

# Contents



Europe & Asia/Pacific **12**



Americas **14**



Construction **16**

← The Group's product offering covers a wide spectrum of applications for consumers and professional users.

<b>Husqvarna Group</b>	<b>1</b>	<b>Financial statements</b>	<b>52</b>
<b>The year in brief</b>		<b>Group</b>	<b>52</b>
<b>Report by the President</b>	<b>2</b>	Income Statement	52
<b>Strategy and financial goals</b>	<b>4</b>	Balance Sheet	53
Strong brands	6	Cash Flow Statement	54
Efficient global distribution network	7	Statement of Changes in Equity	55
Broad product offering	8	<b>Parent Company</b>	<b>56</b>
Flexible supply chain	9	Income Statement	56
<b>The market</b>	<b>10</b>	Balance Sheet	57
<b>Business areas</b>	<b>12</b>	Cash Flow Statement	58
Europe & Asia/Pacific	12	Changes in Equity	59
Americas	14	<b>Notes</b>	<b>60</b>
Construction	16	<b>Proposed Distribution of Earnings</b>	<b>92</b>
Business area overview	18	<b>Auditor's Report</b>	<b>93</b>
<b>Sustainable development</b>	<b>20</b>	<b>Five-year review</b>	<b>94</b>
Striving toward sustainable development	20	<b>Quarterly data</b>	<b>96</b>
Economic responsibility	22		
Environmental responsibility	23	<b>The share</b>	<b>98</b>
Social responsibility	24	<b>Definitions</b>	<b>100</b>
Sustainability performance	25	<b>The website</b>	<b>101</b>
		<b>From Production to Innovation</b>	<b>102</b>
<b>Financial information</b>	<b>27</b>		
<b>Report by the Board of Directors</b>	<b>28</b>		
Risk Management	36		
Corporate Governance	40		
Report 2011			
Internal control over financial reporting	46		
Board of Directors and Auditors	48		
Group Management	50		
Annual General Meeting 2012	51		



[www.husqvarnagroup.com/en/ir](http://www.husqvarnagroup.com/en/ir)  
For more information

The symbol indicates that more information is available on the Group's website, [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

# Global leader in outdoor products

The Husqvarna Group is the world's largest producer of outdoor power products including chainsaws, trimmers, lawn mowers and garden tractors. The Group is also the European leader in consumer watering products and one of the world leaders in cutting equipment and diamond tools for the construction and stone industries. The product offering includes products for both consumers and professional users. The Group's products are sold via dealers and retailers in more than 100 countries.

Husqvarna was founded in 1689. Its head office is located in Stockholm, and the share is listed on the NASDAQ OMX Stockholm Exchange (HUSQ A and HUSQ B).

Net sales in 2011 totaled SEK 30 billion, and the average number of employees was approximately 15,700.

## Product categories

---



### Ride-on products

Mainly riders, garden tractors and zero-turn mowers.

Different cutting methods and a wide range of attachments and accessories, for both summer and winter use, give Husqvarna Group's ride-on mowers excellent usability and productivity throughout the year.



### Walk-behind products

Mainly lawn mowers, robotic lawn mowers, tillers and snow throwers.

Traditional walk-behind mowers are increasingly being replaced by robotic mowers that offer convenient, near silent and energy efficient mowing.



### Handheld products

Mainly chainsaws, trimmers, clearing saws, blowers and hedge trimmers.

Husqvarna's latest chainsaw is the 560 XP® model. Developed for professional use, it features innovative solutions for powerful, efficient and convenient operation.



### Watering products

Mainly water-hoses, couplings and sprinklers.

Under the Gardena brand, the Group offers mobile and stationary watering solutions, pumps, watering controls and garden tools.



### Accessories and garden tools

Mainly accessories, garden tools and spare parts such as saw chains, mower blades, safety equipment and clothes.

Gardena secateurs are distinguished by their clean and easy cuts as well as their good ergonomics in cutting.



### Construction products

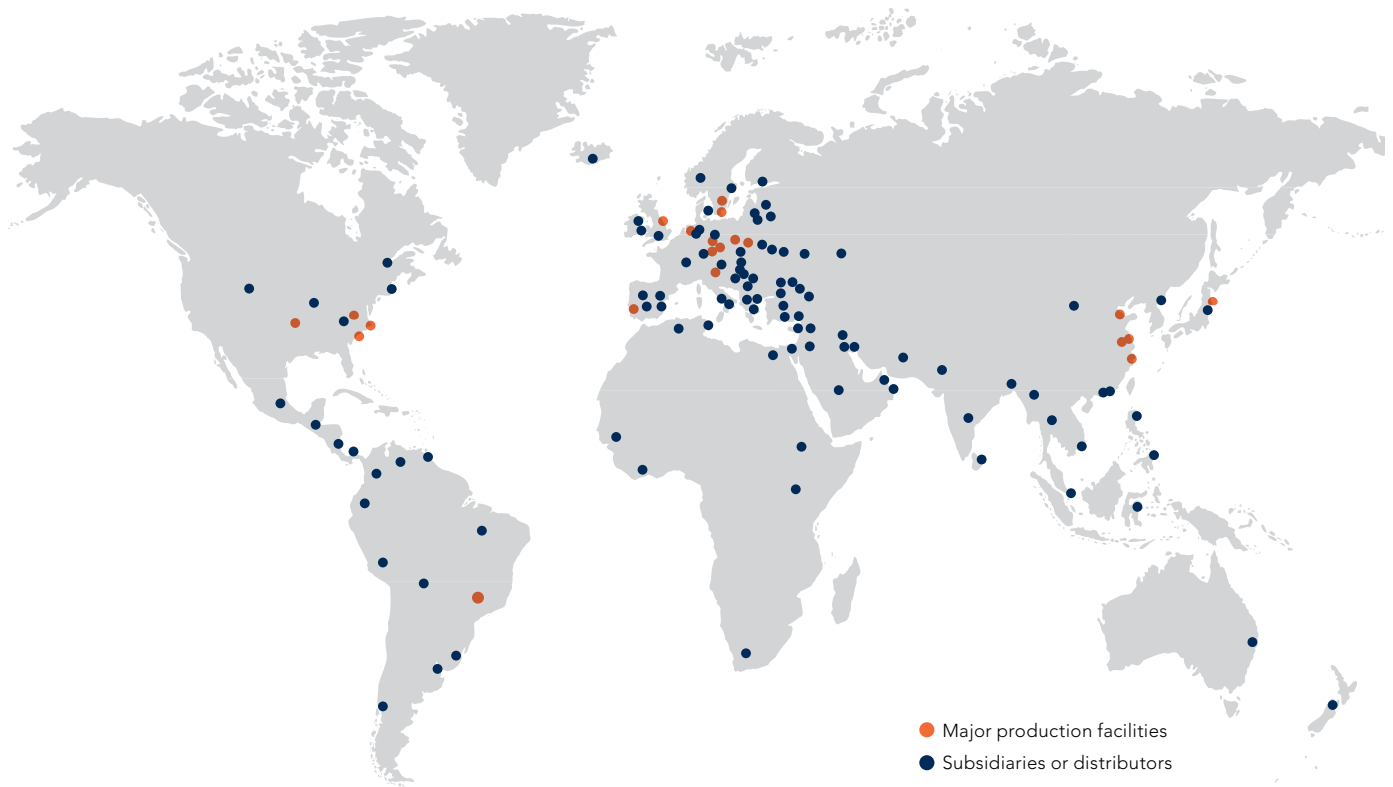
Mainly power cutters, floor saws, drilling equipment, wall-wire saws and a complete range of diamond tools.

The Group's market-leading range of handheld power cutters offer powerful cutting of concrete and stone in alterations, renovations and new construction.

## Global brands

---





● Major production facilities  
● Subsidiaries or distributors

## Europe & Asia/Pacific

The business area sells forest, park and garden products to retailers and dealers in Europe and Asia/Pacific.

Most sales take place in Western Europe, but Eastern Europe is gaining in importance. The Asia/Pacific region represents a small share of the business area's sales. Leading brands include Husqvarna, Gardena, McCulloch, Klippo, Jonsered and Flymo.

### Net sales

**SEK 16,365m**

Operating income <sup>1</sup>	SEK 2,277m
Operating margin <sup>1</sup>	13.9%
Share of Group net sales	54%

● Share of Group net sales, 54%



## Americas

The business area sells forest, park and garden products to retailers and dealers on the American continents.

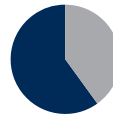
Most sales take place in the U.S and Canada. Latin America accounts for a minor share, with Brazil as the most important market. Leading brands include Husqvarna, WeedEater, PoulanPro and Dixon.

### Net sales

**SEK 11,193m**

Operating income <sup>1</sup>	SEK -654m
Operating margin <sup>1</sup>	-5.8%
Share of Group net sales	37%

● Share of Group net sales, 37%



## Construction

The business area sells light construction products and diamond tools for cutting, drilling, polishing and demolition of hard material. Customers are mainly rental companies, dealers, contractors within the construction industry and companies within the stone industry.

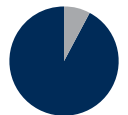
Most sales take place in Europe and North America, with increasing business in the growing emerging markets. Leading brands include Husqvarna and Diamant Boart.

### Net sales

**SEK 2,799m**

Operating income <sup>1</sup>	SEK 194m
Operating margin <sup>1</sup>	6.9%
Share of Group net sales	9%

● Share of Group net sales, 9%



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

## Leading global market positions

- No. 1** Chainsaws.
- No. 1** Other handheld petrol-powered products, such as clearing saws and trimmers.
- No. 1-2** Garden tractors.
- No. 2** Lawn mowers.

- No. 1-2** Cutting equipment and diamond tools for the construction and stone industries.
- No. 1 in Europe** Consumer watering products.

# Husqvarna Group

## The year in brief

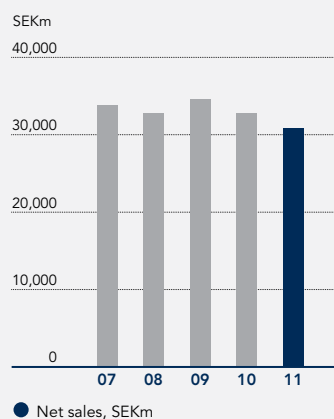
- Net sales increased by 2 percent organically and amounted to SEK 30,357m.
- Net sales rose in Europe & Asia/Pacific and Construction, but fell in Americas.
- Construction strengthened its market position.
- Stable market shares overall for forestry and garden products.
- New product launches included: a new platform for professional chainsaws, an expanded range of robotic lawn mowers, ride-on lawn mowers for professional lawn care and demolition robots.
- Operating income amounted to SEK 1,551m (2,445).
- The lower operating income was mainly attributable to costs arising from production disturbances, negative impact from changes in exchange rates and higher costs for selling and administration.
- The Board of Directors proposes a dividend for 2011 of SEK 1.50 per share (1.50).
- Hans Linnarson was appointed President and CEO.

Key figures <sup>1</sup>	2011	2010	2009	2008	2007
Net sales, SEKm	<b>30,357</b>	32,240	34,074	32,342	33,284
Gross margin, %	<b>27.7</b>	28.5	25.4	29.0	29.4
EBITDA, SEKm	<b>2,671</b>	3,666	3,060	3,524	4,645
Operating income, SEKm	<b>1,551</b>	2,445	1,560	2,361	3,564
Operating income, excl. items affecting comparability, SEKm	<b>1,615</b>	2,652	2,012	2,677	3,564
Operating margin, %	<b>5.1</b>	7.6	4.6	7.3	10.7
Operating margin, excl. items affecting comparability, %	<b>5.3</b>	8.2	5.9	8.3	10.7
Income for the period, SEKm	<b>997</b>	1,749	903	1,288	2,036
Earnings per share, SEK <sup>2</sup>	<b>1.73</b>	3.03	1.64	2.81	4.46
Dividend per share, SEK <sup>2</sup>	<b>1.50</b>	1.50	1.00	0.00	1.50
Return on capital employed, %	<b>7.4</b>	11.0	6.6	10.7	17.6
Return on equity, %	<b>8.0</b>	13.9	7.5	15.8	28.6
Capital turn-over rate, times	<b>1.6</b>	1.7	1.6	1.5	1.8
Operating cash flow, SEKm	<b>-472</b>	962	3,737	2,013	1,843
Average number of employees	<b>15,698</b>	14,954	15,030	15,720	16,093

<sup>1</sup> For definitions, see page 100.

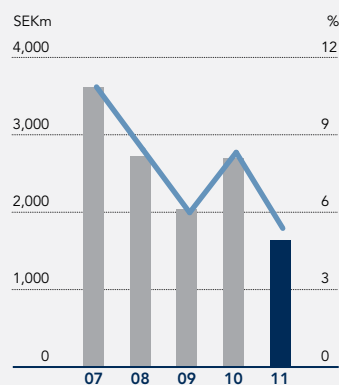
<sup>2</sup> 2007–2008 have been restated for the rights issue in 2009. The dividend for 2011 as proposed by the Board.

### Net sales



● Net sales, SEKm

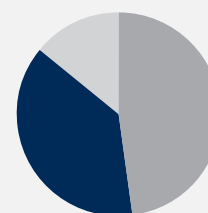
### Operating income and margin<sup>1</sup>



● Operating income, SEKm  
— Operating margin, %

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

### Net sales by geographical area, 2011



● Europe, 48%  
● North America, 38%  
● Rest of the world, 14%



# Report by the President

2011 was a challenging year for Husqvarna Group. We experienced operational difficulties in one of our largest production facilities, which had a substantial negative impact on the Group's operating income. Despite the issues, I am pleased that our sales, adjusted for changes in exchange rates, increased and we maintained our position as global leader. In some areas, such as robotic lawn mowers and riders, market positions have strengthened. The same applies to several areas in the Construction business area, where years of consistent initiatives focusing on innovation and new product launches have generated higher sales, improved margins and increased market shares.

**T**he performance of the Group's three business areas was mixed. The market in Europe was strong with good demand through the first half of the year, while the second half was weaker, at the same time as weather conditions were less favorable than in 2010. Sales for the twelve-months period were somewhat higher than the previous year, which was in line with the market trend. The operating margin for Europe & Asia/Pacific remained high at almost 14 percent, despite increased investments in branding, marketing and product development. The Group's best performance was in robotic lawn mowers and riders, where market shares also increased.

In Americas, demand weakened once again. Since 2005, when demand was at its highest, it has declined every year except 2010; the total decline since 2005 is around 25 percent. Net sales were lower and operating profit was far from acceptable, which can be attributed in part to the disruptions in production. Our goal is to improve the operating margin in this business area, primarily by increasing the percentage of sales to dealers while improving the product mix and efficiency in the part of the business aimed at retailers. It will probably take some time before we reach a satisfactory level of profitability, but we have set our course to achieve this goal.

The Group's smallest business area, Construction, has performed best, with improved sales, operating margin and market share, which is the result of a long-term consistent focus on product innovation and internal efficiency measures.

## Strategy remains firm

As the newly appointed President and CEO of Husqvarna Group, I would like to emphasize that the Group's strategy remains unchanged. Our top priority for 2011 was to continue the change program we have initiated, which was aimed at consolidating the Group within brands, manufacturing, sales, logistics and product development. This work is continuing in 2012 but the measures must be prioritized to ensure maximum delivery reliability for our customers. We will also slow the pace of change moving forward, which will delay the savings effects associated with these initiatives until after 2012.

One consequence of the more cautious pace of change is that it will take longer to ramp up the new production plant in Poland compared with our initial plan. Moving production of ride-on lawn mowers to Poland will take up to two years to complete, instead of one year. Our experience of the new production plant has been excellent.

The production disturbances in the Group's largest plant in North America were partially a result of relocating production from a small plant into a larger factory. The purpose of the relocation was to reduce the fixed costs in production of ride-on lawn mowers, which is vital in the highly competitive North American market. Plant capacity has been gradually restored following extensive efforts. Since the selling season for garden products is short, delivery reliability and punctuality are particularly crucial. As an extra measure in 2012, we therefore focused to a greater extent than usual on pre-season production already late in 2011.

## Innovation is a key factor for success

Innovation has always been a factor for success at Husqvarna Group. To further strengthen our global leadership position, we are continuing to invest in innovation, by having the right products for the market at the right time.

There was plenty of product news in 2011. We launched a new platform for professional chainsaws, one of the strongest segments in the Group, which was received very well by the market. In 2012 we will add several new saws to the platform. In robotic lawn mowers we launched a model specially designed for small gardens and in 2012 we will launch another model that is specially adapted to the broad consumer segment. For professional lawn care, several new ride-on lawn mowers were launched and the Group now has a competitive product offering in this segment. In Construction, many new products became bestsellers, including new power cutters, drilling systems and a demolition robot.

## Global launch of McCulloch

One of the Group's most extensive launches began in 2011. A brand new line of products with daring, innovative design is being developed under the McCulloch brand. The products, which are being sold in retail outlets, are in the higher price segment for this sales channel. Initially the launch will mainly be in Russia, Germany, the Nordic region and the U.S, but in the long term the new product range will be sold globally. Chainsaws, lawn mowers and trimmers are among the products that will be available in 2012.

## Battery products under the Husqvarna brand

Battery-powered products, which do not produce any emissions, currently represent a small but rapidly growing part of the garden product market. Battery performance to date has been adequate only for simple consumer products, but the product portfolio has been



*»Our listings in our major markets in Europe and North America for the 2012 season are unchanged compared with 2011, but with a better mix. I view this accomplishment as a confirmation of our strategy to consistently invest in innovative quality products under strong brands.«*

Innovation has always been a factor for success at Husqvarna Group. To further strengthen our global leadership position we continue to invest in innovation, by having the right products for the market at the right time.

keeping pace with improving battery performance and growing customer demand for quiet and environmentally friendly products. In 2012 the Group's line of battery-powered consumer products under the Gardena brand will expand with semi-professional products under the Husqvarna brand.

#### **Efficient procurement process more important**

In several of Husqvarna Group's major product categories, production largely comprises assembly of relatively finished components. The Group makes almost all of its products close to our customers in the major markets in North America and Europe. Less than 30 percent of component purchases are made from low-cost countries such as China. Since purchasing of components is the Group's largest cost item, there is great potential for improved efficiency by increasing the share of purchases from suppliers in low-cost countries. Equally important is ensuring efficiency along the entire global sourcing supply chain, not only in terms of quality and delivery reliability, but also issues concerning environment, human rights and corruption. To increase the focus on this area, the global purchasing organization was structured as a separate staff that reports directly to the CEO.

#### **Outlook for 2012**

Husqvarna Group's consumer-oriented business is obviously affected by the global slowdown in consumer demand. In southern Europe, several major national financing issues remain unresolved and problems threaten to cause secondary effects in the rest of Europe, resulting in lower consumer demand. Uncertainty is high and we are trying to maintain a high level of preparedness to respond quickly to changes in demand.

Finally, I would like to thank all the Group's employees for their outstanding efforts during a challenging year. Our listings in our major markets in Europe and North America for the 2012 season are unchanged compared with 2011, but with a better mix. I view this accomplishment as a confirmation of our strategy to consistently invest in innovative quality products under strong brands. A high level of service and delivery reliability are Husqvarna Group's top priorities for 2012.



Hans Linnarson  
President and CEO

# Strategy and financial goals

The Group's strategy involves improving internal efficiency throughout the entire supply chain, in order to create a framework for increasing investment in product development and brands that will further strengthen the Group's position. The strategy is based on the Group's primary strengths: strong brands, efficient global distribution network, a broad product offering and a flexible supply chain.

## THE GROUP'S PRIMARY STRENGTHS

### Strong brands

p. 6



### Efficient global distribution network

p. 7



### Broad product offering

p. 8



### Flexible supply chain

p. 9



## GOALS

- Increase sales of premium brands.

- Increase dealer channel sales.
- Reduce selling and administrative costs.
- More efficient customer service.

- Sales growth.
- Higher market shares.
- Reduced time-to-market.

- High flexibility.
- Lower production costs.
- Increased LCC sourcing.
- High delivery accuracy.
- Reduced inventory level.



## LONG-TERM FINANCIAL GOALS

### Net sales

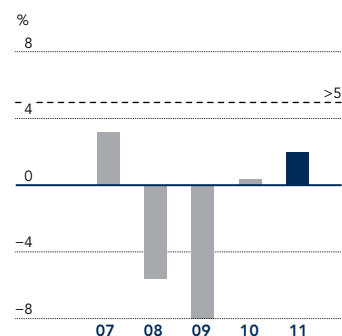
Annual organic growth of approximately 5 percent over the course of a business cycle.

Additional growth through complementary acquisitions.

Adjusted for changes in exchange rates and acquisitions, net sales increased 2 percent.

Average annual organic sales growth was -3.4 percent 2007–2011, and 1.4 percent 2002–2011.

● Net sales growth, organic, %



### Operating margin

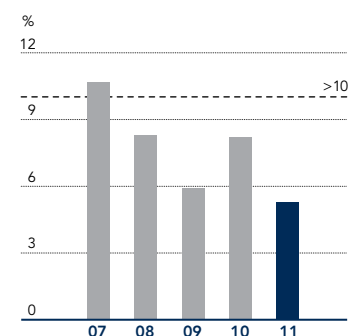
Operating margin of more than 10 percent over the course of a business cycle.

Operating margin excluding items affecting comparability amounted to 5.3 percent.

Average operating margin was 5.7 percent 2007–2011, and 9.0 percent 2002–2011, excluding items affecting comparability.

● Operating margin, %<sup>1</sup>

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

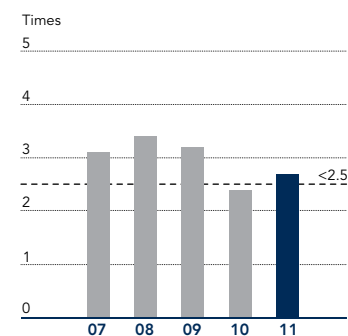


### Capital structure

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

Seasonally adjusted net debt/EBITDA was 2.7 at year-end.

● Net debt/EBITDA, times



### Dividend

The dividend shall normally exceed 40 percent of income for the year.

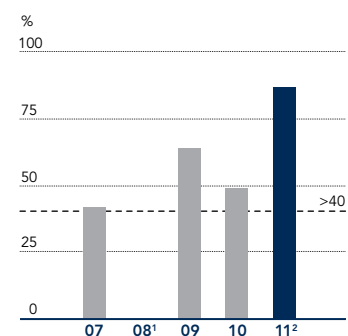
The Board proposes a dividend for 2011 of SEK 1.50.

The pay-out ratio for 2011 corresponds to 87 percent of income for the year.

● Dividend as share of income for the year, %

<sup>1</sup> No dividend was paid for 2008.

<sup>2</sup> As proposed by the Board.



# Strong brands

## Fewer, stronger, more global

Husqvarna, Gardena, McCulloch and Diamant Boart are the Group's global brands. The Group also has regional and tactical brands. Having a portfolio of brands is essential for maintaining a leading position in a range of price and product categories, appealing to different end-users and throughout sales channels and regions.

### Husqvarna represents technological leadership

Husqvarna has long been a strong global premium brand for professional users and consumers who demand high performance. The brand stands for technological leadership, professional performance and high quality. In 2011, it accounted for approximately 48 percent of Group net sales.

### Gardena is the leader in watering

Gardena is the leading premium brand in Europe for watering products and garden tools for consumers. The brand's offering also includes battery-powered products. In 2011, the Gardena brand accounted for approximately 12 percent of Group sales.

### McCulloch launched globally

The launch of a new product range under the McCulloch brand began in 2011 and in 2012 it will be available in the retail chains. The range includes forest and garden products for consumers in the higher price and performance segments and is initially being launched mainly in Russia, Germany, the Nordic region and the U.S. The range will gradually be expanded and launched globally in the long term.

### Diamant Boart global brand for the stone industry

Strong and consistent focus on product development and quality has given Diamant Boart recognition as the leading global brand in the stone industry. The product offering includes a complete range of diamond tools for processing natural stone.

### The number of brands will be reduced

In order to increase efficiency and to reduce costs, the Group will decrease the number of product brands. The Group will increase its share of sales to the premium segment, where profitability is higher. Brand investments and product innovations will thus focus mainly on the Group's global brands.

### Tactical brands increase flexibility

The Group's tactical brands hold strong positions in regional or local markets, or in specific product categories. The tactical brands create scope for flexibility and can, for example, be expanded into new geographic markets or product categories if required. The Group's regional brands also hold strong positions in their local markets, but there are no plans to expand them into new markets.

### Initiatives to strengthen operations

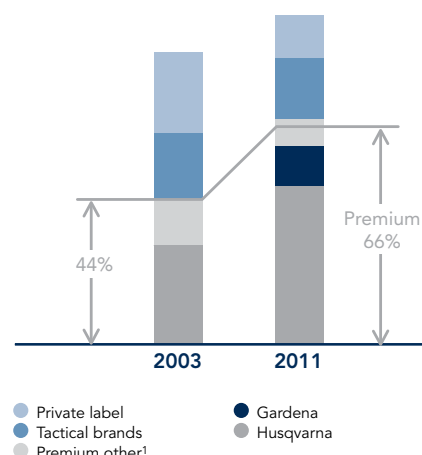
- Prioritize Husqvarna, Gardena, McCulloch and Diamant Boart in terms of brand investments and innovation.
- Launch McCulloch as a global premium brand for consumers.
- Reduce the number of regional and tactical brands. During the year Yazoo|Kees was discontinued and the Partner brand is gradually being replaced by McCulloch.
- Strengthen the position of the Husqvarna brand as a professional brand with dealers.



[www.husqvarnagroup.com/en/about](http://www.husqvarnagroup.com/en/about)  
For more information

Brand	Market	Products
<b>Global Brands</b>		
Husqvarna	Global	Professional products and high-performance products for consumers. Mainly sold by dealers.
GARDENA	Mainly Europe	Consumer products in the retail channel.
McCULLOCH	Global	Consumer products in the retail channel.
DIAMANT BOART	Global	Professional products (diamond tools for the stone industry).
<b>Tactical Brands</b>		
Jonsered	Mainly the Nordic region, but also North America.	Professional products and high-performance products for consumers. Sold by dealers.
Poulan PRO	North America	Consumer products in the retail channel.
WEED EATER	North America	Consumer products in the retail channel.
DIXON	North America	Professional products. Sold by dealers.
<b>Regional Brands</b>		
KLIPPRO	Scandinavia	Professional products and high-performance products for consumers. Mainly sold by dealers.
Flymo	Mainly the U.K, the Nordic region and the Netherlands.	Consumer products in the retail channel.
ZENOAH	Mainly Japan	Professional products and high-performance products for consumers. Sold by dealers.
BLUEBIRD	North America	Professional products sold by dealers.

### Higher sales under premium brands



The share of sales under brands that are positioned in the premium segment rose from 44 percent of sales to 66 percent in 2003–2011.

<sup>1</sup> Other premium brands include Jonsered, Zenoah, Klippo and Diamant Boart.

# Efficient global distribution network

## Increased sales through dealer channel

The Group's forest, park and garden products are primarily sold through two distribution channels – retailers and dealers. The retail chains focus on consumer products in the mid- and low-price segments as well as spare parts and accessories. Dealers, which include thousands of small, local, independent specialty stores, sell a more advanced range of products, spare parts and accessories to professional users and consumers with a high demand on performance. Most dealers also offer servicing.

The Group holds strong positions in both channels selling to about 25,000 dealers and to most large retail chains. Products under the Husqvarna brand are primarily sold through dealers and, to a lesser extent, by retail chains in the U.S.

Sales to the dealer channel accounted for 47 percent of Group sales, sales to the retail channel 47 percent and sales to other channels (rental companies, sawing, drilling and demolition contractors, and stone quarry customers) accounted for the remaining 6 percent of Group sales.

Products for the construction industry are mainly sold to rental companies and specialized dealers, as well as directly to contractors.

Husqvarna Group's comprehensive distribution network has been developed



over many years, providing a substantial competitive advantage.

There is good potential for growth in both distribution channels, on the condition that the Group can offer appropriate product ranges and efficient service to the respective channels.

Increased sales to dealers is a top priority, especially in North America and Latin America, where Husqvarna Group's position in the dealer channel is not as strong as it is in Europe. In addition to offering a wide range of competitive products, availability of spare parts, product training, service programs and timely delivery are all

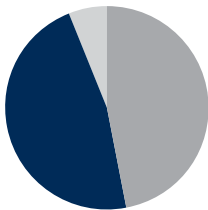
important factors in recruiting new dealers. Brand-building measures aimed at dealers, such as customized shelf systems to display Husqvarna Group products, are also important.

### Initiatives to strengthen operations

- Improved service through enhanced product training and service programs etc.
- Broader offering and increased availability of spare parts.
- Brand building at points-of-sale.

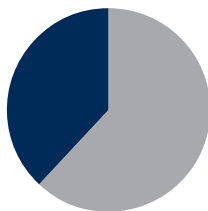
SALES BY DISTRIBUTION CHANNEL, 2011

### Group



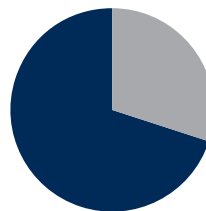
● Dealers, 47%  
● Retailers, 47%  
● Other, 6%<sup>1)</sup>

### Europe & Asia/Pacific



● Dealers, 62%  
● Retailers, 38%

### Americas



● Dealers, 30%  
● Retailers, 70%

### Construction



● Dealers, 40%  
● Other, 60%<sup>1)</sup>

<sup>1)</sup> Rental companies, sawing, drilling and demolition contractors and stone quarry customers.

<sup>1)</sup> Rental companies, sawing, drilling and demolition contractors and stone quarry customers.

# Broad product offering

Attractive and innovative products that meet customer needs



## Gardena R40Li robotic lawn mower

The third generation robotic lawn mower line will be expanded with a model under the Gardena brand designed for smaller areas of up to 400 square meter.



## Professional ride-on mowers

The selection of professional ride-on mowers will be expanded with several new models and accessories for increased productivity.



## Professional chainsaws

In 2011, the latest and most advanced platform for professional chainsaws was launched. The Husqvarna 560 XP® will be joined in 2012 by additional models in a variety of sizes.



## Consumer products in the premium segment

In 2011 the Group launched a new series of consumer products for the premium segment at retail chains. The products will be sold in retail chains beginning of 2012 under the McCulloch brand.

The Group has a broad and competitive product offering. Its position is particularly strong in handheld products, such as chainsaws, clearing saws and trimmers, as well as in riders and garden tractors. The Group is the European market leader for watering products and garden tools under the Gardena brand. It also has a strong product offering in cutting equipment and diamond tools for the construction and stone industries.

The Group's goal is to be the leader in its core areas. However, maintaining a strong partnership with customers involves providing a complete product range, which includes also offering competitive products outside of the core areas.

### Focus on core areas

There is a good potential for growth within the existing product offering. The Group aims

to maintain a high rate of product renewal, which is decisive for achieving growth and improved margins. Achieving growth also requires having the right product offering for each distribution channel.

Products are becoming increasingly more global or regional, thus creating opportunities for reducing the number of product platforms and local variants. In the long term, this strategy will also lead to lower development costs per sold unit, together with synergies in production and purchasing.

In an effort to streamline product development, the Group is focusing its development resources on a limited number of R&D centers in key locations, including Sweden, Germany, the U.K, the U.S, China and Japan.

### Customer-driven research and development

The Group has a common global process for product development. An effective product

development process, including consumer insights and a high level of innovation, is essential to the Group's growth and profitability. The objective is to generate a continuous flow of attractive and competitive new products. Significant synergies and rationalization gains are being achieved in product development via this process.

### Initiatives to strengthen operations

- Focus on core areas.
- High pace of customer-driven product development.
- Development resources gathered in a few R&D centers.



[www.husqvarnagroup.com/en/about](http://www.husqvarnagroup.com/en/about)  
For more information

## FOCUS Battery-powered products



Battery-powered products are gaining popularity. The rising demand is being driven by customers' growing preference for convenient, quiet and eco-friendly products.

The Group is continuously adding new products to its already wide range of battery-powered products. In 2012 semi-

professional battery-powered chainsaws, trimmers, hedge trimmers and a ride-on mower will be launched under the Husqvarna brand. The product offering with the battery-powered robotic lawn mower will be expanded with a model for smaller lawns under the Gardena brand.

# Flexible supply chain

## Fewer, larger and more efficient units

### Number of production facilities



36 28 ↘

The number of production units will decrease from 36 to 28 when initiatives announced to date are completed.

### Low-cost country component sourcing



18% 30% ↗

The low-cost country sourcing ratio could potentially be doubled in five years. Since 2008, the ratio has grown from 18 percent to 30 percent in 2011.

### Number of suppliers



3,100 2,360 ↘

The goal is to reduce the number of suppliers by 10 percent per year over a certain number of years. Between 2008 and 2011, the number was reduced from 3,100 to 2,360.

### Number of warehouses



70 41 ↘

The number of warehouses was reduced from 70 to 41 between 2008 and 2011.

The Group's operations are characterized by substantial seasonal variations. Park and garden products are manufactured and sold mainly during the first half of the year, while production and sales of forestry products are usually somewhat higher during the second half of the year. To be competitive, it is essential to provide timely supplies and high supply reliability to customers.

High demands concerning speed and flexibility mean that a major part of production resources have to be located close to the customers – in North America and Europe. The relatively short sales period places considerable pressure on the ability to increase or reduce activities in the entire supply chain at short notice. Flexibility is key.

#### Optimized production structure

In order to enhance the efficiency and flexibility of production, there must be fewer, larger and more cost-efficient production facilities. When the restructuring initiative is completed, a total of 9 facilities will have been closed, with one new facility established. Between 2010 and 2011, 4 production facilities have been closed. This reorganization is focusing mainly on the production units in Sweden and North America. The company is now in a phase of stabilization and the manufacturing footprint initiative has slowed down.

#### New production facility in Poland

The new facility in Mielec, Poland, was gradually placed on stream in 2011. The facility was built to meet high demands for scalability, flexibility, quality and cost-efficiency and is producing lawnmowers and ride-on mowers for the European market.

#### Increased purchases from low-cost countries

The manufacturing of wheeled products like lawn mowers and garden tractors consists mainly of assembling sourced components that have a high completion rate. The manufacturing of handheld products, like chainsaws, is more integrated and the input materials consist to a greater extent of raw materials or components with lower completion rates.

Purchased components are the Group's largest cost item. A growing share of components is purchased from low-cost countries. In 2011, the share was approximately 30 percent, compared with 26 percent in 2010. A global sourcing organization creates opportunities to considerably increase the share of component sourcing from low-cost countries.

#### Fewer suppliers

A global purchasing organization is also enabling the Group to reduce the number of its suppliers, thus simplifying and improving purchasing processes. At the end of 2011, Husqvarna Group had approximately 2,360 different suppliers, with significant potential for further reductions.

#### Fewer warehouses

The number of warehouses was reduced from 70 in 2008 to 41 in 2011, which entails opportunities for lowering the inventory level, improving supply reliability and generally creating a more efficient logistics structure.

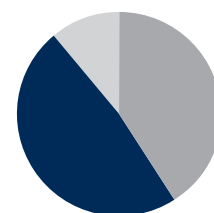
#### Initiatives to strengthen operations

- Fewer and larger production facilities.
- Increased sourcing of components from low-cost countries.
- Reduced number of suppliers.
- Reduced number of warehouses.
- Lean manufacturing program.



