance,<br>Dec 31, 2014 |
|-------------------------------------------------|-------------------------|--------------------------------------|-------------------------------------------------------|------------------------------|--------------------------|
| Non-current assets                              | -1,068                  | -3                                   | -                                                     | -100                         | -1,171                   |
| Inventories                                     | 36                      | 42                                   | -                                                     | -14                          | 64                       |
| Current receivables                             | 24                      | 44                                   | -                                                     | 0                            | 68                       |
| Provision for pensions and similar commitments  | 210                     | 6                                    | 144                                                   | 21                           | 381                      |
| Other provisions                                | 155                     | -15                                  | -                                                     | 18                           | 158                      |
| Financial and operating liabilities             | 132                     | -280                                 | 167                                                   | 17                           | 36                       |
| Other items                                     | -78                     | -175                                 | -                                                     | 1                            | -252                     |
| Tax losses carried forward                      | 564                     | 227                                  | -                                                     | 77                           | 868                      |
| <b>Deferred tax assets and liabilities, net</b> | <b>-25</b>              | <b>-154</b>                          | <b>311</b>                                            | <b>20</b>                    | <b>152</b>               |

## Deferred tax assets and liabilities

| SEKm                                                        | Assets       |              | Liabilities  |              | Net         |            |
|-------------------------------------------------------------|--------------|--------------|--------------|--------------|-------------|------------|
|                                                             | 2015         | 2014         | 2015         | 2014         | 2015        | 2014       |
| Non-current assets                                          | 156          | 152          | 1,300        | 1,323        | -1,144      | -1,171     |
| Inventories                                                 | 261          | 223          | 200          | 159          | 61          | 64         |
| Current receivables                                         | 72           | 113          | 48           | 45           | 24          | 68         |
| Provisions for pensions and similar commitments             | 307          | 381          | 2            | -            | 305         | 381        |
| Other provisions                                            | 232          | 159          | 0            | 1            | 232         | 158        |
| Financial and operating liabilities                         | 174          | 141          | 66           | 105          | 108         | 36         |
| Other items                                                 | 0            | 1            | 292          | 253          | -292        | -252       |
| Tax losses carried forward                                  | 573          | 868          | -            | -            | 573         | 868        |
| <b>Deferred tax assets and liabilities</b>                  | <b>1,775</b> | <b>2,038</b> | <b>1,908</b> | <b>1,886</b> | <b>-133</b> | <b>152</b> |
| Set-off of tax                                              | -354         | -394         | -354         | -394         | -           | -          |
| <b>Deferred tax assets and liabilities, net<sup>1</sup></b> | <b>1,421</b> | <b>1,644</b> | <b>1,554</b> | <b>1,492</b> | <b>-133</b> | <b>152</b> |

<sup>1)</sup> Deferred tax assets amounted to SEK 1,421m, whereof SEK 264m is expected to be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,554m, whereof SEK 33m are due within 12 months.

## Note 12 Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

|                                                                    | 2015  | 2014  |
|--------------------------------------------------------------------|-------|-------|
| Profit attributable to equity holders of the Parent Company (SEKm) | 1,883 | 820   |
| Weighted average numbers of ordinary shares in issue (million)     | 573.0 | 572.8 |
| Earnings per share before dilution (SEK)                           | 3.29  | 1.43  |

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average numbers of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Husqvarna's long term incentive plan contains share options and share savings program which have a dilutive potential.

|                                                                    | 2015  | 2014  |
|--------------------------------------------------------------------|-------|-------|
| Profit attributable to equity holders of the Parent Company (SEKm) | 1,883 | 820   |
| Weighted average numbers of ordinary shares in issue (million)     | 573.0 | 572.8 |
| Adjusted for:                                                      |       |       |
| – share savings program (million)                                  | 1.2   | 0.3   |
| Weighted average numbers of ordinary shares in issue (million)     | 574.2 | 573.1 |
| Earnings per share after dilution (SEK)                            | 3.28  | 1.43  |

## Notes – Group

**Note 13** Property, plant and equipment

| SEKm                                                   | Land and land improvements | Buildings and leasehold improvements | Machinery and technical installations | Other equipment | Construction in progress and advances | Total         |
|--------------------------------------------------------|----------------------------|--------------------------------------|---------------------------------------|-----------------|---------------------------------------|---------------|
| <b>2015</b>                                            |                            |                                      |                                       |                 |                                       |               |
| Opening accumulated acquisition value                  | 314                        | 3,095                                | 10,479                                | 1,007           | 1,003                                 | 15,898        |
| Investments                                            | 0                          | 111                                  | 239                                   | 100             | 579                                   | 1,029         |
| Sold, scrapped                                         | -48                        | -225                                 | -252                                  | -66             | 0                                     | -591          |
| Reclassification                                       | 26                         | 74                                   | 289                                   | 168             | -557                                  | -             |
| Exchange differences                                   | 1                          | 51                                   | 323                                   | -17             | 19                                    | 377           |
| <b>Closing accumulated acquisition value</b>           | <b>293</b>                 | <b>3,106</b>                         | <b>11,078</b>                         | <b>1,192</b>    | <b>1,044</b>                          | <b>16,713</b> |
| Opening accumulated depreciation and impairment        | 86                         | 1,900                                | 8,593                                 | 838             | -                                     | 11,417        |
| Depreciation                                           | 9                          | 122                                  | 533                                   | 83              | -                                     | 747           |
| Impairment                                             | -                          | 16                                   | 40                                    | 1               | -                                     | 57            |
| Sold, scrapped                                         | -15                        | -121                                 | -219                                  | -64             | -                                     | -419          |
| Reclassification                                       | 6                          | -4                                   | -101                                  | 99              | -                                     | -             |
| Exchange differences                                   | -1                         | 35                                   | 270                                   | -13             | -                                     | 291           |
| <b>Closing accumulated depreciation and impairment</b> | <b>85</b>                  | <b>1,948</b>                         | <b>9,116</b>                          | <b>944</b>      | <b>-</b>                              | <b>12,093</b> |
| <b>Closing balance, Dec 31, 2015</b>                   | <b>208</b>                 | <b>1,158</b>                         | <b>1,962</b>                          | <b>248</b>      | <b>1,044</b>                          | <b>4,620</b>  |
| <b>2014</b>                                            |                            |                                      |                                       |                 |                                       |               |
| Opening accumulated acquisition value                  | 279                        | 2,707                                | 8,867                                 | 917             | 558                                   | 13,328        |
| Investments                                            | 2                          | 54                                   | 309                                   | 63              | 703                                   | 1,131         |
| Sold, scrapped                                         | -                          | -3                                   | -142                                  | -54             | -                                     | -199          |
| Reclassification                                       | 3                          | 28                                   | 261                                   | 12              | -304                                  | -             |
| Exchange differences                                   | 30                         | 309                                  | 1,184                                 | 69              | 46                                    | 1,638         |
| <b>Closing accumulated acquisition value</b>           | <b>314</b>                 | <b>3,095</b>                         | <b>10,479</b>                         | <b>1,007</b>    | <b>1,003</b>                          | <b>15,898</b> |
| Opening accumulated depreciation and impairment        | 71                         | 1,615                                | 7,253                                 | 762             | -                                     | 9,701         |
| Depreciation                                           | 7                          | 97                                   | 455                                   | 80              | -                                     | 639           |
| Sold, scrapped                                         | -                          | -4                                   | -131                                  | -50             | -                                     | -185          |
| Reclassification                                       | -                          | -                                    | 8                                     | -8              | -                                     | -             |
| Exchange differences                                   | 8                          | 192                                  | 1,008                                 | 54              | -                                     | 1,262         |
| <b>Closing accumulated depreciation and impairment</b> | <b>86</b>                  | <b>1,900</b>                         | <b>8,593</b>                          | <b>838</b>      | <b>-</b>                              | <b>11,417</b> |
| <b>Closing balance, Dec 31, 2014</b>                   | <b>228</b>                 | <b>1,195</b>                         | <b>1,886</b>                          | <b>169</b>      | <b>1,003</b>                          | <b>4,481</b>  |

For information of where in the income statement the depreciation and impairment is reported, see note 5.

**Note 14 Intangible assets**

| SEKm                                                    | Goodwill     | Brands       | Product development | Other        | Total         |
|---------------------------------------------------------|--------------|--------------|---------------------|--------------|---------------|
| <b>2015</b>                                             |              |              |                     |              |               |
| Opening accumulated acquisition value                   | 6,287        | 3,387        | 2,167               | 1,134        | 12,975        |
| Investments                                             | –            | –            | 225                 | 134          | 359           |
| Sold, scrapped                                          | –            | –            | –40                 | –6           | –46           |
| Exchange differences                                    | 86           | –102         | 40                  | 26           | 50            |
| <b>Closing accumulated acquisition value</b>            | <b>6,373</b> | <b>3,285</b> | <b>2,392</b>        | <b>1,288</b> | <b>13,338</b> |
| Opening accumulated amortization and impairment         | 767          | 290          | 1,617               | 780          | 3,454         |
| Amortization                                            | –            | 17           | 204                 | 108          | 329           |
| Impairment                                              | –            | –            | 16                  | 4            | 20            |
| Sold, scrapped                                          | –            | –            | –40                 | –6           | –46           |
| Exchange differences                                    | –7           | –2           | 32                  | 19           | 42            |
| <b>Closing accumulated amortization and impairment</b>  | <b>760</b>   | <b>305</b>   | <b>1,829</b>        | <b>905</b>   | <b>3,799</b>  |
| <b>Closing balance, Dec 31, 2015</b>                    | <b>5,613</b> | <b>2,980</b> | <b>563</b>          | <b>383</b>   | <b>9,539</b>  |
| <b>2014</b>                                             |              |              |                     |              |               |
| Opening accumulated acquisition value                   | 5,713        | 3,179        | 1,996               | 995          | 11,883        |
| Investments                                             | –            | –            | 168                 | 87           | 255           |
| Sold, scrapped                                          | –            | –            | –122                | –14          | –136          |
| Exchange differences                                    | 574          | 208          | 125                 | 66           | 973           |
| <b>Closing accumulated acquisition value</b>            | <b>6,287</b> | <b>3,387</b> | <b>2,167</b>        | <b>1,134</b> | <b>12,975</b> |
| Opening accumulated amortizations and impairment        | –            | 254          | 1,444               | 633          | 2,331         |
| Amortization                                            | –            | 16           | 198                 | 101          | 315           |
| Impairment                                              | 767          | –            | –                   | 13           | 780           |
| Sold, scrapped                                          | –            | –            | –122                | –14          | –136          |
| Reclassification                                        | –            | 1            | –                   | –1           | –             |
| Exchange differences                                    | –            | 19           | 97                  | 48           | 164           |
| <b>Closing accumulated amortizations and impairment</b> | <b>767</b>   | <b>290</b>   | <b>1,617</b>        | <b>780</b>   | <b>3,454</b>  |
| <b>Closing balance, Dec 31, 2014</b>                    | <b>5,520</b> | <b>3,097</b> | <b>550</b>          | <b>354</b>   | <b>9,521</b>  |

For information of where in the income statement the amortization and impairment is reported, see note 5.

The values of intangible assets with indefinite life are tested for impairment annually, or more frequently if necessary. An impairment loss is recognized with the amount by which the assets' net carrying amount exceeds its recoverable amount. The recoverable amount of a cash generating unit is determined based on estimates of value in use. Value in use is measured as expected future discounted cash flow before tax.

Husqvarna Group established a new brand-driven organization for its forest and garden operations, as of January 1, 2015. The cash generating units from this date are the new divisions (Husqvarna, Gardena, Consumer Brands and Construction) which is why the impairment test has been performed on this basis in the current year and last year. The intangible assets was allocated to the cash generating unit they belonged to in the previous year, due to the new organization.

Future discounted cash flows are based on by Group Management, approved five-year forecasts for each cash generating unit. Key assumptions for forecasting are the expected growth, margins and discount rates. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2% (2) for all cash generating units.

Forecasted margin is partly based on previous results and partly on the expected market development. The pre-tax discount rate is based on the risk-free interest, market premium, beta value, capital structure and tax rate. External sources have been used as much as possible when determining these parameters, but the discount rate is still largely dependent on management's own assumptions. A common discount rate is used for all cash generating units since Group Treasury is centrally

responsible for the handling of financing and capital structure. A pre-tax discount rate of 11% (11) has been used for 2015.

During 2015, value in use has exceeded the net book value for all cash-generating units, and accordingly, no impairment has been recognized. The impairment test 2014 showed that the Gardena Division could not defend the carrying amount of its net assets. The total impairment of goodwill amounted to SEK 767m which was charged to the Group's result 2014.

**Intangible assets with indefinite useful lives per cash generating unit (division):**

| SEKm                 | 2015         | 2014         |
|----------------------|--------------|--------------|
| Husqvarna            | 2,549        | 2,529        |
| Gardena <sup>1</sup> | 4,198        | 4,349        |
| Consumer brands      | 736          | 704          |
| Construction         | 1,082        | 993          |
| <b>Total Group</b>   | <b>8,565</b> | <b>8,575</b> |

<sup>1</sup> Whereof SEK 2,952m (3,055) relates to the net book value of the Gardena brand, which Husqvarna Group has assigned indefinite useful life. This is because the brand has a strong position among consumers and Husqvarna Group intends to maintain and further develop the brand.

## Notes – Group

The following two sensitivity analyzes have been made of the estimated value in use:

- 10% higher discount rate
- 10% decreased cash flow

None of these adjusted assumptions would result in an impairment loss of intangible assets with indefinite useful lives, in any of the cash generating units.

Under the current business environment, management do not believe that any reasonably possible change in discount rate or in any of the other key assumptions on which the cash generating units' recoverable amounts are based upon would result in the net book value amount exceeding the recoverable amount.

**Note 15 Other non-current assets**

| SEKm                             | 2015       | 2014       |
|----------------------------------|------------|------------|
| Long-term holdings in securities | 2          | 2          |
| Pension assets                   | 128        | 74         |
| Other long-term receivables      | 35         | 26         |
| <b>Total</b>                     | <b>165</b> | <b>102</b> |

Pension assets refer to endowment insurance for pension SEK 98m (74) and pensionplans with a net surplus of SEK 30m (0).

**Note 16 Inventories**

| SEKm                             | 2015         | 2014         |
|----------------------------------|--------------|--------------|
| Supplies including raw materials | 2,078        | 1,987        |
| Products in progress             | 153          | 181          |
| Finished products                | 5,643        | 5,541        |
| <b>Total</b>                     | <b>7,874</b> | <b>7,709</b> |

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 23,621m (21,625).

Provisions for obsolescence are included in the value of the inventory. Provision made during the year amount to SEK 91m (44) and SEK 76m (25) has been reversed.

Inventories valued to net realizable value amounted to SEK 91m (53) referring to raw material and SEK 557m (500) referring to finished products.

**Note 17 Other current assets**

| SEKm                                 | 2015       | 2014       |
|--------------------------------------|------------|------------|
| Value added tax                      | 203        | 273        |
| Miscellaneous short-term receivables | 373        | 112        |
| Prepaid rents and leases             | 11         | 13         |
| Prepaid insurance premiums           | 25         | 26         |
| Other prepaid expenses               | 270        | 241        |
| <b>Total</b>                         | <b>882</b> | <b>665</b> |

**Note 18 Equity****Share capital**

The share capital in Husqvarna AB consists of class A-shares and class B-shares. A class A-share entitles the holder to one vote and a class B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

**Other paid-in capital**

Other paid-in capital consists of share-premium reserve following the rights issue in 2009.

**Other reserves**

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented (SEK). The translation reserve also include net investments hedges.

The hedging reserve includes the effective portion of the accumulated net change in the fair value, related to the hedged risk, of cash-flow hedging instruments attributable to hedged items that have not yet occurred.

**Retained earnings**

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans recognized in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also note 20. The proposed dividend for 2015 is SEK 1.65 (1.65).

**Non-controlling interests**

Non-controlling interests refer to the share of equity that belongs to external interests without a controlling influence in certain subsidiaries within the Group.

**Share capital**

| SEKm                                          |  |  |              |
|-----------------------------------------------|--|--|--------------|
| On Dec 31, 2014, the share capital comprised: |  |  |              |
| 122,425,469 Class A-shares, par value SEK 2   |  |  | 245          |
| 453,918,309 Class B-shares, par value SEK 2   |  |  | 908          |
| <b>Total</b>                                  |  |  | <b>1,153</b> |
| On Dec 31, 2015, the share capital comprised: |  |  |              |
| 113,694,826 Class A-shares, par value SEK 2   |  |  | 227          |
| 462,648,952 Class B-shares, par value SEK 2   |  |  | 926          |
| <b>Total</b>                                  |  |  | <b>1,153</b> |

| Number of shares                  | Treasury shares | Outstanding shares | Total       |
|-----------------------------------|-----------------|--------------------|-------------|
| <b>Shares, Dec 31, 2014</b>       |                 |                    |             |
| Class A-shares                    | –               | 122,425,469        | 122,425,469 |
| Class B-shares                    | 3,448,534       | 450,469,775        | 453,918,309 |
| <b>Exercised options LTI 2009</b> |                 |                    |             |
| Class A-shares                    | –               | –                  | –           |
| Class B-shares                    | –105,519        | 105,519            | –           |
| <b>Conversion of shares</b>       |                 |                    |             |
| Class A-shares                    | –               | –8,730,643         | –8,730,643  |
| Class B-shares                    | –               | 8,730,643          | 8,730,643   |
| <b>Shares, Dec 31, 2015</b>       |                 |                    |             |
| Class A-shares                    | –               | 113,694,826        | 113,694,826 |
| Class B-shares                    | 3,343,015       | 459,305,937        | 462,648,952 |

## Other reserves

| SEKm                                                                  | Hedge reserve | Translation reserve | Total other reserves |
|-----------------------------------------------------------------------|---------------|---------------------|----------------------|
| Opening balance, Jan 1, 2014                                          | -44           | -1,190              | -1,234               |
| <b>Cash flow hedges</b>                                               |               |                     |                      |
| Result arising during the year                                        | 126           | –                   | 126                  |
| Tax on result arising during the year                                 | -28           | –                   | -28                  |
| Reclassification adjustments to the income statement                  | 43            | –                   | 43                   |
| Tax on reclassification adjustments to the income statement           | -9            | –                   | -9                   |
| <b>Exchange rate differences on translation on foreign operations</b> |               |                     |                      |
| Currency translation difference                                       | –             | 1,760               | 1,760                |
| Net investment hedge                                                  |               |                     |                      |
| Result arising during the year                                        | –             | -925                | -925                 |
| Tax on result arising during the year                                 | –             | 204                 | 204                  |
| Closing balance, Dec 31, 2014                                         | 88            | -151                | -63                  |
| <b>Cash flow hedges</b>                                               |               |                     |                      |
| Result arising during the year                                        | 46            | –                   | 46                   |
| Tax on result arising during the year                                 | -10           | –                   | -10                  |
| Reclassification adjustments to the income statement                  | -123          | –                   | -123                 |
| Tax on reclassification adjustments to the income statement           | 27            | –                   | 27                   |
| <b>Exchange differences on translation on foreign operations</b>      |               |                     |                      |
| Currency translation difference                                       | –             | 14                  | 14                   |
| Net investment hedge                                                  |               |                     |                      |
| Result arising during the year                                        | –             | -320                | -320                 |
| Tax on result arising during the year                                 | –             | 70                  | 70                   |
| Closing balance, Dec 31, 2015                                         | 28            | -387                | -359                 |

## Note 19 Financial risk management and financial instruments

### FINANCIAL RISK MANAGEMENT

Financial risk management for Husqvarna entities is undertaken in accordance with the Group Financial Policy. Described below are the principles of financial risk management applicable to Husqvarna. Husqvarna is exposed to a number of risks relating to financial instruments including, for example, liquid funds, trade receivables and other receivables, trade payables and other liabilities, borrowings, and derivative instruments. The primary risks associated with these instruments are:

- Financing risks in relation to the Group's capital requirements.
- Interest rate risks on liquid funds and borrowings.
- Foreign exchange risks on export and import flows plus earnings and net investments in foreign operations.
- Commodity price risks affecting expenditure on raw materials and components for goods produced.
- Credit risks relating to financial and commercial activities.

The Board of Directors of Husqvarna has adopted a Group Financial Policy, as well as a Group Credit Policy to regulate the management and control of these risks. These risks are to be managed according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets. The purpose of the policy is to have enough funding available to minimize the Group's cost of capital and to achieve an effective management of the Group's financial risks.

The management of financial risks has largely been centralized to Husqvarna Group Treasury, where measurement and control of financial risks are performed on a daily basis by a separate risk control function. Furthermore, Husqvarna Group's policies include guidelines for managing operating risk relating to financial instruments, e.g. through the clear assignment of responsibilities and the allocation of powers of attorney.

Proprietary trading in currencies and interest-bearing instruments is

permitted with tight limits set within the framework of the Financial Policy. The primary purpose of such trading is to maintain a flow of high quality information and market knowledge, as well as to contribute to the proactive management of the Group's financial risks.

### FINANCING RISK

Financing risk refers to the risk that the financing of the Group's capital requirements and the refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturities are evenly distributed over time, and that total short-term borrowings do not exceed available liquidity. Disregarding seasonal variations, net debt shall be long-term, according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least two years, and an even distribution of maturities. A maximum of SEK 3,000m in borrowings, originally long-term, is normally allowed to mature in the next 12-month period. When Husqvarna assesses its refinancing risk, the maturity profile is adjusted for available unutilized committed credit facilities.

In addition, seasonality in the cash flow is an important factor in the assessment of the financing risk. Consequently, Husqvarna always takes into account the fact that financial planning must include future seasonal fluctuations.

The average adjusted time to maturity for the Group's financing was 3.9 years (4.0) at the end of 2015.

### Capital structure

Husqvarna's target is to have a seasonally adjusted net debt in proportion to earnings before interest, tax, depreciations and amortizations (EBITDA) not to exceed 2.5 in the long-term. This target for financial indebtedness may be adjusted in the event of changes to the macroeconomic situation, or allowed to deviate for a shorter period of time due to acquisitions. Seasonality adjusted net debt, when assessing the capital structure target, is defined as a 4 quarter rolling net debt adjusted for IAS 19 revaluation impact on pension liabilities. Dividend shall normally exceed 40% of income for the year.

## Notes – Group

## Capital structure

| SEKm                                                 | 2015   | 2014   |
|------------------------------------------------------|--------|--------|
| Net pension liabilities                              | 1,395  | 1,835  |
| Other interest-bearing liabilities                   | 6,952  | 7,504  |
| Less: liquid funds and other interest-bearing assets | -1,972 | -2,105 |
| Net debt <sup>1</sup>                                | 6,375  | 7,234  |
| Net debt, excluding net pension liabilities          | 4,980  | 5,399  |
| EBITDA                                               | 3,980  | 3,315  |
| Net debt/EBITDA                                      | 1.60   | 2.18   |
| Total equity                                         | 13,061 | 12,088 |
| Total assets                                         | 29,669 | 29,176 |
| Equity/assets ratio                                  | 44%    | 41%    |

<sup>1</sup> As reported.

## Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits including derivative assets at fair market value. Husqvarna's goal is that the level of liquid funds, including unutilized committed credit facilities, shall equal at least 2.5% of rolling 12-month sales. At year-end, this ratio was 19.3% (21.6). In addition, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

## Borrowings

The financing of Husqvarna is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various derivatives are used to convert the funds to the required currency. Financing is also undertaken locally, mostly in countries in which there are legal restrictions preventing financing through Group companies. The major part of the Group's financing is currently conducted through bilateral loan agreements, bonds through a Swedish Medium Term Note (MTN) program and other bond financing. In addition, the Group has an unutilized SEK 5bn committed revolving credit facility maturing in 2020, with an option for an additional 1 year. Due to the nature of its business, the Group has major seasonal variations in its funding needs. These variations have during 2015 been managed mainly by utilizing the Group's commercial paper (CP) program and short-term bank loans.

At year-end 2015, the Group's total interest-bearing liabilities amounted to SEK 6,952m (7,504), of which SEK 4,580m (5,598) referred to long-term loans.

Husqvarna has, as mentioned, substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 2,500–3,500m in excess of year-end borrowings, taking dividend into account.

Husqvarna has not breached any conditions in external loan agreements during the year.

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2015<sup>1</sup>

| SEKm                                                  | 2016          | 2017          | 2018          | 2019        | 2020       | >2020       | Total          |
|-------------------------------------------------------|---------------|---------------|---------------|-------------|------------|-------------|----------------|
| Financial leases                                      | -40           | -38           | -36           | -36         | -35        | -205        | -390           |
| Bonds, bank loans and other loans                     | -2,178        | -1,597        | -2,337        | -427        | -          | -84         | -6,623         |
| Derivative liabilities, interest rate <sup>2</sup>    | -28           | -15           | 1             | 11          | 12         | -           | -19            |
| Derivative liabilities, foreign exchange <sup>2</sup> | -357          | -             | -             | -           | -          | -           | -357           |
| Trade payables                                        | -3,077        | -             | -             | -           | -          | -           | -3,077         |
| <b>Total financial liabilities</b>                    | <b>-5,680</b> | <b>-1,650</b> | <b>-2,372</b> | <b>-452</b> | <b>-23</b> | <b>-289</b> | <b>-10,466</b> |

<sup>1</sup> Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

<sup>2</sup> For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in this note.

## Borrowings

| SEKm                                | 2015             |                 | 2014             |                 |
|-------------------------------------|------------------|-----------------|------------------|-----------------|
|                                     | Total borrowings | Facility amount | Total borrowings | Facility amount |
| Medium Term Note Program            | 2,547            | 5,000           | 2,565            | 5,000           |
| Other bond loans                    | 934              | -               | 1,928            | -               |
| Committed revolving credit facility | -                | 5,000           | -                | 5,000           |
| Long-term bank loans <sup>1</sup>   | 1,982            | -               | 1,939            | -               |
| Financial leases                    | 229              | -               | 181              | -               |
| Commercial papers                   | 600              | 7,000           | -                | 7,000           |
| Other short-term loans              | 304              | -               | 139              | -               |
| Derivative liabilities              | 356              | -               | 752              | -               |
| <b>Total</b>                        | <b>6,952</b>     | <b>17,000</b>   | <b>7,504</b>     | <b>17,000</b>   |

<sup>1</sup> Originally long-term.

## Market programs

Husqvarna has a MTN program, denominated in SEK, to issue long-term debt in the domestic capital market. The total amount of the program is SEK 5,000m. In addition, Husqvarna has a Swedish CP program. The total amount of the program is SEK 7,000m. The table Borrowings shows outstanding amounts under these two programs.

The currency composition of Husqvarna's borrowings is dependent upon the currency distribution of the Group's assets. Currency derivatives are used to obtain the preferred currency distribution.

## Net debt – currency composition, excluding net pension liabilities

| SEKm         | 2015                          |                               | 2014                          |                               |
|--------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|              | Net debt excl. currency swaps | Net debt incl. currency swaps | Net debt excl. currency swaps | Net debt incl. currency swaps |
| USD          | 527                           | 7,529                         | 556                           | 6,975                         |
| SEK          | 4,039                         | -4,065                        | 4,216                         | -2,993                        |
| EUR          | 1,190                         | 830                           | 1,144                         | 674                           |
| BRL          | 41                            | 367                           | 31                            | 164                           |
| PLN          | -9                            | -224                          | -12                           | -166                          |
| HKD          | 0                             | 167                           | -1                            | 153                           |
| AUD          | -45                           | 159                           | -35                           | 376                           |
| CZK          | -19                           | 147                           | -19                           | 163                           |
| NOK          | -21                           | 64                            | -8                            | 44                            |
| Other        | -723                          | 6                             | -473                          | 9                             |
| <b>Total</b> | <b>4,980</b>                  | <b>4,980</b>                  | <b>5,399</b>                  | <b>5,399</b>                  |

## INTEREST RATE RISK

Interest rate risk refers to the adverse effects of changes in market interest rates on the Group's net income. The main factor determining this risk is the interest-fixing period.

## Interest rate risk in liquid funds

The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The fixed interest term for these current investments was 23 days (35) at the end of 2015. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 16m (16) and the Group's equity by SEK 13m (12).

**Interest-rate risk in borrowings**

The Financial Policy states that the benchmark for the long-term loan portfolio is an average fixed interest term of 6 months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed interest term is 3 years. Derivatives, such as interest rate swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice versa. The average fixed interest term for the non-seasonal debt was 2.3 (1.6) years at year-end. On the basis of volumes and interest fixings at the end of 2015, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 7m (23) before tax. Interest rates with different maturities and different currencies may not change uniformly. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. The Group has seasonal debt for which the interest risk is not calculated due to its short-term nature. As per December 31, 2015 the average interest rate in the total loan portfolio was 4.0% (3.5). At year-end, Husqvarna had outstanding interest rate derivatives with a nominal amount of SEK 2,923m (1,358) hedging the interest rate risk.

**Hedge accounting of interest rate risk**

Husqvarna applies hedge accounting for the hedging of interest rate risk. The total market value for hedges of interest rate risk amounted to SEK -19m as of December 31, 2015 of which SEK -13m is reported in the hedge reserve. Assuming an unchanged market interest rate, the effects on income after financial items for 2016 would be SEK -4m for Q1, SEK -5m for Q2, SEK -9m for Q3 and SEK -3m for Q4. During the year no ineffectiveness has occurred in the hedging of interest rate risk.

The table "Future undiscounted cashflows of loans and other financial liabilities" shows the future cashflows of the interest rate hedges. The cashflows during 2016, assuming unchanged market interest rates, would be SEK -8m for Q1, SEK -5m for Q2, SEK -12m for Q3 and SEK -3m for Q4.

**FOREIGN EXCHANGE RISK**

Foreign exchange risk refers to the adverse effects of changes in foreign currency exchange rates on Husqvarna's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally. The major currencies to which Husqvarna is exposed are EUR, USD, CAD, AUD and CHF.

**Transaction exposure from commercial flows**

The Financial Policy stipulates hedging of forecasted sales and purchases in foreign currencies, taken into consideration the price fixing periods and the competitive environment. Normally, 75–100% of the invoiced and forecasted flows are hedged up to and including 6 months, while forecasted flows for 7–12 months are hedged between 50–75%. Group subsidiaries primarily cover their risks in commercial currency flows through Group Treasury. Group Treasury assumes the currency risks and covers such risks externally by utilizing currency derivatives, for which hedge accounting is applied.

The table below shows the forecasted transaction flows (imports and exports) for 2016, hedges at year-end 2015 and comparative amounts for the previous year.

**Commercial flows**

| Currency SEKm | 2015          |                    | 2014          |                    |
|---------------|---------------|--------------------|---------------|--------------------|
|               | Forecast flow | Total hedge amount | Forecast flow | Total hedge amount |
| EUR           | 2,796         | -2,260             | 2,963         | -2,511             |
| CAD           | 710           | -521               | 907           | -552               |
| AUD           | 421           | -304               | 490           | -323               |
| CHF           | 415           | -304               | 421           | -340               |
| NOK           | 347           | -264               | 336           | -244               |
| DKK           | 335           | -255               | 302           | -230               |
| Other         | 623           | -277               | 1,165         | -334               |
| CNY           | -393          | 341                | -565          | 493                |
| USD           | -2,408        | 1,984              | -2,716        | 1,792              |
| SEK           | -2,846        | 1,860              | -3,303        | 2,249              |

The hedging effect on operating income amounted to SEK 381m (-54)

during 2015. At year-end, the unrealized exchange rate result on forward contracts, all maturing in 2016, amounted to SEK 75m (155).

**Translation exposure on consolidation of entities outside Sweden**

Changes in exchange rates also affect the Group's income when translating income statements of foreign subsidiaries into SEK. Husqvarna does not hedge such exposures. The translation exposure arising from income statements of foreign subsidiaries is included in the sensitivity analysis below.

**Exposure from net investments in foreign operations**

The net assets and liabilities in foreign subsidiaries constitute a net investment in foreign operations, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, part of the Group's net investments in foreign operations is hedged with foreign exchange derivatives. This means that a decline in value of a net investment is offset by exchange rate gains on foreign exchange derivative contracts.

**Foreign exchange sensitivity from transaction and translation exposure**

Husqvarna is particularly exposed to changes in the exchange rates of EUR and USD. Furthermore, the Group has significant exposures against CAD, AUD, CHF and a number of other currencies. Using a static calculation and disregarding any effects from hedges, a 10% increase or decrease in the value of all currencies against SEK would affect the Group's result before financial items and tax by approximately SEK +/- 480m (490) for one year. A 10% increase of USD would affect the Group's result with SEK -170m (-220) and a corresponding decrease of EUR with SEK -330m (-320). This assumes the same distribution of earnings and costs as in 2015 and does not include any dynamic effects, such as changes in competitiveness or consumer behaviour arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna's sales, these flows and results are not distributed evenly throughout the calendar year.

For more information on risks related to currency exposure, see Risk Management on page 46.

**Hedge accounting of currency risk**

Husqvarna applies hedge accounting for the hedging of commercial flows and when applicable for hedging of net investments in foreign operations. The total market value for hedges of commercial flows amounted to SEK 75m as of December 31, 2015 of which SEK 49m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2016 would be SEK 33m for Q1, SEK 14m for Q2, SEK 2m for Q3 and SEK 0m for Q4.

As of December 31, 2015, EUR 483m and USD 839m of net investments in foreign operations were hedged. The total market value of the net investment hedges amounted to SEK 54m of which SEK 86m is reported in the hedge reserve. During the year no ineffectiveness has occurred in the hedging of currency risk.

**COMMODITY PRICE RISK**

Commodity price risk is the risk of increase in the cost of direct and indirect materials should underlying commodity prices rise on the global markets. Husqvarna is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposure, and indirect commodity exposure, which is defined as exposure arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A 10% rise or fall in the price of steel used in Husqvarna's products will affect the Group's results before financial items and tax by approximately SEK +/- 190m (160), everything else being equal. The same effect on the price of aluminium would impact the results by SEK +/- 50m (45) and a 10% change in the price of plastics would give an effect on results of SEK +/- 100m (90).

**CREDIT RISK****Credit risk in trade receivables**

Husqvarna sells to a substantial number of customers including large retailers, buying groups, independent stores and professional users. Sales are made on the basis of normal delivery and payment terms. Customer financing solutions are normally arranged by third parties. The Credit Policy of the Group ensures that the management process for customer credits

## Notes – Group

includes customer rating, credit limits, decision levels and management of bad debts. The Board of Directors decides on customer credit limits exceeding SEK 100m. Husqvarna uses an internal classification of the creditworthiness of its customers. The classification has different levels, from low risk to high risk. In the table below, trade receivables have been divided into three different intervals.

| SEKm                    | 2015         | 2014         |
|-------------------------|--------------|--------------|
| Low to moderate risk    | 2,012        | 1,808        |
| Medium risk to elevated | 1,035        | 986          |
| High risk               | 79           | 104          |
| <b>Total</b>            | <b>3,126</b> | <b>2,898</b> |

As of December 31, 2015 net trade receivables, after provisions for bad debt, amounted to SEK 3,126m (2,898), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, directly dependent upon the seasonal pattern of Husqvarna's sales. This means that credit exposure is significantly higher during the first six months of each calendar year. A provision for bad debt is recorded when there is objective evidence that Husqvarna will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Provisions for bad debt at the end of the financial year amounted to SEK 118m (128), of which SEK 118m (128) refer to invoices due.