[www.husqvarnagroup.com/en/about](http://www.husqvarnagroup.com/en/about)  
For more information

#### Production value by geographical area, 2011



● Europe, 41%  
● North America, 48%  
● Rest of the world, 11%



# Husqvarna Group – a global leader

The global market for Husqvarna Group's forest, park and garden and construction products is estimated at approximately SEK 150 billion.

The largest markets are Europe and North America, where a significant part of the world's forest, park and garden areas are found. Combined, they represent around 90 percent of the global market. Historically, the average growth of these markets has kept pace with the gross domestic product, at between 2 and 3 percent per year. Growth in these markets is mainly driven by the general economic trend and purchasing power of consumers.

There are also large forested areas in South America and, to a certain extent, in China. In these markets, logging is mostly carried out manually and demand is driven by professional users. Demand for garden products in these markets is also driven to a greater extent by commercial users such as gardeners and park managers. Consumers have little interest in gardening and there is no widespread tradition of garden care among individuals. Overall, these markets are significantly smaller, but their growth rate is higher, at 10 percent per year in South America and China.

The long-term annual growth rate for the Group's product offering for the construction and stone industries has been around 3 percent for construction industry products, and slightly higher for stone industry products. Historically, growth in Eastern Europe and Asia has been higher than in the western world. Demand correlates strongly with activity in the construction industry.

## Major seasonal variations throughout the year

In 2011, the Group's sales of park and garden products accounted for approximately 70 percent of the Group's total sales. These products are mainly used during spring and summer, which in the Northern hemisphere implies that sales normally culminate during the second quarter and can be considered as finished after the third quarter. The season for watering products is normally shorter and often ends after the second quarter.

Demand for forestry products is usually somewhat higher during the second half of the year than the first. Sales of cutting equipment and diamond tools for the construction industry are more evenly spread over the year.

## Competitors: Forest, park and garden

Competitor	Products	Market
<b>Stihl</b>	Mainly handheld products for forest, park and garden such as chainsaws, clearing saws and trimmers for professional users and consumers.	Global
<b>Global Garden Products (GGP)</b>	Mainly ride-on lawn mowers and walk-behind lawn mowers.	Europe
<b>Bosch</b>	Electrical and battery-powered garden products and watering products for consumers.	Europe
<b>Modern Tool and Die Company (MTD)</b>	Lawn mowers and ride-on lawn mowers for consumers.	North America and Europe
<b>Toro</b>	Ride-on lawn mowers for professional lawn care as well as ride-on lawn mowers and lawn mowers for consumers.	North America and Europe
<b>John Deere</b>	Garden tractors and lawn mowers for professional lawn care and consumers.	North America and Europe
<b>Echo and Shindaiwa</b>	Handheld products for forest, park and garden for professional users and consumers.	Global
<b>TTI</b>	Mainly handheld products for forest, park and garden as well as lawn mowers for consumers.	Global
<b>Stanley Black and Decker</b>	Electrical and battery-powered garden products for consumers.	Global
<b>Hozelock</b>	Watering and garden tools for consumers.	U.K and Nordic region

## Global competitors, construction and stone industries

Competitor	Products
<b>Hilti</b>	Drilling equipment, wall saws, drills and diamond tools.
<b>St Gobain</b>	Floor and tile saws, and diamond tools.
<b>Stihl</b>	Power cutters.
<b>Tyrolit</b>	Drilling equipment, wall, floor- and tile saws and drills and diamond tools.

In total, the first half of the year usually accounts for around two thirds of the Group's annual sales.

*See diagram on page 11.*

## Production resources are mainly in North America and Europe

Since the sales season is short and demand can be impacted by weather conditions, lead times from order to delivery are short. Accordingly, production is often carried out close to the largest markets to ensure high delivery capacity, optimize inventory management and minimize freight costs. As a result, a major proportion of production for the Group and the industry takes place in Europe and North America.

## Dealers and retailers are our customers

The Group sells forest, park and garden products to dealers and retailers, which then sell them to end-users. Retailers also include Do It Yourself (DIY) stores and supermarkets.

Dealers sell to professional users and consumers who demand products with high levels of performance, primarily in the high-price segments. Most dealers also service the products.

The retail chains sell products in the low- and medium-price segments to consumers.

Prices and margins are lower than for dealers. Construction and stone industry products are sold either directly to end-users, such as sawing and drilling contractors and quarry operators, to rental companies that rent the equipment to end-users, or dealers who sell to end-users.

## Market demand in 2011

Market conditions varied among the Group's business areas and product categories during the year.

In Europe and Asia-Pacific, demand for forest and garden products increased slightly for the year as a whole. Demand was good in the first half of the year, but weaker during the second half.

In North America, demand for park and garden products decreased year-on-year, while demand for forest products such as chainsaws benefited in 2011 from favorable weather conditions. Overall, demand for forest and garden products declined.

Demand for the Group's products for the construction industry increased somewhat in the mature markets in Europe and North America, while growth in demand in the developing countries has been good.

*Market share data are approximations made by Husqvarna Group.*

**Europe & Asia/Pacific**  
Forest, park and garden products

Husqvarna Group's market share



End-user market value

SEK 55bn

**Americas**  
Forest, park and garden products

Husqvarna Group's market share



End-user market value

SEK 75bn

**Construction**  
Construction products

Husqvarna Group's market share

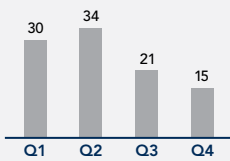


End-user market value

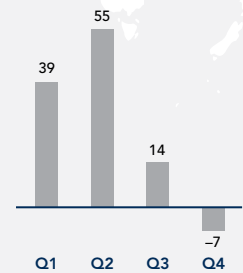
SEK 19bn

**2-3%**  
Global market  
long-term growth rate

**Net sales, seasonality**  
Average distribution per  
quarter 2007-2011, %

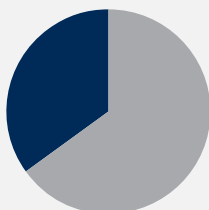


**Operating income, seasonality**  
Average distribution per  
quarter 2007-2011, %



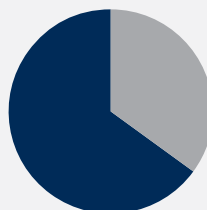
**TOTAL MARKET: FOREST, PARK AND GARDEN**

**Europe & Asia/Pacific**  
Distribution of sales



Dealers, 65%  
Retailers, 35%

**Americas**  
Distribution of sales



Dealers, 35%  
Retailers, 65%

**TOTAL MARKET: CONSTRUCTION**

**Construction**  
Distribution of sales

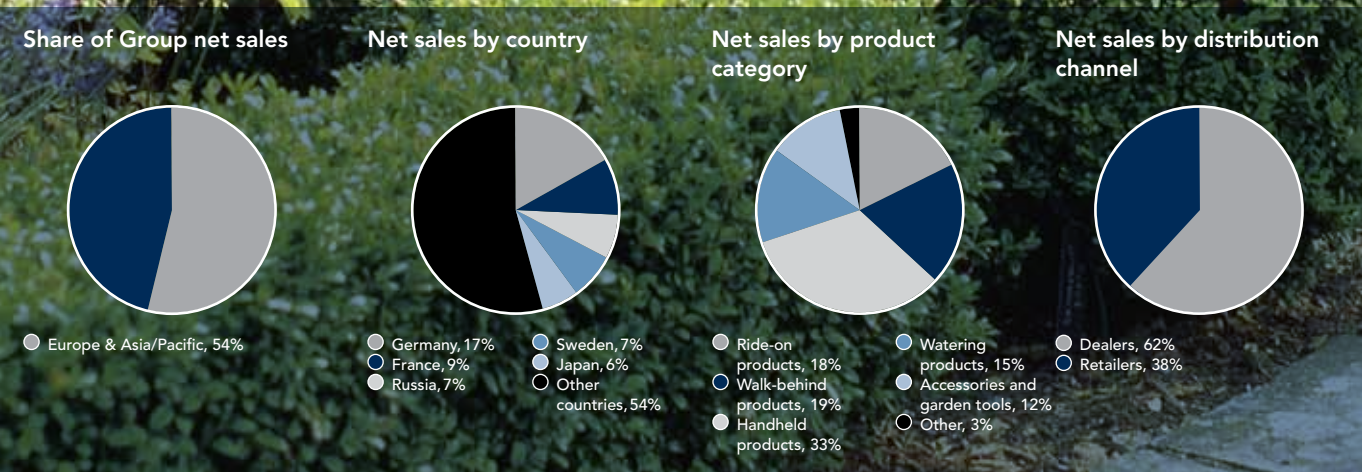


Dealers, 40%  
Other, 60%



Europe & Asia/Pacific

# Increased demand and strong market position





Most product categories and regions reported a positive sales trend during the year. Sales of the robotic lawn mower, Automower®, and ride-on lawn mowers were particularly good and market shares for these products rose. Overall, the market shares in Europe & Asia/Pacific remained unchanged.

The market for forest, park and garden products in Europe and Asia/Pacific is estimated at approximately SEK 55 billion. Europe accounts for around 85 percent of the market, of which the largest local markets are Germany, France, Russia, Sweden and the U.K.

Sales to dealers are estimated at around 65 percent of the value of the total market in the Europe and Asia/Pacific region, with the remaining 35 percent going to retail chains. The European retail market is relatively fragmented.

*Read more about the market on pages 10–11.*

#### Leading market positions

The Group holds a strong position in Europe with a market share of around 30 percent. The share is particularly significant in high-performance products, which are primarily sold to dealers. The end-users for these products are professionals or consumers who demand high-level performance.

Husqvarna Group holds leading positions in professional chainsaws and clearing saws in the major forestry markets such as Russia, the Baltic States and the Nordic region. In the lawn mower, robotic lawn mower and ride-on lawn mower markets, the Group has leading positions in several European markets.

The Group is the European leader for watering products under the Gardena brand, with strong positions in Germany, Austria and Switzerland.

#### Sales to dealers continue to grow

The total market demand for forest, park and

garden products was good, but weakened toward the end of the second quarter because of the general economic decline. Sales rose for the robotic lawnmower Automower®, ride-on mowers and snow throwers.

Husqvarna Group's sales increased in most major markets, including Germany, France, the U.K and the Nordic countries, and the percentage of sales to dealers increased.

Overall, the Group's market shares in the region were unchanged during the year with increases in riders and robotic mowers.

*Read more about sales and income in the Report by the Board of Directors on page 28.*

#### New products

Several new products were launched during the year. A series of ride-on lawn mowers for professional users was among the products introduced under the Husqvarna brand and the range of robotic lawn mowers was expanded with a new Automower® model adapted to small lawn areas of up to 500 square meters. A new platform for professional chainsaws was launched in the handheld product range and the offering of battery-powered products watering and garden tools was expanded under the Gardena brand.

#### Strengthened relations with dealers

The Group continued to focus on brand-building at points-of-sale, product training and service programs during the year, aimed at strengthening relations with dealers. In addition to attractive products, high delivery reliability and access to spare parts are key to building long-term relationships with dealers.



In 2012 the Group will offer a battery powered rider, Husqvarna Rider Battery, with capacity to cover lawns up to 2,000 square meters.

#### Growth markets

A special project was initiated to take advantage of growth in certain countries in Asia, the Middle East and Africa. These markets currently represent a small percentage of the Group's sales, but growth is higher than in the mature markets of Europe and North America.

#### Professional lawn care

The selection of products, parts and accessories has been broadened in recent years and now includes a comprehensive range of wheeled and handheld products for effective professional lawn care. Husqvarna Group's share of this market is relatively small but there is long-term growth potential. A key target group is public park management, where the sales process is often longer, more complex and extensive. The Group has therefore established a dedicated sales force in several strategically important countries to work directly with public purchasers.

## FOCUS Robotic lawn mowers



The Group is the world leader in robotic lawn mowers, with the widest range on the market. The product offering under the Husqvarna brand includes several sizes and models of Automower®, from the smallest Automower® 305, designed for lawns up to 500 square meters, to the largest model, capable of handling up to 6,000 square meters of lawn.

The robotic mowers are battery powered and find their own way back to the charging station when the batteries are running low. If the mower encounters an obstacle, it will

reverse and change direction and when lifted stops automatically. To make it less susceptible to theft, it is code-protected. It is near silent, produces no emissions and consumes very little energy. The user- and environment-friendly qualities have contributed to particularly good sales growth in 2011.

In 2012, a new robotic lawn mower, the Gardena R40Li, is being launched. This model can handle lawns up to 400 square meters and will be available in the retail channel.



Americas

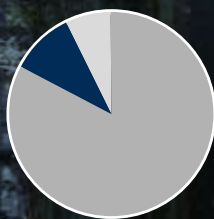
# Retained market positions

Share of Group net sales



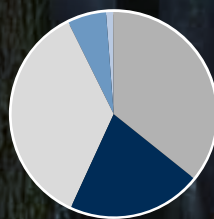
● Americas, 37%

Net sales by geographical area



● U.S., 83%  
● Canada, 10%  
● Latin America, 7%

Net sales by product category



● Ride-on products, 36%  
● Walk-behind products, 21%  
● Handheld products, 36%  
● Accessories and garden tools, 6%  
● Other, 1%

Net sales by distribution channel



● Dealers, 30%  
● Retailers, 70%



Market demand in North America fell during the year due to a weak macroeconomic trend. The Group's sales declined, but overall, market shares remained stable.

The market for forest, park and garden products in the Americas is estimated at approximately SEK 75 billion. The U.S accounts for around 84 percent of the market, Canada 9 percent and Latin America 7 percent. Brazil is the largest market in Latin America.

Sales to dealers are estimated at around 35 percent of the value of the total market in North and Latin America, with the remaining 65 percent sold to retail chains. The four largest retail chains (Sears, WalMart, Home Depot and Lowe's) account for around 70 percent of the Group's total market sales to retail chains in North America.

*Read more about the market on pages 10–11.*

#### Strong market positions

The Group holds strong market positions for chainsaws, garden tractors, lawn mowers and trimmers. The combined market shares amount to around 20 percent. Historically, sales of consumer products to the retail chains have been Husqvarna Group's strength in North America, and market shares are thus higher in this market. The ambition is to increase market share in the dealer channel.

#### Lower demand

Demand in most product categories within forest and garden products declined in the U.S during 2011. The exception was chainsaws, which benefited from favourable weather conditions. Overall demand has declined every year since 2005 with the exception of 2010. The market's total decline compared with the peak year, 2005, is considered to be around 25 percent. Demand continued to improve in Latin America.

Husqvarna Group's sales in America declined in 2011, primarily due to lower demand. Production disruptions in the Group's largest production plant in the region also had a negative impact on sales. These disruptions caused delivery capacity to decline and also had a negative impact on costs. Delivery capacity gradually improved as corrective measures were implemented and in the fourth quarter pre-season production for 2012 began.

Measures to increase sales to dealers continued. The number of dealers selling Husqvarna Group products rose, but sales were adversely impacted by lower demand and by the production disruptions.

Sales growth continued to be good in Latin America, but the increase was based on small volumes and the contribution to the business area's total sales is thus limited.

*Read more about sales and income in the Report by the Board of Directors on page 28.*

#### New products

Most product launches during the year targeted professional users or consumers with high demands for performance, products generally sold by dealers. Commercial lever-operated ride-on mowers (zero-turn mowers), as well as several new models of chainsaws, trimmers, hedge trimmers, pole saws and snow throwers were introduced under the Husqvarna brand.

#### Increased presence in the dealer channel

The ambition is to increase the share of sales to the dealer channel since it usually has higher margins than sales to the retail chains. The Group already has a comprehensive



A new line of premium single and two stage snow throwers capable of extreme use on inclines and packed snow was introduced in 2011.

offering of products for the dealer channel. Several measures have been taken to increase sales, including branding and product-oriented campaigns, a strong selection of spare parts and accessories, and continued improvements in product training and service programs. Many new dealers were recruited during the year. Customized interiors are also being designed for selected dealers to attractively display Husqvarna Group products in the store.

The Group's margin in the Americas is lower than in Europe. Compared with Europe, sales of consumer products to the retail chains constitute a larger share of sales. Sales to retail chains have a lower margin than sales to dealers.

## FOCUS Ride-on lawn mowers



The Group made many new additions to its already wide range of garden tractors during 2011.

New launches in 2012 include an upgraded range of premium garden tractors for home and landowners. The tractors feature a 107 cm cutting deck, side ejection or integrated collection, and are suitable for gardens up to 4,000 square meters.

The new U-cut solution gives an extra tight turning radius, meaning more efficient

mowing. Many different attachments for both summer and winter use are available.

Several new zero-turn mowers for homeowners and professionals were also launched in 2011.

The line will be expanded with additional models for commercial use in 2012. The mowers feature high-performance cutting decks for increased productivity, vibration-insulated operator platform and easy-access service points.

Construction

# Robust product portfolio strengthens market positions

Share of Group net sales



○ Construction, 9%

Net sales by geographical area



○ Europe, 43%  
○ North America, 37%  
○ Rest of the world, 20%

Net sales by distribution channel



○ Dealers, 40%  
○ Other, 60%<sup>1)</sup>

<sup>1)</sup> Rental companies, sawing-, drilling-, and demolition contractors and stone quarry customers.



Construction focus on investments in new innovative products continued to give results in 2011. Sales and income increased and market shares were strengthened.

The Husqvarna Group is a world leader in machinery and diamond tools for the construction and stone industries. The products are sold in more than 70 countries under the Husqvarna and Diamant Boart brands.

The Group develops, manufactures and sells mainly light construction products for cutting, drilling, grinding, polishing and demolishing concrete, other hard materials and steel. Products include demolition robots and power cutters, drilling equipment, wall and wire saws, floor and tile saws and all related diamond tools. Husqvarna Group also develops, manufactures and sells a full range of diamond tools for the natural stone cutting and grinding markets.

The global market for Husqvarna Group's product range for the construction and stone industries is valued at approximately SEK 19 billion. The market is fragmented, with many small, local competitors and a few global suppliers.

The largest product categories for the industry are power cutters, floor saws and drill systems. The Group's 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.

*Read more about the market on pages 10–11.*

### Global market leader

The Group's combined global market share in relevant product categories amounts to around 15 percent. Husqvarna Group is either the largest or second-largest player in most product categories. Positions are strongest in power cutters, and for floor, wall and wire saws.

The product development rate is high, and the Group has launched many new techniques and products over recent years. The products are used exclusively by professional users who demand high level performance, reliability and high levels of technical service. Satisfying these demands is crucial for success.

### Continued recovery and rising sales

The recovery from the recession was slower than expected for the construction industry due to the weak or negative macroeconomic trend in key markets. The lack of government stimulus projects had a negative impact on activity in several markets. To some extent equipment rental companies and heavy user contractors, whose customers are general building contractors, drove demand because they needed to replace and invest in new equipment after having had a low investment rate for several years.

During 2008 and 2009, when economic conditions for the construction industry were weak and demand for the products fell, the Group introduced a number of measures aimed at adapting capacity and costs to the weaker market. They included closing down several small production facilities and moving production to larger units in Sweden and China.

These measures continued in 2011. The closure of the production facility in Spain was announced, with the resulting relocation of production to the existing facilities in China and Sweden. The focus on product development continued at the same time that efficiency enhancement measures were implemented.



The new innovative automatic drilling system Husqvarna AD 10 mounted on Husqvarna DS 450 along with Husqvarna DM 340 can be used for a wide variety of drilling applications.

### New products contributed to higher market shares

Despite the weaker economy, sales well increased in both Europe and North America. Emerging markets such as China, Russia and Brazil continued to perform strongly. Market shares were strengthened in several product categories, including power cutters. New product launches, such as a new series of power cutters, demolition robots, wall saws and diamond tools in 2010 were followed by innovations in electric power cutters, wire saws and drilling systems in 2011.

### Improved earnings

Operating income increased sharply mainly due to higher sales and production volumes and the introduction of new products with higher margins.

*Read more about sales and income in the Report by the Board of Directors on page 28.*

## FOCUS Demolition robot



Over the past years, the Group has launched a new range of remote-controlled demolition robots, as an important complement to Construction's other product portfolios.

Demolition robots are being used increasingly for demolition work. Contractors can work faster and more safely with demolition robots. The robots are low weight yet extremely powerful, have a compact design and are highly manoeuvrable, even in narrow spaces.

The robots are used for demolition work indoors, outdoors and in sensitive environments such as the processing industry.

In 2011, the Group delivered demolition robots to be used in the clean-up after the failure of one of the reactors at the Fukushima nuclear plant in Japan. Robotic technology plays an important role in the work as radiation levels are still high. The robots are well adapted to this type of environment.

# Business area overview

Europe & Asia/Pacific

## Product range

- Ride-on products: riders (with front-mounted cutting deck), garden tractors and zero turn lawn mowers.
- Walk-behind lawn mowers, robotic lawn mowers, tillers and snow throwers.
- Handheld products: chain-saws, trimmers, clearing saws, blowers and hedge trimmers.
- Watering products: hoses, couplings, sprinklers, etc.
- Accessories, garden tools and spare parts.

## End-users

- Home and landowners.
- Professional landscape and ground care.
- Professional forest and tree care.

## Distribution channels<sup>1</sup>

- Large retailers such as B&Q, Leroy Merlin, OBI and Bauhaus.
- Dealers.

## Production

- **Czech Republic:** watering products and garden tools.
- **Germany:** watering products, garden tools and battery-powered garden tools.
- **Poland:** lawn mowers and ride-on lawn mowers.
- **Sweden:** trimmers, clearing saws, chain-saws and ride-on lawn mowers.
- **U.K:** electrical lawn mowers and robotic lawn mowers.
- **U.S:** ride-on lawn mowers, lawn mowers and snow throwers.
- **Brazil:** handheld products such as chain-saws and trimmers.
- **China:** handheld products such as trimmers and chainsaws in the low-price segment.
- **Japan:** chainsaws and other handheld products.



Americas

- Ride-on products: garden tractors and zero turn mowers (ride-on lawn mowers with no turning radius).
- Walk-behind lawn mowers, robotic lawn mowers, tillers and snow throwers.
- Handheld products: chain-saws, trimmers, clearing saws, blowers and hedge trimmers.
- Watering products (Canada).
- Accessories, garden tools, and spare parts.

- Home and landowners.
- Professional landscape and ground care.
- Professional forest and tree care.

- Large retail chains such as Sears, Lowe's, Walmart and Home Depot.
- Dealers.

- **Sweden:** handheld products such as chainsaws and clearing saws.
- **U.S (McRae, Georgia):** walk-behind lawn mowers, snow throwers.
- **U.S (Nashville, Arkansas):** handheld products such as chainsaws, trimmers and blowers.
- **U.S (Orangeburg, South Carolina):** ride-on lawn mowers and snow throwers.
- **Brazil:** handheld products such as chain-saws and trimmers.
- **China:** handheld products such as trimmers and chainsaws in the low-end segment.



Construction

- Power cutters.
- Floor, tile and masonry saws, wall and wire saws.
- Drill motors with stands.
- Floor grinding machines.
- Demolition robots.
- All types of diamond tools for the construction industry.
- Diamond tools for the stone industry.

- Construction industry, including infrastructure projects such as road and bridge construction, renovation and construction of commercial properties and, to a lesser extent, residential properties.
- Stone industry.

- Direct to sawing, floor grinding and demolition contractors.
- Rental companies that rent equipment to building contractors and end-users.
- Construction dealers.

- **Belgium:** diamond segments for wires and blades.
- **Portugal:** final assembly of wire and diamond saw blades for natural stone.
- **Sweden:** power cutters, wall and wire saws, drill motors and stands, demolition robots, diamond saw blades and drill bits.
- **U.S:** large floor saws, tile and masonry saws, Soff-Cut floor saws, diamond saw blades and drill bits.
- **China:** floor saws, tile and masonry saws, drill stands, surface-finishing machines, diamond saw blades, grinding tools and drill bits.



<sup>1</sup>) Read more about the distribution channels on page 7.

## Main competitors<sup>2</sup>

- Bosch
- Echo
- Fiskars
- Global Garden Products (GGP)
- Hozelock
- John Deere
- Modern Tool and Die Company (MTD)
- Shindaiwa
- Stihl
- Toro

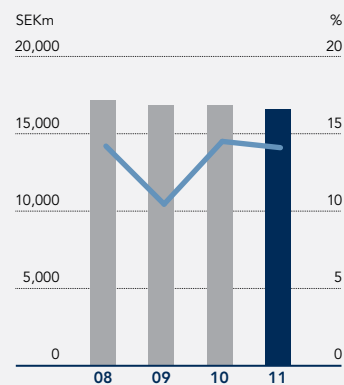
## Key data

	2011	2010	2009
Net sales, SEKm	16,365	16,621	16,594
Share of Group net sales, %	54	52	49
Operating income excl. items affecting comparability, SEKm	2,277	2,383	1,710
Operating margin excl. items affecting comparability, %	13.9	14.3	10.3
Net assets, SEKm	12,382	11,550	12,201
Capital expenditure, SEKm	600	788	557
Average number of employees	7,037	7,278	–

**Global premium brands:** Husqvarna, Gardena and McCulloch.

**Other brands:** Jonsered, Flymo, Klippo and Zenoh.<sup>3</sup>

## Net sales and operating margin



● Net sales, SEKm  
— Operating margin, %<sup>1</sup>

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

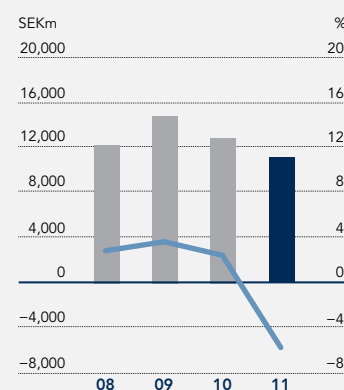
- Echo
- John Deere
- Modern Tool and Die Company (MTD)
- Stanley Black & Decker
- Shindaiwa
- Stihl
- Toro
- Private labels

	2011	2010	2009
Net sales, SEKm	11,193	12,944	14,845
Share of Group net sales, %	37	40	43
Operating income excl. items affecting comparability, SEKm	-654	312	535
Operating margin excl. items affecting comparability, %	-5.8	2.4	3.6
Net assets, SEKm	5,675	5,217	4,848
Capital expenditure, SEKm	287	411	251
Average number of employees	6,664	5,582	–

**Global premium brands:** Husqvarna, Gardena (Canada) and McCulloch.

**Other brands:** PoulanPro, WeedEater, Dixon, Bluebird and RedMax.<sup>3</sup>

**Private label:** Supplier to the Sears brand, Craftsman



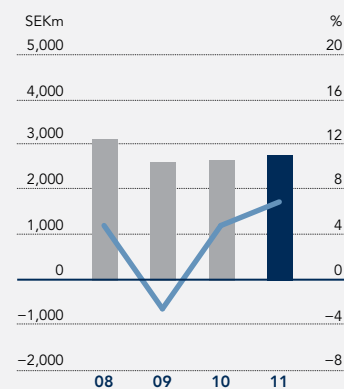
● Net sales, SEKm  
— Operating margin, %<sup>1</sup>

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

- Hilti
- St Gobain
- Stihl
- Tyrolit

	2011	2010	2009
Net sales, SEKm	2,799	2,675	2,635
Share of Group net sales, %	9	8	8
Operating income excl. items affecting comparability, SEKm	194	129	-69
Operating margin excl. items affecting comparability, %	6.9	4.8	-2.6
Net assets, SEKm	2,576	2,596	2,645
Capital expenditure, SEKm	107	103	60
Average number of employees	1,997	2,094	–

**Brands:** Husqvarna and Diamant Boart.<sup>3</sup>



● Net sales, SEKm  
— Operating margin, %<sup>1</sup>

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

<sup>2</sup> Read more about competitors and the market on page 10.

<sup>3</sup> Read more about the Group's brands on page 6.



Sustainable development

# Striving toward sustainable development

## **Our sustainability objectives**

The Group strives towards the following long-term objectives:

- Develop environmentally sound products
- Use energy and materials efficiently
- Select suppliers that operate responsibly
- Reduce workplace accidents
- Contribute to the development of each employee
- Be a responsible corporate citizen
- Ensure employee compliance with Husqvarna Group's policies



[www.husqvarnagroup.com/en/corporate-responsibility](http://www.husqvarnagroup.com/en/corporate-responsibility)  
For more information

The Husqvarna Group's sustainability approach is based on economic, environmental and social performance. We strive to improve our processes across a wide front. Our overriding focus is on profitability, environmentally sound products and responsible business conduct.

#### Highlights 2011

- Sales of Automower®, the robotic lawn mower reached an alltime high. It is near silent, produces no direct emissions during use and consumes very little energy.
- The first Sustainability Report following GRI guidelines was published.
- General environmental criteria established for the product development process.
- Basic requirements and methods further developed for Environmental, Health and Safety assessment of suppliers of direct materials.
- Third-party audits conducted on all ISO 14001 certified production facilities with good results.
- Risk and Compliance Desktop Assessments conducted at all production facilities.
- Environmental Site Assessments, phase 1, conducted at selected production facilities. No serious deficiencies noted.
- Implementation of renewed Performance Review process; expanded skills development and cascading targets.

- A pilot project for Coaching for Performance was conducted to support and strengthen the Performance Review process.
- A web-based, four-hour long introduction program for new managers was launched. It covers the Group's processes; Communication, HR, Legal and Finance.

#### Awards and recognitions

The Husqvarna Group again qualified for the FTSE4Good index, which brings together world-leading companies in terms of environmental, social and governance practices. In the latest rating, Husqvarna received an overall score of 97 out of 100, measured on by issues such as environmental management, human and labour rights and corporate governance.

Husqvarna was honoured for its community service and volunteerism in Charlotte, North Carolina, the U.S Community collaboration with groups like Habitat for Humanity, Salvation Army and Hinds Feet



Proud members of Kawagoe's health & safety committee.

Farm earned Husqvarna the 2011 Mayor's International Community Awards, in the large company category.

Husqvarna's Kawagoe production facility, Japan, was for the second time rewarded by the local authorities for the high quality of its health and safety activities.

Gardena received two red dot awards for its product design.

## Guiding policies

The Code of Conduct, adopted by the Board of Directors in 2008, applies to all employees, and regulates the business principles applicable when dealing with business partners and stakeholders, respect for human rights, fair working conditions, the environment and workplace safety. The Code of Conduct is available to all employees in 13 languages on the intranet. The basic principles are promoted among business partners, suppliers, dealers, subcontractors and consultants, who are requested to adopt and adhere to the principles of the Code of Conduct.

In order to promote internal compliance with the Code of Conduct, Husqvarna has a global whistleblower function for employees and other anonymous contributors where potential violations of law and internal policies can be reported via e-mail or telephone.

The Environmental Policy, adopted in 2009, applies to the entire Group, as well as to suppliers and other contractors. It describes the focus and objectives of the strategic environmental work practices, the significance of constant improvements and the aim of reducing the long-term environmental impact of the Group's products.

Apart from the Code of Conduct and the Environmental Policy, a number of additional internal policies regulate specific aspects of sustainability in greater detail. Some of the prescribed areas are policies against corruption and bribes and policies concerning financial reporting, insider information, personnel management, product safety, product quality and purchasing. These internal policies are available to all employees on the intranet. No matter where the Group operates in the world, the same high standards and principles should be applied.

# Economic responsibility

Being a global leader in outdoor power products, with more than 15,000 employees in 42 countries, and products sold via dealers and retailers in more than 100 countries, the Group contributes to economic development in a number of local communities.

## Distribution of economic value

The economic value that the Group creates by selling products and services benefits a number of stakeholders; employees in the form of wages and other benefits, suppliers in the form of payments for goods and services delivered, customers and end-users in the form of high-quality products and services, society (State and municipalities) in the form of tax payments and shareholders in the form of dividends and share appreciation.

A certain proportion stays in the Group to secure long-term value creation through investments, product development and marketing. The Husqvarna Group's total economic value in 2011 amounted to SEK 7,859m (9,014).

## Employees

During 2011, the Group had an average of 15,698 employees based in 42 countries. Manufacturing is located close to the end-customers, mainly in Europe but also in the Americas and in Asia. As a principle, employees are to be remunerated at levels no less than local minimum wage based on legally stipulated working hours. Additionally, each operational unit is responsible for providing its employees with all mandatory

benefits to which they are entitled (i.e. pensions, medical and social insurance). In some countries or at some sites, the benefits offered are in excess of the mandatory provisions. In 2011, wages totaled SEK 3,904m (4,080) while social security costs and pension plans amounted to SEK 1,029m (1,108).

The Group recruits employees and managers mainly from within the local communities, thus the workforce reflects the local recruitment base and comprises different cultures, religions and nationalities. As much as 99.9 percent (99.9) of the total workforce and 93 percent (93) of managers are locally employed.

## Suppliers

The single largest expenditure item for the Group is components, corresponding to 39 percent of sales. The Group purchases a growing share of components from low-cost countries, mainly in Asia. In 2011, the share was approximately 30 percent (26).

## Society

The Group contributes to economic development within the regions where it operates, through wages to its people who benefit from employment, payments to

pension funds and social security plans, as well as payment of taxes, social costs and other duties. In 2011, SEK 413m (503) was paid to governments in taxes globally.

The Husqvarna Group does not receive governmental financial assistance at the Group level. However, the Swedish and other governments are present via shareholder representation of State-owned pension funds.

Charity and community engagement activities are handled locally and not collated at Group level.

## Shareholders

Shareholders provide funds to finance the asset base used to create economic value. In turn, these stakeholders receive annual dividend and interest payments.

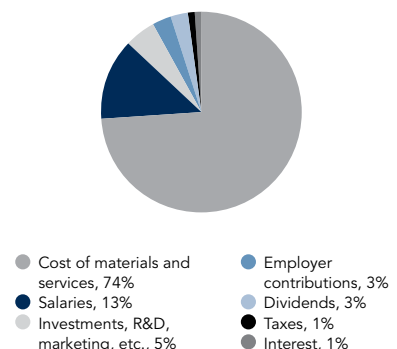
 [www.husqvarnagroup.com/en/corporate-responsibility](http://www.husqvarnagroup.com/en/corporate-responsibility)  
For more information

## FOCUS Reports to the Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an independent non-profit organization, supported by hundreds of investors from all over the world. The CDP gathers information from companies and organizations about their climate impact, what it means to their operation and what measures are being taken to prevent a negative

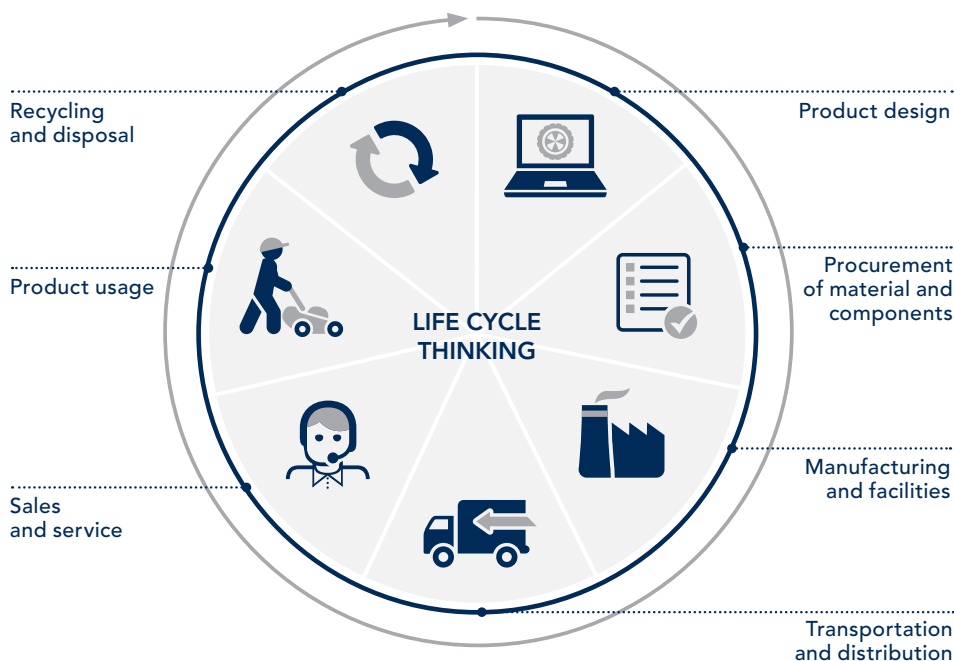
climate impact. The Group has been reporting to the CDP since 2008. Reporting of indirect emissions has been adapted to comply with CDP recommendations, which means that national conversion factors taken from the Greenhouse Gas Protocol were applied.

## Cost distribution by stakeholder, 2011



# Environmental responsibility

The Husqvarna Group's environmentally responsible operations are vital to a sustainable development. Reducing the Group's impact on the environment is a continuous task, and applies to all activities, operations and products.



## Life Cycle Thinking

Life Cycle Thinking is extending beyond the focus on the manufacturing site so that environmental impact over the product's entire life cycle is taken into account. Life Cycle Thinking helps us continuously improve the environmental aspects of our products and processes in every phase of the product life cycle, from raw material sourcing till the end of life of the product. Life Cycle Thinking seeks to identify possible improvements to products in the form of lower environmental impacts and reduced use of resources across all life cycle stages.

This begins with raw material extraction and conversion, then manufacturing and distribution, through to use and/or consumption. It ends with recycling of materials and disposal.

## Environmental impact

Relevant environmental aspects are assessed in an effort to limit the environmental impact of its products at every stage of their life cycle – from product creation, procurement of material and production, to use and recycling of materials and disposal. The environmental impact of the Group's products varies throughout their life cycle, but is usually greatest during usage. A key component in the environmental responsibility is to improve the environmental performance of products during usage.

## Product design

Products are continuously improved to meet customer demands for quality, cost and efficiency, while also meeting safety and environmental requirements. Environmental initiatives in product creation focus on developing products with the right performance combined with improvements relating to energy consumption, exhaust emissions, safety, ergonomics, recycling and

efficient service. The product creation process provides a structure and creates conditions for integrating environmental aspects into the development of products.

Sales of the robotic lawn mower, Automower®, continued to show strong growth. It offers several environmental advantages: low noise levels, no direct emissions and low energy consumption during use.

The Group's products are subject to international, national and regional laws and regulations, primarily in terms of materials, emissions and noise. The Group is actively working to ensure legal compliance, to follow the development of new regulations and are prepared to make necessary adjustments to meet future requirements.

The Group's Restricted Material List (RML) for chemical substances includes legal requirements such as the EU directives REACH and RoHS. Husqvarna maintains a dialogue with suppliers of materials and products, and regularly monitors chemical content in accordance with the requirements.

## Production facilities and warehouses

In 2011, the Group's production facilities were based in 15 countries, with a majority in Europe and the U.S. As a general internal requirement, all production facilities with more than 100 employees shall implement an environmental management system, ISO 14001. During 2011, more production facilities were ISO 14001 certified, all production sites were subjected to an internal risk and compliance desktop mapping and phase 1 Environmental Site Assessments were also conducted on selected production facilities.

## Suppliers

Suppliers of direct materials undergo an evaluation before they are approved. The requirements include compliance with the Group's Code of Conduct and the Restricted Materials List (RML). Regular audits are conducted of suppliers' quality and environmental work.

# Social responsibility

The Husqvarna Group's social responsibility includes employee development, health and safety, as well as acting responsibly in the communities where we operate.

## Employees

The average number of employees during 2011 was 15,698 (15,888 at year-end). Because of seasonal variations in the Group's sales, the number of temporary employees in production varies throughout the year. The number of employees starts growing at the end of the year, and is usually higher during the first quarter and at the beginning of the second quarter when the manufacture of garden products is highest.

In a typical year, the average proportion of temporary employees is slightly more than 20 percent.

## Safety@Work

The Group has the ambition to reduce workplace accidents toward zero in all facilities. It is working with several local programs. In the U.S, the health and safety work is supported by the Safety@Work program.

The Kawagoe facility in Japan has worked successfully with another local health and safety program since 2007. The objective with these programs is to create a working climate that prioritizes safety and makes safety part of daily work.

## Diversity

Diversity is essential to the Group. One dimension is gender. The Group has a male-dominated workforce and in an effort to create a workplace that attracts women, a diversity project was introduced in the U.S and Europe in 2010 and continued in 2011.

## Career opportunities

Motivated and skilled employees are critical for the Group's success. The Group has a well-developed process for talent management. It evaluates, develops and ensures access to future managers through both succession and mobility planning.

Four different Group-wide leadership development programs are offered every year. The Next Level Leader program is designed for the management level directly under senior management. The Leader program is designed for levels further out

in the organization. The customized Project Leader training program is designed for developing project management and project manager skills. Manager Essentials, a training program for new managers, was launched during the year. It guides new managers in the Group's different processes within HR, Legal Affairs, Finance and Communications. The Leadership Academy delivered according to plan, with more than 150 participants.

Employees in the production facilities are covered by extensive trainings and workshop sessions. During 2011, more than 1,500 (368) workshops were held in 25 production facilities covering different lean topics.

Vacant management positions and specialized appointments are advertised internally on the intranet, as well as in external channels.

## Performance review

In 2011, 82 percent (65 percent in 2009) of employees had a performance review. It covers the previous year's performance, defines new objectives for the coming year, creates an action plan for the employee's development and serves as a forum for discussing career interests. A follow-up meeting six months later checks the progress of the plan. The goal is for all white collar employees to have a performance review.

## Respect for human rights

Respecting each individual's fundamental rights, irrespective of that person's culture or background, is of utmost importance to the Husqvarna Group. The Group recognizes the expectations to participate in and promote the protection of human rights that comes with operating as a global corporation.

All employees are obliged to observe and comply with the Code of Conduct. In 2009 and 2010, Legal Affairs trained the top 800 managers in the Code of Conduct, with the goal of having the respective country officers to extend the training to the employees in each country. An extended training program, which covered all key policies, was successfully completed in 2011. Consequently,

approximately 90 percent of all employees have participated in at least thirty minutes of training in the Code of Conduct. In 2012, Husqvarna Group will make Code of Conduct training part of the mandatory orientation program for all new employees.

The Husqvarna Group neither tolerates underage labour nor allows illegal or forced labour in its operations or in the operations of any supplier or other party with whom Husqvarna cooperates. The minimum employment age is 15 years, or the lawful age for working in the country in question.

Asia is commonly identified as a region with higher risk of exploitation of under-aged labour. In order to clearly express the Group's position in this respect, the reference to the Code of Conduct in all supplier contracts coupled with training of suppliers, has been deemed valuable. No incidents involving underage, illegal or forced labour and no violations involving rights of indigenous people or grievances related to human rights were brought to the attention of Group Management in 2011.

## Fair trade, corruption and political stands

The Husqvarna Group is committed to supporting fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing.

The Husqvarna Group has been made aware of the higher risk of corruption that may follow from diversifying manufacturing and entering into low-cost countries. The Group has taken action in China by appointing a compliance officer, translating the Code of Conduct into Chinese, offering a local whistle-blowing function and providing regular training for management, employees and suppliers. Periodic investigations are also carried out, although no violations have been identified to date.

The Husqvarna Group observes strict neutrality with regard to political parties and candidates and, consequently, does not provide monetary or other contributions to political parties or institutions.



# Sustainability performance

## Summary

<b>GRI indicator<sup>1</sup></b>	<b>Economic, SEK million</b>	<b>2011</b>	<b>2010</b>
EC1	Group net sales	30,357	32,240
EC1	Operating costs (materials and services)	22,498	23,226
EC1	Employee salaries and employee contributions	4,933	5,188
EC1	Payments to state and municipality (taxes)	413	503
EC1	Credit institutions (interest)	404	394
EC1	Shareholders (dividends)	859	574
EC1	Economic value retained	1,250	2,355
<b>GRI indicator<sup>1</sup></b>	<b>Environmental</b>	<b>2011</b>	<b>2010</b>
	Production facilities with installed environmental management systems, % <sup>2,3</sup>	89	81
	Serious environmental incidents, absolute number	1	1
EN1	Raw material, Steel, tons	103,139	104,561
EN1	Raw material, Plastic, tons	15,833	15,560
EN1	Raw material, Aluminum, tons	692	651
EN1	Raw material, Magnesium, tons	1,160	832
EN3	Direct energy use, MWh <sup>4</sup>	145,878	128,847
EN4	Indirect energy use, MWh	268,208	260,808
EN3+EN4	Energy use, MWh	414,000	389,655
EN8	Water purchased, m <sup>3</sup> thousand,	1,322,872	1,493,515
EN16	CO <sub>2</sub> emissions, tons (total energy)	178,417	169,041
	– direct energy	35,039	31,087
	– indirect energy	143,378	137,956
EN17	CO <sub>2</sub> emissions (transport)	1,615	5,852
EN22	Waste, tons	34,591	40,719
<b>GRI Indicator<sup>1</sup></b>	<b>Social</b>	<b>2011</b>	<b>2010</b>
LA1	Workforce (average no employees)	15,698	14,954
LA7	Accidents per million hours worked	11.2	–
LA7	Fatalities at production facilities, absolute number	0	0
LA12	Performance reviews, % of white-collar employees	82	–
LA13	Proportion of women, % of employees	35	35
LA13	Proportion of women in management positions, tier 1–3, % managers	11	12
	Proportion of women in the Board of Directors	33	33

<sup>1</sup> According to GRI guidelines, [www.globalreporting.org](http://www.globalreporting.org).

<sup>2</sup> According to ISO 14001.

<sup>3</sup> Production facilities with more than 100 employees.

<sup>4</sup> Consists almost entirely of natural gas.

33  
33  
40  
41  
42  
43  
44

33  
33

# Financial information

<b>Report by the Board of Directors</b>	<b>28</b>
Risk Management	36
Corporate Governance Report 2011	40
Internal control over financial reporting	46
Board of Directors and Auditors	48
Group Management	50
Annual General Meeting 2012	51
<b>Financial Statements</b>	<b>52</b>
<b>Group</b>	<b>52</b>
Income Statement	52
Balance Sheet	53
Cash Flow Statement	54
Statement of Changes in Equity	55
<b>Parent Company</b>	<b>56</b>
Income Statement	56
Balance Sheet	57
Cash Flow Statement	58
Change in Equity	59
<b>Notes</b>	<b>60</b>
1 Accounting of valuation principles	60
2 Financial risk management and financial instruments	66
3 Segment information	72
4 Expenses by nature	74
5 Other operating income	74
6 Other operating expense	74
7 Exchange rate gains and losses in operating income	74
8 Leasing	74
9 Result from Group companies	75
10 Financial income and expense	75
11 Taxes	75
12 Earnings per share	77
13 Intangible assets	77
14 Property, plant and equipment	78
15 Other financial assets	79
16 Inventories	79
17 Other current assets	80
18 Assets pledged for liabilities to credit institutions	80
19 Other reserves in equity	80
20 Share capital and number of shares	81
21 Untaxed reserves, Parent Company	81
22 Employees and employee benefits	81
23 Other provisions	87
24 Other liabilities	87
25 Contingent liabilities	87
26 Remuneration to the Board of Directors, the President and other members of Group Management	88
27 Fees to auditors	90
28 Investments in associated companies	90
29 Shares in subsidiaries	91
<b>Proposed Distribution of Earnings</b>	<b>92</b>
<b>Auditor's Report</b>	<b>93</b>
<b>Five-year review</b>	<b>94</b>
<b>Quarterly data</b>	<b>96</b>

# Report by the Board of Directors

- Net sales amounted to SEK 30,357m (32,240).
- Net sales, adjusted for changes in exchange rates, increased by 2 percent.
- Net sales, adjusted for changes in exchange rates, increased for Europe & Asia/Pacific and Construction, but decreased for Americas.
- Overall market shares were strengthened in construction products and remained unchanged in forest and garden products.
- Operating income amounted to SEK 1,551m (2,445).
- Operating margin amounted to 5.1 percent (7.6).
- The lower operating income was mainly a result of costs related to production disturbances, negative impact from changes in exchange rates and higher costs for selling and administration.
- Operating income was charged with costs directly related to production disturbances amounting to SEK –398m.
- Changes in exchange rates had a negative effect of SEK –382m on operating income.
- Income for the year amounted to SEK 997m (1,749), or SEK 1.73 (3.03) per share.
- The net debt/equity ratio at year-end amounted to 0.56 (0.46).
- Operating cash flow totalled to SEK –472m (962).
- The Board of Directors proposes a dividend of SEK 1,50 per share (1.50) for 2011.
- Hans Linnarson was appointed President and CEO.

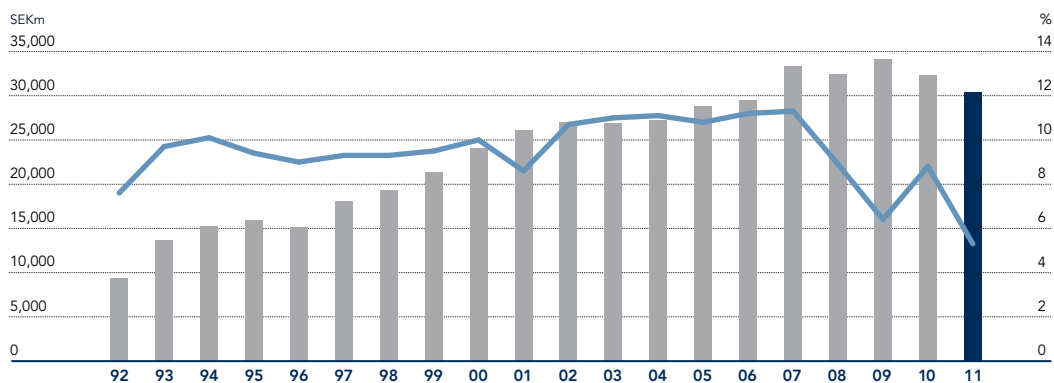
## Key figures

SEKm	2011	2010	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	30,357	32,240	–6	2
Gross margin, %	27.7	28.5	–	–
EBITDA	2,671	3,666	–27	–19
EBITDA margin, %	8.8	11.4	–	–
Operating income	1,551	2,445	–37	–29
Operating income, excl. items affecting comparability	1,615	2,652	–39	–29
Operating margin, %	5.1	7.6	–	–
Operating margin, excl. items affecting comparability, %	5.3	8.2	–	–
Income after financial items	1,147	2,051	–44	–
Income for the period	997	1,749	–43	–
Earnings per share after dilution, SEK	1.73	3.03	–43	–
Dividend per share, SEK <sup>2</sup>	1.50	1.50	–	–
Return on capital employed, %	7.4	11.0	–	–
Return on equity, %	8.0	13.9	–	–
Net debt/equity ratio, times	0.56	0.46	–	–
Operating cash flow	–472	962	–	–
Average number of employees	15,698	14,954	5	–

<sup>1</sup>) Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 29.

<sup>2</sup>) Proposed by the Board.

## Net sales and operating margin



1992–2004 according to Electrolux reporting for the Outdoor Product segment i.e. excluding corporate costs. For comparison, corporate costs have not been included 2005–2011. 2008–2011 excluding items affecting comparability.

- Net sales, SEKm
- Operating margin, %<sup>1</sup>

<sup>1</sup>) Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 29.

## Net sales and operating income

### Net sales

Net sales for 2011 declined by –6 percent to SEK 30,357m (32,240). Adjusted for exchange rate effects, sales for the Group increased by 2 percent, in Europe & Asia/Pacific by 3 percent and in Construction by 12 percent. For Americas adjusted sales decreased by –2 percent.

### Operating income

Operating income for the full-year decreased by –37 percent and amounted to SEK 1,551m (2,445). Items affecting comparability amounted to SEK –64m (–207).

Changes in exchange rates, including both translation and transaction effects net of hedging, had a total negative year-on-year effect of SEK –382m on operating income. Hedging contracts had a negative effect of SEK –118m (80). Adjusted for exchange rate effects and items affecting comparability, operating income thus declined by 29 percent or by approximately SEK –665m.

Operating income includes other non-recurring items with a total net negative effect of SEK –474m; these comprised costs amounting to SEK –398m directly related to the production disturbances in North America, staff reduction costs of SEK –44m, provisions for non-recoverable VAT receivables of SEK –33m, environmental remediation costs of SEK –31m and costs related to terminating the former CEO's contract of SEK –21m, as well as a positive effect from the closure of a pension scheme of SEK 53m.

The environmental remediation costs relate to a former U.S production site, no longer owned by Husqvarna, but where there is a contractual duty to remediate the site. The staff reduction costs refer mainly to business areas Americas and Construction, where impemented personnel cut-backs are estimated to generate annual savings of SEK 50m as of 2012.

Adjusted operating income was positively affected by higher selling prices and higher sales, which were offset by the non-recurring items mentioned above, higher input costs and higher costs due to increased marketing and product development activities. In addition, IT and transportation costs also rose. The Group operating margin decreased to 5.1 percent (7.6).

Adjusted operating income was unchanged for Europe & Asia/Pacific, increased for Construction, and was lower for Americas.

### Net financial items

Net financial items amounted to SEK –404m (–394). The increase for the year is explained mainly by higher net debt. The average interest rate on borrowings at the end of the year was 4.7 percent (4.8).

### Income after financial items

Income after financial items amounted to SEK 1,147 (2,051) corresponding to a margin of 3.8 percent (6.4).

### Taxes

Taxes amounted to SEK –150m (–302), corresponding to a tax rate of 13 percent (15) of income after financial items.

### Earnings per share

Income for the year amounted to SEK 997m (1,749), corresponding to SEK 1.73 (3.03) per share.

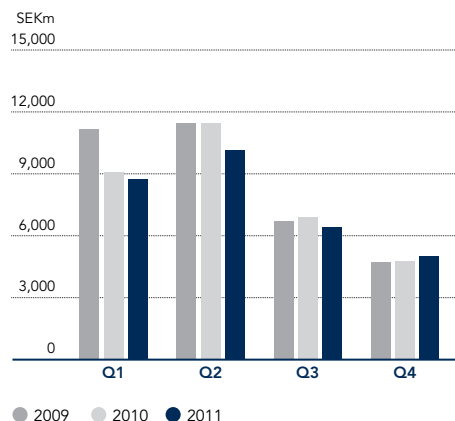
### Group net sales by country

2011	Share of Group net sales, %
U.S	33.3
Germany	9.6
France	5.7
Sweden	4.5
Canada	4.3
Russia	3.7
Japan	3.5
Australia	3.2
U.K	3.0
Italy	1.0

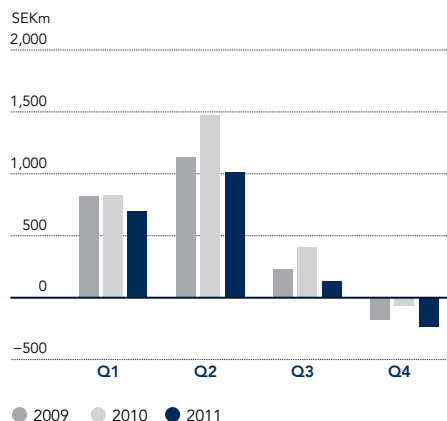
### Items affecting comparability

SEKm	2011	2010
Restructuring charges	–64	–157
Legal settlement cost	–	–50
<b>Total</b>	<b>–64</b>	<b>–207</b>

### Net sales by quarter



### Operating income by quarter<sup>1</sup>



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



## Value creation

Value creation is an indicator for evaluating financial performance, and is the basis for short-term variable remuneration to senior managers in the Group. The model links operating income and asset efficiency with the cost of capital employed in operations.

Total value creation in 2011 amounted to SEK –204m (511). The cost of capital used for 2011 was 9 percent (10).

## Cash flow

Operating cash flow amounted to SEK –472m (962). The lower operating cash flow is mainly due to the Group's lower income after financial items as well as higher inventory at year-end. The higher inventory resulted in a negative cash flow amounting to SEK –1,045m (–645) and was mainly due to greater utilization of pre-season production at the end of the year and a build-up of temporary inventory to facilitate ongoing changes in the manufacturing footprint.

## Cash flow

SEKm	2011	2010
Cash flow from operations, excluding changes in operating assets and liabilities	1,915	2,888
Changes in operating assets and liabilities	–1,418	–613
Cash flow from operations	497	2,275
Cash flow from investments	–969	–1,313
<b>Total cash flow from operations and investments</b>	<b>–472</b>	<b>962</b>

## Capital expenditure and Research & Development

Capital expenditure in 2011 decreased to SEK 994m (1,302), corresponding to 3.3 percent (4.0) of net sales. Investments in fixed assets amounted to SEK 702m and investments in intangible assets amounted to SEK 292m, of which SEK 195m (190) referred to R&D and SEK 97m (121) referred to IT and software.

Approximately 44 percent of capital expenditure in 2011 referred to new products, approximately 38 percent to rationalization and replacement of production equipment, approximately 6 percent to expansion of capacity, and approximately 11 percent to IT-systems.

Investments related to new products mainly refer to Husqvarna branded battery powered products, the new range of McCulloch products and an updated range of ride-on lawn mowers.

Expenses for R&D in 2011 amounted to SEK 988m (831), of which SEK 195m (190) was capitalized. R&D expenses corresponded to 3.3 percent (2.6) of net sales.

## Financial position

### Operating working capital

Operating working capital at year-end increased to SEK 8,941m (7,765). Inventories increased to SEK 8,078m (7,000). Trade receivables amounted to SEK 3,660m (3,575) and trade payables to SEK 2,797m (2,810). The inventory increase is mainly attributable to a temporary build-up to facilitate ongoing changes in the manufacturing footprint.

### Change in operating working capital

#### SEKm

December 31, 2010	7,765
Changes in exchange rates	2
Changes in working capital	1,174
<b>December 31, 2011</b>	<b>8,941</b>

### Equity

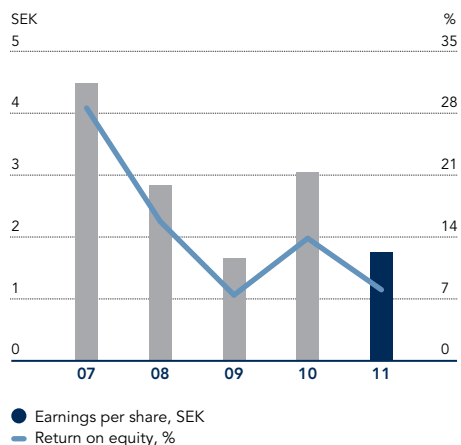
Group equity as of December 31, 2011, excluding non-controlling interests, increased to SEK 12,332m (12,154), corresponding to SEK 21.5 (21.2) per share. Group equity increased as a result of retained income.

### Net debt

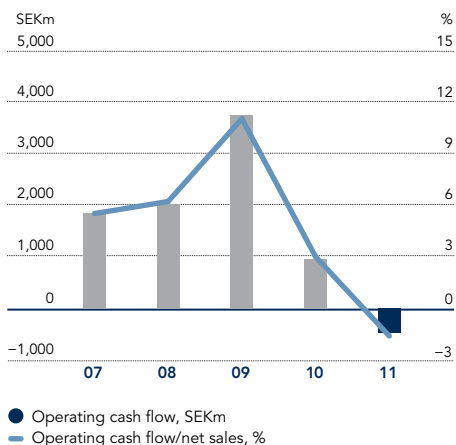
Net debt at year-end amounted to SEK 6,921m (5,600). Liquid funds amounted to SEK 1,340m (2,067) and interest bearing debt increased to SEK 8,261m (7,667). The increase in net debt resulted mainly from the lower earnings, an increase in working capital and higher paid dividend. The major currencies used for debt financing are SEK and USD. Changes in exchange rates during the year had no material impact on net debt as of the end of the year.

The Group's syndicated revolving credit facility, which was due to mature in 2013, was refinanced in 2011. The new facility of

## Earnings per share and return on equity



## Operating cash flow



SEK 6 billion has a maturity of five years. Furthermore the Group also entered into a SEK 500m bond loan with a maturity of 7 years and a SEK 950m bilateral loan, due to mature in 2012, was refinanced. The new bilateral loan has a maturity of five years.

The net debt/equity ratio amounted to 0.56 (0.46) and the equity/assets ratio to 42.4 percent (42.8).

## Net debt

SEKm	2011	2010
Interest-bearing liabilities	8,261	7,667
Liquid funds	1,340	2,067
<b>Net debt</b>	<b>6,921</b>	<b>5,600</b>
Net debt/equity ratio, times	0.56	0.46
Equity/assets ratio, %	42.4	42.8

For more information about the Group's funding, see Note 2 on page 66.

## Production disturbances

In 2011 Husqvarna was hit by production disturbances in the Group's largest plant, located in Orangeburg in South Carolina, U.S. The problems arose after the production from a smaller plant was relocated into the Orangeburg facility. The problems were mainly driven by increased complexity in material flow and issues in other areas such as inventory management for components. Delivery capacity for ride-on mowers was adversely impacted and costs increased as a result of substantial improvement measures. Delivery performance gradually improved as measures were implemented.

## Seasonality in sales and income

The majority of Group sales are park and garden products, which show a distinct seasonality in terms of sales and income. The first half of the year normally accounts for around two thirds of annual Group sales, with the second quarter usually being the strongest. Normally watering products have a larger share of sales and operating income in the first half of the year, particularly in the second quarter, than the rest of the Group's park and garden products. Forestry products show stronger demand and higher sales during the second half of the year,

while products for the construction industry normally shows a more even distribution of sales throughout the year.

Demand for the Group's products is also dependent on weather conditions. Dry weather tends to reduce demand for lawn mowers and tractors, but to increase demand for watering products. Demand for chainsaws normally increases after storms.

## Performance by business area

### Europe & Asia/Pacific

SEKm	2011	2010	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	16,365	16,621	-2	3
Operating income	2,277	2,383	-4	0
Operating margin, %	13.9	14.3	-	-

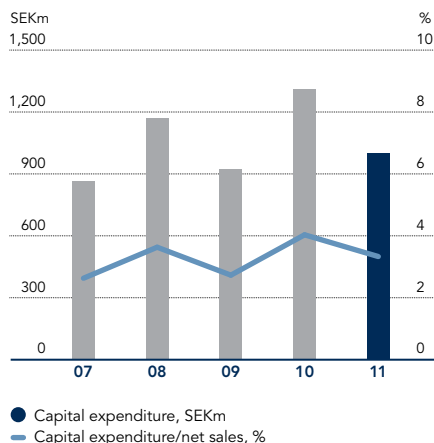
<sup>1</sup> Adjusted for items affecting comparability and changes in exchange rates.

Sales for Europe & Asia/Pacific in 2011 decreased by 2 percent. Adjusted for exchange rate effects, sales increased by 3 percent. Sales prices increased.

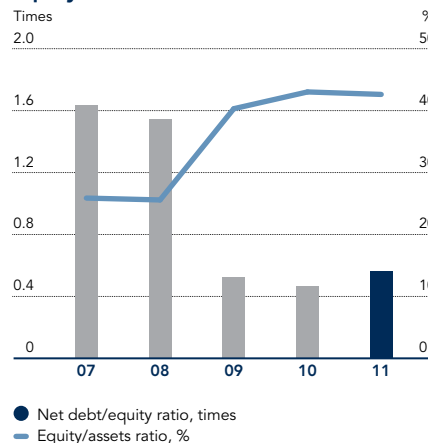
Total market demand during the year in Europe & Asia/Pacific is estimated to have increased compared with the preceding year. In overall terms, it is estimated that the Group's market share for forest and garden products was unchanged. Husqvarna's sales increased in the most important markets such as Germany, France, Sweden, and the U.K, while sales were weaker in the southern part of Europe. The development for the Asia/Pacific region, including Australia, was in-line with the previous year. In terms of sales by product category, ride-on and walk-behind products increased, watering products were flat while hand held products were slightly down compared with the preceding year. Sales growth was particularly high for professional riders, robotic lawn mowers and snow products, segments where market shares are also estimated to have increased. Sales to the dealer channel developed positively.

Operating income amounted to SEK 2,277m (2,383) and the operating margin remained high at 13.9 percent (14.3). Changes in

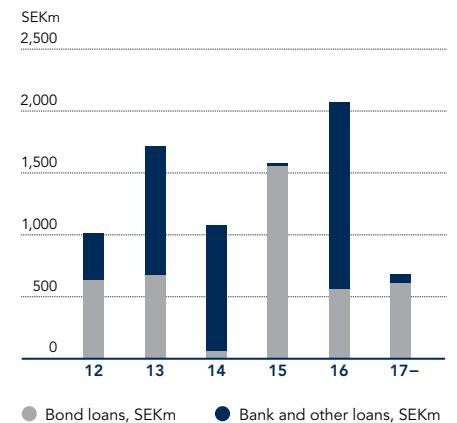
## Capital expenditure



## Net debt/equity and equity/assets ratios



## Maturity profile of loans



Husqvarna has unutilized committed revolving credit facilities totaling SEK 6,000m.

exchange rates had a negative year-on-year effect of SEK –100m on operating income. Adjusted for changes in exchange rates operating income was unchanged.

Higher selling prices and increased sales volume impacted adjusted operating income positively, while mainly mix and higher costs for branding, marketing and product development had an adverse impact. Operating income includes costs related to the production disturbances in North America amounting to SEK –50m and a positive effect from the closure of a pension scheme of SEK 53m.

## Americas

SEKm	2011	2010	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	11,193	12,944	-14	-2
Operating income	-654	152	-	-
Operating margin, %	-5.8	1.2	-	-

<sup>1)</sup> Adjusted for items affecting comparability and changes in exchange rates.

Sales for Americas decreased by 14 percent. Adjusted for exchange rate effects, the decrease was 2 percent. Sales prices were relatively stable.

Total market demand over the full-year in North America decreased. Industry shipments were lower for most product categories except for chainsaws and commercial ride-on lawn mowers. Husqvarna's overall market shares for forest and garden products in North America are estimated to be in line with the previous year, with a small gain in walk-behind mowers and a slight loss of share in consumer garden tractors and commercial ride-on mowers.

Husqvarna's sales decreased in the U.S and Canada. Latin America, driven by Brazil, had double digit sales growth, however from a low level. Sales of ride-on products such as consumer garden tractors and commercial ride-on mowers were negatively affected by production disturbances. Efforts to grow sales in the dealer channel continued, but were adversely impacted by the production issues. Sales of handheld products such as chainsaws increased, partially as a result

of favorable weather conditions. Sales in Canada were lower due to lower sales of snow products in the retail channel.

Operating income for 2011 amounted to SEK –654m (152) and the corresponding operating margin was –5.8 percent (1.2). Changes in exchange rates had a negative year-on-year effect on operating income of SEK –230m. Operating income was also negatively impacted by SEK –431m referring to costs amounting to SEK –348m directly related to production disturbances and other non-recurring items with a total net negative effect of SEK –83m. The non-recurring items refer to provisions of SEK –33m for non-recoverable VAT receivables and environmental remediation costs of SEK –31m, as well as costs amounting to SEK –19m for staff reductions. The environmental remediation costs relate to a former U.S production site, no longer owned by Husqvarna, but where there is a contractual duty to remediate the site.

Operating income was mainly negatively affected by costs directly related to the production disturbances and the non-recurring items mentioned above, negative effects from changes in exchange rates and lower volumes.

Operating income for 2010 was charged with items affecting comparability amounting to SEK –160m, while there were no corresponding charges in 2011.

## Construction

SEKm	2011	2010	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	2,799	2,675	5	12
Operating income	130	82	58	-
Operating margin, %	4.7	3.1	-	-

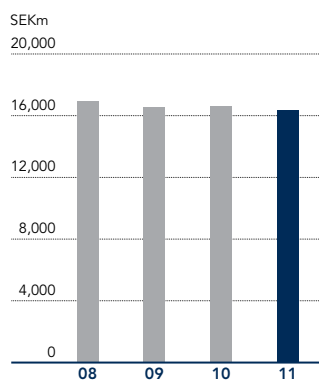
<sup>1)</sup> Adjusted for items affecting comparability and changes in exchange rates.

Sales for Construction increased 5 percent. Adjusted for exchange rate effects the increase was 12 percent.

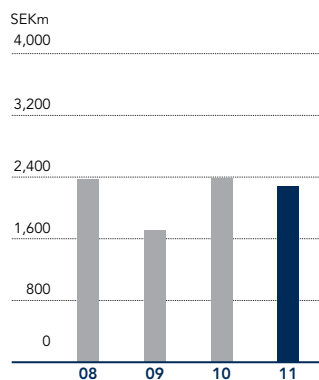
Total construction market activity during 2011 decreased in North America, was unchanged in Europe and increased in the rest of the world. Overall market demand for construction products increased

### EUROPE & ASIA/PACIFIC

#### Net sales



#### Operating income



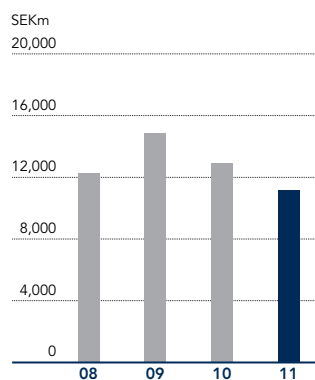
● Net sales, SEKm

● Operating income, SEKm<sup>1</sup>

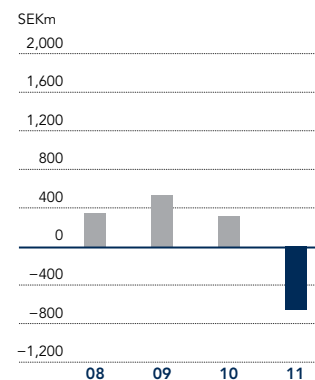
<sup>1)</sup> Excluding items affecting comparability.

### AMERICAS

#### Net sales



#### Operating income



● Net sales, SEKm

● Operating income, SEKm<sup>1</sup>

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



despite the lower construction activity, as there was need for replacement of construction equipment following a period of low investment levels.

Many new products with innovative features have been successfully launched, resulting in double digit sales growth and higher market shares for 2011, especially in the U.S. New product launches during the year include electric power cutters, wire saws and drilling systems. The U.S represented the largest share of the sales growth in 2011, followed by Brazil, France and the U.K. Sales in southern Europe dropped compared to the previous year.