**Trade receivables past due**

Trade receivables that were past due, but not yet impaired amounted to SEK 480m (524) as of December 31, 2015.

**Ageing analyses for past due trade receivables**

| Past due but not impaired, SEKm | 2015       | 2014       |
|---------------------------------|------------|------------|
| Up to 1 month                   | 172        | 196        |
| 1 to 3 months                   | 108        | 101        |
| >3 months                       | 200        | 227        |
|                                 | <b>480</b> | <b>524</b> |

**Provisions for overdue trade receivables**

| SEKm                               | 2015       | 2014       |
|------------------------------------|------------|------------|
| Opening balance, Jan 1             | 128        | 106        |
| New provisions                     | 29         | 40         |
| Reversed unused provisions         | -18        | -7         |
| Impairment of trade receivables    | -18        | -17        |
| Currency exchange rate differences | -3         | 6          |
| <b>Closing balance, Dec 31</b>     | <b>118</b> | <b>128</b> |

The situation regarding past due receivables has not changed significantly since previous year-end, taking the total volume of outstanding trade receivables into account. The fair value of collateral held for trade receivables due for payment was SEK 21m (22).

A plan for repayment is normally designed for customers with past due receivables at the same time as the account is placed under special surveillance. At a later stage, unpaid products may be repossessed or other securities be enforced.

**Concentration of credit risk in trade receivables**

| Concentration of credit risk | 2015                |                      | 2014                |                      |
|------------------------------|---------------------|----------------------|---------------------|----------------------|
|                              | Number of customers | % of total portfolio | Number of customers | % of total portfolio |
| Exposure <SEK 15m            | N/A                 | 82%                  | N/A                 | 87%                  |
| Exposure SEK 15–100m         | 8                   | 9%                   | 9                   | 9%                   |
| Exposure >SEK 100m           | 1                   | 9%                   | 1                   | 4%                   |

Husqvarna has substantial exposure towards a limited number of large customers, primarily in the US.

**Credit risk in financial activities**

Exposure to credit risk arises from the investment of liquid funds and through counterparty risks related to derivatives. In order to limit exposure to credit risk, a counterparty list has been created specifying the maximum approved exposure for each counterparty. Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term credit rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 23 days (35) at the end of 2015. A substantial part of the exposure arises from derivatives transactions.

The table below shows the gross volume of outstanding derivative transactions.

| Maturity                      | 2015       |          | 2014        |            |
|-------------------------------|------------|----------|-------------|------------|
|                               | 2016       | 2017-    | 2015        | 2016-      |
| Amount sold                   | -31,526    | -        | -30,313     | -105       |
| Amount purchased              | 31,487     | -        | 30,081      | 94         |
| Net settled derivatives (NDF) | 0          | -        | 1           | 0          |
| <b>Net</b>                    | <b>-39</b> | <b>-</b> | <b>-231</b> | <b>-11</b> |

**FAIR VALUE ESTIMATION**

Below is a description of financial instruments carried at fair value, based on the classification in the fair value hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs that are not based on observable market data (Level 3).

The Group's financial instruments carried at fair value are derivatives. Derivatives belong to Level 2 as future cash flows have been discounted using current quoted market interest rates and exchange rates for similar instruments.

To determine the fair value of the Group's borrowings, the prevailing market rates for the respective periods have been used and the Group's credit risk has been taken into account. Changes in credit spreads have been disregarded when determining fair value of financial leases. For short-term financial instruments such as trade receivables and other receivables, other short-term investments, cash and cash equivalents, trade payables and other liabilities, and short term borrowings the fair value equals their carrying amount as the impact of discounting is not significant. Fair value of long-term borrowings are based on discounted cash flows using a rate based on the borrowing rate, and are within Level 2 in the fair value hierarchy.

| SEKm                                                                                                               | 2015            |               | 2014            |               |
|--------------------------------------------------------------------------------------------------------------------|-----------------|---------------|-----------------|---------------|
|                                                                                                                    | Carrying amount | Fair value    | Carrying amount | Fair value    |
| <b>Financial assets</b>                                                                                            |                 |               |                 |               |
| Financial assets at fair value through profit or loss                                                              |                 |               |                 |               |
| – of which derivatives where hedge accounting is not applied                                                       | 133             | 133           | 285             | 285           |
| – of which currency derivatives where hedge accounting for cash flow hedges is applied                             | 65              | 65            | 241             | 241           |
| – of which interest derivatives where hedge accounting for cash flow hedges is applied                             | 4               | 4             | –               | –             |
| – of which currency derivatives related to net investments in foreign operations where hedge accounting is applied | 144             | 144           | –               | –             |
| <b>Loans and receivables</b>                                                                                       |                 |               |                 |               |
| Trade receivables                                                                                                  | 3,126           | 3,126         | 2,898           | 2,898         |
| Other receivables                                                                                                  | 576             | 576           | 385             | 385           |
| Other short-term investments                                                                                       | 4               | 4             | 0               | 0             |
| Cash and cash equivalents                                                                                          | 1,622           | 1,622         | 1,579           | 1,579         |
| <b>Total financial assets</b>                                                                                      | <b>5,674</b>    | <b>5,674</b>  | <b>5,388</b>    | <b>5,388</b>  |
| <b>Financial liabilities</b>                                                                                       |                 |               |                 |               |
| Financial liabilities at fair value through profit or loss                                                         |                 |               |                 |               |
| – of which derivatives where hedge accounting is not applied                                                       | 227             | 227           | 256             | 256           |
| – of which currency derivatives where hedge accounting for cash flow hedges is applied                             | 16              | 16            | 101             | 101           |
| – of which interest derivatives where hedge accounting for cash flow hedges is applied                             | 23              | 23            | 27              | 27            |
| – of which currency derivatives related to net investments in foreign operations where hedge accounting is applied | 90              | 90            | 368             | 368           |
| <b>Other financial liabilities</b>                                                                                 |                 |               |                 |               |
| Trade payables                                                                                                     | 3,077           | 3,077         | 3,154           | 3,154         |
| Other liabilities                                                                                                  | 249             | 249           | 238             | 238           |
| Financial leases                                                                                                   | 229             | 240           | 181             | 201           |
| Borrowings                                                                                                         | 6,367           | 6,467         | 6,571           | 6,740         |
| <b>Total financial liabilities</b>                                                                                 | <b>10,278</b>   | <b>10,389</b> | <b>10,896</b>   | <b>11,085</b> |

## Note 20 Provisions for pensions and other post-employment benefits

In many of the countries in which Husqvarna Group has operations the employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The Group's most extensive defined benefit pension plans are in the UK, Germany, Sweden, the US and Japan. The pension plans in these countries are funded except for the plan in Germany. Funded plans imply that there are assets in legal entities that exist solely to finance benefits to employees and former employees.

The pension plan for the Group's employees in Germany is an unfunded cash balance plan. White collar employees in Sweden, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed through a pension fund.

The Group's defined benefit pension plans in the UK and in the US were closed, some time ago, for future pension accrual. Former employees in the

US entitled to a pension benefit were during 2015 offered a lump sum payment in return for the pension benefit. This resulted in a reduced pension obligation and a gain of SEK 11m. In Japan the Group has two pension plans that cover all employees. One of the plans is a funded cash balance plan and the other is an unfunded plan based on career-average salary.

The pension plans in Japan, UK, Sweden and the US are so called funded plans where the pension obligations are financed through pension funds whose operations are regulated by the legislation in the relevant country. The pension funds are separate legal entities with their own Board of Directors/Trustees etc., which might consist of representatives from both the company and the employees, which are responsible for the management of the pension fund asset.

| SEKm                               | 2015       |            |            |           |            |           | Total        |
|------------------------------------|------------|------------|------------|-----------|------------|-----------|--------------|
|                                    | UK         | Sweden     | US         | Japan     | Germany    | Other     |              |
| Present value of obligation        | 1,330      | 836        | 422        | 185       | 856        | 208       | 3,837        |
| Fair value of plan assets          | –1,360     | –545       | –252       | –123      | –          | –162      | –2,442       |
| <b>Surplus/Deficit<sup>1</sup></b> | <b>–30</b> | <b>291</b> | <b>170</b> | <b>62</b> | <b>856</b> | <b>46</b> | <b>1,395</b> |
| Total funding level (%)            | 102        | 65         | 60         | 66        | –          | 78        | 64           |
| Duration                           | 20         | 21         | 14         | 11        | 12         | 14        | 17           |
| <b>Actuarial assumptions (%)</b>   |            |            |            |           |            |           |              |
| Discount rate                      | 3.8        | 3.3        | 3.9 / 4.3  | 0.9       | 2.0        | 2.0       | 3.1          |
| Inflation                          | 3.1        | 1.5        | –          | –         | –          | 2.0       | 2.4          |
| <b>Sensitivity analysis (%)</b>    |            |            |            |           |            |           |              |
| Discount rate (–0.50%)             | 10.1       | 10.6       | 6.7        | 5.6       | 5.7        | 6.3       | 8.1          |
| Discount rate (+0.50%)             | –8.8       | –9.2       | –6.2       | –5.3      | –5.2       | –6.9      | –7.1         |
| Inflation (+0.50%)                 | 3.6        | 7.5        | –          | –         | –          | 2.1       | 3.0          |

<sup>1</sup> SEK 30m have been recorded as other non-current asset and SEK 1,425m have been recorded as provision for pensions.

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| SEKm                             | 2014      |            |            |           |              |           | Total        |
|----------------------------------|-----------|------------|------------|-----------|--------------|-----------|--------------|
|                                  | UK        | Sweden     | US         | Japan     | Germany      | Other     |              |
| Present value of obligation      | 1,344     | 922        | 490        | 169       | 1,114        | 204       | 4,243        |
| Fair value of plan assets        | –1,316    | –512       | –310       | –105      | –            | –165      | –2,408       |
| <b>Deficit</b>                   | <b>28</b> | <b>410</b> | <b>180</b> | <b>64</b> | <b>1,114</b> | <b>39</b> | <b>1,835</b> |
| Total funding level (%)          | 98        | 56         | 63         | 62        | –            | 80        | 57           |
| Duration                         | 20        | 21         | 15         | 11        | 12           | 14        | 17           |
| <b>Actuarial assumptions (%)</b> |           |            |            |           |              |           |              |
| Discount rate                    | 3.6       | 2.6        | 3.6 / 3.9  | 0.9       | 1.8          | 2.1       | 2.7          |
| Inflation                        | 3.1       | 1.5        | –          | –         | –            | 2.0       | 2.3          |
| <b>Sensitivity analysis (%)</b>  |           |            |            |           |              |           |              |
| Discount rate (–0.50%)           | 10.1      | 11.1       | 7.2        | 5.7       | 5.9          | 6.4       | 8.3          |
| Discount rate (+0.50%)           | –8.7      | –9.5       | –6.4       | –5.4      | –5.4         | –5.7      | –7.7         |
| Inflation (+0.50%)               | 3.5       | 7.7        | –          | –         | –            | 2.1       | 3.1          |

**Specification of net provisions for pensions and other post-employment benefits recognized in the balance sheet**

| SEKm                                            | 2015         | 2014         |
|-------------------------------------------------|--------------|--------------|
| Present value of obligations for unfunded plans | 1,025        | 1,288        |
| Present value of obligations for funded plans   | 2,812        | 2,955        |
| Fair value of plan assets                       | –2,442       | –2,408       |
| <b>Net provisions for defined benefit plans</b> | <b>1,395</b> | <b>1,835</b> |

The schedules are showing the obligations of the defined benefit plans in Husqvarna Group and the assumptions used to determine these obligations. As well as the assets relating to the benefit plans, the amounts recognized in the income statement, other comprehensive income and balance sheet. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

The schedules include reconciliations of the opening and closing balances of the present value of the defined benefit obligation, as well as opening and closing balances of the fair value of plan assets and of the changes in net provisions during the year. In a few countries, Husqvarna provides mandatory lump sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are included in the present value of the defined benefit obligation and amount at year-end to SEK 40m (40). Husqvarna has no post-employment medical plans. Further information regarding pension cost is available in note 4.

**The movement in the present value of the net defined benefit obligation**

| SEKm                                                                 | 2015                        |                           |              | 2014                        |                           |              |
|----------------------------------------------------------------------|-----------------------------|---------------------------|--------------|-----------------------------|---------------------------|--------------|
|                                                                      | Present value of obligation | Fair value of plan assets | Total        | Present value of obligation | Fair value of plan assets | Total        |
| Opening balance, Jan 1                                               | 4,243                       | –2,408                    | 1,835        | 3,180                       | –1,927                    | 1,253        |
| Current service cost                                                 | 104                         | 6                         | 110          | 62                          | 6                         | 68           |
| Past service costs and gains/losses on settlements                   | –9                          | –                         | –9           | 9                           | –                         | 9            |
| Interest expenses                                                    | 117                         | –80                       | 37           | 126                         | –84                       | 42           |
|                                                                      | <b>4,455</b>                | <b>–2,482</b>             | <b>1,973</b> | <b>3,377</b>                | <b>–2,005</b>             | <b>1,372</b> |
| <b>Remeasurements:</b>                                               |                             |                           |              |                             |                           |              |
| Return on plan assets                                                | –                           | 20                        | 20           | –                           | –171                      | –171         |
| Actuarial gains and losses due to changes in demographic assumptions | –1                          | –                         | –1           | 45                          | –                         | 45           |
| Experience assumptions                                               | –174                        | –                         | –174         | 8                           | –                         | 8            |
| Actuarial gains and losses due to changes in financial assumptions   | –254                        | –                         | –254         | 646                         | –                         | 646          |
| Changes in asset ceiling                                             | –                           | –                         | –            | –                           | –7                        | –7           |
|                                                                      | <b>–429</b>                 | <b>20</b>                 | <b>–409</b>  | <b>699</b>                  | <b>–178</b>               | <b>521</b>   |
| Exchange rate differences on foreign plans                           | 54                          | –68                       | –14          | 288                         | –208                      | 80           |
| Divestments and transfers                                            | –                           | –                         | –            | –                           | –                         | –            |
| <b>Contributions:</b>                                                |                             |                           |              |                             |                           |              |
| – Employers                                                          | –88                         | –67                       | –155         | –76                         | –62                       | –138         |
| – Plan participants                                                  | –                           | –                         | –            | 3                           | –3                        | –            |
| <b>Payments from plans:</b>                                          |                             |                           |              |                             |                           |              |
| – Benefit payments                                                   | –82                         | 82                        | –            | –48                         | 48                        | –            |
| – Settlements                                                        | –73                         | 73                        | –            | –                           | –                         | –            |
| <b>Closing balance, Dec 31</b>                                       | <b>3,837</b>                | <b>–2,442</b>             | <b>1,395</b> | <b>4,243</b>                | <b>–2,408</b>             | <b>1,835</b> |

Plan assets comprise of the following<sup>1</sup>:

|                                         | 2015         |              | 2014         |              |
|-----------------------------------------|--------------|--------------|--------------|--------------|
|                                         | SEKm         | %            | SEKm         | %            |
| <b>Equity instruments</b>               |              |              |              |              |
| – Equities                              | 1,036        | 42.4         | 1,014        | 42.2         |
| <b>Debt securities</b>                  |              |              |              |              |
| – Government bonds                      | 183          | 7.5          | 179          | 7.5          |
| – Corporate bonds                       | 323          | 13.2         | 319          | 13.2         |
| – Index-linked bonds                    | 300          | 12.3         | 299          | 12.4         |
| – Interest rate funds                   | 454          | 18.6         | 456          | 18.9         |
| <b>Properties</b>                       | 14           | 0.6          | 14           | 0.6          |
| <b>Liquid funds</b>                     | 18           | 0.7          | 20           | 0.8          |
| <b>Assets held by insurance company</b> | 114          | 4.7          | 107          | 4.4          |
| <b>Total</b>                            | <b>2,442</b> | <b>100.0</b> | <b>2,408</b> | <b>100.0</b> |

<sup>1</sup> Approximately 99% (99) of total plan assets refers to listed assets.

None of the assets above refers to shares in the Parent Company or real estates occupied by the group.

For the funded defined benefit pension plans (Sweden, UK and US represents around 90% of total pension assets) the Group's strategy is a combination of matching the assets with the liabilities and trying to achieve as high return as possible within the investment guidelines. This is partly done by investing in longer duration bonds designed to match the development of the debt and also by investing in corporate bonds, index-linked bonds and shares with the purpose of achieving a high return in various market conditions long term.

As the maturity of the pension commitments decreases and/or the value of the assets reaches a satisfactory level in relation to the debt, the Group will gradually reduce the investment risk by shifting into assets with lower volatility.

Husqvarna Group is through its defined benefit obligations exposed to a number of risks, of which the following have the greatest impact on the Group's pension liability:

**Discount rate**

The discount rate reflects the estimated timing of benefit payments and is used for measuring the present value of the obligation. A fluctuation in the discount rate will have a material effect on the pension obligation but will also impact the interest income and expense reported in the finance net. To determine the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied in most countries. When valuing Swedish pension liabilities Husqvarna uses mortgage bonds when determining discount rate.

**Inflation risk**

Most of the obligations are linked to inflation and an increase in inflation leads to higher debt. The return of the majority of the plan assets has a low correlation with inflation, while the holdings of index-linked bonds are protected against a rise in inflation and thus compensates for the increase in the deficit that would occur otherwise.

**Longevity risk**

Since most of the pension obligations mean that those covered by the plan will receive benefits for life, higher life expectancy assumptions have a significant impact on the pension liabilities.

The company expects to make contributions of approximately SEK 148m (143) to the plans during 2016.

The weighted average duration of the defined benefit obligation is 17.0 years (16.8).

**Note 21 Other provisions**

| SEKm                                 | Provisions for restructuring | Warranty commitments | Claims     | Other      | Total        |
|--------------------------------------|------------------------------|----------------------|------------|------------|--------------|
| <b>Opening balance, Jan 1, 2015</b>  | <b>57</b>                    | <b>404</b>           | <b>350</b> | <b>247</b> | <b>1,058</b> |
| Provisions made                      | 100                          | 431                  | 2          | 252        | 785          |
| Provisions used                      | –29                          | –363                 | –          | –90        | –482         |
| Unused amounts reversed              | –                            | –19                  | –          | –3         | –22          |
| Exchange rate differences            | –4                           | 2                    | 28         | 34         | 60           |
| <b>Closing balance, Dec 31, 2015</b> | <b>124</b>                   | <b>455</b>           | <b>380</b> | <b>440</b> | <b>1,399</b> |
| Current provisions                   | 108                          | 246                  | –          | 185        | 539          |
| Non-current provisions               | 16                           | 209                  | 380        | 255        | 860          |

**Provisions for restructuring**

Provisions for restructuring refer to the expected payments to be incurred in the coming years as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel. The amounts are based on the Husqvarna management's best estimates and are adjusted when changes to these estimates are known.

**Warranty commitments**

Provisions for warranty comprise all potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to 24 months.

**Claims**

Provisions for claims refer to claim reserves in Husqvarna's insurance companies mainly due to product liabilities but also property damage and business interruptions. The provisions are estimated based on actuarial calculations.

**Other**

Other provisions are in all material aspects referring to payroll related provisions.

**Note 22 Other liabilities**

|                                 | 2015         | 2014         |
|---------------------------------|--------------|--------------|
| Accrued holiday pay             | 195          | 200          |
| Other accrued payroll expenses  | 587          | 622          |
| Other accrued expenses          | 1,008        | 884          |
| Value added tax                 | 58           | 90           |
| Personnel taxes and other taxes | 51           | 58           |
| Other operating liabilities     | 181          | 141          |
| <b>Total</b>                    | <b>2,080</b> | <b>1,995</b> |

**Note 23 Pledged assets and contingent liabilities****Pledged assets**

| SEKm                             | 2015       | 2014       |
|----------------------------------|------------|------------|
| Pension obligations <sup>1</sup> | 98         | 74         |
| Real estate mortgages            | 30         | 30         |
| <b>Total</b>                     | <b>128</b> | <b>104</b> |

<sup>1</sup> Refers to endowment that is pledged in favor of the recipient.

**Contingent liabilities**

| SEKm                                        | 2015       | 2014       |
|---------------------------------------------|------------|------------|
| <b>On behalf of external counterparties</b> |            |            |
| Guarantees and other commitments            | 103        | 102        |
| <b>Total</b>                                | <b>103</b> | <b>102</b> |

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In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are provided as part of Husqvarna Group's normal course of business. There was no indication at year-end that any payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealer's bankruptcy, to buy back repossessed Husqvarna Groups products from certain North American dealers financing their inventory with an external finance company. During 2015 goods amounting to a value of SEK 8m (5) were bought back.

Husqvarna Group is involved in commercial, product liability and other disputes in the ordinary course of business. Such disputes involve claims for compensatory damages, property damage or personal injury compensation and occasionally also punitive damages. Although the company is self-insured to a certain extent, it is also insured against excessive liability losses. The Group continuously monitors and evaluates pending claims and

disputes, and take action when deemed necessary. The company believes that these activities help to minimize the risks. It is difficult to predict the outcome of each dispute, but based on its present knowledge, Husqvarna Group estimates that none of these disputes may have a material adverse effect on the consolidated financial position or result.

**Note 24 Related party transactions**

Sales to related parties are carried out on market-based terms. See the Parent Company's directly owned subsidiaries in the Parent Company's note 16, Shares in subsidiaries. Information about the Board of Directors and Group Management and compensation to those are reported in note 4, Employees and employee benefits. No unusual transactions have occurred between Husqvarna Group and the Board of Directors or Group Management. The value of those business transactions are insignificant.

**Note 25 Correction of balance sheet and income statement 2014**

Husqvarna Group has established a new brand-driven organization for its forest and garden operations, which was fully effective as of January 1, 2015. The new organization includes three global divisions for the forest and garden operations; Husqvarna, Gardena and Consumer Brands. The Construction Division was not affected by the reorganization.

Furthermore, the Group has revisited the calculation model for elimination of internal profits in inventory. The application of the new model results

in a correction of the opening balance of Group inventory as of January 1, 2015, by SEK –245m before tax. The impact on Group income for the period 2014 is limited to SEK –7m, with differences between the four individual quarters and divisions. In addition, there has also been a minor correction of prior years' reported equity, primarily related to income tax.

The restatements are shown below.

**Consolidated Income Statement**

| SEKm                                    | Q1 2014<br>restated | Q1 2014 | Q2 2014<br>restated | Q2 2014 | Q3 2014<br>restated | Q3 2014 | Q4 2014<br>restated | Q4 2014 | Full year<br>2014<br>restated | Full year<br>2014 |
|-----------------------------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|-------------------|
| Cost of goods sold                      | –7,128              | –7,133  | –7,620              | –7,609  | –4,819              | –4,850  | –3,921              | –3,886  | –23,488                       | –23,478           |
| Gross income                            | 2,557               | 2,552   | 3,425               | 3,436   | 1,966               | 1,935   | 1,402               | 1,437   | 9,350                         | 9,360             |
| Operating income                        | 908                 | 903     | 1,373               | 1,384   | 332                 | 301     | –1,032              | –997    | 1,581                         | 1,591             |
| Income tax                              | –192                | –191    | –296                | –299    | –63                 | –55     | 119                 | 110     | –432                          | –435              |
| Income for the period                   | 620                 | 616     | 967                 | 975     | 199                 | 176     | –962                | –936    | 824                           | 831               |
| Earnings per share before dilution, SEK | 1.08                | 1.07    | 1.68                | 1.70    | 0.35                | 0.31    | –1.68               | –1.63   | 1.43                          | 1.44              |
| Earnings per share after dilution, SEK  | 1.08                | 1.07    | 1.68                | 1.70    | 0.35                | 0.31    | –1.68               | –1.63   | 1.43                          | 1.44              |
| Other comprehensive income              | 606                 | 602     | 1,434               | 1,442   | 311                 | 288     | –731                | –705    | 1,620                         | 1,627             |

**Consolidated Balance Sheet**

| SEKm                          | Jan 1,<br>2014<br>restated | Jan 1,<br>2014 | Mar 31,<br>2014<br>restated | Mar 31,<br>2014 | Jun 30,<br>2014<br>restated | Jun 30,<br>2014 | Sep 30,<br>2014<br>restated | Sep 30,<br>2014 | Dec 31,<br>2014<br>restated | Dec 31,<br>2014 |
|-------------------------------|----------------------------|----------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|
| Property, plant and equipment | 3,627                      | 3,609          | 3,704                       | 3,686           | 3,878                       | 3,860           | 4,094                       | 4,076           | 4,481                       | 4,463           |
| Deferred tax assets           | 1,178                      | 1,122          | 1,276                       | 1,221           | 1,326                       | 1,268           | 1,281                       | 1,231           | 1,644                       | 1,585           |
| Inventories                   | 6,852                      | 7,087          | 7,277                       | 7,507           | 6,704                       | 6,945           | 6,577                       | 6,787           | 7,709                       | 7,954           |
| Total assets                  | 26,601                     | 26,762         | 31,482                      | 31,639          | 31,301                      | 31,466          | 28,827                      | 28,969          | 29,176                      | 29,344          |
| Total equity                  | 11,315                     | 11,390         | 11,923                      | 11,994          | 12,497                      | 12,576          | 12,816                      | 12,872          | 12,088                      | 12,170          |
| Tax liabilities               | 10                         | 96             | 186                         | 272             | 438                         | 524             | 231                         | 317             | 50                          | 136             |
| Total liabilities             | 15,286                     | 15,372         | 19,559                      | 19,645          | 18,804                      | 18,890          | 16,011                      | 16,097          | 17,088                      | 17,174          |
| Total equity and liabilities  | 26,601                     | 26,762         | 31,482                      | 31,639          | 31,301                      | 31,466          | 28,827                      | 28,969          | 29,176                      | 29,344          |

## Husqvarna

| SEKm                | Q1 2014<br>restated | Q1 2014 | Q2 2014<br>restated | Q2 2014 | Q3 2014<br>restated | Q3 2014 | Q4 2014<br>restated | Q4 2014 | Full year<br>2014<br>restated | Full year<br>2014 |
|---------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|-------------------|
| Net sales           | 4,358               | 4,358   | 5,038               | 5,038   | 3,264               | 3,264   | 2,789               | 2,789   | 15,449                        | 15,449            |
| Operating income    | 667                 | 653     | 818                 | 818     | 432                 | 400     | 91                  | 145     | 2,008                         | 2,016             |
| Operating margin, % | 15.3                | 15.0    | 16.2                | 16.2    | 13.2                | 12.2    | 3.3                 | 5.2     | 13.0                          | 13.0              |
| Assets              | 10,720              | 10,845  | 10,696              | 10,827  | 9,715               | 9,826   | 10,025              | 10,189  | 10,025                        | 10,189            |
| Liabilities         | 3,404               | 3,404   | 3,356               | 3,356   | 2,754               | 2,754   | 2,942               | 2,942   | 2,942                         | 2,942             |
| Net assets          | 7,316               | 7,441   | 7,340               | 7,471   | 6,961               | 7,072   | 7,083               | 7,247   | 7,083                         | 7,247             |

## Gardena

| SEKm                | Q1 2014<br>restated | Q1 2014 | Q2 2014<br>restated | Q2 2014 | Q3 2014<br>restated | Q3 2014 | Q4 2014<br>restated | Q4 2014 | Full year<br>2014<br>restated | Full year<br>2014 |
|---------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|-------------------|
| Net sales           | 1,152               | 1,152   | 1,712               | 1,712   | 879                 | 879     | 469                 | 469     | 4,212                         | 4,212             |
| Operating income    | 177                 | 186     | 399                 | 401     | -7                  | 2       | -186                | -207    | 383                           | 382               |
| Operating margin, % | 15.4                | 16.1    | 23.3                | 23.4    | -0.8                | 0.3     | -39.7               | -44.2   | 9.1                           | 9.1               |
| Assets              | 7,285               | 7,321   | 7,441               | 7,473   | 6,841               | 6,873   | 6,449               | 6,460   | 6,449                         | 6,460             |
| Liabilities         | 804                 | 804     | 867                 | 867     | 563                 | 563     | 639                 | 639     | 639                           | 639               |
| Net assets          | 6,481               | 6,517   | 6,574               | 6,606   | 6,278               | 6,310   | 5,810               | 5,821   | 5,810                         | 5,821             |

## Consumer Brands

| SEKm                | Q1 2014<br>restated | Q1 2014 | Q2 2014<br>restated | Q2 2014 | Q3 2014<br>restated | Q3 2014 | Q4 2014<br>restated | Q4 2014 | Full year<br>2014<br>restated | Full year<br>2014 |
|---------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|-------------------|
| Net sales           | 3,393               | 3,393   | 3,410               | 3,410   | 1,776               | 1,776   | 1,259               | 1,259   | 9,838                         | 9,838             |
| Operating income    | 44                  | 48      | 97                  | 102     | -138                | -148    | -158                | -156    | -155                          | -154              |
| Operating margin, % | 1.3                 | 1.4     | 2.8                 | 3.0     | -7.8                | -8.3    | -12.5               | -12.4   | -1.6                          | -1.6              |
| Assets              | 7,330               | 7,325   | 6,194               | 6,193   | 5,350               | 5,336   | 5,645               | 5,635   | 5,645                         | 5,635             |
| Liabilities         | 2,599               | 2,599   | 2,068               | 2,068   | 1,514               | 1,514   | 1,723               | 1,723   | 1,723                         | 1,723             |
| Net assets          | 4,731               | 4,726   | 4,126               | 4,125   | 3,836               | 3,822   | 3,922               | 3,912   | 3,922                         | 3,912             |

## Construction

| SEKm                | Q1 2014<br>restated | Q1 2014 | Q2 2014<br>restated | Q2 2014 | Q3 2014<br>restated | Q3 2014 | Q4 2014<br>restated | Q4 2014 | Full year<br>2014<br>restated | Full year<br>2014 |
|---------------------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|-------------------|
| Net sales           | 782                 | 782     | 885                 | 885     | 866                 | 866     | 806                 | 806     | 3,339                         | 3,339             |
| Operating income    | 81                  | 77      | 117                 | 121     | 107                 | 109     | 49                  | 49      | 354                           | 356               |
| Operating margin, % | 10.4                | 9.8     | 13.2                | 13.7    | 12.4                | 12.6    | 6.0                 | 6.0     | 10.6                          | 10.7              |
| Assets              | 3,023               | 3,080   | 3,179               | 3,240   | 3,226               | 3,288   | 3,215               | 3,278   | 3,215                         | 3,278             |
| Liabilities         | 507                 | 507     | 565                 | 565     | 558                 | 558     | 538                 | 538     | 538                           | 538               |
| Net assets          | 2,516               | 2,573   | 2,614               | 2,675   | 2,668               | 2,730   | 2,677               | 2,740   | 2,677                         | 2,740             |

Liquid funds, interest-bearing assets and liabilities, tax items and equity are not included in the tables above.

## Parent Company income statement

| SEKm                                         | Note       | 2015         | 2014         |
|----------------------------------------------|------------|--------------|--------------|
| Net sales                                    | 3          | 12,763       | 11,453       |
| Cost of goods sold                           | 5          | -9,376       | -8,762       |
| <b>Gross income</b>                          |            | <b>3,387</b> | <b>2,691</b> |
| Selling expenses                             | 5          | -1,385       | -1,300       |
| Administrative expenses                      | 5          | -814         | -693         |
| Other operating expenses                     | 6          | -1           | -            |
| <b>Operating income</b>                      | 4, 7, 8, 9 | <b>1,187</b> | <b>698</b>   |
| <b>Income from financial items</b>           |            |              |              |
| Income from participation in Group companies | 10         | 1,402        | 1,474        |
| Financial income                             | 11         | 62           | 52           |
| Financial expenses                           | 11         | -572         | -1,239       |
| <b>Income after financial items</b>          |            | <b>2,079</b> | <b>985</b>   |
| Appropriations                               | 12         | -99          | -406         |
| <b>Income before taxes</b>                   |            | <b>1,980</b> | <b>579</b>   |
| Income tax                                   | 13         | -135         | 200          |
| <b>Income for the period</b>                 |            | <b>1,845</b> | <b>779</b>   |

## Parent Company comprehensive income statement

| SEKm                                                             | 2015         | 2014       |
|------------------------------------------------------------------|--------------|------------|
| Income for the period                                            | 1,845        | 779        |
| <b>Other comprehensive income</b>                                |              |            |
| <i>Items that may be reclassified to the income statement:</i>   |              |            |
| Cash flow hedges                                                 |              |            |
| Result arising during the period, net of tax                     | 42           | 82         |
| Reclassification adjustments to the income statement, net of tax | -80          | 31         |
| <b>Other comprehensive income, net of tax</b>                    | <b>-38</b>   | <b>113</b> |
| <b>Total comprehensive income for the period</b>                 | <b>1,807</b> | <b>892</b> |

## Parent Company balance sheet

| SEKm                                                       | Note   | Dec 31, 2015  | Dec 31, 2014  |
|------------------------------------------------------------|--------|---------------|---------------|
| <b>Assets</b>                                              |        |               |               |
| <i>Non-current assets</i>                                  |        |               |               |
| Intangible assets                                          | 14     | 1,633         | 1,472         |
| Property, plant and equipment                              | 15     | 1,335         | 1,118         |
| Financial assets                                           |        |               |               |
| Shares in subsidiaries                                     | 16     | 29,136        | 29,133        |
| Derivatives                                                | 19     | 4             | 0             |
| Other non-current assets                                   | 17, 19 | 144           | 75            |
| Deferred tax assets                                        | 13     | 233           | 354           |
| <b>Total non-current assets</b>                            |        | <b>32,485</b> | <b>32,152</b> |
| <i>Current assets</i>                                      |        |               |               |
| Inventories                                                | 18     | 1,414         | 1,449         |
| Receivables                                                |        |               |               |
| Trade receivables                                          | 19     | 348           | 332           |
| Receivables from Group companies                           | 19     | 2,621         | 2,451         |
| Derivatives                                                | 19     | 446           | 729           |
| Other receivables                                          | 19, 20 | 70            | 94            |
| Prepaid expenses and accrued income                        | 20     | 106           | 109           |
| Cash and cash equivalents                                  | 19     | 238           | 166           |
| <b>Total current assets</b>                                |        | <b>5,243</b>  | <b>5,330</b>  |
| <b>Total assets</b>                                        |        | <b>37,728</b> | <b>37,482</b> |
| <b>Equity and liabilities</b>                              |        |               |               |
| <i>Restricted equity</i>                                   |        |               |               |
| Share capital                                              |        | 1,153         | 1,153         |
| Revaluation reserve                                        |        | 4             | 4             |
| Statutory reserves                                         |        | 18            | 18            |
| <i>Non-restricted equity</i>                               |        |               |               |
| Share-premium reserve                                      |        | 2,605         | 2,605         |
| Fair value reserve                                         |        | 34            | 72            |
| Profit or loss brought forward                             |        | 13,904        | 14,050        |
| Income for the period                                      |        | 1,845         | 779           |
| <b>Total equity</b>                                        |        | <b>19,563</b> | <b>18,681</b> |
| <b>Untaxed reserves</b>                                    | 12     | –             | 25            |
| <i>Provisions</i>                                          |        |               |               |
| Provisions for pensions and other post-employment benefits | 22     | –             | 2             |
| Other provisions                                           | 23     | 127           | 73            |
| <b>Total provisions</b>                                    |        | <b>127</b>    | <b>75</b>     |
| <i>Non-current liabilities</i>                             |        |               |               |
| Borrowings                                                 | 19     | 4,194         | 5,262         |
| Derivatives                                                | 19     | 11            | 30            |
| <b>Total non-current liabilities</b>                       |        | <b>4,205</b>  | <b>5,292</b>  |
| <i>Current liabilities</i>                                 |        |               |               |
| Borrowings                                                 | 19     | 1,892         | 1,013         |
| Liabilities to Group companies                             | 19     | 10,136        | 10,232        |
| Trade payables                                             | 19     | 770           | 703           |
| Tax liabilities                                            |        | 7             | 4             |
| Derivatives                                                | 19     | 425           | 877           |
| Other liabilities                                          | 21     | 603           | 580           |
| <b>Total current liabilities</b>                           |        | <b>13,833</b> | <b>13,409</b> |
| <b>Total equity and liabilities</b>                        |        | <b>37,728</b> | <b>37,482</b> |
| Pledged assets                                             | 24     | 98            | 74            |
| Contingent liabilities                                     | 24     | 573           | 554           |