Operating income for the full year increased to SEK 130m (82) and the operating margin improved to 4.7 percent (3.1), mainly as a result of higher sales volumes. Changes in exchange rates had a negative effect of SEK -52m on operating income. Operating income 2011 was charged with items affecting comparability referring to restructuring costs amounting to SEK -64m (-47).

### Organizational changes

In December, Hans Linnarson, Head of Sales Europe & Asia/Pacific, was appointed CEO and President, following the Board of Directors' decision in August to terminate the contract of former President & CEO Magnus Yngen.

In October, Per Ericson, most recently Head of Human Resources in the Haldex Group, was appointed Head of Human Resources at Husqvarna Group, replacing Lars Worsøe-Petersen who left the company. Martin Austermann, Head of Global Purchasing, was appointed member of Group Management and Sascha Menges, VP Global Demand & Supply Chain was appointed Acting Head of Manufacturing and Logistics and member of Group Management. Thomas Andersson, Head of the Global Supply Chain organization, and Martin Bertinchamp, Head of Products & Marketing, left the Group as of the end of October.

In June, Ulf Liljedahl, most recently Chief Financial Officer of the Cardo Group, was appointed Head of Group Staff Finance and IT, replacing Bernt Ingman, who left the company.

Effective January 1, 2012, Henric Andersson was appointed Head of Product Management and Development and Boel Sundvall, Head of

Corporate Communications & IR, left the company. Most recently Henric Andersson held the position as VP Construction Equipment within the Construction business area. Furthermore, as of February 7, 2012, Sascha Menges has been appointed Head of Manufacturing & Logistics, a position in which he has been acting since November 1, 2011.

An adjusted Group organization and Group Management was introduced in November.

*For more information, see the Corporate Governance report on page 40.*

### The Husqvarna share

At year-end the share capital in Husqvarna amounted to SEK 1,153m (1,153), comprising 129,460,339 A-shares (134,755,087) and 446,883,439 B-shares (441,588,691).

The change in number of shares in each series of shares during the year refers to the conversion of A-shares to B-shares on behalf of shareholders. The total number of outstanding shares was unchanged during the year.

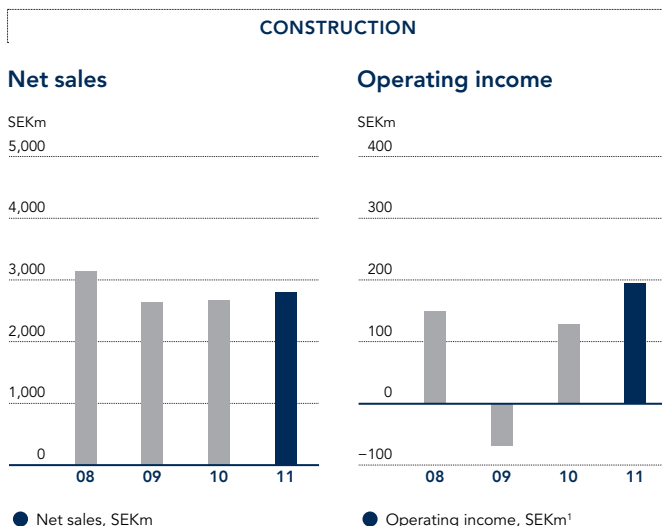
Each A-share carries one vote, and each B-share 1/10 of a vote. All shares enjoy equal rights in terms of the company's assets and earnings.

There are no restrictions on the transfer of shares, voting rights or the right to participate in the AGM. Nor is the company party to any significant agreements which might be affected, changed or terminated if control of the company were to change as a result of a public bid for acquisition of shares in the company.

The company is not aware of any agreements between shareholders which might 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 which 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, 2011 the largest shareholders were Investor AB, with 30.1 percent (30.8) of the votes, and LE Lundbergföretagen, with 22.0 percent (15.6) of the votes.

*For more information on major shareholders, see page 98.*



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

## Repurchase of own shares

The Annual General Meeting 2011 authorized the Board to acquire B-shares totaling up to 3 percent of the total number of shares, and to pay for the shares in cash.

The shares may be purchased on NASDAQ OMX Stockholm in order to hedge the company's obligations, including employer contributions, 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 as a hedge of 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 2011. As of year-end 2011, Husqvarna owned 3,823,373 repurchased B-shares (3,906,007) corresponding to 0.68 percent (0.68) of the total number of outstanding shares.

## Long term incentive program for 2011

The Annual General Meeting 2011 adopted a new performance based long-term incentive program based on parameters similar to those of the 2008, 2009 and 2010 programs.

The program comprises approximately 38 senior managers. The conditions involved investment by the participants in Husqvarna B-shares at market price. The employee is required to purchase Husqvarna B-shares corresponding to a value of between 5 percent and 10 percent of his or her annual target income (fixed salary plus variable salary on target level). For each B-share purchased the company will allocate one share award and performance based stock options, if the lowest performance target level, the development of the Group's earnings per share during the period in 2011–2013, is achieved. Each share award entitles the employee to one B-share free of charge, three years after grant subject to reaching certain criteria.

Each stock option entitles the holder to purchase one B-share at a price of SEK 53. The stock options may be exercised after three years at the earliest and eight years at the latest from the day of the grant. The number of stock options that may be granted depends on the number of B-shares that the employee has purchased, as well as the development of the company's earnings per share in 2011–2013.

The program comprises a maximum of 2,046,000 B-shares. If all share awards and a maximum of granted stock options are fully exercised, it is estimated that the 2011 program will comprise no more than 0.35 percent of the share capital.

## Legal matters

Husqvarna 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. Husqvarna continuously monitors and evaluates pending claims and disputes, and takes 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 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.

The following significant matter is still unresolved:

### *Gas explosion in Belgium*

In a judgment of February 2010, the criminal court of Tournai in Belgium acquitted Husqvarna in a case regarding a gas explosion on Husqvarna's property in Ghislenghien, Belgium, in 2004. The ruling was appealed by the public prosecutor, as well as by other parties, to the Court of Appeal. Eight of the 14 parties were judged guilty by the Court of Appeal in June 2011, among them Husqvarna Belgium. Husqvarna has appealed to the Belgian Supreme Court, which is expected to rule on the matter during 2012.

The verdict also resulted in proceedings before the Court of Appeal in Mons, adjudicating the damages for each deceased or injured person. These proceedings are expected to be finalized before June 2012. The Court of Appeal is also expected to rule on the distribution of liability for damages between the parties finally found guilty. The extent of the damage claims may lead to negative financial effects for Husqvarna, if the verdict is upheld by the Supreme Court. Husqvarna has, together with other parties found guilty, adopted a proactive approach in order to settle some of the damage claims out of court, which may reduce the financial exposure.

There are also claims for compensation of property losses and subrogated claims from insurance companies and other parties. Husqvarna estimates that the liabilities arising for Husqvarna due to the accident will largely be covered by relevant insurance policies; however, Husqvarna cannot rule out that the claims may ultimately result in negative financial effects for Husqvarna. As most of the claims yet presented in court specify only provisional damages, a sufficiently reliable estimate of the amounts cannot be made.

*Further information is provided in note 25 on page 87.*

## Environmental activities

In 2011, Husqvarna operated 22 major plants, of which ten were located in Europe, six in the U.S., one in Brazil, four in China and one in Japan. All plants have the environmental permits required for current operations.

*Read more about the Group's environmental activities on page 23.*

## Employees

The average number of employees in 2011 was 15,698 (14,954), of which 1,922 (1,806) were in Sweden. At year-end, the total number of employees was 15,888 (15,820).

Of the total average number of employees in 2011, 10,199 (9,675) were men and 5,499 (5,279) were women.

Salaries and remuneration in 2011 amounted to SEK 3,904m (4,080), of which SEK 862m (836) refers to Sweden.

*For more information, see Note 22 on page 81.*

## Annual General Meeting 2012

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held on March 28 2012, in the Auditorium of the School of Education and Communication in Jönköping, Sweden.

### Proposals to the Annual General Meeting in 2012

*The full proposal to the AGM 2012 is available on the Group's website at [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm)*

#### Dividend for 2011

The Board of Directors proposes a dividend of SEK 1.50 (1.50) per share for 2011, corresponding to a total dividend payment of SEK 859m (859) based on the number of outstanding shares at the end of 2011. Monday, April 2, 2012 is proposed as record date. The last day for trading in Husqvarna shares including the right to dividend for 2011 is March 28, 2012.

### Remuneration principles for the group management

The Board of Directors proposes that the Annual General Meeting approves the principles below for remuneration and other conditions of employment for Husqvarna AB's President and CEO and other members of the Group Management (the "Group Management"). These principles shall apply to remuneration and other employment conditions for the Group Management. The principles shall apply to contracts of employment entered into after the Annual General Meeting 2012 and also to amendments made thereafter to contracts of employment which are in force. Remuneration to the Group Management is determined by the Husqvarna's Board of Directors based on proposals from the Board of Directors Remuneration Committee.

#### Principles

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

Husqvarna shall aim to offer a competitive total remuneration level with a primary focus on "performance-related payment". This means that variable remuneration can constitute a substantial proportion of total remuneration.

#### Fixed salary

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

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

Members of the Group Management shall be entitled to STI in addition to the fixed salary. The emphasis in 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 in order to focus on matters of special interest to the Company.

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

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

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

The Board of Directors decides whether the maximum levels shall be utilized or if a lower level shall be used.

#### Long-term incentive

The Board of Directors will annually evaluate if a long-term incentive program (e.g. share or share price based) shall be proposed to the Annual General Meeting.

#### Pensions and insurance

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

#### Other benefits

Other benefits may 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 which 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-compete obligation, with continued remuneration paid, may be applied also after the end of the notice period. Such non-compete obligation shall not apply for more than 24 months from the end of the notice period.

#### Previously determined remuneration which has not become payable

The main conditions for remuneration to the Group Management in the current employment agreements should be clear from note 26 in the Annual Report for 2011 with references.

#### Authority for the Board to deviate from the guidelines

If special circumstances exist, the Board of Directors shall be able to deviate from these guidelines. In the event of such a deviation, the next Annual General Meeting shall be informed of the reasons.

# Risk Management

All business operations involve risks. Creating awareness of such risks enables them to be limited, controlled and managed, while business opportunities can be utilized in the interest of increasing income and profitability.

Risks associated with Husqvarna's operations can be classed for the most part as operational risks related to business operations, and financial risks related to financing operations and that operations are conducted in many different countries and currencies. External risks that could affect the Group include changes in legislation and regulations.

The President and CEO is responsible for ongoing risk management in accordance with the Board of Directors' guidelines and instructions. Heads of functions are responsible for operational risk management. Group Staff Legal Affairs includes a central risk management function that coordinates risks that are subject to insurance, and coordinates the Group's Enterprise Risk Management efforts. Management of financial risks is essentially centralized to Group Treasury.

The Internal Audit function is tasked with monitoring the quality of financial reporting and is also responsible for performing an annual assessment of the Group's financial reporting risks.

The Risk Management function is responsible for performing an annual assessment of the Group's commercial, operational and financial risks. Identification and evaluation of risks in this assessment provide support for management's strategic decision-making. The assessment also aims at generating enhanced awareness of risks in various parts of the organization, including everyone from operational decision-makers to the Audit Committee and the Board of Directors. 2011 presented new challenges to Husqvarna that magnified the importance of risk management, such as risks within the supply chain and risks in internal change management. This importance was reinforced at the highest levels of the organization including Group Management and the Board of Directors.

## Operational risks

Husqvarna's long-term profitability depends, among other things, on the company's ability to successfully develop, launch and market new products. Other vital factors for profitability include flexible, cost-efficient production and rational management of fluctuations in the prices of raw materials and components.

Product life-cycles are becoming shorter, which is making product development increasingly more important. Many of the Group's products require a good deal of time for development from concept to final product, which means that it is essential to understand the actual needs of end-users in order to ensure that the product will be in demand. In order to maintain competitiveness, the Group's new products must satisfy or preferably surpass the expectations of end-users, consumers and professional users. 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.

## Markets and competition

Husqvarna 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 low-end consumer products for the retail market. Husqvarna's strategy is based on product innovation and utilization of the Group's strong brands, which reduces risks related to price competition.

## Sensitivity analysis



<sup>1</sup> Excluding hedge effects. SEK -183m would refer to effects of transactions and SEK -47m to translation differentials.

<sup>2</sup> Excluding hedge effects. SEK 239m would refer to effects of transactions and SEK 35m to translation differentials.

<sup>3</sup> SEK 350m would refer to effects of transactions and SEK 68m to translation differentials. All other refers to the other currencies including USD and EUR.



Seasonal variations and weather conditions can lead to short-term fluctuations in demand and price competition, as supply may be greater or lesser than demand. If supply is greater than demand, competition may lead to lower prices. In order to minimize the risk of over-production, Husqvarna has established a flexible production structure with relatively low fixed costs, which can be adjusted at short notice to meet actual demand.

#### Customers

Consumer products are sold mainly through large retail chains. This market is highly consolidated in North America, while in Europe the market is more fragmented. This implies that the Group's customers are larger and fewer in number in North America, which gives them greater bargaining power. However, this situation also provides Husqvarna 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 dealers or in some cases directly to end-users, which means that these customers purchase much smaller volumes and 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'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. However, handheld products such as chainsaws and clearing saws, for which the Group also manufactures engines, feature a higher proportion of components that are produced in-house.

Approximately 27 percent of the Group's total costs are fixed. The largest single cost refers to purchases of materials and components. In light of the seasonal variations in the Group's operations, the number of temporary employees increases during the peak production season.

#### 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 plastics. 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. Husqvarna's total consumption is obviously linked to production volume and production mix.

In 2011, Husqvarna purchased materials and components for approximately SEK 15,671m (17,225). The total raw materials spend was SEK 3,883m (3,529). Direct spending on raw materials was SEK 1,160m (1,381), and indirect spending (i.e. raw material value in components) was SEK 2,723m (2,148). Direct spending on steel totaled SEK 798m (870) and indirect spending on steel was SEK 1,028m (1,076). Direct spending on aluminum totaled SEK 12m (10), and indirect spending was SEK 876m (505). Direct spending on plastics totaled SEK 350m (304) and indirect spending was SEK 556m (567). Direct spending on other raw materials was SEK 263m (197).

Husqvarna does not normally use financial instruments to hedge prices of raw materials, but manage the risk through bilateral agreements.

In some cases, Husqvarna'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 by a supplier could have negative consequences for production and for deliveries of finished products.

Husqvarna'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.

#### Acquisitions

Husqvarna has made several acquisitions since the spin-off from Electrolux in 2006. Although the Group has historically shown the ability to successfully integrate acquisitions, such integration 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.

#### Risks related to restructuring

The Group is currently undertaking a number of structural changes to its manufacturing footprint, and the organization of the Group's supply chain was adjusted in 2011. Changes include a reduction of the number of production facilities the Group operates in Europe and the U.S, and the construction of a new production facility in Poland that was inaugurated in December 2010. The announced restructuring of the U.S facilities was completed in 2011 and the announced restructuring of the European facilities will be completed in 2012. Restructuring and organizational changes always involve the risk of creating higher costs than anticipated and losing key personnel, or that estimated savings deviate, both up and down, from announced targets.

## Highlights of risk management in 2011

- Traditional risk management programs continued to be refined including emphasis on property loss prevention.
- Enterprise Risk Management (ERM) continued to advance with focus on key organizational risks.
- Scope of Safety@Work was broadened as additional components were added.
- Quality assurance of financial reporting from U.S and Polish operations.
- An analysis of financial reporting risks was prepared and presented to the Audit Committee.

## Transaction exposure by currency, forecast commercial flows 2012

SEKm	Net flow	Hedge amount	Transaction exposure net
EUR	2,385	-1,986	399
RUB	758	-498	260
CAD	642	-393	249
AUD	406	-306	100
NOK	337	-223	114
Other currencies	1,831	-1,017	814
JPY	-329	216	-113
CNY	-699	457	-242
USD	-1,830	1,409	-421
SEK	-3,501	2,341	-1,160

## Financial risks

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

*For more information on risk management, risk exposure and accounting principles, see Notes 1 and 2 on pages 60 and 66 respectively.*

## Currency exposure

The goal of Husqvarna's currency management is to minimize the short-term adverse effects of currency exchange rate fluctuations on the Group's earnings and financial position. As Husqvarna sells its products in approximately 100 countries, the Group is exposed to such fluctuations. They affect the Group's earnings in terms of translation of income statements in foreign subsidiaries, i.e. translation exposure, as well as the sale of products on the export market and purchases of materials in foreign currencies, i.e. transaction exposure.

Translation exposure is related primarily to earnings in USD, EUR, JPY, RUB and CZK while transaction exposure is related primarily to EUR, USD, RUB, CNY and CAD. The Group's globally widespread production and sales enable the various exchange-rate effects to offset each other to some extent.

Changes in exchange rates also affect Group equity. The difference between the assets and liabilities of foreign subsidiaries in foreign currencies is affected by such changes, which generate translation differences that impact equity. During 2011, the Group changed its Group Financial Policy and does normally not hedge net investments in foreign operations. At year-end 2011, most foreign net assets were in USD and EUR.

*For more information on risks related to currency exposure, see Note 2 on page 66.*

## Hedging of currency exposure

Husqvarna uses currency derivatives to hedge estimated transaction exposure over a horizon of 0–12 months. Normally, 75–100 percent of the invoiced and estimated currency flow for the first 6 months is hedged, and 50–75 percent for the next 7–12 months. At year-end 2011 the market value of the Group's hedges referring to transaction exposure amounted to SEK 162m (7).

Certain foreign net assets have during the year been hedged through currency derivatives. Currency gains and losses on net assets



and hedges are booked directly to other comprehensive income. Interest income and expense related to hedging is reported under financial items, net.

Costs for hedging of foreign net assets in 2011 amounted to SEK –1m (–44). As of December 31, 2011, no net investments in foreign operations are hedged.

## Interest-rate risk

At year-end 2011, the average interest rate on external borrowings was 4.7 percent (4.8) and the average fixed interest-term was 1.3 years (1.5). On the basis of the volume of borrowings and the fixed interest-term at year-end, a one percentage point shift of the interest rates would impact group income for the amount of –/+33m (18).

*For more information on interest rate risk, see Note 2 on page 66.*

## Financing risks

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

Financing risks can be reduced by maintaining an evenly distributed maturity profile of loans, and by ensuring that short-term borrowings do not exceed current liquidity. The Group's financial policy stipulates that net debt should be long-term, without reference to seasonal variations. The Group's goal is for the average maturity period of long-term loans to be not less than two years and to show an evenly distributed maturity profile. A maximum of SEK 3,000m of non-seasonal loans can normally have a maturity period of less than 12 months.

Evaluation of financial risks involves the adjustment of the maturity profile for available, but unutilized committed revolving credit facilities.

## Net sales and exchange rates

	Net sales, SEKm 2011	Average exchange rate, SEK		Year-end exchange rate, SEK	
		2011	2010	2011	2010
USD	12,359	6.48	7.20	6.90	6.80
EUR	9,115	9.02	9.55	8.93	9.02
CAD	954	6.55	6.96	6.77	6.80
GBP	903	10.36	11.13	10.66	10.50
JPY	850	0.08	0.08	0.08	0.08

In addition, seasonal variations in cash flow comprise an important component for the evaluation of financial risks. Future seasonal variations are therefore continuously taken into account in liquidity planning. The average maturity period for Husqvarna's loans was 4.3 years (2.4) at year-end 2011.

The Group's revolving credit facility, which was due to mature in 2012, was re-financed in 2011. The new facility of SEK 6 billion has a maturity of five years.

*For more information on financing risks, see Note 2 on page 66.*

### 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 a minor share of trade receivables in Europe.

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.

*For more information on credit risks, see Note 2 on page 66.*

### Pension commitments

Husqvarna's commitment for pensions and other post-employment benefits, amounted to SEK 3,133m (2,845) at year-end 2011. The Group manages pension funds amounting to SEK 1,793m (1,627). At year-end 2011, 38 percent (40) of these funds were placed in shares, 57 percent (54) in bonds and 5 percent (6) in liquid assets or other investments.

Changes in value of the assets and liabilities depend primarily on trends for share prices and interest rates. Factors affecting the pension obligation include changes in the assumptions, such as discount rate, life expectancy and expected salary increases. The income statement for 2011 includes the costs for pensions and post-employment benefits as referred to above, amounting to SEK 153m (226). During 2011, SEK 102m (59) was paid into the Group's pension funds.

The Group's defined benefit pension scheme in the U.K was closed for future pension accrual 1 October 2011. The employees were offered a new defined contribution scheme. The closure of the pension scheme had a positive effect on the result of SEK 53m.

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, see Note 22 on page 81.*

### Changes in legislation

Husqvarna 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's products have improved steadily in this respect. The Group is the market leader in terms of the development of 2-stroke engines, for example, and is estimated to have sufficient resources for product development to enable compliance with stricter criteria in the future. The criteria which will be introduced over the next few years are currently known, and as long as they are not subject to drastic changes it is estimated that they can be met by the Group's existing products, as well as those currently under development.

### Product liability

In many countries, legislation may require Husqvarna to recall products in specific circumstances. New and stricter regulations in this respect may be introduced in the future.

Husqvarna is also exposed to product liability in the event that products are claimed to have caused damage to persons or property. Husqvarna is insured against such claims, partly through insurance in our 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 a clearly adverse effect on the Group's earnings and financial position.

The Committee on Product Safety, lead by the Group's Global Quality Manager, includes representatives from operational units, as well as Group Staff Legal Affairs, including Risk Management. The tasks of the Committee include ensuring that product safety is integrated into the design, production and distribution of all Group products.

## Raw material spending

SEKm	2011
Steel	1,826
Plastic	906
Aluminium	888
Other raw material	263
<b>Total</b>	<b>3,883</b>

## Cost structure

	2011	
	% of net sales	SEKm
Cost of goods sold		
Components	38.8	11,788
Raw materials	12.8	3,883
Factory OH, R&D, tools	14.1	4,275
Direct wages	4.5	1,354
Other	2.1	648
<b>Total cost of goods sold</b>	<b>72.3</b>	<b>21,948</b>
Gross operating income	27.7	8,409
Selling expense	17.6	5,332
Administrative expense	5.0	1,530
Other	0.0	-4
<b>Operating margin</b>	<b>5.3</b>	<b>1,551</b>

# Corporate Governance Report 2011

Husqvarna AB is a publicly traded company listed on the NASDAQ OMX Stockholm. Husqvarna applies the Swedish Code of Corporate Governance and presents its Corporate Governance Report 2011, in this section. The report was prepared by the company's Board of Directors and has been reviewed by the company's auditors. The review for 2011 did not result in any deviations from the code.

Husqvarna's corporate governance is based on external and internal regulatory frameworks, including Husqvarna AB's Articles of Association, the Swedish Companies Act, the NASDAQ OMX Stockholm Rule Book for Issuers, the Swedish Code of Corporate Governance, other applicable Swedish and foreign legislation and regulations, as well as internal codes, policies and guidelines.

## Shareholders

Husqvarna's shares have been traded on the NASDAQ OMX Stockholm since June 2006. At year-end 2011, Husqvarna's share capital amounted to SEK 1,153m, represented by 129,460,339 A-shares and 446,883,439 B-shares, each with a par value of SEK 2.

Series A-shares carry one vote and series B-shares carry one tenth of a vote. According to the Articles of Association, holders of series A-shares are entitled to request conversion of series A-shares to series B-shares.

In 2011, 5,294,748 series A-shares were converted to an equivalent number of series B-shares.

At December 31, 2011, the number of shareholders was 65,291 (66,041). Of the total number of shares, foreign shareholders accounted for approximately 19 (19) percent. At the end of the year, 87 (90) percent of the total shares were owned by legal entities, 13 (10) percent by private individuals representing 90,5 (91) percent and 9,5 (9) percent, respectively, of the total number of votes. Investor AB is the single largest shareholder, with a holding of about 17 (16) percent of the capital and approximately 30 (31) percent of the votes as of December 31, 2011. Measured by the number of votes, LE Lundbergföretagen is the second-largest owner, with a holding of about 7 (5) percent of the capital and approximately 22 (16) percent of the votes as of December 31, 2011.

*For further information on share and shareholders, see page 98.*

## Annual General Meeting

The Annual General Meeting (AGM) must be held within six months of the close of the fiscal year. All shareholders who are listed in the share registry on the record date, and who

have notified the company of their participation in due time, are entitled to participate in the AGM and cast votes based on their total shareholding. Shareholders who are personally unable to attend may be represented by a proxy with a power of attorney.

The AGM was held in Jönköping, Sweden on May 4, 2011. The AGM was attended by about 530 shareholders, personally or by proxy, representing about 66 percent of the votes in the company and approximately 48 percent of the share capital. The meeting was also attended by the Board of Directors, members of Group Management and the external auditor.

The resolutions passed by the meeting included the following:

- Adoption of the income statements and balance sheets for 2010, the dividend and discharge of liability for the Board of Directors and the President.
- Reelection of Lars Westerberg, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Magdalena Gerger, Tom Johnstone, Ulla Litzén, Ulf Lundahl, Anders Moberg and Magnus Yngen. Lars Westerberg was elected Chairman of the Board.
- The Chairman will be paid a fee of SEK 1,650,000, and each AGM-elected member not employed by the company will be paid SEK 475,000. The Chairman of the Audit Committee will be paid SEK 175,000 and each of the Committee's two members will be paid SEK 75,000. The Chairman of the Remuneration Committee will be paid SEK 100,000 and each of the Committee's two members will be paid SEK 50,000.
- Auditors will be paid as invoices are approved.
- Principles of remuneration to senior executives.
- A performance-based incentive program for 2011, LTI 2011 (long-term incentive).
- Rules for the appointment and work of the Nomination Committee.
- Authorization for the Board to repurchase and transfer own shares. For further information, see the Report by the Board of Directors, page 28.
- Authorization for the Board to make resolutions concerning new share issues paid for by contribution in kind to enable

acquisitions paid for with own shares. For further information, see the Report by the Board of Directors, page 28.

- Amendment of the Articles of Association relating to the election period for auditors. The term of office for the Auditors is four years up to and including the Annual General Meeting after the appointment of the Auditor.

## Annual General Meeting 2012

The 2012 AGM will be held on March 28, 2012 at 4 p.m. at the Auditorium, School of Education and Communication in Jönköping, Sweden.

*For proposals to the AGM 2012, see page 51.*

## Nomination process

### Board members

The process of nominating Board members whose names will be proposed for election at the 2012 AGM is conducted in accordance with the nomination process that was adopted at the 2011 AGM.

Husqvarna's Nomination Committee shall comprise representatives from each of the four largest shareholders, as measured by votes, as well as the Chairman of the Board. The ownership structure on August 31, 2011 is used to determine the largest shareholders, as measured by votes. The names of the four shareholder representatives must be published no later than six months prior to the AGM. The Nomination Committee has a term of office until the date on which a new Nomination Committee is appointed. If the group of major shareholders changes during the nomination process, the composition of the Nomination Committee may be changed accordingly.

The composition of the Nomination Committee was announced on Husqvarna's website and by press release on September 22, 2011. The 2012 Nomination Committee held six meetings, and communicated by telephone on several occasions. Nomination Committee duties included evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee also considered other criteria such as the background, experience and diversity of Board members. The Chairman of the Board presented the Board's evaluation to the Nomination Committee.



The Nomination Committee for the 2012 AGM comprises:

- Petra Hedengran (Chairman), nominated by Investor AB
- Claes Boustedt, nominated by LE Lundbergföretagen AB
- Ramsay Brufer, nominated by Alecta Mutual Pension Insurance
- Jan Andersson, nominated by Swedbank Robur Funds
- Lars Westerberg, Chairman of Husqvarna's Board.

The Nomination Committee's assignment is to produce proposals for the following matters, which will be presented to the 2012 AGM for resolution:

- AGM Chairman,
- Board members,
- Chairman of the Board,
- Board fees and remuneration for Committee work allocated to each member,
- Auditor's fee,
- Nomination Committee for the 2013 AGM.

The Nomination Committee's proposals as well as a report on its work will be published not later than in connection with the notice of the 2012 AGM.

Members do not receive fees or remuneration for their work on the Nomination Committee.

## Board of Directors

Name		Nationality	Independence <sup>1</sup>	Attendance 2011			Authorized fees, total in SEK <sup>2</sup>	Holdings, number of A-shares <sup>3</sup>	Holdings, number of B-shares <sup>3</sup>
				Board meetings	Audit Committee	Remuneration Committee			
Lars Westerberg	Board Chairman Committee member	SE	Yes/Yes	13/13		5/5	1,700,000	0	270,000
Magnus Yngen <sup>4</sup>		SE	No/Yes	5/9			0	–	–
Peggy Bruzelius	Committee member	SE	Yes/Yes	12/13	7/7		550,000	2,925	9,750
Robert F. Connolly		U.S	Yes/Yes	12/13			475,000	800	1,000
Börje Ekholm	Committee Chairman	U.S/SE	Yes/No	13/13	7/7		650,000	54,200	44,000
Magdalena Gerger		SE	Yes/Yes	12/13			475,000	0	3,100
Tom Johnstone	Committee Chairman	U.K	Yes/Yes	12/13		5/5	575,000	990	4,800
Ulla Litzén		SE	Yes/Yes	12/13			475,000	0	10,000
Ulf Lundahl	Committee member	SE	Yes/No	13/13	7/7		550,000	1,125	3,750
Anders Moberg	Committee member	SE	Yes/Yes	12/13		5/5	525,000	180	600
Johan Ihrman	Employee representative	SE	–	13/13			–	0	0
Annika Ögren	Employee representative	SE	–	11/13			–	0	0
Fredrik Lilliestielke	Employee representative		–	13/13			–	0	150
Carita Spångberg	Employee representative	SE	–	13/13			–	0	0
<b>Total</b>				<b>13</b>	<b>7</b>	<b>5</b>	<b>5,975,000</b>	<b>60,220</b>	<b>347,150</b>

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

<sup>2</sup> It was resolved at the AGM 2011 that the previous Board remuneration partly paid in synthetic shares should not be renewed. However, Board members are expected to engage themselves financially in Husqvarna by acquiring Husqvarna shares within a period of five years, corresponding to one year's Board fee.

<sup>3</sup> Refers to December 31, 2011 and includes related parties.

<sup>4</sup> Resigned from the Board on August 29, 2011.

## Board of Directors

### Composition of the Board

Husqvarna's Board of Directors shall consist of no less than five and no more than ten members, with no more than three deputies, all of whom are elected by the AGM for a period of one year. Swedish employee representative organizations also appoint two representatives, with two deputies.

In 2011, up to and including August 28, Husqvarna's Board consisted of ten members elected by the AGM, including the President and CEO. Due to the departure of Magnus Yngen from the company as per August 29, the Board consisted of nine members for the remainder of the year.

Board members possess extensive competence and experience in areas such as industrial commerce, financial expertise, sales and marketing of consumer goods as well as a broad knowledge of the retail business and manufacturing.

### Independence of the Board

The Board is deemed to comply with the independence requirements of the Swedish Code of Corporate Governance. Board members are not employed by the Group with the exception of the period Magnus Yngen held the position of President and CEO.

The Nomination Committee's assessment as to whether each proposed member fulfills the independence requirement will be announced in conjunction with the Nomination Committee submitting its proposals to the AGM.

*See page 48 for a presentation of the Board of Directors and Auditors.*

### Rules of procedures and written instructions

The Board has established rules of procedures that are reviewed once a year or when necessary. These rules involve allocation of tasks between the Board and the President, detailed instructions for the President, other corporate functions concerning matters requiring the Board's approval, and the financial reports and other information to be submitted to the Board.

### Board activities in 2011

In 2011, the Board held nine scheduled and four extraordinary meetings, three of which

were held in Stockholm, two in Huskvarna, one in the U.S and seven were held by telephone. Three of the extraordinary meetings related to the release of the President and CEO from service and appointment of an acting President and CEO.

The Board regularly addresses such strategic matters as Husqvarna's operations and orientation, potential acquisitions and review of recent acquisitions, all investments in excess of SEK 50m and changes in credit terms and conditions for major customers. Investments are followed up at least once annually. The year-end report and the annual report are dealt with at the beginning of the year, as are the matters to be presented at the AGM. Late in the year, the budget for the following year and the Group's long-term plan were addressed. Each quarter, the quarterly results are reviewed and interim reports approved for release. The Committees' work between meetings is also reported during each scheduled Board meeting. Current legal disputes as well as compliance matters are reviewed on a quarterly basis.

All meetings follow a preapproved agenda, which, along with documentation for each item on the agenda, is sent to all Board members around one week before the meeting. Each Board meeting commences with the President reviewing the Group's earnings and the current business environment, including key business environment factors that may affect the Group's performance. Husqvarna Group's CFO thereafter accounts for the Group's financial position. Members of corporate management or the Board's Committees report on any open items from previous Board meetings or present plans and businesses. In addition to the information provided in connection with Board meetings, the President sends a monthly report to Board members and is in continuous contact with the Chairman of the Board.

### Assessment of the Board's work

The Chairman of the Board is responsible for assessing the Board's work including the efforts of individual members. This is done on an annual basis pursuant to an established process. The assessments focus on such factors as the availability of and requirements

for specific expertise, the quality of the Board material, working environment of the Board and Board effectiveness. An independent assessment of the Chairman's work is also conducted, which is headed by the Chairman of the Remuneration Committee. This assessment also comprises the documentation on which the Nomination Committee can propose Board members and remuneration levels.

### Audit Committee

In 2011, the Audit Committee comprised Board members Börje Ekholm, who is also the Chairman of the Committee, Peggy Bruzelius and Ulf Lundahl.

The CFO, the General Counsel and the Head of Internal Audit, who is also the secretary of the Audit Committee, as well as the Group's auditors, attend the Audit Committee meetings.

After each meeting, the Audit Committee presents a report to the entire Board. Minutes are taken for each Committee meeting and the minutes are available to all Board members and the auditors.

No fewer than three meetings are held each year. The Audit Committee convened seven times in 2011.

### Auditor

Auditing company is PricewaterhouseCoopers (PwC), reelected at the 2010 AGM for a period of four years, headed by Anders Lundin (Auditor in charge).

### Remuneration Committee

In 2011, the Remuneration Committee comprised Board members Tom Johnstone, who is also the Committee's chairman, Anders Moberg and Lars Westerberg. Husqvarna Group's Head of Group Staff HR, Lars Worsoe-Petersen, was secretary of the Committee until October 15 when he was replaced by his successor, Per Ericson. No fewer than two meetings must be held each year. The Remuneration Committee convened five times in 2011.

After each meeting, the Remuneration Committee presents a report to the entire Board. Minutes are taken for each Committee meeting and the minutes are available to all Board members and auditors.

## Board of directors Agenda items 2011

### February

- Report from the Auditors.
- Approval of the Year-end report and the Annual Report.
- Approval of the allocation and distribution of matching shares for the LTI program.
- Revised dividend policy.
- STI targets for 2011.
- Proposals to the AGM:
  - Summons to the AGM;
  - Guidelines for remuneration of Group Management;
  - Changes to the Articles of Association;
  - LTI program for 2011;
  - Repurchases and transfers of the Company's own shares;
  - Authorization to the Board to issue new shares;
  - Board report according to the Companies Act;
  - Dividend.
- Strategy for Construction Business Area.
- Factory closure in Spain.
- Production plans and manufacturing actions.
- Approval of real estate sale in the U.S. Lease for new warehouse in Germany.
- Performance review of CEO and GM members.

### April (by telephone)

- Approval of the January–March Interim Report.
- Production disruptions in the U.S.

### May

- Group Quality update.
- Category Lawnmower strategy and investments.
- MTN prospectus and program.

- Production disruptions in the U.S.
- Authorization to sign for the Company.
- Adoption of Rules of Procedure.
- Election of Members to the Board's Committees.
- Board Meetings in 2012.
- Approval of repurchase of shares.

### May (Board trip to the U.S)

- Recovery plan due to production disruptions.
- Authorization to sign for the Company.
- Category Ride-on strategy.
- Policy approvals.
- New GM member.

### June (extraordinary meeting by telephone)

- Relieve CEO Magnus Yngen from work duties and appoint Hans Linnarson as acting President and CEO.

### July

- Approval of January–June Interim Report.

### August (two extraordinary meetings per telephone)

- Terminate Magnus Yngen's employment.
- Extend Hans Linnarson as acting President and CEO until further notice.
- Authorization to sign for the Company.

### September

- Review of the Company's strategy.
- Profit warning for Q3.
- Approval of divestment of real estate and of shares in subsidiaries.
- Reduction and restructuring of the Company's loans.
- New GM members.

### October

- Approval of January–September Interim Report.
- Authorization to sign for the Company.
- Organization changes.

### December

- 2012 budget and business plans.
- Appointment of Hans Linnarson as President and CEO.
- Approval of remuneration to the President and CEO and Group Management for 2012.
- HR policy updates.
- Approval of criteria and targets for 2012 Short-Term Incentive plan.
- Divestment of dormant subsidiaries.
- Update on IT projects.
- Approval of credit limits.
- Approval of revised Financial Policy.
- Authorization levels for captive insurance companies.
- Production investments.
- Annual investment follow-up.

### December extraordinary meeting by phone

- Sale of real estate.
- Authorization to sign for the Company.
- Company strategy discussion.

*The 2011 Annual Report was approved at a scheduled meeting on February 23, 2012.*

## Remuneration Committee Agenda items 2011

### February

- Principles for remuneration for Group Management.
- Short term incentive (STI) 2010 result.
- Long term incentive (LTI), LTI 2008 result.
- Proposal of new LTI 2011 program.
- Review of targets for STI 2011.
- Review of current pension plan and pension age.
- Review of final solution for company car paid via salary exchange.
- Evaluation of result of STI and LTI programs (new rule Swedish Code of Corporate Governance).
- Review of correlation between value creation and share price.

### May

- Long term incentive (LTI) programs:
  - Report on internal assessment of programs among participants;
  - Target setting for LTI 2011;
  - Nominee list.
- Value creation as performance measure for short-term incentive (STI) plan discussed.
- Pension age for members of Group Management based in Sweden.
- Remuneration to new member of Group Management.

### June

- Remuneration to acting President and Chief Executive Officer.

### October

- STI policy revision.
- Group Management separation principles.
- Additional STI plan in 2012 instead of new LTI program in 2012.
- Remuneration to new members of Group Management.

### November

- Remuneration to Group Management in 2012.
- STI performance measures and targets for 2012.
- Additional STI 2012 performance measures, targets and participants.
- Remuneration to new member of Group Management.
- Remuneration to Board employee representative.

## Audit committee Agenda items 2011

### February

- Auditors' report on auditing of year-end accounts.
- Draft of Annual Report and the Year-end report 2010.
- Internal audits in Canada and Japan.
- Internal audit plan for 2011.

### April, three meetings

- Draft of January–March 2011 Interim Report.
- External audit plan 2011.
- Internal audits in U.S and Sweden.
- First quarter result and discussions about profit warning.

### July

- Draft of January–June 2011 Interim Report.
- Report from external audit in U.S.

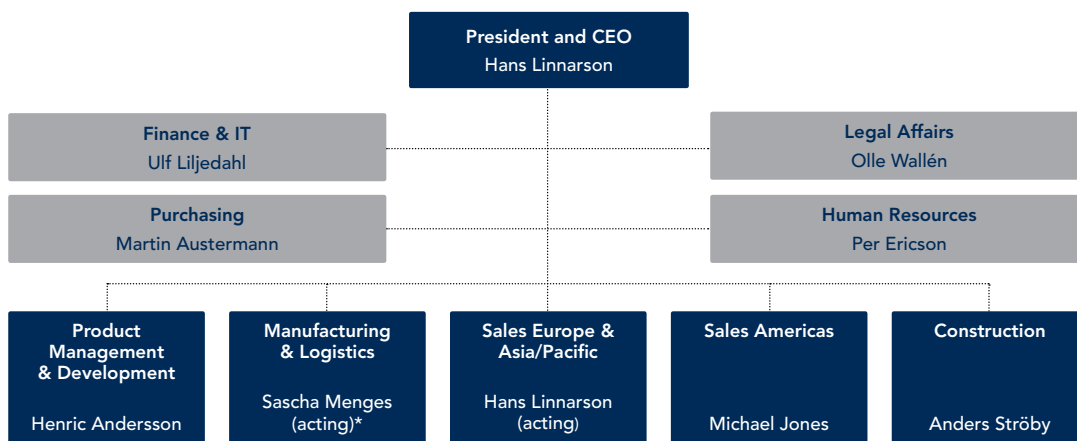
### October

- Draft of January–September 2011 Interim Report.
- Internal audits in Greece, Belgium, Bulgaria and Czech Republic.
- Strategies for the Group's long-term financing.

### November

- Report by auditors on hard-close audit as of September 30, 2011.
- Result of risk analysis regarding financial reporting.
- Internal audits in the U.S, Brazil and Argentina.

## Organization as of January 1, 2012



For information on members of Group Management, see page 50.

\*As of February 7, 2012, appointed Head of Manufacturing & Logistics.

### Group management and structure

The organization encompasses five business units and four Group staff functions.

### President and Group Management

Group Management comprises the President and CEO, the heads of the five business units, and the heads of the four Group staffs.

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 and input for decisions, and ensuring that commitments, agreements and other legal documents do not conflict with Swedish or foreign legislation or ordinances, including competition regulations. The President and CEO shall also ensure compliance with goals, policies and strategic plans, as well as updating these when necessary. The President and CEO appoints all members of Group Management.

The heads of the business units are responsible for the revenues, costs and use of capital in their respective operations. Overall management of the business areas is exercised through the quarterly meetings convened to review operations. In addition to the President and CEO, who directs the meetings, the heads of business units participate along with relevant representatives from the units.

Group staff functions are responsible for coordination of general issues of importance to the Group, development of policies and guidelines, and support for the business units that apply them. The tasks of the staffs include consolidation and reporting of financial results, financing, risk management, legal matters, personnel matters, internal communication as well as external communication with media and the capital market. From November 1, 2011, Group Purchasing was added, being responsible for purchasing strategies, evaluation of suppliers, negotiation of contacts and follow-up of suppliers performance.

Group Management holds monthly meetings to review the previous month's

results, update forecasts and plans, and discuss strategic issues. In addition, weekly meetings are held by telephone.

### Internal Boards

As support for the President and CEO and Group Management, Husqvarna has established internal Boards in the following areas:

The Global Purchasing Council (GPC) is a decision-making forum that coordinates the Group's purchasing globally and among the business units. The GPC ensures transparency in the purchasing process as well as uniformity in terms of working methods, purchasing tools, contracts and processes throughout the organization.

The Group Staff Council, which consists of four heads of staff, regularly convenes and primarily decides on administrative, policy and personnel issues, as well as pensions.

The Finance Board is an internal Board which ensures that the financial policy authorized by the Board of Directors is communicated and complied with throughout the Group. This policy includes guidelines for the organization and management of the Group's financial operations, permissible risk exposure, levels of risk, and the reporting thereof. The Finance Board comprises the President, the CFO and the Head of Group Treasury.

The Sustainability Council, an internal decision-making body, comprises representatives from departments such as Research and Development, Purchasing, Manufacturing, Communications, Environmental Affairs, Human Resources and Legal Affairs. The Council was established to ensure that Husqvarna's operations are conducted in a responsible manner in order to achieve development that is economically, socially and ecologically sustainable. The Council's responsibilities includes all the Group's activities and processes, and is aimed at creating long-term value for shareholders, employees and other stakeholders who affect or are affected by the Group's operations.

### Remuneration to the Board and senior executives

The following principles for remuneration to senior executives of the Husqvarna Group were approved at the 2011 AGM.

#### Principles

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

Husqvarna shall aim to offer a competitive remuneration level with a primary focus on "performance-related payment". This means that variable remuneration can constitute a substantial proportion of total remuneration.

#### Fixed salary

Fixed salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and shall reflect the degree of responsibility associated with the position. 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 the STI in addition to the fixed salary. The emphasis in 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 matters of special interest to the Company.

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



and may amount to a maximum of 50 percent of the salary on attainment of the "target" level and a maximum of 100 percent of the salary on attainment of "stretch" level, which also is the maximum STI.

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

The Board of Directors decides whether the maximum levels shall be utilized or if a lower level shall be used.

#### Long-term incentive

The Board of Directors will annually evaluate whether a long-term incentive program (e.g. share-based or share-price based) shall be proposed to the Annual General Meeting.

#### Pensions and insurance

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment and the value of benefits shall match normally accepted levels within 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 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 undertake not to compete with the company during the notice period. Based on the circumstances in each case a non-compete obligation, with continued remuneration paid, may also be applied after the end of the notice period. Such non-compete obligation shall not apply for more than 24 months from the end of the notice period.

#### Previously determined remuneration which has not become payable

The main conditions for remuneration to Group Management in current employment agreements should be clear from note 26 in the Annual Report for 2011 with references.

#### Authority for the Board to deviate from the guidelines

If special circumstances exist, the Board of Directors shall be able to deviate from these guidelines. In the event of such a deviation, the next Annual General Meeting shall be informed of the reasons.

*For more information concerning remuneration, see Note 26 on page 88.*

Members of Group Management are included in the Group's long-term incentive programs for 2009, 2010 and 2011.

*For further information concerning these programs, see Note 22 on page 81.*

#### Remuneration to the Board 2011

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2011 AGM resolved on fees of SEK 5,975,000.

Fees to the Board of Directors authorized by the AGM 2011 as below. No consulting fees were paid to Board members. No Board

fees are paid to Board members who are also employed by the Group.

*See note 26 on page 88 for more information concerning remuneration to the Board.*

#### Auditors' fees

Auditors' fees are paid as invoices are approved.

*See Note 27 on page 90.*

#### External information

Husqvarna regularly publishes information in the market concerning the Group's performance and financial position.

Husqvarna's Board has adopted an Information Policy that complies with the requirements for such a policy in the NASDAQ OMX Stockholm 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;
- Husqvarna's Annual Report;
- 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 such events as Capital Market Days and Road Shows etc.

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

#### Fees to the Board 2010–2011<sup>1</sup>

SEK	2011	2010
Authorized fees, total	5,975,000	5,805,000
Chairman	1,650,000	1,600,000
Board member	475,000	460,000
Chairman Audit Committee	175,000	175,000
Member Audit Committee	75,000	75,000
Chairman Remuneration Committee	100,000	100,000
Member Remuneration Committee	50,000	50,000

<sup>1</sup> Refers to fees prior to the AGMs in 2012 and 2011 respectively.

#### Remuneration to Group Management 2010–2011

SEKk	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits	Severance pay etc	Total 2011	Total 2010
President and CEO	3,239	541	1,096	268	23	–	5,167	15,757
President and CEO, former	3,865	–	1,989	–	–	16,607	22,461	–
Group Management, other	26,449	1,418	4,671	2,216	473	15,886	51,113	59,992
<b>Total</b>	<b>33,553</b>	<b>1,959</b>	<b>7,756</b>	<b>2,484</b>	<b>496</b>	<b>32,493</b>	<b>78,741</b>	<b>75,749</b>

For more information on remuneration to Group Management, see Note 26 on page 88.

# Internal control over financial reporting

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

Description and evaluation of the Group's internal control activities is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises of five areas, i.e. the control environment, risk assessment, control activities, information and communication, and monitoring.

The organization of internal control is described below. The description is limited to internal control over financial reporting.

## 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, guidelines, manuals and codes. The control environment also includes laws and external regulations.

The Board of Directors is ultimately responsible for internal control over financial reporting. Efficient performance by the Board is thus the basis for satisfactory internal control. The Husqvarna Board has established rules of procedure and clear instructions for its work, which also include the activities of the Audit and Remuneration Committees.

The overall duty of the Audit Committee is to support the Board's supervision of the auditing and reporting processes, and to ensure the quality of such reports and processes. The activities of the Audit Committee during the year are described in greater detail on page 43.

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. This responsibility is in turn delegated to managers within their specific areas at various levels in the company. Husqvarna Group's internal audit function reports directly to the Audit Committee and to the Group's Chief Financial Officer.

Responsibility and authority are defined inter alia in instructions to the President, regarding the right to sign for the company, manuals, various policies, routines and codes. The Board defines the Group's major policies for communication, customer credits, financing and risk management, as well as the Code of Conduct.

Group Management defines other policies and instructions, and the relevant Group staffs issue guidelines and also monitor implementation of all policies and instructions.

Group rules for accounting and reporting are stipulated in an accounting manual that is available for all personnel in finance and accounting. These internal control documents are reviewed and updated regularly with reference to e.g. changes in legislation, auditing standards and listing requirements.

## Risk assessment

Items in the balance sheet and the income statement that are based upon estimates or generated by complex processes are relatively more exposed to the risk of error than are other items. Major items in this respect include goodwill and other intangible assets as well as provisions in captive insurance companies and provisions pensions. The Group's internal audit function performs an annual risk analysis to identify such items and quantify risks. The results of risk analysis and evaluation are reported to the Audit Committee and are taken into account in the annual internal audit plans.

## Control activities

Control activities are designed to prevent, identify and correct errors and deviations in the financial reporting. Husqvarna has defined internal control standards, i.e. specifications of the control activities that must be included in each business process in order to ensure and maintain a uniform level of internal control over financial reporting within the Group. Control activities are integrated in Husqvarna's processes for accounting and financial reporting, and include 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.

Husqvarna maintains the following control processes for financial reporting:

### *Controlling*

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 as stated in Husqvarna's Accounting Manual. The controller is also responsible for ensuring that financial information is correct and complete and is delivered on time. In addition, controllers at business unit and Group level have corresponding responsibilities.

### *Country Officers*

A Country Officer is appointed by Husqvarna Group in each country where the Group operates subsidiaries. The Officer's duties include safeguarding the interests of the Group's owners as well as identifying and reporting risks in such areas as fiscal regulations and other legislation.

### *Letter of representation*

Husqvarna has a procedure for the confirmation of the final accounts, according to which each company head and the controllers for various reporting units sign a letter of representation confirming that the financial report package presents a true and accurate picture of the units financial position and has been prepared in accordance with the Group's accounting standards.

### *Group Management meetings*

The monthly meetings of Group Management include a review of the monthly results for the Group and for operative units, as well as updated forecasts, plans and strategic issues.

### *Self-Assessment*

Each reporting operative unit submits an annual Control Self-Assessment regarding the status of its area of responsibility that is subject to internal control. The Self-Assessment report is signed by the controller. The assessment is based on a comprehensive questionnaire designed to measure the extent of compliance with defined requirements. The unit measures its own compliance. The results of Self-Assessment are collated at Group level for evaluation of control routines, and are submitted to the Audit Committee.

### Routines related to acquisitions

Husqvarna has established guidelines and routines designed to ensure that acquisitions of operations are accurately analyzed in terms of financial, operational and environmental consequences.

Acquisitions are evaluated at 12- and 24-month intervals following the transaction. Evaluations are reported to the Audit Committee and the Board.

### Information and communication

Husqvarna maintains information and communication systems to ensure that financial reporting is correct and complete. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition to other policies that are relevant to internal control over financial reporting, such as investment routines and credit policy, these can be accessed on the Group's intranet by all relevant personnel. Changes in accounting are communicated and explained in quarterly newsletters from the Group accounting function.

### Whistleblower

During 2009 a global whistleblower was established in several languages for the entire Group. It enables employees to contact an independent third party and report actions or events that involve violations or suspected violations of e.g. laws or guidelines. All calls are logged and a summary of the calls and the actions taken is periodically disclosed to the Board.

### Monitoring

Husqvarna maintains a comprehensive financial reporting system for the monitoring of operations, which enables identification of possible deviations in financial reporting at an early stage.

Husqvarna applies IFRS. This is defined in the Husqvarna Accounting Manual, which includes rules for accounting and evaluation princi-

ples that are mandatory for all companies within the Group, as well as instructions for reporting. The manual is reviewed and updated quarterly. Compliance with the Accounting Manual is monitored continuously at Group and business unit level.

### Financial reporting

Detailed financial data is reported every month by approximately 140 reporting units, in accordance with the standardized routines for reporting that are stipulated in Husqvarna's accounting manual. These reports are the basis for the Group's consolidated financial reporting. Consolidation is performed from both legal and operational perspectives, which generates quarterly legal reports, i.e. complete profit and loss and balance sheet statements for each company as well as consolidated, and monthly operative reports. All consolidation is centralized. All financial reports are stored in a central database from which data is retrieved for analysis and monitoring at Group, business area and business unit level. Interim reports are posted on the Group's web site, [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

### Internal audit

The internal audit function is tasked with developing and improving internal controls over financial reporting. The work of the auditors conforms with the annual plan by the Audit Committee, which includes both scheduled and unscheduled audits. The function reports to the Audit Committee and the Group's Chief Financial Officer.

The Group's function for internal audit performs independent and objective reviews in order to evaluate and enhance the efficiency of internal controls. This function also completed special assignments in 2011. The internal auditors report to the Audit Committee regarding their observations and recommendations for improvement of internal control over financial reporting.

## Structure of control over financial reporting within the Husqvarna Group

Responsible function	Level in Group	Control Activity	Periodicity	Responsibility for monitoring
Controller	Group	<ul style="list-style-type: none"> <li>Ensure observance of control routines in accordance with the Husqvarna Accounting Manual.</li> <li>Control of consolidated financial statements.</li> </ul>	Continuously	Country Officer, Internal Audit, Group Accounting Department
	Business unit	<ul style="list-style-type: none"> <li>Analysis and monitoring of reported results.</li> <li>Preparation of budget and forecast.</li> </ul>	Monthly	Group Management, Audit Committee
	Reporting units	<ul style="list-style-type: none"> <li>Control Self-Assessment.</li> <li>Preparation of instructions for attestation.</li> <li>Ensure that financial information is correct and complete and delivered on time.</li> </ul>	Monthly	Group Management
Internal Audit	Group	<ul style="list-style-type: none"> <li>Preparation of risk analysis, financial reporting.</li> <li>Collection of Letters of Representation from all units.</li> </ul>	Annually	Internal Audit
			Annually	Internal Audit, Group Staff Legal Affairs
Country Officer	All subsidiaries within the country	<ul style="list-style-type: none"> <li>Ensure that interests of owners are safeguarded.</li> <li>Identify and report on risks related to fiscal and other and legislation.</li> </ul>	Continuously	Group Accounting Department, Internal Audit
Group Management	Group	<ul style="list-style-type: none"> <li>Review of monthly results, updated forecasts, plans and strategic issues.</li> <li>Definition of policies and guidelines.</li> </ul>	Continuously	Group CFO
			Continuously	Group Tax Officer, Group Staff Legal Affairs
Audit Committee	Group	<ul style="list-style-type: none"> <li>Evaluation of acquisitions.</li> </ul>	12 and 24 months subsequent to acquisition	Board of Directors, Audit Committee

# Board of Directors and Auditors



**Lars Westerberg**

**Chairman**

Born 1948. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden, BBA., Stockholm University, Sweden. Elected 2006. Member of the Remuneration Committee.

**Other major assignments:** Board member of AB Volvo, Sandvik AB, SSAB and Stena AB.

**Previous positions:** President and CEO and Board Member of Autoliv Inc. 1999–2007. President and CEO of Gränges AB 1994–1999. President and CEO of Esab AB 1991–1994.

**Holdings in Husqvarna:** 270,000 B-shares.



**Peggy Bruzelius**

Born 1949. M. Econ., Hon. Doc. in B.A., Stockholm School of Economics, Sweden. Elected 2006. Member of the Audit Committee.

**Other major assignments:** Board Chairman of Lancelot Asset Management AB. Deputy Chairman of AB Electrolux. Board member of Akzo Nobel n.v., Axfood AB, Diageo Plc and Syngenta AG.

**Previous positions:** Executive Vice President of SEB, Skandinaviska Enskilda Banken AB 1997–1998. President and CEO of ABB Financial Services AB 1991–1997.

**Holdings in Husqvarna:** 2,925 A-shares, 9,750 B-shares.



**Robert F. Connolly**

Born 1943. B.A., Rochester Institute of Business, New York, USA. Elected 2006.

**Other major assignments:** –  
**Previous positions:** Executive Vice President and Chief Marketing Officer Walmart Stores Inc. 2001–2006. Positions in merchandising and marketing 1996–2006 and 1989–1993, Walmart Stores Inc. Executive Vice President as well as positions in merchandising, Montgomery Ward & Company Inc. 1994–1995 and 1987–1989.

**Holdings in Husqvarna:** 800 A-shares, 1,000 B-shares.



**Börje Ekholm**

Born 1963. MBA, INSEAD, France and M.Sc. Eng., Royal Institute of Technology, Stockholm, Sweden. Elected 2006. Chairman of the Audit Committee. President and CEO and Board member of Investor AB.

**Other major assignments:** Board Chairman of the University Board of Royal Institute of Technology. Board member of AB Chalmersinvest, EQT Partners AB, NASDAQ OMX, Scania AB, and Ericsson.

**Previous positions:** Senior management positions in the Investor Group since 1995. President of Investor Growth Capital Inc. 1998–2005. Responsible for New Investments 1999 and EVP of Investor AB 1997.

**Holdings in Husqvarna:** 4,200 A-shares, 50,000 A-shares (by legal entity), 44,000 B-shares.



**Magdalena Gerger**

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

**Other major assignments:** Board member of IKEA (Ingka Holding BV).

**Previous positions:** Senior Vice President and responsible for Marketing & Innovation in the Nordic region, Arla Foods 2005–2009. Management consultant, Futoria AB, 2004. Category Director (U.K and Ireland) Nestlé U.K Ltd, 2000–2003, ICI Paints 1998–2000 and in Procter & Gamble 1996–1997.

**Holdings in Husqvarna:** 3,100 B-shares.



**Tom Johnstone**

Born 1955. M.A., University of Glasgow, Hon. Doc. in B.A., University of South Carolina, USA. Hon. Doc. In Science, Cranfield University, U.K. Elected 2006. Chairman of the Remuneration Committee. President and CEO and Board member of AB SKF.

**Other major assignments:** Board member of Chalmers University of Technology and Investor AB.

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

**Holdings in Husqvarna:** 990 A-shares, 4,800 B-shares.



**Ulla Litzén**

Born 1956. M. Sc. in Econ. and BA., Stockholm School of Economics, Sweden and MBA, Massachusetts Institute of Technology, USA. Elected 2010.

**Other major assignments:** Board member of Atlas Copco AB, AB SKF, 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.



**Ulf Lundahl**

Born 1952. M. of Law and MBA, Lund University, Sweden. Elected 2008. Member of the Audit Committee. Executive Vice President and deputy President of L E Lundbergföretagen AB.

**Other major assignments:** Board Chairman of Fidelio Capital and Deputy Chairman of Stockholm City Fire Insurance Office. Board member of Holmen AB, Indutrade AB and Handelsbanken, Regional Bank Stockholm.

**Previous positions:** Senior adviser of L E Lundbergföretagen AB 2003–2004, President of Danske Securities 2001–2003, President of Östgöta Enskilda Bank/Danske Bank Sverige 1992–2001.

**Holdings in Husqvarna:** 1,125 A-shares, 3,750 B-shares.



**Anders Moberg**

Born 1950. Elected 2006. Member of the Remuneration Committee.

**Other major assignments:** Board Chairman of Clas Ohlson AB, Biva A/S. and OBH Nordica AB. Board member of Ahlstrom Corporation, Amor GmbH, Byggmax AB, DFDS A/S, ITAB AB, Hema BV, Rezipor AB and ZetaDisplay AB.

**Previous positions:** CEO of Majid Al Futtaim Group, 2007–2008. President and CEO of Royal Ahold 2002–2007. Division President International of Home Depot, 1999–2002. President and CEO of IKEA Group 1986–1999.

**Holdings in Husqvarna:** 180 A-shares, 600 B-shares.



## Employee representatives



**Johan Ihrman**

**Member**

Born 1963. Representative of the Federation of Salaried Employees in Industry and Services.

**Holdings in Husqvarna:**  
0 shares.



**Annika Ögren**

**Member**

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

**Holdings in Husqvarna:**  
0 shares.



**Fredrik Lilliestielke**

**Deputy member**

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

**Holdings in Husqvarna:**  
150 B-shares.



**Carita Spångberg**

**Deputy member**

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

**Holdings in Husqvarna:**  
0 shares.

---

## Anders Lundin

PricewaterhouseCoopers AB  
Born 1956. Authorized Public Accountant, Auditor in charge.

**Other audit assignments include:**

AarhusKarlshamn, Electrolux, Industrivärden, Melker Schörling and SCA.

**Holdings in Husqvarna:**  
0 shares.

## Auditors

PricewaterhouseCoopers AB is appointed auditors for a four-year period until the Annual General Meeting 2014.



[www.husqvarnagroup.com/en/about](http://www.husqvarnagroup.com/en/about)  
For more information

# Group Management



**Hans Linnarson**

**President and CEO**

Acting Head of Sales Europe & Asia/Pacific.

Born 1952. B.A., Lund University, Sweden, Electr.Eng., Teknikum, Växjö, Sweden. Employed 1994. Member of Group Management since 2006.

**Other major assignments:** Board member Nibe AB.

**Previous positions:** Head of Consumer Products Rest of the world, Electrolux 2004. Various management positions in product development, marketing and production, Electrolux Major Appliances Europe 1996–2003.

**Holdings in Husqvarna:** 3,229 A-shares, 60,222 B-shares.



**Ulf Liljedahl**

**Senior Vice President, Head of Group Staff Finance and IT**

Born 1965. B.Sc. Business Administration and Economics, Lund University, University of Pennsylvania – The Wharton School (Advanced Management Program). Employed and member of Group Management since 2011.

**Previous positions:** Executive Vice President and CFO, Cardo Group 2007–2011. Various positions within Finance at Alfa Laval 1992–2007.

**Holdings in Husqvarna:** 9,041 B-shares.



**Olle Wallén**

**Senior Vice President, Head of Group Staff Legal Affairs, Husqvarna Board Secretary**

Born 1953. M. of Law, Stockholm University, Sweden. Employed 1993. Member of Group Management since 2006.

**Other major assignments:** Advisory Board Member, FM Global Europe

**Previous positions:** General Counsel, Electrolux Europe 2002–2005. General Counsel, Electrolux North America 2000–2001.

**Holdings in Husqvarna:** 4,842 A-shares, 57,767 B-shares.



**Per Ericson**

**Senior Vice President, Head of Group Staff Human Resources**

Born 1963. Forest Engineer, UC Forestry Studies. Studies in Change Management in Organisation and Social Systems. Employed and member of Group Management since 2011.

**Other major assignments:** Chairman of the Board at Persona Brands AB

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

**Holdings in Husqvarna:** 1,000 B-shares.



**Martin Austermann**

**Senior Vice President, Head of Global Purchasing**

Born 1957. Dipl. Ing., RWTH University of Aachen, Germany. Employed 2008. Member of Group Management since 2011.

**Previous positions:** Various leadership positions in Purchasing, Supply Chain Management and Sales, most recently Chief Procurement Officer, Husqvarna 2008–2011. Vice President Group Purchasing, Grammer AG 2002–2008. Vice President Supply Chain Management, Metabo AG 1996–2002. Director of Sales, Access Products AT&T Network Systems, 1994–1996, Director Purchasing Philips Electronics 1986–1994.

**Holdings in Husqvarna:** 4,479 B-shares.



**Michael Jones**

**Executive Vice President, Head of Sales Americas**

Born 1962. B.A. in Business Administration, California Coast University, USA. Employed and Member of Group Management since 2009.

**Previous positions:** General Manager, Cooking Products, General Electric Appliances division 2007–2009. Various leadership positions in Sales, Service, Product Management and International business, General Electric 1994–2007.

**Holdings in Husqvarna:** 14,253 B-shares.



**Sascha Menges**

**Executive Vice President, Head of Manufacturing and Logistics**

Born 1971. M.Sc. Ind. Engineering & Management, Swiss Federal Institute of Technology, Zurich. MBA, INSEAD, France. Employed 2007. Member of Group Management since 2011.

**Previous positions:** Various leadership positions in Supply Chain Management and Operations, Husqvarna 2007–2011. Vice President Supply Chain Management, Gardena AG 2004–2007. Associate Principal Management Consulting, McKinsey & Company, Inc 1996–2004.

**Holdings in Husqvarna:** 21,897 B-shares.



**Henric Andersson**

**Executive Vice President, Head of Product Management & Development**

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

**Previous positions:** Head of Construction Equipment, Husqvarna 2008–2011. Head of Commercial Lawn & Garden, Husqvarna Turf Care 2004–2008. Several leadership positions in product & business management, Husqvarna 1997–2004.

**Holdings in Husqvarna:** 15,450 B-shares.



**Anders Ströby**

**Executive Vice President, Head of Construction**

Born 1953. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden. Employed 1980. Member of Group Management since 2006.

**Previous positions:** Head of Garden Equipment and Construction Products, Electrolux 1996–2002.

**Holdings in Husqvarna:** 7,848 A-shares, 69,309 B-shares.

**Related parties:** 3,420 A-shares, 23,400 B-shares.



[www.husqvarnagroup.com/en/about](http://www.husqvarnagroup.com/en/about)  
For more information

# Annual General Meeting 2012

The Annual General Meeting of Husqvarna AB will be held at 4 pm on Wednesday March 28, 2012, at the Auditorium, School of Education and Communication, Building H, Gjuteringatan in Jönköping, Sweden.

## Participation

Shareholders who intend to participate in the AGM must:

- Be registered in the share register kept by Euroclear Sweden AB on Thursday March 22, 2012.
- Give notice of intent to participate, thereby stating the number of assistants attending, to Husqvarna no later than Thursday March 22, 2012.

## Notice of participation

Notice of intent to participate can be given:

- By mail to Husqvarna AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.

- By telephone at +46 36 14 70 10 between 9 am and 4 pm weekdays.
- At [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm).

Notice should include the shareholder's name, personal 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 2012. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Husqvarna prior to the AGM.

## Shares registered by nominees

Shareholders, whose shares are registered in the names of nominees, must have their shares temporarily registered in their own name on Thursday March 22, 2012, in order to participate in the AGM. To ensure that such registration is made prior to Thursday,

March 22, 2012 shareholders must inform the nominee well in advance of that date.

## Dividend

The Board of Directors has proposed a dividend of SEK 1.50 per share, and Monday April 2, 2012 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Thursday April 5, 2012. The last day for trading in Husqvarna shares with right to dividend for 2011 is Wednesday March 28, 2012.

## Financial information 2012

March 28	Annual General Meeting
April 26	Interim report January–March
July 19	Interim report January–June
October 26	Interim report January–September

The Annual Report is distributed to all new shareholders for the year and to those who have explicitly requested one. The Annual Report and other financial reports are also available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). Printed copies can be ordered from the Group's website.

# Group Income Statement

SEKm	Note	2011	2010
<b>Net sales</b>	3	<b>30,357</b>	<b>32,240</b>
Cost of goods sold		-21,948	-23,037
<b>Gross income</b>		<b>8,409</b>	<b>9,203</b>
Selling expenses		-5,332	-5,232
Administrative expenses		-1,530	-1,524
Other operating income	5	9	2
Other operating expenses	6	-5	-4
Shares of income in associated companies		0	0
<b>Operating income</b>	3, 4, 7, 8	<b>1,551</b>	<b>2,445</b>
Financial income	10	28	15
Financial expenses	10	-432	-409
<b>Financial items, net</b>		<b>-404</b>	<b>-394</b>
<b>Income after financial items</b>		<b>1,147</b>	<b>2,051</b>
Income tax	11	-150	-302
<b>Income for the period</b>		<b>997</b>	<b>1,749</b>
Income for the period attributable to:			
Equity holders of the Parent Company		990	1,739
Non-controlling interests in income for the period		7	10
Earnings per share			
Before dilution, SEK	12	1.73	3.03
After dilution, SEK	12	1.73	3.03
Weighted average number of shares			
Before dilution, million		572.5	573.4
After dilution, million		572.6	574.2

# Group Comprehensive Income Statement

SEKm	Note	2011	2010
<b>Income for the period</b>		<b>997</b>	<b>1,749</b>
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		-39	-1,056
Cash flow hedges		77	10
<b>Other comprehensive income, net of tax</b>	19	<b>38</b>	<b>-1,046</b>
<b>Total comprehensive income for the period</b>		<b>1,035</b>	<b>703</b>
Attributable to:			
Equity holders of the Parent Company		1,027	695
Non-controlling interests		8	8



# Group Balance Sheet

SEKm	Note	Dec 31, 2011	Dec 31, 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8, 14	3,922	4,125
Goodwill	13	6,029	5,995
Other intangible assets	13	3,956	3,989
Investments in associated companies	28	5	5
Derivatives	2	0	1
Deferred tax assets	11	1,024	614
Other financial assets	15	272	168
<b>Total non-current assets</b>		<b>15,208</b>	<b>14,897</b>
<b>Current assets</b>			
Inventories	16	8,078	7,000
Trade receivables	2	3,660	3,575
Derivatives	2	257	417
Tax receivables		217	335
Other current assets	17	600	529
Other short-term investments	2	327	173
Cash and cash equivalents	2	756	1,476
<b>Total current assets</b>		<b>13,895</b>	<b>13,505</b>
<b>Total assets</b>		<b>29,103</b>	<b>28,402</b>
Pledged assets	18	68	72
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders in the Parent Company</b>			
Share capital	20	1,153	1,153
Other paid-in capital		2,605	2,605
Other reserves	19	-527	-565
Retained earnings		9,101	8,961
<b>Total equity attributable to equity holders in the Parent Company</b>		<b>12,332</b>	<b>12,154</b>
Non-controlling interests		56	49
<b>Total equity</b>		<b>12,388</b>	<b>12,203</b>
<b>Non-current liabilities</b>			
Long-term borrowings	2	6,941	6,985
Deferred tax liabilities	11	1,598	1,571
Provisions for pensions and other post-employment benefits	22	959	992
Derivatives	2	78	39
Other provisions	23	730	707
<b>Total non-current liabilities</b>		<b>10,306</b>	<b>10,294</b>
<b>Current liabilities</b>			
Trade payables	2	2,797	2,810
Tax liabilities		313	340
Other liabilities	24	1,691	1,783
Short-term borrowings	2	968	309
Derivatives	2	274	334
Other provisions	23	366	329
<b>Total current liabilities</b>		<b>6,409</b>	<b>5,905</b>
<b>Total equity and liabilities</b>		<b>29,103</b>	<b>28,402</b>
Contingent liabilities	25	154	102

# Group Cash Flow Statement

SEKm	Note	2011	2010
<b>Operations</b>			
Income after financial items		1,147	2,051
Depreciation and amortization		1,112	1,180
Restructuring provision		56	108
Capital gain/Impairment		2	41
Change in accrued and prepaid interest		11	11
Taxes paid		-413	-503
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>1,915</b>	<b>2,888</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		-1,045	-645
Change in trade receivables		-99	-331
Change in trade payables		-29	73
Change in other operating assets/liabilities		-245	290
<b>Cash flow from operating assets and liabilities</b>		<b>-1,418</b>	<b>-613</b>
<b>Cash flow from operations</b>		<b>497</b>	<b>2,275</b>
<b>Investments</b>			
Capital expenditure in property, plant and equipment	14	-702	-991
Capitalization of product development and software	13	-292	-311
Sale of fixed assets		25	4
Other		0	-15
<b>Cash flow from investments</b>		<b>-969</b>	<b>-1,313</b>
<b>Cash flow from operations and investments</b>		<b>-472</b>	<b>962</b>
<b>Financing</b>			
Change in short-term investments		39	63
Change in short-term loans		15	-857
Amortizations of long-term loans		-947	-1,993
New long-term loans		1,450	1,600
Dividend paid to shareholders		-859	-574
Repurchase of shares		-	-59
Dividend paid to non-controlling interests		-1	-3
<b>Cash flow from financing</b>		<b>-303</b>	<b>-1,823</b>
<b>Total cash flow</b>		<b>-775</b>	<b>-861</b>
Cash and cash equivalents at beginning of year		1,476	2,333
Exchange rate differences referring to cash and cash equivalents		55	4
<b>Cash and cash equivalents at year-end</b>		<b>756</b>	<b>1,476</b>

# Group Statement of Changes in Equity

SEKm	Attributable to equity holders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Other reserves (Note 19)	Retained earnings	Total		
<b>Opening balance Jan 1, 2010</b>	<b>1,153</b>	<b>2,605</b>	<b>479</b>	<b>7,845</b>	<b>12,082</b>	<b>44</b>	<b>12,126</b>
Total comprehensive income	–	–	–1,044	1,739	695	8	703
Share-based payment	–	–	–	10	10	–	10
Rights issue	–	–	–	–59	–59	–	–59
Dividend SEK 1.00 per share	–	–	–	–574	–574	–3	–577
<b>Closing balance Dec 31, 2010</b>	<b>1,153</b>	<b>2,605</b>	<b>–565</b>	<b>8,961</b>	<b>12,154</b>	<b>49</b>	<b>12,203</b>
Total comprehensive income	–	–	38	989	1,027	8	1,035
Share-based payment	–	–	–	10	10	–	10
Dividend SEK 1.50 per share	–	–	–	–859	–859	–1	–860
<b>Closing balance Dec 31, 2011</b>	<b>1,153</b>	<b>2,605</b>	<b>–527</b>	<b>9,101</b>	<b>12,332</b>	<b>56</b>	<b>12,388</b>

# Parent Company

## The operations of the Parent Company Husqvarna AB

(Corporate Identity Number 556000-5331) include the production, development, marketing and sales of forest, park and garden products as well as machines and diamond tools for the construction and stone industries. The Parent Company also includes the functions of the Group's head office including Finance, Legal, Human Resources and Communication.