## Parent Company cash flow statement

| SEKm                                                                                   | Note | 2015          | 2014          |
|----------------------------------------------------------------------------------------|------|---------------|---------------|
| <b>Cash flow from operations</b>                                                       |      |               |               |
| Income after financial items                                                           |      | 2,079         | 985           |
| <i>Non cash items</i>                                                                  |      |               |               |
| Depreciation/amortization and impairment                                               |      | 484           | 423           |
| Capital gains and losses                                                               |      | 1             | –             |
| Other non cash items                                                                   |      | –33           | 158           |
| Taxes paid                                                                             |      | 0             | –             |
| <b>Cash flow from operations, excluding change in operating assets and liabilities</b> |      | <b>2,531</b>  | <b>1,566</b>  |
| <b>Change in operating assets and liabilities</b>                                      |      |               |               |
| Change in inventories                                                                  |      | 35            | –132          |
| Change in trade receivables                                                            |      | –16           | 4             |
| Change in intercompany receivables/liabilities                                         |      | –27           | 1,472         |
| Change in other current assets                                                         |      | 310           | –430          |
| Change in current liabilities and provisions                                           |      | –334          | 623           |
| <b>Cash flow from operating assets and liabilities</b>                                 |      | <b>–32</b>    | <b>1,537</b>  |
| <b>Cash flow from operations</b>                                                       |      | <b>2,499</b>  | <b>3,103</b>  |
| <b>Investments</b>                                                                     |      |               |               |
| Paid shareholder's contribution                                                        | 16   | –3            | –1,767        |
| Repaid shareholder's contribution                                                      |      | –             | 65            |
| Redemption of preferred stock                                                          |      | –             | 899           |
| Investments in intangible assets                                                       | 14   | –519          | –236          |
| Investments in property, plant and equipment                                           | 15   | –345          | –422          |
| Sale of property, plant and equipment and intangible assets                            |      | 0             | 2             |
| <b>Cash flow from investments</b>                                                      |      | <b>–867</b>   | <b>–1,459</b> |
| <b>Cash flow from operations and investments</b>                                       |      | <b>1,632</b>  | <b>1,644</b>  |
| <b>Financing</b>                                                                       |      |               |               |
| New borrowings                                                                         |      | 795           | 435           |
| Repayment of borrowings                                                                |      | –1,007        | –771          |
| Dividend paid to shareholders                                                          |      | –945          | –859          |
| Group contribution paid/received                                                       |      | –408          | –377          |
| Transfer of treasury shares                                                            |      | 5             | 5             |
| <b>Cash flow from financing</b>                                                        |      | <b>–1,560</b> | <b>–1,567</b> |
| <b>Total cash flow</b>                                                                 |      | <b>72</b>     | <b>77</b>     |
| Cash and cash equivalents at beginning of year                                         |      | 166           | 89            |
| <b>Cash and cash equivalents at year-end</b>                                           |      | <b>238</b>    | <b>166</b>    |

## Parent Company statement of changes in equity

| SEKm                                     | Share capital | Restricted reserves | Fair value reserve | Share-premium reserve | Profit or loss brought forward | Total         |
|------------------------------------------|---------------|---------------------|--------------------|-----------------------|--------------------------------|---------------|
| <b>Opening balance, Jan 1, 2014</b>      | <b>1,153</b>  | <b>22</b>           | <b>-41</b>         | <b>2,605</b>          | <b>14,897</b>                  | <b>18,636</b> |
| Total comprehensive income               | –             | –                   | 113                | –                     | 779                            | 892           |
| Share-based payments                     | –             | –                   | –                  | –                     | 7                              | 7             |
| Transfer of treasury shares <sup>1</sup> | –             | –                   | –                  | –                     | 5                              | 5             |
| Dividend SEK 1.50 per share              | –             | –                   | –                  | –                     | -859                           | -859          |
| <b>Closing balance, Dec 31, 2014</b>     | <b>1,153</b>  | <b>22</b>           | <b>72</b>          | <b>2,605</b>          | <b>14,829</b>                  | <b>18,681</b> |
| Total comprehensive income               | –             | –                   | -38                | –                     | 1,845                          | 1,807         |
| Share-based payments                     | –             | –                   | –                  | –                     | 15                             | 15            |
| Transfer of treasury shares <sup>1</sup> | –             | –                   | –                  | –                     | 5                              | 5             |
| Dividend SEK 1.65 per share              | –             | –                   | –                  | –                     | -945                           | -945          |
| <b>Closing balance, Dec 31, 2015</b>     | <b>1,153</b>  | <b>22</b>           | <b>34</b>          | <b>2,605</b>          | <b>15,749</b>                  | <b>19,563</b> |

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

Information regarding the Parent Company's shares, share capital and share-premium reserve is available in the Group's note 18.

## Parent Company notes

### Note 1 Accounting principles - Parent Company

Husqvarna AB's (publ) Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2. The Parent Company follows the International Financial Reporting Standards (IFRS) adopted by EU, to the extent possible within the framework for the Swedish Annual Accounts Act and Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen), and considering the relationship between accounting and taxation. The Parent Company is following the same principles as described in the Group note 1, with the below exceptions.

#### Segments

Information is reported in accordance with the Swedish Annual Accounts Act and contains disclosures of net sales divided by geography.

#### Property, plant and equipment

The Parent Company accounts for tax depreciation in accordance with the Swedish tax law as appropriations in the Income statement. These depreciations are accounted for in addition to the depreciation described in the section "Property, plant and equipment" in the Group's note 1 and are reported as untaxed reserves in the Balance sheet.

#### Shares in subsidiaries

Shares in subsidiaries are reported at cost deducted for impairment. Expenses and potential additional purchase price, related to an acquisition are included in the acquisition value of the investment. Investments are tested annually for impairment or if there is an indication of that the book value of the investment is higher than the recoverable amount. Dividends are reported as income.

#### Pensions

Husqvarna Group applies IAS 19 Employee Benefits for pension assets and liabilities. The Parent Company applies the Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen).

#### Group contributions

The Parent Company applies the alternative rule in RFR 2, and accounts for both group contribution received and paid as appropriations.

#### Contingent liabilities

The Parent Company has signed guarantees in favor of subsidiaries which in accordance with IFRS are classified as a financial guarantee. However, the Parent Company applies RFR 2 and recognizes these guarantees as contingent liabilities.

#### Leasing

The Parent Company applies RFR 2 and recognizes all leasing as operating leases.

### Note 2 Financial risk management

Husqvarna Group applies common risk management for all units. Group Treasury is part of the Parent Company and the description of financial risk management available in the Group's note 19 is in all material aspects applicable also for the Parent Company.

### Note 3 Net sales distribution

Net sales are distributed on the following geographic markets:

#### Net sales

| SEKm                      | 2015          | 2014          |
|---------------------------|---------------|---------------|
| Europe                    | 9,378         | 8,642         |
| North America             | 1,375         | 1,127         |
| Rest of the World         | 2,010         | 1,684         |
| <b>Total<sup>1)</sup></b> | <b>12,763</b> | <b>11,453</b> |

<sup>1)</sup> Net sales amounted to SEK 12,763m (11,453), of which SEK 9,844m (8,923) referred to sales to Group companies and 2,919m (2,530) to external customers.

### Note 4 Employees and employee benefits

#### Average number of employees

|                                               | 2015          |                 |              | 2014          |                 |              |
|-----------------------------------------------|---------------|-----------------|--------------|---------------|-----------------|--------------|
|                                               | Number of men | Number of women | Total        | Number of men | Number of women | Total        |
| Board, President and CEO and Group Management | 16            | 6               | 22           | 14            | 6               | 20           |
| Sweden                                        | 1,335         | 413             | 1,748        | 1,276         | 373             | 1,649        |
| <b>Total</b>                                  | <b>1,351</b>  | <b>419</b>      | <b>1,770</b> | <b>1,290</b>  | <b>379</b>      | <b>1,669</b> |

#### Salary cost

| SEKm                                          | 2015                                         |                 |                  | 2014                                         |                 |                  |
|-----------------------------------------------|----------------------------------------------|-----------------|------------------|----------------------------------------------|-----------------|------------------|
|                                               | Salaries and remunerations (whereof bonuses) | Social expenses | Pension expenses | Salaries and remunerations (whereof bonuses) | Social expenses | Pension expenses |
| Board, President and CEO and Group Management | 64 (25)                                      | 24              | 13               | 63 (25)                                      | 22              | 11               |
| Other employees                               | 906                                          | 306             | 74               | 855                                          | 289             | 51               |
| <b>Total</b>                                  | <b>970</b>                                   | <b>330</b>      | <b>87</b>        | <b>918</b>                                   | <b>311</b>      | <b>62</b>        |

For further information regarding remunerations to the Board of Directors, President and CEO and the Group Management, and the Group's long term incentive program see the Group's note 4.

**Note 5 Expenses by nature**

| SEKm                                               | 2015          | 2014          |
|----------------------------------------------------|---------------|---------------|
| Costs for raw materials, components                | 6,691         | 6,390         |
| Remuneration to employees                          | 1,387         | 1,264         |
| Amortization/depreciation and impairment           | 484           | 423           |
| Cost for restructuring and staff reduction program | 55            | 17            |
| Other                                              | 2,958         | 2,661         |
| <b>Total</b>                                       | <b>11,575</b> | <b>10,755</b> |

**Note 6 Other operating expenses**

| SEKm                            | 2015      | 2014     |
|---------------------------------|-----------|----------|
| <b>Other operating expenses</b> |           |          |
| Loss on sale of:                |           |          |
| – Property, plant and equipment | –1        | –        |
| <b>Total</b>                    | <b>–1</b> | <b>–</b> |

**Note 7 Fees to auditors**

| SEKm                                                   | 2015      | 2014      |
|--------------------------------------------------------|-----------|-----------|
| <b>EY</b>                                              |           |           |
| Audit fees for the annual audit engagement             | 5         | 5         |
| Audit fees not included in the annual audit engagement | 0         | 0         |
| Tax advices                                            | 2         | 2         |
| Other services                                         | 9         | 14        |
| <b>Total fees to EY<sup>1</sup></b>                    | <b>16</b> | <b>21</b> |

<sup>1)</sup> Of the total fee to EY, SEK 9m (9) is related to non-audit fees for projects initiated before EY was elected auditor.

**Note 8 Exchange rate gains and losses in operating income**

| SEKm                                                            | 2015       | 2014       |
|-----------------------------------------------------------------|------------|------------|
| Exchange rate gains and losses in operating income <sup>1</sup> | 162        | –69        |
| <b>Total</b>                                                    | <b>162</b> | <b>–69</b> |

<sup>1)</sup> Included in selling expenses within operating income.

Operating income includes SEK 119m (–13) of foreign exchange hedging result previously reported in other comprehensive income. Information related to the accounting of fair value in financial instruments is presented in the Group's note 1.

**Note 9 Operating leases**

There are no material contingent expenses or restrictions among Husqvarna's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 59m (67) in 2015.

Future minimum lease payments are allocated as follows:

| SEKm          | 2015       | 2014       |
|---------------|------------|------------|
| Within 1 year | 63         | 59         |
| 1-5 years     | 72         | 61         |
| > 5 years     | 10         | –          |
| <b>Total</b>  | <b>145</b> | <b>120</b> |

**Note 10 Income from participation in Group companies**

| SEKm         | 2015         | 2014         |
|--------------|--------------|--------------|
| Dividends    | 1,402        | 1,474        |
| <b>Total</b> | <b>1,402</b> | <b>1,474</b> |

**Note 11 Financial income and expense**

| SEKm                                           | 2015        | 2014          |
|------------------------------------------------|-------------|---------------|
| <b>Financial income</b>                        |             |               |
| <b>Interest income</b>                         |             |               |
| – from subsidiaries                            | 61          | 49            |
| – from others                                  | 1           | 3             |
| <i>whereof Interest income</i>                 |             |               |
| – on deposits                                  | 33          | 37            |
| – on derivatives held for trading              | 29          | 15            |
| <b>Total financial income</b>                  | <b>62</b>   | <b>52</b>     |
| <b>Financial expenses</b>                      |             |               |
| <b>Interest expense</b>                        |             |               |
| – to subsidiaries                              | –10         | –32           |
| – to others                                    | –229        | –258          |
| <i>whereof Interest expense</i>                |             |               |
| – on loans                                     | –141        | –210          |
| – on cashflow hedges, interest derivatives     | –30         | –29           |
| – on derivatives held for trading <sup>1</sup> | –68         | –51           |
| <b>Exchange rate differences</b>               |             |               |
| – on borrowings                                | 31          | –431          |
| – on derivatives held for trading <sup>2</sup> | –345        | –486          |
| <b>Other financial expenses</b>                | <b>–19</b>  | <b>–32</b>    |
| <b>Total financial expenses</b>                | <b>–572</b> | <b>–1,239</b> |
| <b>Financial income and expenses, net</b>      | <b>–510</b> | <b>–1,187</b> |

<sup>1)</sup> Interest expense on derivatives held for trading includes interest expense on derivatives for hedging net investments SEK –40m (10).

<sup>2)</sup> Currency exchange rate difference on derivatives held for trading includes currency exchange rate differences on derivatives for hedging net investments SEK –320m (–925).

## Notes – Parent Company

**Note 12 Appropriations and untaxed reserves**

| SEKm                                                    | Appropriations |             | Untaxed Reserves |           |
|---------------------------------------------------------|----------------|-------------|------------------|-----------|
|                                                         | 2015           | 2014        | 2015             | 2014      |
| Group contribution, received                            | 8              | 2           | –                | –         |
| Group contribution, paid                                | –132           | –410        | –                | –         |
| Accumulated depreciation in excess of plan on Buildings | 25             | 2           | –                | 25        |
| <b>Total</b>                                            | <b>–99</b>     | <b>–406</b> | <b>–</b>         | <b>25</b> |

**Note 13 Tax**

| SEKm                                 | 2015        | 2014       |
|--------------------------------------|-------------|------------|
| Current tax on income for the period | –4          | –1         |
| Deferred tax income/expense          | –131        | 201        |
| <b>Total</b>                         | <b>–135</b> | <b>200</b> |

**Theoretical and actual tax rate**

|                                                        | 2015        |             | 2014        |            |
|--------------------------------------------------------|-------------|-------------|-------------|------------|
|                                                        | Tax, %      | SEKm        | Tax, %      | SEKm       |
| Profit before tax                                      | –           | 1,980       | –           | 579        |
| Theoretical tax rate                                   | –22.0       | –436        | –22.0       | –127       |
| Non-taxable/non-deductible income statement items, net | 15.6        | 307         | 56.6        | 328        |
| Withholding tax                                        | –0.3        | –5          | 0           | 0          |
| Change in valuation of deferred tax                    | –0.1        | –1          | –0.1        | –1         |
| <b>Actual tax rate<sup>1</sup></b>                     | <b>–6.8</b> | <b>–135</b> | <b>34.5</b> | <b>200</b> |

<sup>1)</sup> Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 1,402m (1,474).