Net sales for the Parent Company in 2011 amounted to SEK 11,121m (10,304), of which SEK 8,486m (7,768) related to sales to Group companies and SEK 2,635m (2,536) to external customers. Purchases from Group companies amounted to SEK 4,609m (4,078).

Income after financial items in 2011 amounted to SEK 446m (1,582). After appropriations of SEK 307m (-109) and taxes of SEK -16m (-94), net income for the year was SEK 737m (1,379). Investments in tangible and intangible fixed assets during the year were SEK 336m (339). Cash and cash equivalents amounted to SEK 28m (642).

Non-restricted equity in the Parent Company at year-end amounted to SEK 17,449m (17,511).

Group contributions in 2011 amounted to SEK -967m (-913).

For information on employees, salaries and remuneration, see Note 22.

For information on shareholdings and participations, see Note 29.

## Parent Company Income Statement

SEKm	Note	2011	2010
<b>Net sales</b>	3	<b>11,121</b>	<b>10,304</b>
Cost of goods sold		-8,537	-8,027
<b>Gross income</b>		<b>2,584</b>	<b>2,277</b>
Selling expenses		-981	-823
Administrative expenses		-553	-473
Other operating income	5	3	127
Other operating expenses	6	-1	-1
<b>Operating income</b>	4, 7	<b>1,052</b>	<b>1,107</b>
Result from Group companies	9	-233	190
Financial income	10	75	638
Financial expenses	10	-448	-353
<b>Income after financial items</b>		<b>446</b>	<b>1,582</b>
Appropriations	21	307	-109
<b>Income before taxes</b>		<b>753</b>	<b>1,473</b>
Income tax	11	-16	-94
<b>Income for the period</b>		<b>737</b>	<b>1,379</b>

## Parent Company Comprehensive Income Statement

SEKm	2011	2010
<b>Income for the period</b>	<b>737</b>	<b>1,379</b>
Other comprehensive income, net of tax:		
Cash flow hedges	57	7
<b>Other comprehensive income, net of tax</b>	<b>57</b>	<b>7</b>
<b>Total comprehensive income for the period</b>	<b>794</b>	<b>1,386</b>



# Parent Company Balance Sheet

SEKm	Note	Dec 31, 2011	Dec 31, 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	607	597
Tangible assets	14	568	541
Shares in subsidiaries	29	29,064	29,044
Deferred tax assets	11	3	29
Other financial assets	15	171	45
<b>Total non-current assets</b>		<b>30,413</b>	<b>30,256</b>
<b>Current assets</b>			
Inventories	16	1,560	1,439
Receivables			
Receivables from Group companies		4,682	2,738
Trade receivables		375	348
Tax receivables		125	72
Derivative instruments		437	558
Other receivables	17	81	82
Prepaid expenses and accrued income	17	166	70
Short-term investments		0	0
Cash and cash equivalents		28	642
<b>Total current assets</b>		<b>7,454</b>	<b>5,949</b>
<b>Total assets</b>		<b>37,867</b>	<b>36,205</b>
Pledged assets	18	37	30
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	20	1,153	1,153
Statutory reserves		18	18
Revaluation reserve		4	4
<b>Non-restricted equity</b>			
Fair value reserve		50	-7
Share-premium reserve		2,605	2,605
Profit or loss brought forward		14,057	13,534
Income for the period		737	1,379
<b>Total equity</b>		<b>18,624</b>	<b>18,686</b>
<b>Untaxed reserves</b>	21	<b>703</b>	<b>1,010</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	22	43	32
Other provisions	23	103	78
<b>Total provisions</b>		<b>146</b>	<b>110</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies		7,868	6,457
Long-term loans		6,577	6,571
<b>Total non-current liabilities</b>		<b>14,445</b>	<b>13,028</b>
<b>Current liabilities</b>			
Short-term loans		673	0
Liabilities to Group companies		1,767	1,944
Trade payables		654	551
Tax liabilities		0	0
Other liabilities	24	460	481
Derivative instruments		395	395
<b>Total current liabilities</b>		<b>3,949</b>	<b>3,371</b>
<b>Total equity and liabilities</b>		<b>37,867</b>	<b>36,205</b>
Contingent liabilities	25	462	349

# Parent Company Cash Flow Statement

SEKm	Note	2011	2010
<b>Operations</b>			
Income after financial items		446	1,582
Depreciation and amortization according to plan		297	262
Adjustment for non-cash items <sup>1</sup>		1,049	925
Capital gain/loss		7	-123
Taxes paid		-64	-82
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>1,735</b>	<b>2,564</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		-121	-201
Change in trade receivables		-27	-68
Change in inter-company receivables/liabilities		-902	-326
Change in other current assets		26	-270
Change in current liabilities		118	-6
<b>Cash flow from operating assets and liabilities</b>		<b>-906</b>	<b>-871</b>
<b>Cash flow from operations</b>		<b>829</b>	<b>1,693</b>
<b>Investments</b>			
Disposal of fixed assets		1	1
Change in shares and participations		-33	828
Capital expenditure in property, plant and equipment	14	-155	-151
Capitalization of product development and software	13	-181	-188
<b>Cash flow from investments</b>		<b>-368</b>	<b>490</b>
<b>Total cash flow from operations and investments</b>		<b>461</b>	<b>2,183</b>
<b>Financing</b>			
Change in short-term loans		673	-450
Change in long-term loans		6	-812
Change in short-term investments		0	0
Repurchase of shares		0	-59
Dividend paid to shareholders		-859	-574
Group contribution paid		-895	-908
<b>Cash flow from financing</b>		<b>-1,075</b>	<b>-2,803</b>
<b>Total cash flow</b>		<b>-614</b>	<b>-620</b>
Cash and cash equivalents at beginning of year		642	1,262
<b>Cash and cash equivalents at year-end</b>		<b>28</b>	<b>642</b>

<sup>1)</sup> Adjustment for non-cash items contains Group contribution not paid out of an amount of SEK 967m (913).

# Parent Company 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, 2010</b>	<b>1,153</b>	<b>22</b>	<b>-14</b>	<b>2,605</b>	<b>14,162</b>	<b>17,928</b>
Total comprehensive income	-	-	7	-	1,379	1,386
Repurchase of shares	-	-	-	-	-59	-59
Share-based payments	-	-	-	-	5	5
Dividend SEK 1.00 per share	-	-	-	-	-574	-574
<b>Closing balance, Dec 31, 2010</b>	<b>1,153</b>	<b>22</b>	<b>-7</b>	<b>2,605</b>	<b>14,913</b>	<b>18,686</b>
Total comprehensive income	-	-	57	-	737	794
Share-based payments	-	-	-	-	3	3
Dividend SEK 1.50 per share	-	-	-	-	-859	-859
<b>Closing balance, Dec 31, 2011</b>	<b>1,153</b>	<b>22</b>	<b>50</b>	<b>2,605</b>	<b>14,794</b>	<b>18,624</b>

# NOTE 1 Accounting of valuation principles

## Basis of preparation

The consolidated financial statements of Husqvarna AB (publ.) are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. As required by IFRS, entities within Husqvarna apply uniform IFRS rules as defined in the Husqvarna Accounting Manual. The policies set out below have been consistently applied to all years presented. Additional information is disclosed on the basis of the standard RFR 1 of the Swedish Financial Reporting Board.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2.

## CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

### New and amended standards adopted by Husqvarna Group

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the financial reporting for the Group.

### New standards and amendments from 2012 and forward

**IAS 19** "Employee benefits" amended in June 2011. The amendment will impact the Group's financial reporting as follows; the corridor approach will be eliminated and all actuarial gains and losses will be recognized in other comprehensive income as they occur and all past service cost will be recognised immediately. Interest cost and expected return on plan assets will be replaced with a net amount that is calculated applying the same discount rate as when calculating the net defined liability. The standard is expected to have an impact on the consolidated financial statement for the Group and the full effect is still to be determined. The recognition of the unrecognized actuarial losses of approximately SEK 600m will increase the net defined liability and decrease equity (after deduction for deferred tax). The standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

**IFRS 9** "Financial instruments" will replace parts of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two categories; those measured at fair value and those measured at amortised cost. The Group is still to assess the full impact of the new standard and intend to adopt IFRS 9 no later than 1 January 2015.

**IFRS 10**, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity shall be included within the consolidated financial of the parent company. The Group's assessment is that this standard will not have a material impact on the consolidated financial statement and intend to adopt IFRS 10 no later than 1 January 2013.

**IFRS 12**, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interest in other entities. The Group's assessment is that this standard will not have a material impact on the consolidated financial statement and intend to adopt IFRS 12 no later than 1 January 2013.

**IFRS 13**, "Fair value measurements" aims to reduce the complexity by providing a precise definition of fair value and a single source of fair value measurements and disclosure requirements for use across IFRS's. The Group's assessment is that this standard will not have a material impact on the consolidated financial statement and intend to adopt IFRS 13 no later than 1 January 2012.

There are no other IFRSs or IFRIC interpretation that are not yet effective that would be expected to have a material impact on the Group.

## Principles applied for consolidation

Husqvarna applies the purchase method to account for acquisitions of subsidiaries not under common control, 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 recognised 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, Husqvarna reassess the identification and measurement of the acquired assets. Any excess remaining after that reassessment is recognized immediately in the income statement. The consolidated income for the Group includes the income statements for the Parent Company and its directly and indirectly owned subsidiaries after:

- elimination of intra-group transactions and unrealized intra-group profits in stock, and
- depreciation and amortization of acquired surplus values.

## Definition of Group companies

The financial statements include Husqvarna AB and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50 percent of the voting rights referring to all shares and participations.

The following applies to acquisitions of companies not under common control and to divestments:

- Companies acquired are included in the consolidated income statement as of the date on which Husqvarna gains control.
- Companies divested are included in the consolidated income statement up to and including the date on which Husqvarna loses control.

No companies have been acquired or divested during the year.

Transactions with non-controlling interests are treated as transactions with equity holders where control is maintained. Disposals to non-controlling interests which result in a loss of control are recorded as gains and losses in the income statement. 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.

At year-end 2011, the Group comprised 138 operating units, and 110 companies.

## Associated companies

Associates are companies over which Husqvarna has significant influence but not control, generally accompanied by a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associated companies have been reported according to the equity method. Husqvarna's share of income after tax in an associated company is reported in the income statement. Husqvarna's investments in associates are of operational nature and the result is reported as part of operating income. Investments in an associated company are initially reported at cost, increased or decreased to recognize Husqvarna's share of the profit or loss of that associated company after the date of acquisition. When Husqvarna's share of losses in an associate equals or exceeds the value of its interest in that associate, Husqvarna does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognized in relation to the Group's participating interest in the associate.



**Related party transactions**

All transactions with related parties are carried out on an arm's length basis.

**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 SEK, which is the Parent Company's functional currency and the presentation currency of the 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 balance sheet date are reported in the income statement. An exception to this accounting treatment is if the transactions qualifies as cash flow hedges or hedge of net investments of which the exchange gains or -losses are recognised in other comprehensive income.

Exchange rate gains and – losses that relates to borrowing costs or liquid assets are accounted for in the income statement within financial income or expense. Other foreign exchange rate differences are accounted for in the operating income if not treated as a hedge and accounted for in other comprehensive income.

Income statement and balance sheet of foreign subsidiaries have been translated into SEK at year-end rates except for the net result which is translated at average rate for the year. Income statements have been translated at average rates for the year. All exchange rate differences that occur from the translation are accounted for in other comprehensive income. When a foreign operation is sold, exchange 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**

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

Husqvarna comprises three segments (business areas): Europe & Asia/Pacific which includes production, development, logistic, marketing and sale of forest, park and garden products for the European and the Asia/Pacific Market; Americas which includes production, development, logistic, marketing and sale of forest, park and garden products for the North- and Latin American market; and Construction which includes production, development, logistic, marketing and sale of machines and diamond tools for the construction and stone industries. For a more detailed description of the segments see pages 72–73.

**ACCOUNTING AND VALUATION PRINCIPLES****Revenue recognition**

Sales are recorded net of VAT (Value-Added Tax), specific sales taxes, returns and trade discounts. Revenues arise almost exclusively from sales of finished products. Sales are recognized when the significant risks and rewards associated with ownership of the goods have been transferred to the buyer 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. This means that sales are recorded when the goods have been placed at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service, such as product repairs, has been performed.

**Interest income**

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

**Dividend**

Dividend 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 will comply with the conditions attaching 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.

**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.

**Income tax**

The tax expense for the period consists of both current and deferred tax. Tax is recognized in the income statement if not related to items reported in other comprehensive income or equity. If so, tax is reported in other comprehensive income or equity.

The current income tax is calculated on the basis on the tax laws in the country of the parent company or the subsidiaries.

Deferred tax is accounted for in accordance with the liability method 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. This applies to both Swedish and foreign Group companies. Deferred tax assets on tax losses and temporary differences 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 and associates 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 they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., has a legally enforceable right to set off tax assets against tax liabilities.

**Intangible fixed assets****Goodwill**

Goodwill arises from the acquisition of subsidiaries as the excess amount 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 indefinite life intangible asset with an unlimited useful life at cost less accumulated impairment losses.

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 recognised immediately as an expense and is not subsequently reversed. Goodwill is allocated to the cash generating units that are expected to benefit from the business combination.

**Trademarks**

Trademarks that have been acquired separately are shown at historical cost. Trademarks that have been acquired through business combination are recognised at fair value at the acquisition date. Trademarks are reported at cost after any accumulated amortization and accumulated impairment. All trademarks with limited useful lives are amortized on a straight-line basis during the useful life, estimated at 10 years. The trademark Gardena is reported as an intangible asset with unlimited useful life. No other trademarks are identified as having unlimited 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 is 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 patents, licenses, computer software, customer relations and other rights. These assets are recognized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. The estimated useful life recognized for computer software is 3–6 years. Patents, mainly recognized in connection with acquisitions, have an estimated useful life in the range of 10 to 13 years. Husqvarna has recognized customer relations with an estimated useful life between 5–12 years.

**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. For qualifying assets borrowing costs during the construction period are capitalized and included in the net book value of the assets. Subsequent costs are included in the asset's net book value amount only when it is probable that future economic benefits associated with the item will be captured by the Group and are of material value. 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
Plant and machinery	3–15 years
Other equipment	3–10 years

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

**Impairment of non-financial assets**

Assets that have an indefinite useful life for example – goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. 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. The discount rates used reflect the cost of capital and other financial parameters in the country or region in which the asset is in use. For the purposes of assessing impairment, assets are grouped in cash-generat-

ing 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 Europe & Asia/Pacific, Americas and Construction.

**Classification of financial assets**

Husqvarna classifies its financial assets according to the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investment was acquired. Management determines the classification of investments at initial recognition and reviews this designation at each reporting date.

**Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling the asset in the short-term or if the asset is designated as belonging to this category by management. Derivatives are categorized as held for trading and presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

**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 balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables in the balance sheet.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as financial assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

**Recognition and measurement of financial assets**

Regular purchases and sales of investments (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. Investments are derecognized when the right to receive cash flows from the investments have expired or have been transferred and when the Group has transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets and financial assets recognized at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method less provision for impairment. Realized and unrealized gains and losses arising from changes in the fair value of the category "Financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise and are reported as part of the operating income. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities and reported in the Groups result after financial items.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by utilizing different valuation techniques. These

include the use of recent arm's length transactions, reference to other instruments that are of substantially the same type and nature, discounted cash flow analysis, and option-pricing models refined to reflect the issuer's specific circumstances.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for equity instruments classified as available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. Impairment losses for available for sale assets recognized in the income statement are never reversed back through the income statement.

### Leasing

A finance lease is a lease that transfers substantially all of the risks and rewards associated with ownership of an asset from the lessor to the lessee. Title may or may not be eventually transferred to the lessee. Assets under finance leases in which the Group is a lessee are recognized in the balance sheet and the future leasing payments are recognized as loan. Expenses for the period correspond to the depreciation of the leased asset and interest cost of the loan. Finance leases are capitalized at the inception of the lease at the lower amount of either the fair value of the leased property or the present value of the minimum lease payments. The leased assets are depreciated over their estimated useful lives. If no reasonable certainty exists that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter period of either the lease term or the useful life of the assets.

Apart from finance leases all other leases are categorized as operating leases. The payments made under operating leases are recognized in the income statement on a straight-line basis over the leasing period.

The Group rents certain production facilities, warehouses and office premises as well as certain office equipment under leasing agreements. Most leasing agreements in the Group are classified as operating leases.

### Inventories

Inventories and work in progress are valued at the lower amount of cost and the 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, based on normal capacity. Borrowing costs are not included in inventory. Internal profit in inventory are eliminated on consolidated level. Appropriate provisions have been made for obsolescence.

### Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established 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. The change in the amount of the provision is recognized in selling expense.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with maturities of three months or less.

### Provisions

Provisions are recognized when the Group has a present 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 balance sheet date. Where the effect of the time value of money is material, the amount recognized is the present value of the estimated expenditures.

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.

### Pensions and other post-employment benefits

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

Under a defined contribution plan, the Company 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.

All other pensions and other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. The calculations are made annually using actuarial assumptions determined close to the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions and differences between the expected and actual return on plan assets are treated as actuarial gains or losses. Actuarial gains or losses are amortized over the employees' expected average remaining working lifetime in accordance with the corridor approach. Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations at year-end less the market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

### Borrowings

Borrowings are initially recognized at fair value net of transaction costs incurred. Transaction costs for loans raised are recognized over the duration of the loan using the effective interest method. After initial recognition, borrowings are valued at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Trade payables

Trade payables are obligations to pay for goods or services that have been accounted for in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less, if not they are presented as non-current liabilities.

### 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 remeasured 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 foreign operations, and the hedged risk is defined as the risk of changes in the spot rate.

When hedges are entered into the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as the Group's 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.

#### **Cash-flow hedge**

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

Amounts accumulated in equity are reclassified and recognized in the income statement in the periods in which 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.

#### **Net investment hedge**

Hedges of net investments in foreign operations are treated 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 immediately in the income statement as financial items.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of, or in the event of a partial disposal.

#### **Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement as financial items.

#### **Share-based compensation**

Husqvarna Group has share-based compensation programs granted during the years 2009–2011, where the Group receives services from employees as consideration for Equity instruments (shares and options). Husqvarna classifies its share-based compensation programs as equity-settled programs, which means that the cost of the granted instruments' fair value at grant date is recognized over 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 each balance sheet date, the Group revises the estimates of the number of instruments that are expected to vest. Husqvarna 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 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.

#### **Cash flow**

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

### **PARENT COMPANY'S ACCOUNTING AND VALUATION PRINCIPLES**

The accounting principles described above are applied by the Parent Company Husqvarna AB with only a few exceptions and additions.

#### **Segments**

Information is reported in accordance with the Swedish Annual Accounts Act and contain disclosures of net sales divided by geography.

#### **Tangible assets**

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 "Tangible assets" above and are reported as untaxed reserves in the Balance sheet.

#### **Pensions**

Husqvarna Group applies IAS 19 for pension assets and liabilities. The parent company applies FAR:s recommendation nr 4 "Accounting of pension liabilities and pension costs". The differences are described in note 22 on page 84.

#### **Shares in subsidiaries and associates**

Shares in subsidiaries and associates are reported at cost deducted for write-downs. 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. Expenses related to an acquisition are included in the acquisition value of the investment. Dividends are reported as financial income if it exceeds the profits earned after the acquisitions. Dividend exceeding profits after the acquisition are accounted for as reduction to the value of the investment.

#### **Group contributions and Capital contributions**

The Swedish Financial Reporting Board's statement UFR 2 Group contributions and Capital contributions has been withdrawn and replaced by guidance in RFR 2 Accounting for Legal Entities. Husqvarna AB has changed the accounting for group contributions as of 2011 and applies the new guidance retrospectively for the comparative year 2010, which has been restated. This change has had an impact on the finance net of SEK –967m for 2011 and SEK –913m for 2010. Tax on Group contributions is with the new accounting treatment accounted for in the Income statement and not in Other Comprehensive income. Total impact on the Net income for the comparative year 2010 is SEK –672m which is offset by the same increase in Other Comprehensive income. The changed accounting treatment has no effect on the total shareholder equity.

#### **Contingent liabilities**

The parent company has signed guarantees in favour 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.

### **SIGNIFICANT ACCOUNTING POLICIES AND UNCERTAINTY FACTORS IN ESTIMATED VALUE**

#### **Use of estimates**

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in order to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

The discussion and analysis of Husqvarna's results of operations and financial position are based on Husqvarna's financial statements, which have been prepared in accordance with International Financial Report-

ing Standards (IFRS), as adopted by the European Union. The preparation of these financial statements requires management to apply certain accounting methods and policies that may be based on difficult, complex or subjective judgments. Management applies estimates on the basis of experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at balance sheet date and also affects the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Summarized below are those accounting policies that require more subjective judgment from management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

#### Asset impairment

All assets with long useful lives, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that the net book value of an asset may not be recoverable. An impaired asset is written down to its recoverable amount on the basis of the best information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when this information has indicated that the net book value of an asset is not recoverable. If market value has not been available fair value has been estimated by using the discounted cash flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used may result in different asset valuations.

Long-lived assets, excluding goodwill and other intangible assets with indefinite lives, are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant, and equipment are estimated between 10–40 years for buildings, 3–15 years for plant and machinery and technical installations and 3–10 years for other equipment. The net book value for property plant, and equipment within the Group amounted to SEK 3,922m. The net book value for goodwill and other intangible assets at year-end amounted to SEK 9,985m. A key assumption in making the impairment test is the setting of the discount rate. The current pre-tax discount rate used is 11 percent. Under the current business environment management do not believe that any reasonably possible change in this assumption 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.

#### Deferred taxes

In the preparation of the financial statements, Husqvarna estimates income tax for each of the taxing jurisdictions in which Husqvarna 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 in those cases in which 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. As of 31 December 2011, Husqvarna recognized a net amount of SEK 574m as deferred tax liabilities. Tax loss carry-forwards, unused tax credits and other deductible temporary differences of SEK 2,260m have not been included in computation of deferred tax assets.

#### Trade receivables

Trade receivables are reported net of allowance for doubtful receivables. The net value represents the amount expected to be received.

These expectations are based on circumstances known at balance sheet date. An increase in defaults or changes in financial situation of a significant customer could lead to different valuations. The total provision for doubtful accounts at year end was SEK 167m and the trade receivables, net of provision amounted to SEK 3,660m.

#### Pensions and other post-employment benefits

The Group sponsors defined benefit pension plans for certain of its employees in certain countries. Pension calculations are based on assumptions concerning expected return on assets, discount rates, inflation, mortality, future salary increases etc. Changes in assumptions directly affect the service costs, interest costs and expected return on asset components of the expense. Gains and losses arising when actual returns on assets differ from expected returns, and when actuarial liabilities are adjusted due to changes in assumptions, are allocated over the expected average remaining working life of the employees using the corridor approach. The average expected return on assets used in 2011 was 5,3 percent (SEK 83m), which is based on historical results. During 2011 the actual return on assets was SEK 80m. The average discount rate used to estimate liabilities at the end of 2010 and the calculation of expenses during 2011 was 4,8 percent. A decrease of 0,5 percent in this rate would have increased the service cost component of the expense by approximately SEK 7m.

#### Restructuring

During 2008–2011 Husqvarna has announced a number of restructuring programs. The total charge against operating income 2011 was SEK 64m (157) of which SEK 8m (41) was impairment of fixed assets. End of 2011 SEK 123 m has been paid out from this years and prior years restructuring programs. The charges have been calculated on the basis of detailed plans for activities that are aimed at increasing flexibility both on variable and fixed costs.

#### Claims reserves

Husqvarna maintains third-party insurance coverage and is insured through wholly-owned insurance subsidiaries (captives) as regards 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. See Note 23 on page 87.

#### Contingent liabilities

The Group is involved in various disputes arising from time to time in its ordinary course of business. Husqvarna estimates that none of the disputes in which Husqvarna 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. See Note 25 on page 87.



## NOTE 2 Financial risk management and financial instruments

Financial instruments are defined in accordance with IAS 32, Financial Instruments: Presentation, and presented in accordance with IFRS 7 Financial Instruments: Disclosure. Additional and complementary information disclosing the accounting and valuation policies adopted is presented in the Note 1, Accounting and valuation principles.

### Financial risk management

Financial risk management for Husqvarna entities has been 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, trade payables, 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 subsidiaries.
- 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, the 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.

### Capital structure

Husqvarna's target is to have a capital structure corresponding to a long-term creditworthiness of at least BBB rating or equivalent, according to the principles for credit assessment of Standard & Poor's or a similar agency's. This implies that seasonally adjusted net debt in proportion to earnings before interest, tax, depreciations and amortizations (EBITDA) is 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. Adjusted financial debt, when assessing the capital structure, is defined as net debt adjusted for pension liabilities. Given the seasonality of the business, this key ratio varies substantially during the year.

Husqvarna has not breached any external capital requirements during the year.

### Capital structure

SEKm	Dec 31, 2011	Dec 31, 2010
Interest-bearing liabilities	8,261	7,667
Less: liquid funds	-1,340	-2,067
Net debt	6,921	5,600
<b>Total equity excl. non-controlling interests</b>	<b>12,332</b>	<b>12,154</b>
<b>Total assets</b>	<b>29,103</b>	<b>28,402</b>
Net pension liabilities	754	892
Adjusted financial debt	7,675	6,492
EBITDA (12m)	2,671	3,666
Adjusted financial debt/EBITDA	2.87	1.77
Adjusted equity/assets ratio <sup>1)</sup>	42.4%	42.8%

<sup>1)</sup> Husqvarna defines its equity as the sum of share capital, other reserves and retained profits less non-controlling interests.

### Borrowings and financing risk

#### 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 bulk of the Group's financing is currently conducted through bilateral loan agreements, a Swedish Medium Term Note (MTN) program and other bond financing. In addition, the Group has a SEK 6,000m unutilized committed revolving credit facility maturing in 2016. Due to the nature of its business, the Group has major seasonal variations in its funding needs. These variations have during 2011 been managed mainly by utilizing the Group's commercial paper (CP) program.

#### 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 long-term borrowings 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 4.3 years (2.4) at the end of 2011, taking the unutilized part of committed credit facilities into account.

**Interest-bearing liabilities**

At year-end 2011, the Group's total interest-bearing liabilities amounted to SEK 8,261m (7,667), of which SEK 6,941m (6,985) referred to long-term loans. The major portion of the long-term borrowings pertains to bilateral loan agreements and bond loans issued in the domestic market. During the year the Group's committed revolving credit facilities, amounting to SEK 10,000m at year end 2010, has been re-negotiated to a SEK 6,000m syndicated committed revolving credit facility maturing 2016. Bilateral loans amounting to SEK 950m originally maturing 2012 has during the year been

prolonged to 2016. Outside of the Group's MTN program, a new bond loan amounting to SEK 500m with maturity 2018 has been issued.

Husqvarna has, as mentioned, substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 3,000–5,000m in excess of year-end borrowings, taking dividend into account.

The table below sets out the amount of the Group's borrowings, allocated by different funding sources.

**Maturity profile of loans and other financial instruments as of December 31, 2011<sup>1</sup>**

SEKm	2012	2013	2014	2015	2016	>2017	Total
Financial leases	47	44	36	33	33	111	304
Bond loans	634	674	64	1,554	562	609	4,097
Bank and other loans	444	1,038	1,010	22	1,506	1	4,021
Derivative liabilities, balance sheet <sup>2</sup>	325	51	31	9	1	–	417
<b>Total</b>	<b>1,450</b>	<b>1,807</b>	<b>1,141</b>	<b>1,618</b>	<b>2,102</b>	<b>721</b>	<b>8,839</b>
Unutilized committed revolving credit facilities covering short-term financing	–6,000	–	–	–	6,000	–	–
<b>Adjusted maturity profile</b>	<b>–4,550</b>	<b>1,807</b>	<b>1,141</b>	<b>1,618</b>	<b>8,102</b>	<b>721</b>	<b>8,839</b>
Liquid funds excl. derivative assets	–874	–196	–15	–	–	–	–1,085
Derivative assets, balance sheet <sup>2</sup>	–296	–18	–2	–7	–	–	–323
Trade receivables	–3,660	–	–	–	–	–	–3,660
Trade payables	2,797	–	–	–	–	–	2,797
<b>Net</b>	<b>–6,583</b>	<b>1,593</b>	<b>1,124</b>	<b>1,611</b>	<b>8,102</b>	<b>721</b>	<b>6,568</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 Note 2 on page 70.

**Borrowings**

SEKm	Total borrowings 2011	Facility amount 2011	Total borrowings 2010	Facility amount 2010
Medium Term Note Program	1,535	5,000	1,540	5,000
Other bond loans	2,169	–	1,668	–
Committed revolving credit facility	–	6,000	–	10,000
Long-term bank loans	3,556	–	3,583	–
Financial leases	209	–	221	–
Commercial papers	–	7,000	–	7,000
Other short-term loans	440	–	282	–
Fair value derivative liabilities	352	–	373	–
<b>Total</b>	<b>8,261</b>	<b>18,000</b>	<b>7,667</b>	<b>22,000</b>

Issued – Maturity	Program	Nominal amount	Currency	Coupon
	CP	–	SEK	
2007–2012	MTN	250	SEK	STIBOR+0.39%
2007–2012	MTN	250	SEK	4.875%
2007–2015	MTN	500	SEK	STIBOR+0.46%
2008–2016	MTN	60	EUR	EURIBOR+0.82%
2010–2013	Other	600	SEK	STIBOR+1.15%
2010–2015	Other	1,000	SEK	STIBOR+1.40%
2011–2018	Other	500	SEK	STIBOR+1.40%

### 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 CP program. The total amount of the program is SEK 7,000m. The table on the previous page shows outstanding amounts under these two programs.

### Currency composition

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

SEKm	Dec 31, 2011		Dec 31, 2010	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
SEK	5,137	7,086	3,052	4,901
EUR	1,222	-3,746	2,038	-2,318
USD	686	1,536	643	985
AUD	-18	534	-24	482
JPY	-143	383	-98	672
NOK	-31	270	-51	50
CAD	-3	258	-31	300
BRL	209	209	257	257
ZAR	-17	165	-31	89
Other	-121	226	-155	182
<b>Total</b>	<b>6,921</b>	<b>6,921</b>	<b>5,600</b>	<b>5,600</b>

### 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 percent of rolling 12-month sales. At year-end, this ratio was 24.2 percent (37.4). In addition to this liquidity, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

### Credit risk in liquid funds

Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 45 days (95) at the end of 2011.

### Interest rate risks on liquid funds and borrowings

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

Group Treasury manages the interest rate risk of the investments in relation to a benchmark position defined as a one-day holding period. Any deviation from the benchmark is limited by a risk mandate.

Derivative financial instruments, such as futures and forward rate agreements, are used to manage the interest rate risk. 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 45 days (57) at the end of 2011. A downward shift in the yield curve of

one percentage point would reduce the Group's interest income by approximately SEK 8m (16) and the Group's equity by SEK 6m (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 1.3 (1.5) years at year-end. On the basis of volumes and interest fixings at the end of 2011, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 33m (18). 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 31 December 2011, the average interest rate in the total loan portfolio was 4.7 percent (4.8). At year-end, Husqvarna had outstanding interest rate derivatives with a nominal amount of SEK 2,966m (2,452) hedging the interest rate risk.

### Foreign exchange risk

Foreign exchange risk refers to the adverse effects of changes in foreign 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, SEK, RUB, CNY and JPY.

### 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 percent 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 percent. 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 2012 hedges at year-end 2011, and comparative amounts for the previous year.

### Commercial flows

Currency SEKm	2012 Forecast flow	Dec 31, 2011 Total hedge amount	2011 Forecast flow	Dec 31, 2010 Total hedge amount
EUR	2,385	-1,986	2,343	-1,793
RUB	758	-498	1,145	-764
CAD	642	-393	752	-513
AUD	406	-306	529	-346
NOK	337	-223	310	-193
Other	1,831	-1,017	1,737	-1,062
JPY	-329	216	-382	215
CNY	-699	457	-714	172
USD	-1,830	1,409	-2,394	2,058
SEK	-3,501	2,341	-3,326	2,226

The effect of hedging on operating income amounted to SEK –118m (80) during 2011. At year-end 2011, the unrealized exchange rate result on forward contracts amounted to SEK 169m (17), the majority of which will mature in 2012.

#### Translation exposure on consolidation of entities outside Sweden

Changes in exchange rates also affect the Group's income on translation of 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.

#### 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 to RUB, CNY and CAD and a number of other currencies. A 10 percent increase or decrease in the value of USD, EUR and RUB against SEK, disregarding any effects from hedges, would affect the Group's result before financial items and tax by approximately SEK +/- 129m (157) for one year, using a static calculation. This assumes the same distribution of earnings and costs as in 2011 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior 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 36.

#### Exposure from net investments (balance sheet exposure)

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 accordance with the changes in the Financial Policy decided by the Board during the year, net investments in foreign operations are normally not hedged. As of 31 December 2011, no net investments in foreign operations were hedged.

#### Hedge accounting of currency risk

Husqvarna applies hedge accounting for the hedging of its 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 162m as of 31 December 2011, of which SEK 151m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2012 would be SEK 23m for Q1, SEK 75m for Q2, SEK 42m for Q3 and SEK 11m for Q4, 2012. During the year no ineffectiveness has occurred in the hedging of commercial flows in foreign operations nor in the hedging of net investments in foreign operations. See note 19 for the effect on equity of hedge accounting.

#### Commodity price risks

Commodity price risk is the risk that the cost of direct and indirect materials could increase as 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 exposures, which refer to pure commodity exposures, and indirect commodity exposures, which are defined as exposures 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 ten percent 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 180m (195), everything else being equal. The same effect on

the price of aluminum would impact the results by +/-SEK 90m (50) and a 10 percent change in the price of plastics would give an effect on results of SEK +/- 90m (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 also normally arranged by third parties. The Credit Policy of the Group ensures that the management process for customer credits 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.

Credit portfolio SEKm	2011	2010
Total	3,660	3,575
Low to Moderate Risk	1,982	2,158
Medium Risk to Elevated	1,395	1,277
High Risk	283	140

As of 31 December 2011, net trade receivables, after provisions for doubtful accounts, amounted to SEK 3,660m (3,575), 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 to nine months of each calendar year. A provision for impairment of trade receivables is established 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 doubtful trade receivables at the end of the financial year amounted to SEK 167m (168), of which SEK 165m refer to invoices due.

##### Past due but not impaired receivables

Trade receivables that were overdue but not yet written down amounted to SEK 587m (548) as of 31 December 2011.

##### Ageing analysis for overdue trade receivables

Past due but not impaired SEKm	Due for payment	
	2011	2010
Up to 1 month	211	194
1 to 3 months	139	123
>3 months	237	231
	<b>587</b>	<b>548</b>

The situation regarding overdue 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 44m (26).

A plan for repayment is normally first designed for customers with overdue 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 SEKm	As of Dec 31, 2011		As of Dec 31, 2010	
	Number of customers	Percent of total portfolio	Number of customers	Percent of total portfolio
Exposure <SEK 15m	N/A	78%	N/A	79%
Exposure SEK 15–100m	11	10%	8	7%
Exposure >SEK 100m	2	12%	2	14%

Husqvarna has substantial exposure towards a limited number of large customers, primarily in the U.S.

**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 permissible exposure for each counterparty. Normally, transactions are executed only with counterparties having a long-term credit rating of at least A-. A substantial part of the exposure arises from derivatives transactions. The table below shows the gross volume of outstanding derivative transactions.

**Maturity**

SEKm	Dec 31, 2011		Dec 31, 2010
	2012	2013	2011
Amount sold	-20,805	-18	-26,853
Amount purchased	20,764	18	26,893
Net settled derivatives (NDF)	-	-	-7
<b>Net</b>	<b>-41</b>	<b>0</b>	<b>33</b>

**Fair value of financial instruments**

The carrying amount of interest-bearing assets and liabilities in the balance sheet can deviate from the fair value, e.g. as a result of changes in market interest rates. Husqvarna applies to IFRS 7 for financial instruments measured at fair value on the balance sheet whereby an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of input used according to the following levels:

- Quoted prices (unadjusted) in active markets (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).

All financial assets and liabilities reported at fair value are held in the category financial assets and liabilities through profit and loss. To determine the fair value of those financial assets and liabilities fair value hierarchy Level 2 has been applied for 2010 and 2011, whereby future cash flows have been discounted using current quoted market interest rates and currency rates for similar instruments.

Changes in credit spreads have been disregarded when determining fair value of financial leases.

For financial instruments such as trade receivables, trade payables and other non-interest bearing assets and liabilities, booked at accrued acquisition value less any depreciation, the fair value is determined as corresponding to the carrying amount.



**Financial assets and liabilities**

SEKm	2011		2010	
	Net book value	Fair value	Net book value	Fair value
<b>Financial assets</b>				
Financial assets held for trading valued at fair value				
– of which derivatives where hedge accounting is not applied	90	90	55	55
– of which currency derivatives where hedge accounting for cash flow hedges is applied	167	167	82	82
– of which interest derivatives where hedge accounting for cash flow hedges is applied	–	–	6	6
– of which currency derivatives where hedge accounting for net investment in foreign currency is applied	–	–	275	275
Loans and receivables				
Trade receivables	3,660	3,660	3,575	3,575
Other receivables	383	383	435	435
Other short-term investments	327	327	173	173
Cash and cash equivalents	756	756	1,476	1,476
<b>Total financial assets</b>	<b>5,383</b>	<b>5,383</b>	<b>6,077</b>	<b>6,077</b>
<b>Financial liabilities</b>				
<b>Financial liabilities that are held for trading at fair value</b>				
– of which derivatives where hedge accounting is not applied	255	255	202	202
– of which currency derivatives where hedge accounting for cash flow hedges is applied	16	16	78	78
– of which interest derivatives where hedge accounting for cash flow hedges is applied	81	81	35	35
– of which currency derivatives related to net investments in foreign currency where hedge accounting is applied	–	–	58	58
<b>Other financial liabilities</b>				
Trade payables	2,797	2,797	2,810	2,810
Other liabilities	176	176	208	208
Financial leases	209	255	221	250
Loans	7,700	7,726	7,003	7,011
<b>Total financial liabilities</b>	<b>11,234</b>	<b>11,306</b>	<b>10,615</b>	<b>10,652</b>

**Parent Company**

As previously mentioned, Husqvarna Group Treasury performs mainly all financial risk management within the Parent Company. The description of the financial risks and positions is, consequently, also relevant for the Parent Company. The main difference concerns all Group internal transactions that are eliminated on the Group level.

## NOTE 3 Segment information

Husqvarna comprises three segments (business areas); Europe & Asia/Pacific, Americas and Construction. This forms the basis for the Group's internal reporting reviewed by the Group's CEO (Husqvarna's chief operating decision maker) in order to assess performance and take decision on allocating resources to the segments. The business areas are responsible for the operating income and the net assets used in their operations which also are the financial measure used when the Group's CEO uses in his assessment of the performance of the segment. The net financial income/expense and taxes as well as net debt and equity are not allocated and reported per business area. The business areas consist of separate legal units as well as divisions in multi-segment legal units where a certain amount of allocation of costs and net assets is carried out. Operating costs not included in the business areas are shown under Husqvarna's common costs, which mainly include costs for Husqvarna's corporate functions.

The operative organisation which is shown on page 44, comprises five business units; Manufacturing and Logistics (Manufacturing, Purchasing and Logistics), Product and Development (Brand, Design, R&D and Quality), Sales Europe & Asia/Pacific, Sales Americas and Constructions. The two business units Manufacturing and Logistics and Product and Development are support functions to the business areas Sales Europe & Asia/Pacific and Sales Americas.

The business area Europe & Asia/Pacific includes selling of forest, park and garden products to retailers and dealers in the Europe and Asia/Pacific region. The business area Americas includes selling of forest, park and garden products to retailers and dealers in North- and Latin America. The business area Construction includes production, development, logistics, marketing and selling of machines and diamond tools for the construction and stone industries.

Forest, park and garden products comprises five product categories; Ride-on products (mainly riders, garden tractors and zero turn mowers), Walk-behind products (mainly lawn mowers, robotic mowers, tillers and snow throwers), Handheld products (mainly chainsaws, trimmers, clearing saws, blowers and hedge trimmers), Watering products (mainly water hoses, couplings and sprinklers) and Accessories and Garden tools (mainly accessories, spare parts and garden tools such as saw chains, mower blades, safety equipment and clothes).

Machines and diamond tools for the construction and stone industries include products such as power cutters and related diamond tools, floor saws, tile and brick saws, demolition robots, machines for polishing and grinding and diamond tools for the stone industry.

SEKm	Net sales		Operating income		Where of one-time costs	
	2011	2010	2011	2010	2011	2010
Europe & Asia/Pacific	16,365	16,621	2,277	2,383	–	–
Americas	11,193	12,944	–654	152	–	–160
Construction	2,799	2,675	130	82	–64	–47
<b>Total</b>	<b>30,357</b>	<b>32,240</b>	<b>1,753</b>	<b>2,617</b>	<b>–64</b>	<b>–207</b>
Group common costs <sup>1</sup>	–	–	–202	–172	–	–
<b>Total</b>	<b>30,357</b>	<b>32,240</b>	<b>1,551</b>	<b>2,445</b>	<b>–64</b>	<b>–207</b>

<sup>1</sup> Group common costs include costs for Holding, Treasury and Risk management.

During 2011 and 2010 Husqvarna has announced a number of restructuring programs impacting the business areas' operating income. The table above shows the charges made to the respective business area as one-time costs.

SEKm	Assets		Liabilities		Cash flow <sup>1</sup>	
	2011	2010	2011	2010	2011	2010
Europe & Asia/Pacific	16,311	15,564	3,929	4,014	1,390	2,123
Americas	7,105	6,826	1,430	1,609	–1,404	–552
Construction	3,222	3,161	646	565	270	23
<b>Total</b>	<b>26,638</b>	<b>25,551</b>	<b>6,005</b>	<b>6,188</b>	<b>256</b>	<b>1,594</b>
Other <sup>2</sup>	1,125	784	2,449	2,344	78	254
	<b>27,763</b>	<b>26,335</b>	<b>8,454</b>	<b>8,532</b>	<b>334</b>	<b>1,848</b>
Liquid funds	1,340	2,067	–	–	–	–
Interest-bearing receivables	–	–	–	–	–	–
Interest-bearing liabilities	–	–	8,261	7,667	–	–
Total equity	–	–	12,388	12,203	–	–
Acquisitions	–	–	–	–	–	–
Financial items	–	–	–	–	–393	–383
Taxes paid	–	–	–	–	–413	–503
<b>Total</b>	<b>29,103</b>	<b>28,402</b>	<b>29,103</b>	<b>28,402</b>	<b>–472</b>	<b>962</b>

<sup>1</sup> Cash flow from operations and investments.

<sup>2</sup> Includes deferred taxes and common Group services such as Holding, Treasury and Risk Management.

SEKm	Capital expenditure Tangible assets		Capital expenditure Intangible assets		Depreciation/ amortization/impairment <sup>1</sup>	
	2011	2010	2011	2010	2011	2010
Europe & Asia/Pacific	431	552	169	236	581	572
Americas	214	372	73	39	385	487
Construction	57	67	50	36	153	159
Other	–	–	–	–	1	3
<b>Total</b>	<b>702</b>	<b>991</b>	<b>292</b>	<b>311</b>	<b>1,120</b>	<b>1,221</b>

<sup>1</sup> Impairment in the Group amounted to SEK 8m (41), whereof SEK 0m (0) referred to Europe & Asia/Pacific, SEK 0m (28) to Americas and SEK 8m (13) to Construction.

Segment consolidation is based on the same accounting principles as for the Group as a whole. Transactions between business areas are carried out on strictly commercial terms, applying arm's length principles.

Management of the operational assets is carried out on a business area basis and the performance of their respective business area is measured according to the same criteria, while the financing of the operations is managed by Husqvarna Group

Treasury at Group and country level. Consequently, liquid funds, interest-bearing receivables and liabilities and equity are not allocated to the business areas. Husqvarna Group has no single customer to which net sales exceeds 10 percent of the group's total net sales.

The table below shows sales per geographical market, regardless of where the goods are produced.

#### External sales, per geographical market

SEKm	2011	2010
Sweden	1,269	1,191
Australia	962	929
France	1,785	1,937
Italy	643	698
Japan	850	895
Norway	603	612
Russia	1,118	1,235
United Kingdom	903	906
Germany	2,724	2,536
United States	10,213	11,682
Austria	689	658
Rest of the world	8,598	8,961
<b>Total</b>	<b>30,357</b>	<b>32,240</b>

#### External sales, per product category

SEKm	2011	2010
Ride-on products	6,913	7,867
Walk-behind products	5,401	5,412
Handheld products	9,419	10,180
Watering products	2,433	2,566
Accessories and Garden tools	2,680	2,732
Construction products	2,799	2,675
Other products	712	808
<b>Total</b>	<b>30,357</b>	<b>32,240</b>

#### Assets and capital expenditure, per geographical area

SEKm	Assets <sup>1</sup>		Capital expenditure Tangible assets		Capital expenditure Intangible assets	
	2011	2010	2011	2010	2011	2010
Sweden	1,683	1,593	160	145	191	188
Other Europe	7,105	7,301	235	383	22	51
North America	3,741	3,888	200	380	57	22
Rest of the world	1,383	1,332	107	83	22	50
<b>Total</b>	<b>13,912</b>	<b>14,114</b>	<b>702</b>	<b>991</b>	<b>292</b>	<b>311</b>

<sup>1</sup> Non current assets other than financial instruments, deferred tax assets and post employment benefit assets.

#### Parent company information

##### Net sales

SEKm	2011	2010
Europe	8,113	7,756
North America	1,032	849
Rest of the world	1,976	1,699
<b>Total</b>	<b>11,121</b>	<b>10,304</b>

## NOTE 4

### Expenses by nature

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Costs for raw materials, components	15,671	17,078	7,021	6,634
Remuneration to employees	4,933	5,188	1,147	1,083
Costs for research and development	793	641	558	390
Amortization and depreciation	1,112	1,180	287	262
Costs for restructuring	64	207	0	3
Other	6,233	5,501	1,056	825
<b>Total</b>	<b>28,806</b>	<b>29,795</b>	<b>10,069</b>	<b>9,197</b>

## NOTE 5

### Other operating income

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Gain on sale of				
Property, plant and equipment	9	2	–	1
Operations and shares	–	–	–	122
Other operating income	–	–	3	4
<b>Total</b>	<b>9</b>	<b>2</b>	<b>3</b>	<b>127</b>

## NOTE 6

### Other operating expense

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Loss on sale of				
Property, plant and equipment	–5	–4	–1	–1
<b>Total</b>	<b>–5</b>	<b>–4</b>	<b>–1</b>	<b>–1</b>

## NOTE 7

### Exchange rate gains and losses in operating income

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Foreign exchange gains and losses in operating income	–109	18	–40	47

Operating income includes SEK 1m (–42) of foreign exchange hedging results previously reported in other comprehensive income. Information related to the accounting of fair value in financial instruments is presented in note 1 on page 64.

## NOTE 8

### Leasing

#### Operating leases

There are no material contingent expenses or restrictions among Husqvarna's operating leases.

Expenses for rental payments (minimum leasing fees) amounted to SEK 366m (311) in 2011.

The future amount of minimum payments for operating leases are distributed in time as follows:

SEKm	
2012	353
2013–2016	775
2017–	201
<b>Total</b>	<b>1,329</b>

#### Financial leases

Within Husqvarna no financial non-cancellable contracts are sub-contracted. Neither are there any contingent expenses in the period's results, nor any restrictions in the contracts related to the leasing of facilities. The minimum lease fee comprises a capital portion and an interest portion. The interest portion is variable and follows the market interest rates applicable in each country. The present value of the future lease payments is SEK 209m.

At December 31, 2011, Husqvarna's financial leases, recognized as non-current assets, consisted of:

SEKm	2011	2010
<b>Acquisition costs</b>		
Buildings	363	364
Machinery and other equipment	60	57
<b>Closing balance Dec 31</b>	<b>423</b>	<b>421</b>
<b>Accumulated depreciation</b>		
Buildings	280	270
Machinery and other equipment	34	34
<b>Closing balance Dec 31</b>	<b>314</b>	<b>304</b>
<b>Net book value amount Dec 31</b>	<b>109</b>	<b>117</b>

#### Liabilities referring to financial leasing

##### – minimum lease fees

SEKm	
Within 1 year	47
After 1 year	257
	<b>304</b>

Future financial costs for financial leasing	–95
<b>Present value of future minimum lease fees</b>	<b>209</b>

##### Present value of financial leasing liabilities

Short-term liabilities	28
Long-term liabilities	181
	<b>209</b>

## NOTE 9

### Result from Group companies

SEKm	Parent Company	
	2011	2010
Dividends	740	1,103
Group contributions received	23	66
Impairments	-6	-
Group contribution paid	-990	-979
<b>Total</b>	<b>-233</b>	<b>190</b>

## NOTE 10

### Financial income and expense

SEKm	Group		Parent Company	
	2011	2010	2011	2010
<b>Financial income</b>				
Interest income				
from subsidiaries	-	-	55	51
from others	17	15	5	2
whereof:				
on loans	17	15	38	23
on derivatives held for trading	-	-	22	30
Exchange-rate differences	9	-	15	585
whereof:				
on loans	52	-	84	269
on derivatives held for trading	-43	-	-69	316
Dividends <sup>3</sup>	1	0	-	-
Other financial income	1	0	-	-
<b>Total financial income</b>	<b>28</b>	<b>15</b>	<b>75</b>	<b>638</b>
<b>Financial expenses</b>				
Interest expense				
to subsidiaries	-	-	-91	-20
to others	-370	-359	-311	-305
whereof:				
on loans <sup>1</sup>	-291	-210	-323	-176
on cashflow hedges, interest derivatives	-24	-47	-24	-47
on derivatives held for trading <sup>2</sup>	-55	-102	-55	-102
Exchange-rate differences	-	-4	-	-
whereof:				
on loans	-	669	-	-
on derivatives held for trading	-	-673	-	-
Other financial expenses	-62	-46	-46	-28
<b>Total financial expenses</b>	<b>-432</b>	<b>-409</b>	<b>-448</b>	<b>-353</b>
<b>Financial income and expenses, net</b>	<b>-404</b>	<b>-394</b>	<b>-373</b>	<b>285</b>

<sup>1)</sup> Interest expense on loans includes interest expense on loans in foreign currencies used for hedging net investments SEK 0m (-36).

<sup>2)</sup> Financial expenses on hedging of foreign net investments include interest expenses from derivatives used for hedging net investments SEK -1m (-44).

<sup>3)</sup> Dividend in Parent Company see note 9.

## NOTE 11

### Taxes

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Current taxes	-549	-606	-11	-85
Deferred taxes	399	304	-5	-9
<b>Total</b>	<b>-150</b>	<b>-302</b>	<b>-16</b>	<b>-94</b>

The Group accounts include deferred tax liabilities of SEK -185m (-266) referring to untaxed reserves in the Parent Company.

#### Theoretical and actual tax rates

%	Group		Parent Company	
	2011	2010	2011	2010
Theoretical tax rate	31.5	31.9	26.3	26.3
Losses for which deductions have not been made	5.1	6.0	-	-
Non-taxable/non-deductible income statement items, net	-6.8	-2.5	-24.9	-20.4
Changes in estimates relating to deferred tax	-2.5	-6.9	0.7	0.6
Utilized tax loss carry-forwards	-4.7	-8.5	-	-
Effect of tax rate change	-5.1	0.6	-	-
Withholding tax	1.5	0.8	-	-
Other	-5.8	-6.7	-	-
<b>Actual tax rate</b>	<b>13.2</b>	<b>14.7</b>	<b>2.1<sup>1</sup></b>	<b>6.5<sup>1</sup></b>

<sup>1)</sup> Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 740m (1,103).

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group's net sales per country, multiplied by the local statutory tax rates.

#### Tax loss carry-forwards and other tax credits

As of December 31, 2011, the Group has tax loss carry-forwards, other deductible temporary differences and tax credits of SEK 2,260m (1,569), whereof SEK 0m (0) is allocated to the parent company, which have not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows:

SEKm	2011
2012	0
2013	0
2014	3
2015	0
2016	22
2017-	1,379
Without time limit	493
<b>Total</b>	<b>1,897</b>

The change from the previous year as regards deductible temporary differences was SEK 0m (-14), excluding unused tax losses not recognized in the balance sheet.

As of 31 December 2011, the Group had deferred taxes recognized in other comprehensive income totalling SEK -18m (-259). Deferred taxes recognized in the income statement amounted to SEK 399m (304). Exchange-rate differences amounted to SEK 2m (112).



## Changes in deferred taxes

SEKm	Group		Parent Company	
	2011	2010	2011	2010
<b>Net deferred taxes and liabilities, Jan 1</b>	<b>-957</b>	<b>-1,114</b>	<b>29</b>	<b>42</b>
<b>Recognized in other comprehensive income</b>	<b>-18</b>	<b>-259</b>	<b>-21</b>	<b>-4</b>
Hedge accounting	-27	-253	-20	-3
Other	9	-6	-1	-1
<b>Recognized in the income statement</b>	<b>399</b>	<b>304</b>	<b>-5</b>	<b>-9</b>
Non-current assets	-11	-176	-1	-1
Inventories	-30	-2	-	-
Current receivables	-176	90	-	-
Provision for pensions and similar commitments	-20	-10	-1	-10
Other provisions	36	-34	-3	-
Financial and operating liabilities	-29	205	-	-
Other items	96 <sup>1</sup>	237 <sup>1</sup>	-	2
Recognized unused tax losses	533	-6	-	-
<b>Exchange-rate differences</b>	<b>2</b>	<b>112</b>	<b>-</b>	<b>-</b>
Non-current assets	3	157	-	-
Inventories	-1	2	-	-
Current receivables	1	-7	-	-
Provision for pensions and similar commitments	-1	-9	-	-
Other provisions	1	-6	-	-
Financial and operating liabilities	0	-10	-	-
Other items	-1	-15	-	-
<b>Net deferred tax assets and liabilities, Dec 31</b>	<b>-574</b>	<b>-957</b>	<b>3</b>	<b>29</b>

<sup>1</sup> Other items includes tax allocation reserves of SEK 75m (-21) referring to the parent company and its subsidiaries in Sweden.

Deferred tax assets amounted to SEK 1,024m, whereof SEK 201m will be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,598m, whereof SEK 45m will be utilized within 12 months.

The above items mainly reflect the deferred tax effects of excessive depreciation, intangible assets, tax allocation reserve, fair value gains, provisions for pensions, provisions for restructuring, obsolescence allowance and tax losses.

## Deferred tax assets and liabilities, Group

SEKm	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Non-current assets	30	151	1,450	1,563	-1,420	-1,412
Inventories	143	151	152	129	-9	22
Current receivables	67	202	50	10	17	192
Provisions for pensions and similar commitments	115	114	73	49	42	65
Other provisions	157	156	16	52	141	104
Financial and operating liabilities	113	141	2	1	111	140
Other items <sup>1</sup>	20	11	103	174	-83	-163
Recognized unused tax losses	627	95	0	0	627	95
<b>Deferred tax assets and liabilities</b>	<b>1,272</b>	<b>1,021</b>	<b>1,846</b>	<b>1,978</b>	<b>-574</b>	<b>-957</b>
Set-off of tax	-248	-407	-248	-407	-	-
<b>Net deferred tax assets and liabilities</b>	<b>1,024</b>	<b>614</b>	<b>1,598</b>	<b>1,571</b>	<b>-574</b>	<b>-957</b>

<sup>1</sup> Other items includes tax allocation reserves of SEK -99m (-174) referring to the parent company and its subsidiaries in Sweden.

## Deferred tax assets and liabilities, Parent Company

SEKm	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Non-current assets	1	2	2	2	-1	0
Current receivables	-	-	18	5	-18	-5
Provisions for pensions and similar commitments	17	19	-	-	17	19
Other provisions	5	6	-	-	5	6
Financial and operating liabilities	-	8	-	-	-	8
Other items	-	1	-	-	-	1
<b>Net deferred tax assets and liabilities</b>	<b>23</b>	<b>36</b>	<b>20</b>	<b>7</b>	<b>3</b>	<b>29</b>

# NOTE 12

## Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the 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.

	2011	2010
Profit attributable to equity holders of the company	990	1,739
Weighted average numbers of ordinary shares in issue (million)	572.5	573.4

### 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.

The company's long term incentive plan contains share options and share savings program which are of dilutive potential.

	2011	2010
Profit attributable to equity holders of the company	990	1,739
Weighted average numbers of ordinary shares in issue (million)	572.5	573.4
Adjusted for		
– Share options	–	0.6
– Share savings program	0.1	0.2
Weighted average numbers of ordinary shares in issue (million)	572.6	574.2

# NOTE 13 Intangible assets

SEKm	Group					Total	Parent Company Product development and other
	Goodwill	Trademark	Product development	Other			
<b>Acquisition value</b>							
<b>Opening balance, Jan 1, 2010</b>	<b>6,461</b>	<b>3,659</b>	<b>1,325</b>	<b>831</b>	<b>12,276</b>	<b>1,237</b>	
Acquired during the year	–	–	–	121	121	98	
Product development	–	–	190	–	190	90	
Fully amortized	–	–	–	–3	–3	–	
Exchange-rate differences	–466	–440	–64	–36	–1,006	–	
<b>Closing balance, Dec 31, 2010</b>	<b>5,995</b>	<b>3,219</b>	<b>1,451</b>	<b>913</b>	<b>11,578</b>	<b>1,425</b>	
Acquired during the year	–	–	–	97	97	67	
Product development	–	–	195	–	195	114	
Fully amortized	–	–	–	–12	–12	–	
Reclassification	–	–	–	–8	–8	–	
Exchange-rate differences	34	–28	8	10	24	–	
<b>Closing balance, Dec 31, 2011</b>	<b>6,029</b>	<b>3,191</b>	<b>1,654</b>	<b>1,000</b>	<b>11,874</b>	<b>1,606</b>	
<b>Accumulated amortization<sup>1</sup></b>							
<b>Opening balance, Jan 1, 2010</b>	<b>–</b>	<b>173</b>	<b>791</b>	<b>440</b>	<b>1,404</b>	<b>685</b>	
Amortization for the year	–	33	179	79	291	143	
Fully amortized	–	–	–	–3	–3	–	
Exchange-rate differences	–	–20	–46	–32	–98	–	
<b>Closing balance, Dec 31, 2010</b>	<b>–</b>	<b>186</b>	<b>924</b>	<b>484</b>	<b>1,594</b>	<b>828</b>	
Amortization for the year	–	31	176	85	292	166	
Fully amortized	–	–	–	–12	–12	–	
Impairment	–	–	5	–	5	5	
Exchange-rate differences	–	–	7	3	10	–	
<b>Closing balance, Dec 31, 2011</b>	<b>–</b>	<b>217</b>	<b>1,112</b>	<b>560</b>	<b>1,889</b>	<b>999</b>	
<b>Net book value, Dec 31, 2010</b>	<b>5,995</b>	<b>3,033</b>	<b>527</b>	<b>429</b>	<b>9,984</b>	<b>597</b>	
<b>Net book value, Dec 31, 2011</b>	<b>6,029</b>	<b>2,974</b>	<b>542</b>	<b>440</b>	<b>9,985</b>	<b>607</b>	

<sup>1</sup>In the income statement amortization is primarily accounted for within Cost of goods sold.

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

The values of intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if necessary.

Goodwill and intangible assets with indefinite useful lives is allocated to cash-generating units, identified as Husqvarna's business areas (operating segments). Impairment tests are performed on each cash-generating unit. Potential impairment loss is recognized for the amount by which the asset's net book value exceeds its recoverable amount. The recoverable amount for a cash-generating unit is determined based on estimates of value in use.

Value in use is measured as expected future discounted cash flows, based on ascertained five-year forecasts for each cash-generating unit. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2 percent for all cash-generating units. Husqvarna uses a pre-tax discounting rate of 11 percent for 2011. During 2011, value in use has exceeded the net book value

for all cash-generating units, and accordingly, no impairment has been recognized.

Sensitivity analyses have been made of the estimated value in use, where a 2 percent higher discount rate in combination with decreased cash flow, as well as estimates without any future growth. None of the adjusted assumptions would result in an impairment loss of intangible assets with indefinite useful lives, in any of the cash generating-units.

**Intangible assets with indefinite useful lives per business area**

SEKm	2011	2010
Europe & Asia/Pacific <sup>1</sup>	6,749	6,774
Americas	1,274	1,260
Construction	882	864
<b>Totalt Group</b>	<b>8,905</b>	<b>8,898</b>

<sup>1)</sup> Whereof 2,876 Mkr (2,903) relates to the net book value of Gardena trademark, which Husqvarna has assigned indefinite life.

**NOTE 14** Property, plant and equipment

Group SEKm	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Group Total
<b>Acquisition value</b>						
<b>Opening balance, Jan 1, 2010</b>	<b>282</b>	<b>2,794</b>	<b>9,273</b>	<b>1,007</b>	<b>275</b>	<b>13,631</b>
Acquired during the year	4	43	469	69	406	991
Transfer of work in progress and advances	5	151	128	0	-284	0
Sales, scrap, etc.	-6	-31	-367	-91	0	-495
Exchange-rate differences	-21	-193	-600	-67	-26	-907
<b>Closing balance, Dec 31, 2010</b>	<b>264</b>	<b>2,764</b>	<b>8,903</b>	<b>918</b>	<b>371</b>	<b>13,220</b>
Acquired during the year	0	35	319	73	275	702
Transfer of work in progress and advances	25	23	306	2	-356	0
Sales, scrap, etc.	-10	-56	-331	-59	-27	-483
Exchange-rate differences	-2	4	73	-1	-15	59
<b>Closing balance, Dec 31, 2011</b>	<b>277</b>	<b>2,770</b>	<b>9,270</b>	<b>933</b>	<b>248</b>	<b>13,498</b>
<b>Accumulated depreciation<sup>1</sup></b>						
<b>Opening balance, Jan 1, 2010</b>	<b>48</b>	<b>1,402</b>	<b>7,041</b>	<b>765</b>	<b>-</b>	<b>9,256</b>
Depreciation for the year	7	111	685	86	-	889
Impairment	0	39	2	0	-	41
Sales, scrap, etc.	-1	-12	-337	-83	-	-433
Exchange-rate differences	-3	-95	-502	-58	-	-658
<b>Closing balance, Dec 31, 2010</b>	<b>51</b>	<b>1,445</b>	<b>6,889</b>	<b>710</b>	<b>-</b>	<b>9,095</b>
Depreciation for the year	7	106	619	83	-	815
Impairment	-	-	8	-	-	8
Sales, scrap, etc.	-1	-29	-324	-54	-	-408
Exchange-rate differences	-1	6	63	-2	-	66
<b>Closing balance, Dec 31, 2011</b>	<b>56</b>	<b>1,528</b>	<b>7,255</b>	<b>737</b>	<b>-</b>	<b>9,576</b>
<b>Net book value Dec 31, 2010</b>	<b>213</b>	<b>1,319</b>	<b>2,014</b>	<b>208</b>	<b>371</b>	<b>4,125</b>
<b>Net book value, Dec 31, 2011</b>	<b>221</b>	<b>1,242</b>	<b>2,015</b>	<b>196</b>	<b>248</b>	<b>3,922</b>

<sup>1)</sup>In the income statement depreciation is accounted for within Cost of goods sold by SEK 745m (802), within selling expenses by SEK 33m (31) and within administrative expenses by SEK 37m (56).

The net book value for land is SEK 198m (198).

Parent Company SEKm	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
<b>Acquisition value</b>						
<b>Opening balance, Jan 1, 2010</b>	<b>20</b>	<b>280</b>	<b>967</b>	<b>50</b>	<b>71</b>	<b>1,388</b>
Acquired during the year	–	4	120	6	21	151
Transfer of work in progress and advances	–	–	–	–	–	0
Sales, scrap, etc.	–	–2	–110	–6	–	–118
<b>Closing balance, Dec 31, 2010</b>	<b>20</b>	<b>282</b>	<b>977</b>	<b>50</b>	<b>92</b>	<b>1,421</b>
Acquired during the year	–	7	85	4	59	155
Transfer of work in progress and advances	–	4	56	3	–63	0
Sales, scrap, etc.	–	–18	–132	–7	–1	–158
<b>Closing balance, Dec 31, 2011</b>	<b>20</b>	<b>275</b>	<b>986</b>	<b>50</b>	<b>87</b>	<b>1,418</b>
<b>Accumulated depreciation<sup>1</sup></b>						
<b>Opening balance, Jan 1, 2010</b>	<b>7</b>	<b>157</b>	<b>679</b>	<b>35</b>	<b>–</b>	<b>878</b>
Depreciation for the year	0	7	107	5	–	119
Sales, scrap, etc.	0	0	–112	–5	–	–117
Impairment	–	–	0	0	–	0
<b>Closing balance, Dec 31, 2010</b>	<b>7</b>	<b>164</b>	<b>674</b>	<b>35</b>	<b>–</b>	<b>880</b>
Depreciation for the year	1	7	107	6	–	121
Sales, scrap, etc.	0	–14	–130	–7	–	–151
Impairment	–	–	–	–	–	–
<b>Closing balance, Dec 31, 2011</b>	<b>8</b>	<b>157</b>	<b>651</b>	<b>34</b>	<b>–</b>	<b>850</b>
<b>Net book value, Dec 31, 2010</b>	<b>13</b>	<b>118</b>	<b>303</b>	<b>15</b>	<b>92</b>	<b>541</b>
<b>Net book value, Dec 31, 2011</b>	<b>12</b>	<b>118</b>	<b>335</b>	<b>16</b>	<b>87</b>	<b>568</b>

<sup>1)</sup> In the income statement depreciation is accounted for within Cost of goods sold by SEK 118m (116), within selling expenses by SEK 2m (2) and within administrative expenses by SEK 1m (1).

The net book value for land is SEK 7m (7).

## NOTE 15

### Other financial assets

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Long-term holdings in securities	1	1	0	1
Receivables Group	–	–	134	14
Other long-term receivables	66	67	–	–
Pension assets <sup>1</sup>	205	100	37	30
<b>Total</b>	<b>272</b>	<b>168</b>	<b>171</b>	<b>45</b>

<sup>1)</sup> Pension assets refer to U.S, Sweden, Japan, Great Britain and Switzerland. See Note 22.

## NOTE 16

### Inventories

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Raw materials	1,908	1,523	344	325
Products in progress	329	215	13	14
Finished products	5,834	5,254	1,202	1,099
Advances to suppliers	7	8	1	1
<b>Total</b>	<b>8,078</b>	<b>7,000</b>	<b>1,560</b>	<b>1,439</b>

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 21,366m (22,478). Provisions for obsolescence are included in the value of the inventory. Write-downs totaled SEK 89m (72) and previous write-downs have been reversed by a total of SEK 146m (87).