**Deferred tax assets and liabilities**

| SEKm                                            | Assets     |            | Liabilities |           | Net        |            |
|-------------------------------------------------|------------|------------|-------------|-----------|------------|------------|
|                                                 | 2015       | 2014       | 2015        | 2014      | 2015       | 2014       |
| Non-current assets                              | –          | –          | 7           | 2         | –7         | –2         |
| Provisions for pensions and similar commitments | 24         | 24         | –           | –         | 24         | 24         |
| Other provisions                                | 22         | 9          | –           | –         | 22         | 9          |
| Financial and operating liabilities             | –          | –          | 10          | 20        | –10        | –20        |
| Tax losses carried forward                      | 204        | 343        | –           | –         | 204        | 343        |
| <b>Deferred tax assets and liabilities, net</b> | <b>250</b> | <b>376</b> | <b>17</b>   | <b>22</b> | <b>233</b> | <b>354</b> |

**Changes in deferred taxes**

| SEKm                                            | Balance, Jan 1, 2015 | Recognized in income statement | Recognized in comprehensive income statement | Balance, Dec 31, 2015 | Balance, Jan 1, 2014 | Recognized in income statement | Recognized in comprehensive income statement | Balance, Dec 31, 2014 |
|-------------------------------------------------|----------------------|--------------------------------|----------------------------------------------|-----------------------|----------------------|--------------------------------|----------------------------------------------|-----------------------|
|                                                 |                      |                                |                                              |                       |                      |                                |                                              |                       |
| Non-current assets                              | –2                   | –5                             | –                                            | –7                    | –2                   | –                              | –                                            | –2                    |
| Provision for pensions and similar commitments  | 24                   | –                              | –                                            | 24                    | 18                   | 6                              | –                                            | 24                    |
| Other provisions                                | 9                    | 13                             | –                                            | 22                    | 14                   | –5                             | –                                            | 9                     |
| Financial and operating liabilities             | –20                  | –                              | 10                                           | –10                   | 12                   | –                              | –32                                          | –20                   |
| Tax losses carried forward                      | 343                  | –139                           | –                                            | 204                   | 143                  | 200                            | –                                            | 343                   |
| <b>Deferred tax assets and liabilities, net</b> | <b>354</b>           | <b>–131</b>                    | <b>10</b>                                    | <b>233</b>            | <b>185</b>           | <b>201</b>                     | <b>–32</b>                                   | <b>354</b>            |

**Note 14** Intangible assets

| SEKm                                                   | Product development | Brands       | Other      | Total        | SEKm                                                   | Product development | Brands       | Other      | Total        |
|--------------------------------------------------------|---------------------|--------------|------------|--------------|--------------------------------------------------------|---------------------|--------------|------------|--------------|
| <b>2015</b>                                            |                     |              |            |              | <b>2014</b>                                            |                     |              |            |              |
| Opening accumulated acquisition value                  | 1,238               | 1,742        | 434        | 3,414        | Opening accumulated acquisition value                  | 1,084               | 1,739        | 368        | 3,191        |
| Investments                                            | 223                 | –            | 296        | 519          | Investments                                            | 154                 | 3            | 79         | 236          |
| Sold, scrapped                                         | –16                 | –            | –4         | –20          | Reclassification                                       | –                   | –            | –13        | –13          |
| <b>Closing accumulated acquisition value</b>           | <b>1,445</b>        | <b>1,742</b> | <b>726</b> | <b>3,913</b> | <b>Closing accumulated acquisition value</b>           | <b>1,238</b>        | <b>1,742</b> | <b>434</b> | <b>3,414</b> |
| Opening accumulated amortization and impairment        | 828                 | 915          | 199        | 1,942        | Opening accumulated amortization and impairment        | 715                 | 797          | 139        | 1,651        |
| Amortization <sup>1</sup>                              | 128                 | 119          | 91         | 338          | Amortization <sup>1</sup>                              | 113                 | 118          | 60         | 291          |
| Impairment                                             | 16                  | –            | 4          | 20           | Impairment                                             | –                   | –            | 13         | 13           |
| Sold, scrapped                                         | –16                 | –            | –4         | –20          | Sold, scrapped                                         | –                   | –            | –13        | –13          |
| <b>Closing accumulated amortization and impairment</b> | <b>956</b>          | <b>1,034</b> | <b>290</b> | <b>2,280</b> | <b>Closing accumulated amortization and impairment</b> | <b>828</b>          | <b>915</b>   | <b>199</b> | <b>1,942</b> |
| <b>Closing balance, Dec 31, 2015</b>                   | <b>489</b>          | <b>708</b>   | <b>436</b> | <b>1,633</b> | <b>Closing balance, Dec 31, 2014</b>                   | <b>410</b>          | <b>827</b>   | <b>235</b> | <b>1,472</b> |

<sup>1</sup> In the income statement amortization is primarily accounted for within cost of goods sold.

**Note 15** Property, plant and equipment

| SEKm                                                   | Land and land improvements <sup>1</sup> | Buildings and leasehold improvements | Machinery and technical installations | Other equipment | Construction in progress and advances | Total        |
|--------------------------------------------------------|-----------------------------------------|--------------------------------------|---------------------------------------|-----------------|---------------------------------------|--------------|
| <b>2015</b>                                            |                                         |                                      |                                       |                 |                                       |              |
| Opening accumulated acquisition value                  | 21                                      | 294                                  | 1,121                                 | 58              | 593                                   | 2,087        |
| Investments                                            | –                                       | 19                                   | 68                                    | 16              | 242                                   | 345          |
| Sold, scrapped                                         | –4                                      | –2                                   | –18                                   | –7              | –1                                    | –32          |
| Reclassification                                       | 1                                       | 37                                   | –81                                   | 150             | –107                                  | –            |
| <b>Closing accumulated acquisition value</b>           | <b>18</b>                               | <b>348</b>                           | <b>1,090</b>                          | <b>217</b>      | <b>727</b>                            | <b>2,400</b> |
| Opening accumulated depreciation and impairment        | 9                                       | 175                                  | 747                                   | 38              | –                                     | 969          |
| Depreciation <sup>2</sup>                              | 1                                       | 12                                   | 98                                    | 15              | –                                     | 126          |
| Sold, scrapped                                         | –4                                      | –1                                   | –18                                   | –7              | –                                     | –30          |
| Reclassification                                       | –                                       | –                                    | –98                                   | 98              | –                                     | –            |
| <b>Closing accumulated depreciation and impairment</b> | <b>6</b>                                | <b>186</b>                           | <b>729</b>                            | <b>144</b>      | <b>–</b>                              | <b>1,065</b> |
| <b>Closing balance, Dec 31, 2015</b>                   | <b>12</b>                               | <b>162</b>                           | <b>361</b>                            | <b>73</b>       | <b>727</b>                            | <b>1,335</b> |
| <b>2014</b>                                            |                                         |                                      |                                       |                 |                                       |              |
| Opening accumulated acquisition value                  | 21                                      | 282                                  | 1,025                                 | 52              | 329                                   | 1,709        |
| Investments                                            | –                                       | 10                                   | 73                                    | 4               | 335                                   | 422          |
| Sold, scrapped                                         | –                                       | –                                    | –42                                   | –2              | 0                                     | –44          |
| Reclassification                                       | –                                       | 2                                    | 65                                    | 4               | –71                                   | 0            |
| <b>Closing accumulated acquisition value</b>           | <b>21</b>                               | <b>294</b>                           | <b>1,121</b>                          | <b>58</b>       | <b>593</b>                            | <b>2,087</b> |
| Opening accumulated depreciation and impairment        | 9                                       | 167                                  | 675                                   | 34              | –                                     | 885          |
| Depreciation <sup>2</sup>                              | 0                                       | 8                                    | 105                                   | 6               | –                                     | 119          |
| Sold, scrapped                                         | –                                       | –                                    | –33                                   | –2              | –                                     | –35          |
| <b>Closing accumulated depreciation and impairment</b> | <b>9</b>                                | <b>175</b>                           | <b>747</b>                            | <b>38</b>       | <b>–</b>                              | <b>969</b>   |
| <b>Closing balance, Dec 31, 2014</b>                   | <b>12</b>                               | <b>119</b>                           | <b>374</b>                            | <b>20</b>       | <b>593</b>                            | <b>1,118</b> |

<sup>1</sup> The net book value for land is SEK 7m (7).

<sup>2</sup> In the income statement depreciation is accounted for within cost of goods sold by SEK 121m (115), within selling expenses by SEK 1m (1) and within administrative expenses by SEK 4m (3).

## Notes – Parent Company

**Note 16** Shares in subsidiaries

| Country      | Subsidiaries                                 | Registration number | Holding, % | Net book value, SEKm 2015 | Net book value, SEKm 2014 |
|--------------|----------------------------------------------|---------------------|------------|---------------------------|---------------------------|
| Belgium      | Husqvarna Finance Belgium SA                 | 0899.846.135        | 100        | 9,322                     | 9,322                     |
| Belgium      | Husqvarna Belgium SA                         | 0400.604.654        | 100        | 1,172                     | 1,172                     |
| Canada       | Husqvarna Canada Corp.                       | 82354277RT0001      | 100        | 271                       | 271                       |
| Colombia     | Husqvarna Colombia S.A.                      | 900.047.189-0       | 95         | 1                         | 1                         |
| Denmark      | Husqvarna Danmark A/S                        | 26205328            | 100        | 16                        | 16                        |
| Estonia      | Husqvarna Eesti Osaühing                     | 11159436            | 100        | 0                         | 0                         |
| Latvia       | SIA Husqvarna Latvija                        | 40003760065         | 100        | 3                         | 3                         |
| Slovakia     | Husqvarna Slovensko s.r.o.                   | 36437115            | 100        | 5                         | 5                         |
| South Africa | Husqvarna South Africa (Proprietary) Limited | 2005.025971.07      | 100        | 19                        | 19                        |
| Sweden       | Husqvarna Försäkrings AB                     | 516406-0393         | 100        | 273                       | 273                       |
| Sweden       | Husqvarna Intellectual Property Holding AB   | 556745-5893         | 100        | 3                         | 0                         |
| Sweden       | Husqvarna Holding Aktiebolag                 | 556037-1964         | 100        | 12,499                    | 12,499                    |
| US           | Millhouse Insurance Company                  | 20-4233540          | 100        | 79                        | 79                        |
| US           | Husqvarna U.S. Holding, Inc.                 | 34-1946153          | 100        | 5,473                     | 5,473                     |
| Venezuela    | Husqvarna Venezuela, C.A. J                  | J-31418196-3        | 100        | 0                         | 0                         |
| <b>Total</b> |                                              |                     |            | <b>29,136</b>             | <b>29,133</b>             |

There is also a number of subsidiaries to the subsidiaries, a detailed specification of Group companies is available on request from Husqvarna AB, Investor Relations.

**Note 17** Other non-current assets

| SEKm                         | 2015       | 2014      |
|------------------------------|------------|-----------|
| Pension assets <sup>1)</sup> | 98         | 74        |
| Receivables Group            | 45         | 0         |
| Other long-term receivables  | 1          | 1         |
| <b>Total</b>                 | <b>144</b> | <b>75</b> |

<sup>1)</sup> Refers to endowment insurance.

**Note 18** Inventories

| SEKm                             | 2015         | 2014         |
|----------------------------------|--------------|--------------|
| Supplies including raw materials | 383          | 329          |
| Products in progress             | 2            | 3            |
| Finished products                | 1,029        | 1,117        |
| Advances to suppliers            | 0            | 0            |
| <b>Total</b>                     | <b>1,414</b> | <b>1,449</b> |

Provisions for obsolescence are included in the value of the inventory. Provision made during the year amount to SEK 54m (67) and SEK 44m (27) has been reversed.

**Note 19** Financial assets and liabilities

## Financial assets and liabilities per category

| SEKm                                      | Financial assets valued at fair value | Financial assets for which hedge accounting is applied | Other financial assets | Total        |
|-------------------------------------------|---------------------------------------|--------------------------------------------------------|------------------------|--------------|
| <b>2015</b>                               |                                       |                                                        |                        |              |
| <b>Assets</b>                             |                                       |                                                        |                        |              |
| Derivatives                               | 291                                   | 159                                                    | –                      | 450          |
| Receivables Group companies <sup>1)</sup> | –                                     | –                                                      | 2,666                  | 2,666        |
| Trade receivables                         | –                                     | –                                                      | 348                    | 348          |
| Other receivables                         | –                                     | –                                                      | 8                      | 8            |
| Cash and cash equivalents                 | –                                     | –                                                      | 238                    | 238          |
| <b>Total</b>                              | <b>291</b>                            | <b>159</b>                                             | <b>3,260</b>           | <b>3,710</b> |
| <b>2014</b>                               |                                       |                                                        |                        |              |
| <b>Assets</b>                             |                                       |                                                        |                        |              |
| Derivatives                               | 376                                   | 353                                                    | –                      | 729          |
| Receivables Group companies <sup>1)</sup> | –                                     | –                                                      | 2,451                  | 2,451        |
| Trade receivables                         | –                                     | –                                                      | 332                    | 332          |
| Other receivables                         | –                                     | –                                                      | 9                      | 9            |
| Cash and cash equivalents                 | –                                     | –                                                      | 166                    | 166          |
| <b>Total</b>                              | <b>376</b>                            | <b>353</b>                                             | <b>2,958</b>           | <b>3,687</b> |

<sup>1)</sup> For long-term receivables to Group companies, see note 17.

## Notes – Parent Company

| SEKm                           | Financial liabilities<br>valued at fair value | Financial liabilities<br>for which<br>hedge accounting<br>is applied | Other<br>financial liabilities | Total         |
|--------------------------------|-----------------------------------------------|----------------------------------------------------------------------|--------------------------------|---------------|
| <b>2015</b>                    |                                               |                                                                      |                                |               |
| <b>Liabilities</b>             |                                               |                                                                      |                                |               |
| Borrowings                     | –                                             | –                                                                    | 6,086                          | 6,086         |
| Liabilities to Group companies | –                                             | –                                                                    | 10,136                         | 10,136        |
| Trade payables                 | –                                             | –                                                                    | 770                            | 770           |
| Derivatives                    | 321                                           | 115                                                                  | –                              | 436           |
| <b>Total</b>                   | <b>321</b>                                    | <b>115</b>                                                           | <b>16,992</b>                  | <b>17,428</b> |
| <b>2014</b>                    |                                               |                                                                      |                                |               |
| <b>Liabilities</b>             |                                               |                                                                      |                                |               |
| Borrowings                     | –                                             | –                                                                    | 6,275                          | 6,275         |
| Liabilities to Group companies | –                                             | –                                                                    | 10,232                         | 10,232        |
| Trade payables                 | –                                             | –                                                                    | 703                            | 703           |
| Derivatives                    | 646                                           | 261                                                                  | –                              | 907           |
| <b>Total</b>                   | <b>646</b>                                    | <b>261</b>                                                           | <b>17,210</b>                  | <b>18,117</b> |

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2015<sup>1</sup>

| SEKm                                     | 2016           | 2017          | 2018          | 2019        | 2020      | >2020    | Total          |
|------------------------------------------|----------------|---------------|---------------|-------------|-----------|----------|----------------|
| Bonds, bank loans and other loans        | –2,091         | –1,597        | –2,337        | –427        | –         | –        | –6,452         |
| Liabilities to Group Companies           | –10,136        | –             | –             | –           | –         | –        | –10,136        |
| Derivative liabilities, interest rate    | –28            | –15           | 1             | 11          | 12        | –        | –19            |
| Derivative liabilities, foreign exchange | –346           | –             | –             | –           | –         | –        | –346           |
| Trade payables                           | –770           | –             | –             | –           | –         | –        | –770           |
| <b>Total financial liabilities</b>       | <b>–13,371</b> | <b>–1,612</b> | <b>–2,336</b> | <b>–416</b> | <b>12</b> | <b>–</b> | <b>–17,723</b> |

<sup>1</sup> Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

## Derivatives

The main part of the Group's derivatives is held by the Parent Company. Disclosures regarding the derivatives are available in the Group's note 19.

## Trade receivables

Husqvarna AB's trade receivables amount to SEK 348m (332) as per Dec 31, 2015. Trade receivables past due but not impaired amount to SEK 12m (16) as of Dec 31, 2015.

## Ageing analysis for past due, but not impaired trade receivables

| SEKm                                   | 2015      | 2014      |
|----------------------------------------|-----------|-----------|
| <3 months                              | 6         | 9         |
| >3 months                              | 6         | 7         |
| <b>Total past due but not impaired</b> | <b>12</b> | <b>16</b> |

## Provision for overdue accounts receivables

| SEKm                           | 2015      | 2014      |
|--------------------------------|-----------|-----------|
| Opening balance, Jan 1         | 10        | 9         |
| New provisions                 | 3         | 2         |
| Reversed unused provisions     | –1        | 0         |
| Write off accounts receivables | –1        | –1        |
| <b>Closing balance, Dec 31</b> | <b>11</b> | <b>10</b> |

The credit risk in financial assets is described in the Group's note 19.

## Borrowings

The main part of the borrowings in Husqvarna Group is reported within the Parent Company. For disclosures regarding fair value and interest exposure, see the Group's note 19.

## Note 20 Other current assets

| SEKm                                 | 2015       | 2014       |
|--------------------------------------|------------|------------|
| Value added tax                      | 56         | 85         |
| Miscellaneous short-term receivables | 14         | 9          |
| Prepaid rents and leases             | 4          | 4          |
| Prepaid insurance premiums           | 2          | 2          |
| Other prepaid expenses               | 100        | 103        |
| <b>Total</b>                         | <b>176</b> | <b>203</b> |

## Note 21 Other liabilities

| SEKm                            | 2015       | 2014       |
|---------------------------------|------------|------------|
| Accrued holiday pay             | 113        | 107        |
| Other accrued payroll expenses  | 200        | 199        |
| Other accrued expenses          | 267        | 251        |
| Personnel taxes and other taxes | 23         | 22         |
| Other operating liabilities     | –          | 1          |
| <b>Total</b>                    | <b>603</b> | <b>580</b> |

## Notes – Parent Company

**Note 22 Provisions for pensions****Specification of the net provision for pensions**

| SEKm                                            | 2015      | 2014     |
|-------------------------------------------------|-----------|----------|
| Present value of the funded pension obligations | 542       | 515      |
| Fair value of plan assets                       | -546      | -513     |
| <b>Surplus/ deficit of the pension fund</b>     | <b>-4</b> | <b>2</b> |
| Present value of unfunded pension obligations   | -         | -        |
| Surplus of the pension fund, not recognized     | 4         | -        |
| <b>Net provision for pensions</b>               | <b>-</b>  | <b>2</b> |

**Specification of the change in the net provision for pensions**

| SEKm                                                  | 2015     | 2014     |
|-------------------------------------------------------|----------|----------|
| Opening balance, Jan 1                                | 2        | 20       |
| Costs for pensions recognized in the income statement | 22       | 2        |
| Benefits paid                                         | -24      | -20      |
| <b>Closing balance, Dec 31</b>                        | <b>-</b> | <b>2</b> |

Of total net provisions, SEK 0m (2) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

**Pension costs recognized in the Income statement**

| SEKm                  | 2015      | 2014     |
|-----------------------|-----------|----------|
| <b>Own pensions</b>   |           |          |
| Current service costs | -26       | -18      |
| Benefits paid         | 24        | 20       |
| <b>Pension costs</b>  | <b>-2</b> | <b>2</b> |

**Insured pensions**

| SEKm                                   | 2015      | 2014      |
|----------------------------------------|-----------|-----------|
| Insurance premiums                     | 89        | 60        |
| <b>Total net expenses for pensions</b> | <b>87</b> | <b>62</b> |

Of total net expenses of SEK 87m (62), SEK 45m (29) is recognized in cost of goods sold, SEK 12m (15) in selling expenses and SEK 30m (18) in administration expenses. The expected payments 2016 for own pensions amounts to SEK 18m.

**Principal actuarial assumptions at balance sheet date**

| %             | 2015 | 2014 |
|---------------|------|------|
| Discount rate | 3.3  | 2.6  |

**The major categories of plan assets as a percentage of total plan assets and the return on these categories**

| %                  | 2015       | Return   | 2014       | Return    |
|--------------------|------------|----------|------------|-----------|
| Equity instruments | 45         | 17       | 42         | 12        |
| Debt instruments   | 55         | 0        | 58         | 12        |
| <b>Total</b>       | <b>100</b> | <b>7</b> | <b>100</b> | <b>12</b> |

The employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The pension plans are funded which imply that there are assets in a legal entity that exist solely to finance benefits to employees and former employees. White collar employees, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed primarily through a pension fund. Employees born 1979 or later are covered by ITP 1, which is a defined contribution pension plan.

More information about pensions are presented in Group notes 4 and 20.

**Note 23 Other provisions**

| SEKm                                 | Provisions for restructuring | Warranty commitments | Other     | Total      |
|--------------------------------------|------------------------------|----------------------|-----------|------------|
| Opening balance, Jan 1, 2015         | 27                           | 39                   | 7         | 73         |
| Provisions made                      | 65                           | 31                   | 5         | 101        |
| Provisions used                      | -18                          | -9                   | -2        | -30        |
| Unused amounts reversed              | -                            | -17                  | -         | -17        |
| <b>Closing balance, Dec 31, 2015</b> | <b>73</b>                    | <b>44</b>            | <b>10</b> | <b>127</b> |
| Current provisions                   | 68                           | 20                   | -         | 88         |
| Non-current provisions               | 5                            | 24                   | 10        | 39         |

**Provisions for restructuring**

See the Group's note 21 for further information regarding Husqvarnas restructuring programmes.

**Warranty commitments**

Provisions for warranty comprises all potential expenses for repairing or replacing products sold and are normally limited to 24 months.

**Note 24 Pledged assets and contingent liabilities****Pledged assets**

| SEKm                            | 2015      | 2014      |
|---------------------------------|-----------|-----------|
| Pension obligation <sup>1</sup> | 98        | 74        |
| <b>Total</b>                    | <b>98</b> | <b>74</b> |

<sup>1)</sup> Refers to endowment that is pledged in favor of the recipient.

**Contingent liabilities**

| SEKm                                        | 2015       | 2014       |
|---------------------------------------------|------------|------------|
| <b>On behalf of Group companies</b>         |            |            |
| Pension obligation                          | 473        | 460        |
| <b>On behalf of external counterparties</b> |            |            |
| Bank guarantee                              | 90         | 84         |
| Pension obligation                          | 10         | 10         |
| <b>Total</b>                                | <b>573</b> | <b>554</b> |

**Note 25 Related party transactions**

Sales to related parties are carried out on market-based terms. Information about the Board of Directors and Group Management and compensation to those are reported in Group note 4, Employees and employee benefits. No unusual transactions have occurred between the Parent Company and the Board of Directors or Group Management. The value of those business transactions are insignificant.

# Declaration by the Board of Directors and the President and CEO

The Board of Directors and the President and CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 8, 2016

Tom Johnstone  
Chairman of the Board

Magdalena Gerger  
Board member

Ulla Litzén  
Board member

David Lumley  
Board member

Katarina Martinson  
Board member

Daniel Nodhäll  
Board member

Lars Pettersson  
Board member

Kai Wärn  
President and CEO  
and Board member

Soili Johansson  
Board member and  
employee representative

Annika Ögren  
Board member and  
employee representative

Our audit report was issued on March 8, 2016  
Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

# Auditor's report

## To the annual meeting of the shareholders of Husqvarna AB (publ), corporate identity number 556000-5331

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Husqvarna AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 36–101.

#### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Husqvarna AB (publ) for the year 2015.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 8, 2016

Ernst & Young AB

Hamish Mabon  
Authorized Public Accountant

# Definitions

## Capital indicators

### Net assets

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

### Operating working capital

Inventories and trade receivables less trade payables.

### Working capital

Current assets exclusive of liquid funds and interest-bearing assets less operating liabilities and non-interest-bearing provisions.

### Net debt

Total interest-bearing liabilities, less liquid funds and interest-bearing 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 debt/equity ratio

Net debt in relation to total adjusted equity.

### Equity/assets ratio

Equity as a percentage of total assets.

### Capital employed

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

### Adjusted

As reported adjusted for items affecting comparability, changes in exchange rates and acquisitions/divestments.

## Other definitions

### Average number of shares

Weighted number of outstanding shares during the period, after repurchase of own shares.

### Earnings per share

Income for the period divided by the average number of shares.

### Net sales growth

Net sales as a percentage of net sales the preceding period.

### Gross margin

Gross income as a percentage of net sales.

### Operating margin

Operating income as a percentage of net sales.

### Return on equity

Income for the period as a percentage of average equity.

### Return on capital employed

Operating income plus financial income as a percentage of average capital employed.

### Operating cash flow

Total cash flow from operations and investments, excluding acquisitions and divestment of operations.

### Capital expenditure

Capitalization of property, plant and equipment and product development and software.

### EBITDA

Earnings before financial items, taxes, depreciation, amortization and impairment.

### Value creation

Operating income less the weighted average cost of capital (WACC) on average net assets: (Net sales – operating costs – operating income) – (WACC × average net assets).

# Five-year review

| Income and key ratios, SEKm                             | 2015          | 2014 <sup>1</sup>       | 2013 <sup>2</sup>       | 2012 <sup>2,3</sup>       | 2011 <sup>2</sup>       |
|---------------------------------------------------------|---------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Net sales                                               | 36,170        | 32,838                  | 30,307                  | 30,834                    | 30,357                  |
| Husqvarna                                               | 17,624        | 15,449                  | –                       | –                         | –                       |
| Gardena                                                 | 4,669         | 4,212                   | –                       | –                         | –                       |
| Consumer Brands                                         | 9,936         | 9,838                   | –                       | –                         | –                       |
| Construction                                            | 3,941         | 3,339                   | –                       | –                         | –                       |
| <b>Gross income</b>                                     | <b>10,174</b> | <b>9,350</b>            | <b>8,019</b>            | <b>8,291</b>              | <b>8,409</b>            |
| Gross margin, %                                         | 28.1          | 28.5                    | 26.5                    | 26.9                      | 27.7                    |
| EBITDA                                                  | 3,980         | 3,315                   | 2,586                   | 2,737                     | 2,671                   |
| EBITDA margin, %                                        | 11.0          | 10.1                    | 8.5                     | 8.9                       | 8.8                     |
| <b>Operating income</b>                                 | <b>2,827</b>  | <b>1,581</b>            | <b>1,608</b>            | <b>1,675</b>              | <b>1,551</b>            |
| Operating income excl. items affecting comparability    | 2,980         | 2,348                   | 1,608                   | 1,931                     | 1,615                   |
| Operating margin, %                                     | 7.8           | 4.8                     | 5.3                     | 5.4                       | 5.1                     |
| Operating margin excl. items affecting comparability, % | 8.2           | 7.2                     | 5.3                     | 6.3                       | 5.3                     |
| Husqvarna excl. items affecting comparability, %        | 13.0          | 13.0                    | –                       | –                         | –                       |
| Gardena excl. items affecting comparability, %          | 12.7          | 9.1                     | –                       | –                         | –                       |
| Consumer Brands excl. items affecting comparability, %  | –1.2          | –1.6                    | –                       | –                         | –                       |
| Construction excl. items affecting comparability, %     | 11.8          | 10.6                    | –                       | –                         | –                       |
| <b>Income after financial items</b>                     | <b>2,483</b>  | <b>1,256</b>            | <b>1,180</b>            | <b>1,175</b>              | <b>1,147</b>            |
| <b>Income for the period</b>                            | <b>1,888</b>  | <b>824</b>              | <b>916</b>              | <b>1,027</b>              | <b>997</b>              |
| Of which depreciation, amortization and impairment      | –1,153        | –1,734                  | –978                    | –1,062                    | –1,120                  |
| <b>Financial position and key ratios, SEKm</b>          | <b>2015</b>   | <b>2014<sup>1</sup></b> | <b>2013<sup>2</sup></b> | <b>2012<sup>2,3</sup></b> | <b>2011<sup>2</sup></b> |
| Total assets                                            | 29,669        | 29,176                  | 26,762                  | 27,906                    | 29,103                  |
| Net assets                                              | 19,436        | 19,322                  | 18,049                  | 19,279                    | 19,309                  |
| Husqvarna                                               | 7,896         | 7,083                   | –                       | –                         | –                       |
| Gardena                                                 | 5,699         | 5,810                   | –                       | –                         | –                       |
| Consumer Brands                                         | 3,744         | 3,922                   | –                       | –                         | –                       |
| Construction                                            | 2,718         | 2,677                   | –                       | –                         | –                       |
| Working capital                                         | 5,275         | 5,066                   | 4,885                   | 6,194                     | 5,699                   |
| Total equity                                            | 13,061        | 12,088                  | 11,390                  | 11,008                    | 12,388                  |
| Net debt                                                | 6,375         | 7,234                   | 6,659                   | 8,271                     | 6,921                   |
| Return on capital employed, %                           | 12.4          | 7.6                     | 7.7                     | 7.4                       | 7.4                     |
| Return on equity, %                                     | 14.6          | 6.7                     | 8.1                     | 8.8                       | 8.0                     |
| Capital turn-over rate, times                           | 1.7           | 1.7                     | 1.6                     | 1.5                       | 1.6                     |
| Net debt/equity ratio                                   | 0.49          | 0.60                    | 0.58                    | 0.75                      | 0.56                    |
| Equity/assets ratio, %                                  | 44            | 41                      | 43                      | 39                        | 43                      |
| <b>Cash flow, SEKm</b>                                  | <b>2015</b>   | <b>2014<sup>1</sup></b> | <b>2013</b>             | <b>2012<sup>3</sup></b>   | <b>2011</b>             |
| Operating cash flow                                     | 1,668         | 1,425                   | 1,813                   | 1,144                     | –472                    |
| Capital expenditure                                     | 1,388         | 1,386                   | 1,078                   | 776                       | 994                     |
| <b>Other key ratios</b>                                 | <b>2015</b>   | <b>2014<sup>1</sup></b> | <b>2013</b>             | <b>2012<sup>3</sup></b>   | <b>2011</b>             |
| Earnings per share after dilution, SEK                  | 3.28          | 1.43                    | 1.60                    | 1.78                      | 1.73                    |
| Equity per share after dilution, SEK                    | 22.7          | 21.1                    | 19.9                    | 19.2                      | 21.5                    |
| Average number of shares after dilution, millions       | 574.2         | 573.1                   | 572.8                   | 572.6                     | 572.6                   |
| Dividend per share, SEK <sup>4</sup>                    | 1.65          | 1.65                    | 1.50                    | 1.50                      | 1.50                    |
| Dividend pay-out ratio, % <sup>5</sup>                  | 50            | 115                     | 94                      | 84                        | 87                      |
| Salaries and remunerations, SEKm                        | 4,508         | 4,157                   | 3,758                   | 4,016                     | 3,904                   |
| Average number of employees                             | 13,572        | 14,337                  | 14,156                  | 15,429                    | 15,698                  |

<sup>1</sup> 2014 has been restated due to a correction. For further information refer to note 25.

<sup>2</sup> Husqvarna Group has established a new brand-driven organization, which was fully effective as of January 1, 2015. 2014 has been restated accordingly, there is no comparative information per division before then.

<sup>3</sup> 2012 has been restated due to the amended IAS 19. 2011 is not affected by the amendment.

<sup>4</sup> As proposed by the Board.

<sup>5</sup> Dividend pay out ratio is defined as total dividend in relation to the income for the period excluding non-controlling interest.

# Quarterly data

| Income, SEKm                                            | Year <sup>1</sup> | Q1     | Q2     | Q3    | Q4     | Full year |
|---------------------------------------------------------|-------------------|--------|--------|-------|--------|-----------|
| Net sales                                               | 2015              | 10,928 | 12,263 | 7,307 | 5,672  | 36,170    |
|                                                         | 2014              | 9,685  | 11,045 | 6,785 | 5,323  | 32,838    |
|                                                         | 2013              | 9,024  | 10,227 | 6,349 | 4,707  | 30,307    |
| EBITDA                                                  | 2015              | 1,373  | 1,952  | 690   | -35    | 3,980     |
|                                                         | 2014              | 1,139  | 1,611  | 570   | -5     | 3,315     |
|                                                         | 2013              | 935    | 1,265  | 454   | -68    | 2,586     |
| EBITDA margin, %                                        | 2015              | 12.6   | 15.9   | 9.4   | -0.6   | 11.0      |
|                                                         | 2014              | 11.8   | 14.6   | 8.4   | -0.1   | 10.1      |
|                                                         | 2013              | 10.4   | 12.4   | 7.2   | -1.4   | 8.5       |
| Operating income                                        | 2015              | 1,112  | 1,675  | 405   | -365   | 2,827     |
|                                                         | 2014              | 908    | 1,373  | 332   | -1,032 | 1,581     |
|                                                         | 2013              | 688    | 1,022  | 206   | -308   | 1,608     |
| Operating income excl. items affecting comparability    | 2015              | 1,112  | 1,675  | 405   | -212   | 2,980     |
|                                                         | 2014              | 908    | 1,373  | 332   | -265   | 2,348     |
|                                                         | 2013              | 688    | 1,022  | 206   | -308   | 1,608     |
| Operating margin excl. items affecting comparability, % | 2015              | 10.2   | 13.7   | 5.5   | -3.7   | 8.2       |
|                                                         | 2014              | 9.4    | 12.4   | 4.9   | -5.0   | 7.2       |
|                                                         | 2013              | 7.6    | 10.0   | 3.2   | -6.5   | 5.3       |
| Income for the period                                   | 2015              | 788    | 1,143  | 196   | -239   | 1,888     |
|                                                         | 2014              | 620    | 967    | 199   | -962   | 824       |
|                                                         | 2013              | 467    | 661    | 92    | -304   | 916       |
| Earnings per share after dilution, SEK                  | 2015              | 1.37   | 1.98   | 0.34  | -0.42  | 3.28      |
|                                                         | 2014              | 1.08   | 1.68   | 0.35  | -1.68  | 1.43      |
|                                                         | 2013              | 0.81   | 1.15   | 0.16  | -0.53  | 1.60      |
| Financial position, SEKm                                | Year <sup>1</sup> | Q1     | Q2     | Q3    | Q4     | Full year |
| Net debt                                                | 2015              | 10,172 | 8,146  | 6,666 | 6,375  | 6,375     |
|                                                         | 2014              | 8,698  | 7,603  | 6,450 | 7,234  | 7,234     |
|                                                         | 2013              | 10,053 | 8,733  | 6,511 | 6,659  | 6,659     |
| Working capital                                         | 2015              | 8,308  | 6,716  | 5,231 | 5,275  | 5,275     |
|                                                         | 2014              | 7,209  | 6,276  | 5,151 | 5,066  | 5,066     |
|                                                         | 2013              | 8,349  | 7,179  | 5,108 | 4,885  | 4,885     |
| Net sales by division, SEKm                             | Year <sup>2</sup> | Q1     | Q2     | Q3    | Q4     | Full year |
| Husqvarna                                               | 2015              | 5,342  | 5,727  | 3,519 | 3,036  | 17,624    |
|                                                         | 2014              | 4,358  | 5,038  | 3,264 | 2,789  | 15,449    |
| Gardena                                                 | 2015              | 1,319  | 1,795  | 1,060 | 495    | 4,669     |
|                                                         | 2014              | 1,152  | 1,712  | 879   | 469    | 4,212     |
| Consumer Brands                                         | 2015              | 3,343  | 3,643  | 1,708 | 1,242  | 9,936     |
|                                                         | 2014              | 3,393  | 3,410  | 1,776 | 1,259  | 9,838     |
| Construction                                            | 2015              | 924    | 1,098  | 1,020 | 899    | 3,941     |
|                                                         | 2014              | 782    | 885    | 866   | 806    | 3,339     |
| Operating margin by division, %                         | Year <sup>2</sup> | Q1     | Q2     | Q3    | Q4     | Full year |
| Husqvarna excl items affecting comparability            | 2015              | 16.8   | 17.5   | 9.1   | 2.1    | 13.0      |
|                                                         | 2014              | 15.3   | 16.2   | 13.2  | 3.3    | 13.0      |
| Gardena excl items affecting comparability              | 2015              | 15.5   | 22.1   | 10.7  | -24.8  | 12.7      |
|                                                         | 2014              | 15.4   | 23.3   | -0.8  | -39.7  | 9.1       |
| Consumer Brands excl items affecting comparability      | 2015              | -0.3   | 4.9    | -7.0  | -13.6  | -1.2      |
|                                                         | 2014              | 1.3    | 2.8    | -7.8  | -12.5  | -1.6      |
| Construction excl items affecting comparability         | 2015              | 8.0    | 14.6   | 14.1  | 9.7    | 11.8      |
|                                                         | 2014              | 10.4   | 13.2   | 12.4  | 6.0    | 10.6      |

<sup>1)</sup> 2014 has been restated, refer to note 25.

<sup>2)</sup> Husqvarna Group has established a new brand-driven organization, which was fully effective as of January 1, 2015. 2014 has been restated accordingly, there is no comparative information per division before then.

# The share

## Listing and trading volume

The Husqvarna shares have been listed on Nasdaq Stockholm since June 2006.

A total of 415 million shares (432) were traded in 2015, with a total value of SEK 24.8bn (21.1), corresponding to an average daily trading volume of 1.7 million shares (1.7) or SEK 99m (85).

The turnover velocity for the Husqvarna B-share was 88 percent (92) in 2015. During 2015, the price of the A-share and the B-share decreased 3 percent to SEK 56.

According to the EU Markets in Financial Instruments Directive (MiFID), a share can also be traded on a "Multilateral Trading Facility" (MTF), i.e. on markets other than the stock exchange where it is listed. The Husqvarna share is traded on several MTFs including BATS Chi-X and Turquoise. However, the Nasdaq Stockholm exchange accounts for the majority of trading.

## Dividend and dividend policy

The Board of Directors has proposed a dividend of SEK 1.65 per share (1.65) for 2015, divided into two payments, SEK 0.55 in April, 2016 and SEK 1.10 to be paid in October, 2016. The dividend represents 50 percent (115) of income for the year. The policy is that the dividend normally shall exceed 40 percent of income for the year.

## Repurchase of shares

The AGM 2015 authorized the Board of Directors to repurchase a maximum of one percent of the total number of outstanding B-shares to ensure the Group's commitments in terms of existing long-term incentive programs. No B-shares were repurchased during the year. At year-end, the total number of repurchased shares amounted to 3,343,015 B-shares (3,448,534) corresponding to 0.58 percent (0.60) of the total number of outstanding shares.

## Conversion of shares

At Husqvarna AB's AGM in 2010, it was resolved to amend the articles of association, whereby shareholders who hold A-shares shall be entitled to request conversion of their A-shares into B-shares. 8,730,643 A-shares were converted to B-shares in 2015.

## Analyst coverage

There are currently around 10 analysts who analyze and follow Husqvarna Group and give recommendations on the share.

## ADR

Husqvarna Group sponsors a Level 1 American Depositary Receipt (ADR) program in the US. The ADRs, which each represent two ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a USD denominated security, and the associated dividends are paid to investors in USD. Citibank is ADR depositary bank.

More information on [www.citi.com/dr](http://www.citi.com/dr)

## Key facts

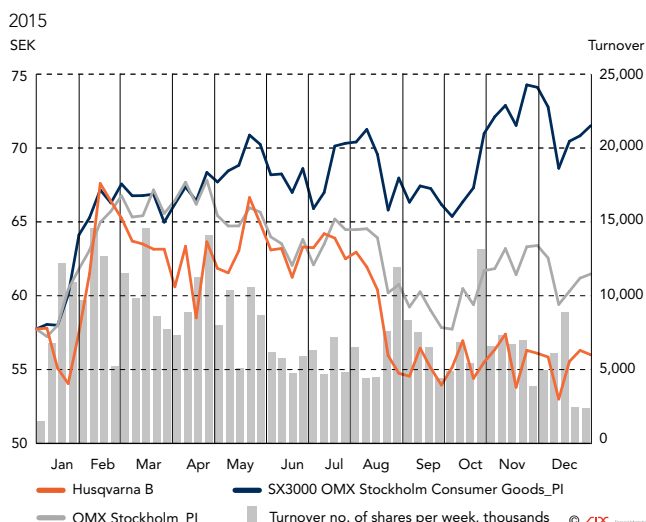
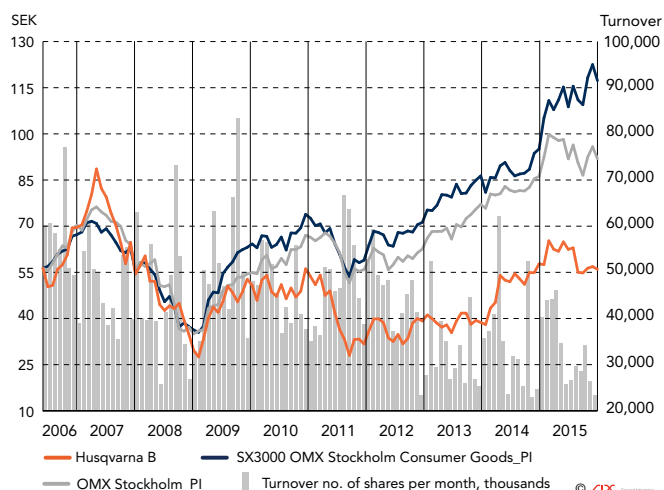
### Husqvarna shares

|                                         |                                                                                                          |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------|
| Listing:                                | Nasdaq Stockholm                                                                                         |
| Number of shares:                       | 576,343,778                                                                                              |
| Market capitalization at year-end 2015: | SEK 32bn                                                                                                 |
| Ticker codes:                           | Bloomberg: HUSQA SS, HUSQB SS<br>Thomson Reuters: HUSQa.ST, HUSQb.ST<br>Nasdaq Stockholm: HUSQ A, HUSQ B |
| ISIN codes:                             | A-share SE0001662222<br>B-share SE0001662230                                                             |

### Husqvarna ADR

|              |                                     |
|--------------|-------------------------------------|
| Ticker code: | HSQVY                               |
| ISIN code:   | US4481031015                        |
| Ratio:       | Two ordinary B-shares equal one ADR |

## Husqvarna B, price development



## Share capital and number of shares

|                                            | Share capital, SEK | Quotient value, SEK | Number of A-shares | Number of B-shares | Total number of shares |
|--------------------------------------------|--------------------|---------------------|--------------------|--------------------|------------------------|
| Husqvarna before listing 2006              | 495,000,000        | 100                 |                    |                    | 4,950,000              |
| 2006: stock-split and bonus issue          | 592,518,306        | 2                   | 9,502,275          | 286,756,878        | 296,259,153            |
| 2007: bonus issue                          | 770,273,790        | 2                   | 98,380,020         | 286,756,875        | 385,136,895            |
| 2008: no transactions                      | 770,273,790        | 2                   | 98,380,020         | 286,756,875        | 385,136,895            |
| 2009: rights issue                         | 1,152,687,556      | 2                   | 147,570,030        | 428,773,748        | 576,343,778            |
| 2010: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 134,755,087        | 441,588,691        | 576,343,778            |
| 2011: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 129,460,339        | 446,883,439        | 576,343,778            |
| 2012: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 127,699,058        | 448,644,720        | 576,343,778            |
| 2013: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 126,593,868        | 449,749,910        | 576,343,778            |
| 2014: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 122,425,469        | 453,918,309        | 576,343,778            |
| 2015: conversion from A-shares to B-shares | 1,152,687,556      | 2                   | 113,694,826        | 462,648,952        | 576,343,778            |

## Largest shareholders in Husqvarna AB

|                                       | Capital, % | Votes, % | Change during the year |          |
|---------------------------------------|------------|----------|------------------------|----------|
|                                       |            |          | Capital, %             | Votes, % |
| Investor AB                           | 16.8       | 32.7     | 0.0                    | 1.4      |
| Lundbergs AB                          | 7.5        | 24.9     | 0.0                    | 1.1      |
| Didner & Gerge Funds                  | 4.7        | 2.7      | 0.5                    | 0.3      |
| Swedbank Robur Funds                  | 3.7        | 1.3      | 1.1                    | 0.4      |
| SHB Funds                             | 2.5        | 0.9      | 0.7                    | 0.2      |
| AMF Insurance & Funds                 | 2.3        | 0.8      | 2.0                    | 0.7      |
| Lannebo Funds                         | 2.2        | 1.6      | 0.8                    | 0.3      |
| Norges Bank Investment Management     | 1.9        | 1.5      | -0.3                   | 0.0      |
| AFA Insurance                         | 1.8        | 0.7      | -0.5                   | -0.1     |
| Nordea Investment Funds S.A.          | 1.6        | 0.6      | -1.9                   | -0.9     |
| Total for the 10 largest shareholders | 45.0       | 67.7     | 1.2                    | -2.3     |

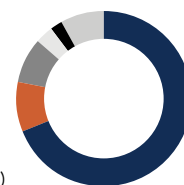
Source: Holdings/Euroclear as of December 31, 2015.

## Shareholding by size in Husqvarna AB

| Size of holding   | Votes, % | No. of shareholders | % of shareholders |
|-------------------|----------|---------------------|-------------------|
| 1-1,000           | 2.4      | 42,851              | 78.6              |
| 1,001-10,000      | 4.5      | 10,413              | 19.1              |
| 10,001-100,000    | 3.0      | 978                 | 1.8               |
| 100,001-1,000,000 | 5.1      | 177                 | 0.4               |
| 1,000,001-        | 85.0     | 75                  | 0.1               |
| Total             | 100.0    | 54,494              | 100.0             |

## Distribution of shareholders by country

|                              |
|------------------------------|
| ■ Sweden 68.9% (64.4)        |
| ■ US 9.3% (16.3)             |
| ■ UK 8.3% (9.6)              |
| ■ Luxembourg 3.4% (1.1)      |
| ■ Norway 2.1% (2.3)          |
| ■ Other countries 8.0% (6.3) |



## Share data

|                                                     | 2015   | 2014   | 2013   |
|-----------------------------------------------------|--------|--------|--------|
| Earnings per share, SEK                             | 3.29   | 1.43   | 1.60   |
| Earnings per share after dilution, SEK              | 3.28   | 1.43   | 1.60   |
| Cash flow per share, operating, SEK                 | 2.91   | 2.49   | 3.17   |
| Cash flow per share, operating, after dilution, SEK | 2.90   | 2.49   | 3.17   |
| Equity per share, SEK                               | 22.7   | 21.1   | 19.9   |
| Dividend per share, SEK <sup>1</sup>                | 1.65   | 1.65   | 1.50   |
| Yield, % <sup>2</sup>                               | 2.9    | 3.4    | 3.9    |
| Dividend payout ratio, %                            | 50     | 115    | 94     |
| Year-end price, A-share, SEK                        | 56     | 58     | 39     |
| Highest price, A-share, SEK                         | 68     | 60     | 45     |
| Lowest price, A-share, SEK                          | 51     | 37     | 34     |
| Year-end price, B-share, SEK                        | 56     | 58     | 39     |
| Highest price, B-share, SEK                         | 68     | 60     | 44     |
| Lowest price, B-share, SEK                          | 51     | 37     | 34     |
| Number of shareholders                              | 54,494 | 55,234 | 57,912 |
| Market capitalization, SEKm                         | 32,241 | 33,265 | 22,300 |

<sup>1</sup> Dividend 2015 as proposed by the Board.<sup>2</sup> Dividend/year-end share price.

## Further information concerning the share

The following information, and more, is available on [www.husqvarnagroup.com/en/ir](http://www.husqvarnagroup.com/en/ir)

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital
- Insider trading

## Heritage

# Passionate about innovation

1689-1960



For more than 325 years, curiosity and passion for innovation has led to a long line of successful products and solutions in very different areas – from weapons, sewing machines and motorcycles to market-leading outdoor power products for customers around the globe. Husqvarna Group constantly looks for better ways to push the industry forward. Today, the Group's commitment to fulfill customer needs, together with respecting nature and caring for people, is guiding us to produce more ergonomic products with lower emissions and better energy efficiency.

### 1689–1889 Weapons factory

When Swedish weapons production takes off in the late 17th century, hydropower is needed to handle certain mechanical operations. The drill works at the waterfalls in Huskvarna in southern Sweden is the first production facility. The last shotgun is produced in 1889.

### 1872–1997 Sewing machines

The machinery for producing rifles turns out to be well suited for manufacturing sewing machines. The operation is divested in 1997.

### 1874–1978 Kitchen equipment

Production expands to kitchen equipment in cast iron such as meat grinders and later, stoves and ovens. Husqvarna's meat grinders are a huge export success with over 12 million sold worldwide.

### 1896–1962 Bicycles

Husqvarna bicycles become very popular and many patents are registered. The last Husqvarna bicycle is produced in 1962.

### 1903–1987 Motorcycles

Lightweight yet powerful engines give Husqvarna a reputation worldwide as the producer of the most successful track racing and motocross bikes. The operation is divested in 1987.

### 1918 Lawn mowers

When Norrahammars Ironworks in Sweden is acquired, the product range expands to include heating boilers and lawn mowers. Husqvarna's first motorized lawn mower for commercial use is manufactured in 1947.

1960-2015

**1959 Chainsaws**

As demand for bicycles, mopeds and motorcycles declines, Husqvarna's expertise in engines leads to new product areas. 1959 marks the start of the production of chainsaws.

**1968 Construction products**

Husqvarna's first power cutter is a redesigned chainsaw.

**1969 Anti-vibration**

Launch of the world's first chainsaw with an integrated anti-vibration system that decreases the risk for forestry workers of getting "vibration white fingers." Ergonomics has been an important part of Husqvarna's design ever since.

**1973 Automatic chain brake**

The world's first automatic chain brake followed by the Trio Brake™ (1999) decreases the risk of injury for forestry workers.

**1978 Outdoor products in focus**

Electrolux acquires Husqvarna and outdoor product operations continue to expand through acquisitions such as AB Partner and Jonsereds AB.

**1980s Strengthened position in US**

Organic growth and the acquisitions of Poulan/Weed-Eater and Roper Corp expand the Group's operations in the US.

**1995 Robotic lawn mower**

Husqvarna pioneers the world's first commercialized solar-powered robotic mower.

**2002 Diamond tools**

The construction business doubles in size through the acquisition of Diamant Boart.

**2005 X-Torq®**

New engine technology for two-stroke engines increases gear ratio while reducing fuel consumption and emissions.

**2006 Stocklisted**

Husqvarna is listed on Nasdaq Stockholm.

**2007 Watering equipment and expansion in Japan**

The acquisitions of Gardena, Zenoah and Klippo bring strong brands, complementary products and geographic expansion.

**2008 Expanded presence in China**

Production in China is increased through the acquisition of Jenn Feng and a new production facility.

**2009 Demolition robot**

Husqvarna's first remote-controlled demolition robot is launched.

**2009 AutoTune™**

AutoTune™ is a technological and environmental breakthrough in professional chainsaws. It regulates the flow of fuel, optimizing performance and minimizing emissions.

**2012 Powerful battery products**

Husqvarna's battery products demonstrate similar performance as petrol-powered machines, but without the noise and direct emissions.

# Annual General Meeting 2016

The Annual General Meeting of Husqvarna AB (publ) will be held at 4:00 pm on Wednesday, April 6, 2016 at the Elmia Congress Center, Hammarskjöld Hall, Elmiavägen 15, Jönköping, Sweden.

## Participation

Shareholders who intend to participate in the AGM must:

- Be registered in the register of shareholders maintained by Euroclear Sweden AB as of Thursday, March 31, 2016.
- Notify the Company of their intention to attend stating the number of assistants attending (maximum two) no later than Thursday, March 31, 2016.

## Notice of participation

Notice of intent to participate can be given:

- By post to Husqvarna AB, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden.
- By telephone at +46 36 14 70 10 between 9:00 am and 4:00 pm weekdays.
- At [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm).

Notice should include the shareholder's name, social security number or company registration number if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the AGM 2016. Shareholders may vote by proxy, in which case a power of attorney must be submitted to Husqvarna prior to the AGM.

## Shares registered by nominees

To participate in the AGM, shareholders whose shares are nominee-registered must have their shares temporarily registered in their own name on Thursday, March 31, 2016. To ensure that such registration is made prior to Thursday, March 31, 2016, shareholders must inform the nominee well in advance of this date.

## Dividend

The Board of Directors has proposed a dividend for the financial year 2015 of SEK 1.65 per share to be paid in two installments, firstly SEK 0.55 per share with Friday, April 8, 2016 as the first record day, secondly SEK 1.10 per share with Monday, October 10, 2016 as the second record day. If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, the estimated date for payment of the dividend from Euroclear Sweden AB is Wednesday April 13, 2016 for the first part of the dividend and Thursday, October 13, 2016 for the second part. The last day for trading in Husqvarna shares with a right to the first part of the dividend is Wednesday, April 6, 2016. The last day for trading in Husqvarna shares with a right to the second part of the dividend is Thursday, October 6, 2016.

## Financial information 2016

|            |                              |
|------------|------------------------------|
| April 6    | Annual General Meeting       |
| April 21   | Interim Report Jan–March     |
| July 15    | Interim Report Jan–June      |
| October 20 | Interim Report Jan–September |



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Market data, statistics and market shares  
are estimates made by Husqvarna Group.

## 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 of 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 Group operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction of sales by important distributors, any success in developing new products and in marketing, outcome of any product responsibility litigation, progress when it comes to reach the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, and to integrate these into the existing business and successful achievement of goals to make the supply chain more efficient.



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Tomas Magnusson page 111.

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