Inventories valued to net realizable value amounted to SEK 487m (424).

## NOTE 17

### Other current assets

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Value added tax	190	240	75	75
Miscellaneous short-term receivables	144	142	6	7
Provision for doubtful accounts	-16	-16	-	-
Prepaid rents and leases	23	22	4	4
Prepaid insurance premiums	25	16	2	2
Other prepaid expenses	234	125	160	64
<b>Total</b>	<b>600</b>	<b>529</b>	<b>247</b>	<b>152</b>

## NOTE 18

### Assets pledged for liabilities to credit institutions

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Real-estate mortgages	31	32	-	-
Other	37	40	37	30
<b>Total</b>	<b>68</b>	<b>72</b>	<b>37</b>	<b>30</b>

The real estate mortgages refer to a bond issue financed by the local U.S Industrial Development Authority.

## NOTE 19 Other reserves in equity

SEKm	Hedging reserve	Currency translation reserve	Total Other reserves
<b>Opening balance Jan 1, 2010</b>	<b>-32</b>	<b>511</b>	<b>479</b>
<b>Cash flow hedges</b>			
Loss arising during the year	-75	-	-75
Tax	20	-	20
Reclassification adjustment to the income statement	65	-	65
<b>Exchange rate differences on translation of foreign operations</b>			
Translation difference	-	-1,752	-1,752
Net investment hedge	-	947	947
Tax	-	-249	-249
<b>Closing Balance Dec 31, 2010</b>	<b>-22</b>	<b>-543</b>	<b>-565</b>
<b>Cash flow hedges</b>			
Gain arising during the year	80	-	80
Tax	-21	-	-21
Reclassification adjustment to the income statement	18	-	18
<b>Exchange rate differences on translation of foreign operations</b>			
Translation difference	-	-39	-39
Net investment hedge	-	0	0
Tax	-	0	0
<b>Closing Balance Dec 31, 2011</b>	<b>55</b>	<b>-582</b>	<b>-527</b>



## NOTE 20 Share capital and number of shares

### Share capital

SEKm

On December 31, 2011, the share capital comprised:

129,460,339 Class A-shares, par value SEK 2	259
446,883,439 Class B-shares, par value SEK 2	894
<b>Total</b>	<b>1,153</b>

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.

Number of shares	Owned by Husqvarna	Owned by other shareholders	Total
<b>Shares, Dec 31, 2010</b>			
Class A-shares	–	134,755,087	134,755,087
Class B-shares	3,906,007	437,682,684	441,588,691
<b>Performance share program 2008</b>			
Class A-shares	–	–	–
Class B-shares	–82,634	82,634	–
<b>Conversion of shares</b>			
Class A-shares	–	–5,294,748	–5,294,748
Class B-shares	–	5,294,748	5,294,748
<b>Shares, Dec 31, 2011</b>			
Class A-shares	–	129,460,339	129,460,339
Class B-shares	3,823,373	443,060,066	446,883,439

## NOTE 21

### Untaxed reserves, Parent Company

SEKm	Dec 31, 2011	Dec 31, 2010
Accumulated depreciation in excess of plan on		
<i>Brands etc.</i>	75	69
<i>Machinery and equipment</i>	176	223
<i>Buildings</i>	30	25
Tax allocation reserve	375	662
Other financial reserves	47	31
<b>Total</b>	<b>703</b>	<b>1,010</b>

Other financial reserves include fiscally permissible appropriations referring to receivables in companies in politically and economically unstable countries.

## NOTE 22

### Employees and employee benefits

Number of employees	Average number of employees	Men	Women
<b>2011</b>			
Parent Company	1,790	1,379	411
Group Companies	13,908	8,820	5,088
<b>Total</b>	<b>15,698</b>	<b>10,199</b>	<b>5,499</b>
<b>2010</b>			
Parent Company	1,655	1,286	369
Group Companies	13,299	8,389	4,910
<b>Total</b>	<b>14,954</b>	<b>9,675</b>	<b>5,279</b>

A detailed specification of the average number of employees by country and gender has been submitted to the Swedish Companies Registration Office and is available on request from Husqvarna AB, Investor Relations.

#### Average number of employees by geographical area

Geographical area	2011	2010
Europe	6,575	6,449
North America	6,188	5,403
Rest of the world	2,935	3,102
<b>Total</b>	<b>15,698</b>	<b>14,954</b>

Of the Board members and other senior management in the Group, 71 (78) were men and 9 (6) women, of whom 12 (14) men and 5 (5) women were employed by the Parent Company.

### Salaries and other remuneration to Board, President and other senior management

SEKm	2011	2010
<b>Parent Company</b>		
Salaries and other remuneration	54 <sup>1</sup>	50
(of which variable salaries)	(4)	(18)
Pension costs	13 <sup>2</sup>	11
<b>Group Companies</b>		
Salaries and other remuneration	57	75
(of which variable salaries)	(15)	(22)
Pension costs	3	5

<sup>1)</sup> The amount includes salaries and other remuneration to former members of Group Management of SEK 25m.

<sup>2)</sup> The amount includes pension costs to former members of Group Management of SEK 6m.

Salaries and other remuneration for the total Group amounted to SEK 3,904m (4,080). This amount includes salaries and remuneration to the Board, the President, former President, former members of Group Management and other senior management of SEK 111m (125). Employer contributions excluding pension costs for the Group amounted to SEK 876m (882). The Group's total pension costs according to IAS 19 amounted to SEK 153m (226).

Salaries and other remuneration in the Parent Company amounted to SEK 819m (779). This includes salaries and remuneration to the Board, President, former President, former members of Group Management and other senior management of SEK 54m (50). Employer contributions excluding pension costs in the Parent Company amounted to SEK 250m (242). Pension costs in the Parent Company amounted, according to Swedish GAAP, to SEK 78m (62).

For more information concerning fixed and variable salaries, remuneration and pension costs for Board of Directors, President and other members of Group Management, see Note 26. For a presentation and description of the composition of the Board and members of Group Management, see pages 48–50.

### Pensions and other post-employment benefits

In many of the countries in which Husqvarna has operations the employees are covered by pension plans in addition to statutory social security pension benefits. 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 U.K, Germany, Sweden, the U.S, Japan and Norway. The pension plans in these countries are funded except for the plan in Germany which is unfunded. Funded plans imply that there are assets in legal entities that exist solely to finance employee benefits.

The Group's defined benefit pension scheme in the U.K was closed for future pension accrual 1 October 2011. The employees were offered a new defined contribution scheme. As part of the defined benefit scheme, there were also enhanced early retirement terms. Those beneficial early retirement terms were removed along with the plan closure. To some extent compensate the employees most affected by the removal of the enhanced early retirement terms, they were offered a one time contribution into their new defined contribution plan. The

one time contributions amounted to SEK 16m in total. This cost is not included in the disclosure of the Defined Benefit Obligations, but is disclosed in the Profit and Loss Statement. The removal of the enhanced early retirement terms is treated as a credit for past service cost and has reduced the DBO by SEK 39m. The defined benefit scheme closure (no future pension accrual and removal of salary link) is treated as a curtailment gain and has reduced the DBO by SEK 34m.

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 retirement provision of the defined benefit plan is financed through a pension fund.

The Group's defined benefit pension plan in the U.S was closed for future pension accrual at the end of 2008.

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.

In Norway the employees are covered by a final salary plan, which is insured with an insurance company.

The table below shows the present value of obligations as well as the fair market value of plan assets for the Group's most extensive defined benefit plans described above.

Country SEKm	Present value of defined benefit obligation	Fair value of plan assets
U.K	961	851
Sweden	539	410
U.S	306	211
Japan	122	100
Norway	138	95
Germany	732	0
<b>Total</b>	<b>2,798</b>	<b>1,667</b>
Share of total	89%	93%

Set forth below are schedules showing the obligations of the plans in Husqvarna, the assumptions used to determine these obligations and the assets relating to the benefit plans, as well as the amounts recognized in the income statement and balance sheet. 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. Husqvarna's policy for recognizing actuarial gains and losses is to recognize in the income statement that portion of the cumulative unrecognized gains or losses in each plan exceeding 10 percent of the greater of the defined benefit obligation and the plan assets. This portion of gains or losses in each plan is recognized over the expected average remaining working lifetime of the employees participating in the plans.

In a few countries, Husqvarna provides mandatory lump sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are shown below as Other post-employment benefits.

**Specification of net provisions for pensions and other post employment benefits recognized in the balance sheet**

SEKm	2011			2010		
	Pensions, defined benefit plans	Other post-employment benefits	Total	Pensions defined benefit plans	Other post-employment benefits	Total
Present value of obligations for unfunded plans	751	14	765	732	17	749
Present value of obligations for funded plans	2,368	–	2,368	2,096	0	2,096
Fair value of plan assets	–1,793	–	–1,793	–1,627	0	–1,627
Unrecognized actuarial gains/losses	–579	–5	–584	–321	–3	–324
Unrecognized past-service cost	–2	–	–2	–2	0	–2
<b>Net provisions for pensions and other post-employment benefits</b>	<b>745</b>	<b>9</b>	<b>754</b>	<b>878</b>	<b>14</b>	<b>892</b>
Whereof reported as prepaid pension cost	205	–	205	100	0	100
<b>Provisions for pensions and other post-employment benefits</b>	<b>950</b>	<b>9</b>	<b>959</b>	<b>978</b>	<b>14</b>	<b>992</b>

**Expenses for pensions and other post-employment benefits recognized in the income statement**

SEKm	2011	2010
Current service costs	70	70
Interest expenses	131	139
Expected return on plan assets	–83	–77
Amortization of actuarial losses / gains	11	21
Amortization of past service cost	–34	1
Effect of any curtailments and settlements	–32	–8
<b>Expenses for defined benefit plans and other post-employment benefits</b>	<b>63</b>	<b>146</b>
Expenses for defined contribution plans	90	80
<b>Total expenses for pensions and other post-employment benefits</b>	<b>153</b>	<b>226</b>

For Husqvarna, total expenses for pensions and other post-employment benefits have been recognized as operating expenses and have been classified as manufacturing, selling or administrative expense depending on the function of the employee.

**Change in the present value of the defined benefit obligation**

SEKm	2011			2010		
	Pension benefits	Other post-employment benefit	Total	Pension benefits	Other post-employment benefit	Total
<b>Opening balance</b>	<b>2,828</b>	<b>17</b>	<b>2,845</b>	<b>2,936</b>	<b>28</b>	<b>2,964</b>
Current service cost	70	–	70	70	0	70
Interest expenses	130	1	131	138	1	139
Curtailments	–37	–	–37	–8	0	–8
Exchange rate differences on foreign plans	26	0	26	–191	–3	–194
Benefits paid	–129	–6	–135	–130	–8	–138
Past service costs	–34	–	–34	0	0	0
Employee contributions	7	–	7	8	0	8
Business combinations/Transfers	–5	–	–5	–	–	–
Actuarial losses (gains)	263	2	265	5	–1	4
<b>Closing balance</b>	<b>3,119</b>	<b>14</b>	<b>3,133</b>	<b>2,828</b>	<b>17</b>	<b>2,845</b>

**Change in the fair value of plan assets**

SEKm	2011	2010
	Pension, benefits	Pension, benefits
<b>Opening balance</b>	<b>1,627</b>	<b>1,540</b>
Expected return	83	77
Employer contributions	102	59
Employee contributions	7	8
Business Combinations/Transfers	3	–
Exchange differences on foreign plans	24	–75
Benefits paid	–50	–50
Actuarial gains and (losses)	–3	68
<b>Closing balance</b>	<b>1,793</b>	<b>1,627</b>

**The major categories of plan assets as a percentage of the total fair value of plan assets are:**

%	Defined benefit pension plans
Equity instruments	38.0
Debt instruments	57.0
Property	1.0
Other	4.0

Actual return on plan assets was SEK 80m (145).

**Historical information**

SEKm	2011	2010	2009	2008	2007
Present value of defined benefit obligations	3,133	2,845	2,964	2,855	2,590
Fair value of plan assets	1,793	1,627	1,540	1,383	1,447
<b>Funded status</b>	<b>1,340</b>	<b>1,218</b>	<b>1,424</b>	<b>1,472</b>	<b>1,143</b>
Experience adjustment on plan liabilities	18	–14	–14	32	35
Experience adjustment on plan assets	3	68	68	–183	–21

**Principal actuarial assumptions at the balance sheet date (expressed as a weighted average)**

%	Dec 31, 2011	Dec 31, 2010
<b>Discount rate</b>		
Europe	4.3	5.0
North America	4.7	5.5
Rest of the world	1.7	1.7
<b>Expected long-term return on assets</b>		
Europe	5.0	5.4
North America	5.0	5.5
Rest of the world	2.5	2.5
<b>Expected salary increases</b>		
Europe	2.9	3.4
North America	4.5	4.5
Rest of the world	2.0	N/A

In determining 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 has in earlier years used government bonds as discount rate. From 2010 Husqvarna uses mortgage bonds when determining discount rate. An increase of 0,5 percent would reduce the pension liability with 7 percent. A decrease of 0,5 percent would increase the pension with 8 percent.

To determine the expected return, return on equity and equity related instruments the historical risk premium for equities and current bond yields are applied. The return on fixed income and fixed income related investments is based on current bond yields. The weighting of asset classes is determined by using the respective scheme's benchmark asset allocation, which for all major schemes is set out in the Group's financial policy. The company expects to make contributions of approximately SEK 157m to the plans during 2012.

**Reconciliation of changes in net provisions for pensions and other post-employment benefits**

SEKm	Pensions, defined benefit plans	Other post-employment benefits	Total
<b>Net provisions for pensions and other post-employment benefits, Dec 31, 2010</b>	<b>878</b>	<b>14</b>	<b>892</b>
Pension expenses	62	1	63
Employer contributions and benefits paid directly by the Company	–181	–6	–187
Business combinations/transfers	–8	–	–8
Exchange rate differences	–6	0	–6
<b>Net provision for pensions and other post-employment benefits, Dec 31, 2011</b>	<b>745</b>	<b>9</b>	<b>754</b>

**Parent Company**

According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated on the basis of officially provided assumptions, differing from the assumptions used in the Group under IFRS. The pension benefits are secured by insurance policies, contributions to a separate fund or are recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IAS/IFRS principles, primarily as regards the following areas:

- The pension liability calculated according to the Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is established by the Swedish Financial Supervisory Authority.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the income statement and the balance sheet.
- Any deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Any surplus cannot be recognized as an asset but may, in some cases, be refunded to the company to offset pension costs.

**Specification of the net provision for pensions recognized in the balance sheet**

SEKm	2011	2010
Present value of the funded pension obligations	398	347
Fair value of plan assets	-382	-380
<b>Surplus/deficit of the pension fund</b>	<b>16</b>	<b>-33</b>
Present value of unfunded pension obligations	27	32
Surplus of the pension fund, not recognized	-	33
<b>Net provision recognized in the balance sheet</b>	<b>43</b>	<b>32</b>

**Specification of the change in the net provision for pensions recognized in the balance sheet**

SEKm	2011	2010
<b>Opening balance Jan 1</b>	<b>32</b>	<b>35</b>
Costs for pensions recognized in the income statement	26	5
Benefits paid	-15	-8
Other	-	0
<b>Closing balance Dec 31</b>	<b>43</b>	<b>32</b>

Of total net provisions SEK 43m (32) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

**Pension costs recognized in the income statement**

SEKm	2011	2010
<i>Own pensions</i>		
Current service costs	7	2
Interest expenses	-	0
Benefits paid	15	8
<b>Pension costs</b>	<b>22</b>	<b>10</b>
<i>Insured pensions</i>		
Insurance premiums	56	52
<b>Total net expenses for pensions</b>	<b>78</b>	<b>62</b>

Of total net expenses of SEK 78m (62), SEK 0m (0) is recognized in the financial net and the remaining portion is recognized in the operating income. The expected payments 2012 for own pensions amounts to total SEK 16m.

**Principal actuarial assumptions at balance sheet date**

%	Dec 31, 2011	Dec 31, 2010
Discount rate	4.0	4.0

**The major categories of plan assets as a percentage of total plan assets and the return on these categories**

%	Dec 31, 2011	Return	Dec 31, 2010	Return
Equity	34	-17	41	17
Debt	66	14	59	3
Other	-	-	-	-
<b>Total</b>	<b>100</b>	<b>1</b>	<b>100</b>	<b>14</b>

**Long-term incentive programs (LTI)**

The purpose of the long-term incentive programs is to attract and retain competent employees to the Group, provide competitive remuneration and align shareholder's and management's interests.

Long term incentive programs that entitle rights for the employees to purchase shares are subject to approval by the General Meeting of shareholders. At present there are three programs in force – LTI 2009,

LTI 2010 and LTI 2011. All programs consist of restricted share awards and performance stock options.

The programs were authorized by the Annual General Meeting in 2009, 2010 and 2011 respectively. Each program includes less than 50 senior managers.

In order to participate in the programs, the employees were required to purchase Husqvarna Class B-shares corresponding to a value of a minimum of 5 percent (SEK 20,000 for LTI 2009) and a maximum of 10 percent (6 percent for LTI 2009) of their annual target income (fixed salary plus variable salary on target level). The participants have invested in Husqvarna Class B-shares, at market price, which will be matched 1:1 through allocation of shares at a later date by the company free of charge. The conditions for share match are that the employee holds the purchased shares and maintains his or her employment within the Group three years after the date of grant. The LTI 2009 conditions require also that the performance level "Entry" has been fulfilled, which is a level in respect of increase of the Company's earnings per share during 2009–2011, as determined by the Board of Directors.

The employee may also receive performance stock options. The options are granted free of charge and each stock option entitles the holder to purchase one Husqvarna Class B-share. The purchase price for shares when exercising a stock option amounts to SEK 48 per share in LTI 2009, SEK 52.70 per share in LTI 2010 and SEK 53 per share in LTI 2011. The exercise price corresponds to 110 percent of the average volume weighted closing price of Husqvarna Class B-share at NASDAQ OMX Stockholm, during a period of 10 trading days prior to the date on which the options were granted. The options may be exercised at the earliest three years, and at the latest eight years from the date of grant. The right to exercise the options requires that the holder continues to be employed by the Husqvarna Group and has maintained the personal investment for three years from the date of grant. The options carry no right to compensation for dividends on the underlying shares.

The number of stock options that may be exercised depends on the number of Class B-shares that the employee has purchased within the framework of the LTI 2009, LTI 2010 and LTI 2011 as well as the company's earnings per share, during 2009–2011 (LTI 2009), 2010–2012 (LTI 2010) and 2011–2013 (LTI 2011), reaching specific levels determined by the Board of Directors. These determined levels are; "Entry", "Target" and "Stretch", with a linear progression between each performance level. "Entry" constitutes a minimum level which must be exceeded in order to enable exercise of any stock options. The three levels correspond to the following numbers of stock options:

**Performance level**

<b>Entry</b>	5 options per purchased share plus 2,000 options
<b>Target</b>	10 options per purchased share plus 5,000 options
<b>Stretch</b>	15 options per purchased share plus 8,000 options

Consequently, the total number of stock options per participant that may be exercised is limited to 15 options per purchased Class B-share plus an additional 8,000 options.



**Expected numbers of vested shares**

In accordance with above, LTI 2010 and LTI 2011 comprise the following number of Class B-shares and stock options for the various categories of participants if the performance level "Target" is reached.

Participants	LTI 2011			LTI 2010		
	Matching shares, number of Class B-shares	Number of stock options	Target Value, SEKt	Matching shares, number of Class B-shares	Number of stock options	Target Value, SEKt
President and CEO	–	–	–	6,738	72,380	1,230
Other members of Group Management	38,304	413,040	6,961	27,233	292,330	4,968
Other participants	73,538	865,380	14,297	85,839	1,008,390	16,798
<b>Total</b>	<b>111,842</b>	<b>1,278,420</b>	<b>21,258</b>	<b>119,810</b>	<b>1,373,100</b>	<b>22,996</b>

Maximum number of class B-shares 2,045,472 (LTI 2011) 2,196,960 (LTI 2010)

Former President (Magnus Yngen) does not participate in LTI 2010 and LTI 2011 any longer.

The target value of the program is calculated on the fair value on grant date. The value of the share at grant date was SEK 42.60 (LTI 2011) / SEK 41.80 (LTI 2010) which has been decreased with the present value of expected dividend during the vesting period. Fair value of the option was calculated to SEK 12.90 (LTI 2011) / SEK 13.10 (LTI 2010).

The binomial options pricing model has been used to calculate the fair value of the options. The values have been adjusted for the

discounted value of future dividends. Important data in the model is except for the value of the share which is mentioned above; exercise price, volatility, expected dividend during the period, expected maturity on the options year and risk free return.

The total cost charged to the income statement for 2011 amounted to SEK 7 m (17) whereof SEK –2m (3) refers to social security contribution. The total provision for share-based compensation amounted to SEK 2m (6).

**The performance period for LTI 2009 ended 31 December 2011**

The table below shows the number of matching shares as well as stock options to be allocated to the participating employees as per 1 June 2012 (day of vesting), provided that the employee is still employed by the Husqvarna Group at that time. The allocation of performance stock options is based on the performance level reached, the company's earnings per share, adjusted for items affecting comparability, during 2009–2011 SEK 7.28. The number of stock options the participants might exercise equals to 7 options per purchased share plus 3,200 options which is about 70 percent of the number of stock options at performance level "target". The exercise price for a stock option amounts to SEK 48 per share.

**LTI 2009**

Position/Category	Number of stock options that might be exercised	Number of Class B-shares to be allocated
President and CEO	18,824	2,232
Other members of Group Management	94,783	12,169
Other senior managers	430,491	49,613
<b>Total</b>	<b>544,098</b>	<b>64,014</b>

Former President (Magnus Yngen) does not participate in LTI 2009 any longer.

**Accounting principles**

The programs described above are accounted for in accordance with IFRS 2 Share-based Payment. The Group provides for the social security contributions that are expected to be paid when the shares are distributed and when the options are exercised. The provision for social security contributions is periodically revalued on the basis of the share market price at each balance sheet date.

**Repurchased shares for the LTI programs**

Husqvarna has repurchased Husqvarna Class B-shares to meet the company's long term incentive obligation within the above mentioned programs. These shares will be distributed or sold to the participants of the programs. Husqvarna intends to sell additional shares on the market in conjunction with the exercise of options or the distribution of shares in order to cover payment of social security contributions. No shares were repurchased during 2011. At December 31, Husqvarna owned 3,823,373 Husqvarna class B-shares.

## NOTE 23 Other provisions

SEKm	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
<b>Opening balance, Jan 1, 2010</b>	<b>252</b>	<b>227</b>	<b>387</b>	<b>215</b>	<b>1,081</b>	<b>70</b>	<b>10</b>	<b>18</b>	<b>98</b>
Provisions made	98	237	31	137	503	3	8	14	25
Provisions used	-140	-216	-4	-125	-485	-30	-10	-5	-45
Unused amounts reversed	0	-6	0	-2	-8	-	-	-	-
Exchange-rate differences	-11	-12	-20	-12	-55	-	-	-	-
<b>Closing balance, Dec 31, 2010</b>	<b>199</b>	<b>230</b>	<b>394</b>	<b>213</b>	<b>1,036</b>	<b>43</b>	<b>8</b>	<b>27</b>	<b>78</b>
Current provisions	155	79	0	95	329	33	8	15	56
Non-current provisions	44	151	394	118	707	10	0	12	22
<b>Opening balance, Jan 1, 2011</b>	<b>199</b>	<b>230</b>	<b>394</b>	<b>213</b>	<b>1,036</b>	<b>43</b>	<b>8</b>	<b>27</b>	<b>78</b>
Provisions made	52	291	7	299	649	0	15	60	75
Provisions used	-123	-244	-2	-203	-572	-21	-8	-15	-44
Unused amounts reversed	0	-2	0	-24	-26	-	-	-6	-6
Exchange rate differences	0	1	5	3	9	-	-	-	-
<b>Closing balance, Dec 31, 2011</b>	<b>128</b>	<b>276</b>	<b>404</b>	<b>288</b>	<b>1,096</b>	<b>22</b>	<b>15</b>	<b>66</b>	<b>103</b>
Current provisions	119	85	0	162	366	18	15	39	72
Non-current provisions	9	191	404	126	730	4	-	27	31

Provisions for restructuring represent the expected payments to be incurred in the coming years as a consequence of Husqvarna operations' 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. Provisions for warranty commitments are recognized as a consequence of Husqvarna's policy of covering the cost of repairing defective products. A warranty is normally granted for 1 to 2 years after the sale.

Provisions for claims refer to the Group's captive insurance companies and consist of reserves for specific insurance claims as well as IBNR (Incurred But Not Reported) reserves. Other provisions include mainly payroll related provisions. In provision made for the year, environmental remediation costs related to a former U.S production site of SEK 31m is included. The production site is no longer owned by Husqvarna, but there is a contractual duty to remediate the site.

## NOTE 24

### Other liabilities

SEKm	Group		Parent Company	
	2011	2010	2011	2010
Accrued holiday pay	191	179	97	87
Other accrued payroll expenses	371	535	100	159
Other accrued expenses	954	860	233	205
Value added tax	32	53	-	-
Personnel taxes and other taxes	61	59	20	18
Other operating liabilities	82	97	10	12
<b>Total</b>	<b>1,691</b>	<b>1,783</b>	<b>460</b>	<b>481</b>

## NOTE 25

### Contingent liabilities

#### Guarantees and other commitments

SEKm	Group		Parent Company	
	2011	2010	2011	2010
On behalf of internal counterparties	-	-	384	273
On behalf of external counterparties	154	102	78	76
<b>Total</b>	<b>154</b>	<b>102</b>	<b>462</b>	<b>349</b>

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are provided as part of Husqvarna'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 products from certain North American dealers financing their floor planning with an external finance company. During 2011 goods for a value of SEK 8m (8) were bought back in connection with floor planning activities.

Husqvarna 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. Husqvarna 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 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.

The following significant matters are still unresolved.

#### Gas explosion in Belgium

In a judgment of February 2010, the criminal court of Tournai in Belgium acquitted Husqvarna in a case regarding a gas explosion on Husqvarna's property in Ghislenghien, Belgium, in 2004. The ruling was appealed by the public prosecutor, as well as by other parties, to the Court of Appeal. Eight of the 14 parties were judged guilty by the Court of Appeal in June 2011, among them Husqvarna Belgium. Husqvarna has appealed to the Belgian Supreme Court, which is expected to rule on the matter during 2012.

The verdict also resulted in proceedings before the Court of Appeal in Mons, adjudicating the damages for each deceased or injured person. These proceedings are expected to be finalized before June 2012. The Court of Appeal is also expected to rule on the distribution of liability for damages between the parties finally found guilty. The extent of the damage claims may lead to negative financial effects for Husqvarna, if the verdict is upheld by the Supreme Court. Husqvarna has, together with other parties found guilty, adopted a proactive approach in order to settle some of the damage claims out of court, which may reduce the financial exposure.

There are also claims for compensation of property losses and subrogated claims from insurance companies and other parties. Husqvarna estimates that the liabilities arising for Husqvarna due to the accident will largely be covered by relevant insurance policies; however, Husqvarna cannot rule out that the claims may ultimately result in negative financial effects for Husqvarna. As most of the claims yet presented in court specify only provisional damages, a sufficiently reliable estimate of the amounts cannot be made.

## NOTE 26

### Remuneration to the Board of Directors, the President and other members of Group Management

The Annual General Meeting 2011 authorized fees to Board members, totalling SEK 5,975,000 (to the Chairman SEK 1,650,000 and to each of the eight Board members, not employed by the company SEK 475,000) including additional total of SEK 525,000 as fees for Board Committee work.

In 2009 and 2010 the Board remuneration was partly emitted in the form of synthetic shares. The synthetic shares give a right to receive an amount in cash per synthetic share after five years, i.e. in 2014 and 2015 respectively. It was resolved at the Annual General Meeting 2011 that the previous Board remuneration partly paid in synthetic shares should not be renewed. However, Board members are expected to engage themselves financially in Husqvarna by acquiring Husqvarna shares within a period of five years, corresponding to one year's Board fee.

#### Fees to the Board of Directors authorized by the Annual General Meeting 2011

SEKt	Fees	Fees for committee work	Total
Lars Westerberg	1,650	50	1,700
Magnus Yngen <sup>1</sup>	–	–	–
Peggy Bruzelius	475	75	550
Robert F. Connolly	475	–	475
Börje Ekholm	475	175	650
Magdalena Gerger	475	–	475
Tom Johnstone	475	100	575
Ulla Litzén	475	–	475
Ulf Lundahl	475	75	550
Anders Moberg	475	50	525
Johan Ihrman	–	–	–
Annika Ögren	–	–	–
Fredrik Lilliestielke	–	–	–
Carita Spångberg	–	–	–
<b>Total</b>	<b>5,450</b>	<b>525</b>	<b>5,975</b>

<sup>1)</sup> Resigned from the Board on August 29, 2011.

There are no agreements in place governing severance pay to Board members who are not employed by the Company.

#### Remuneration Committee

The task of the Remuneration Committee is to provide the Board of Directors with proposals for remuneration to members of Group Management regarding targets and criteria for variable remuneration, the relationship between fixed and variable salary, changes in fixed or variable salary, long-term incentives, pension terms and other benefits.

The Committee consists of three Board members: Tom Johnstone (Chairman), Anders Moberg and Lars Westerberg.

#### 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 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 value creation.

#### Terms of employment for the President

The remuneration to the President and Chief Executive Officer comprises fixed salary, variable salary based on annual targets, long term incentive programs and pension benefits. The remuneration is reviewed annually per January 1.

The annual fixed salary to the President is SEK 6,100,000 effective 1 December 2011 when Hans Linnarson was appointed President and CEO. Hans Linnarson has had the position as acting President and CEO since 7 June 2011. During the period as acting President, the fixed salary was SEK 468,750 per month. The variable salary for 2011 is based on an annual targets for value created within the Group (50 percent) and value created within the business unit the President also leads (50 percent). The variable salary is 50 percent of the fixed salary at target level and is capped at 100 percent at stretch level.

The President participates in the Group's long-term incentive programs for 2009 (LTI 2009) and 2010 (LTI 2010). For information on these programs, see Note 22.

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 fringe benefits such as housing, maximum monthly rent of SEK 15,000, and compensation for cost for travel between home and office in Stockholm.

#### **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 percent (35 percent during period as acting President) of the pensionable salary which also includes the contributions for the benefits of 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 plus last year's variable salary paid.

#### **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 value creation for the Group and/or for the relevant business unit. The variable salary is 40–50 percent of the fixed salary at target level and is capped at 80–100 percent at stretch level.

Members of Group Management participate in the Group's long-term incentive programs which consist of the programs for 2009, 2010 and 2011 (LTI 2009, LTI 2010 and LTI 2011). For information on these programs, see Note 22.

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. Those conditions for termination refer to the members of Group Management employed in Sweden. Shorter period of notice applies for those employed outside Sweden.

#### **Pension terms for other members of Group Management**

The members of Group Management employed in Sweden (four out of seven) are covered by the collectively agreed ITP plan, the alternative rule of the plan. 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 percent 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 plus last year's variable salary paid. The pension age is 65 (age 62 applies for two individuals) for the members of Group Management who are employed in Sweden. In addition to the pension terms described above there is a commitment to pay a single premium, at retirement age to those two individuals with retirement age 62, for pension benefits corresponding to 22.68 monthly salaries in the event that the member of Group Management remains in service until the retirement age. 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 U.S). Pension age is 65 or higher.

#### **Terms of employment for the former President**

The former President and CEO, Magnus Yngen, resigned from his position on August 29, 2011, but his employment remains until August 28, 2012 (notice period).

The remuneration to the former President comprises fixed salary, variable salary (until May 2011) and pension benefits.

The annual fixed salary to the former President is SEK 6,077,000, effective January 1, 2011. The variable salary for 2011 is based on an annual target for value created within the Group. The variable salary is 50 percent of the fixed salary at target level and is capped at 100 percent at stretch level.

The former President does no longer participate in the Group's long-term incentive programs. The former President is entitled to severance pay etc. which amounts to about SEK 16.6m and comprises fixed salary and pension costs during period of notice as well as severance pay during a maximum of twelve months from the end of the of the notice period. This severance pay amounts to SEK 506,417 per month and shall be reduced by any income, which the former President has earned from other gainful and non-competing employment during the period severance pay is due.

#### **Pension terms for the former President**

The former 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 former President is equivalent to 40 percent of the pensionable salary which also includes the contributions for the benefits of 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 plus last year's variable salary paid.

**Remuneration to Group Management 2011**

SEKt	Fixed salary	Variable salary	Pension-cost	Long-term incentive	Other benefits <sup>1</sup>	Severance pay etc	Total
President <sup>2</sup>	3,239	541	1,096	268	23	–	5,167
Former President <sup>3</sup>	3,865	–	1,989	–	–	16,607	22,461
Other members of Group Management <sup>4</sup>	26,449	1,418	4,671	2,216	473	15,886	51,113
<b>Total</b>	<b>33,553</b>	<b>1,959</b>	<b>7,756</b>	<b>2,484</b>	<b>496</b>	<b>32,493</b>	<b>78,741</b>

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

<sup>2)</sup> Refers to remuneration for the period as President and acting President (June–December).

<sup>3)</sup> The former President, Magnus Yngen, resigned from his position August 29, 2011. The cost for salary and pension during notice period as well as severance pay etc. has affected the result in 2011 and is shown above in the column Severance pay etc.

<sup>4)</sup> Other members of Group Management comprise seven individuals. There are four new members and six have left Group Management during 2011. The remuneration shown above refers to the part of the year during which the individual in question was part of Group Management. The cost for salary and pension during notice period as well as severance pay etc. has affected the result in 2011 and is shown above in the column Severance pay etc.

**Remuneration to Group Management 2010**

SEKt	Fixed salary	Variable salary	Pension-cost	Long-term incentive	Other benefits <sup>1</sup>	Total
President	5,900	5,900	2,647	1,310	0	15,757
Other members of Group Management <sup>2</sup>	28,487	18,701	9,211	3,350	243	59,992
<b>Total</b>	<b>34,387</b>	<b>24,601</b>	<b>11,858</b>	<b>4,660</b>	<b>243</b>	<b>75,749</b>

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

<sup>2)</sup> Other members of Group Management comprise nine individuals per December 31. Two individuals have been added and one has left Group Management during 2010. The remuneration shown above refers to the part of the year during which the individual in question was part of Group Management.

**NOTE 27****Fees to auditors****Fees to PwC**

SEKm	Group		Parent Company	
	2011	2010	2011	2010
<b>PwC</b>				
Audit fees for the annual audit engagement	20	19	5	5
Audit fees not included in the annual audit engagement	1	0	0	0
Tax advice	1	1	0	0
Other services	1	1	0	0
<b>Total fees to PwC</b>	<b>23</b>	<b>21</b>	<b>5</b>	<b>5</b>
Audit fees to other Auditors	1	1	0	0

PwC has been appointed auditor for the period until the 2014 Annual General Meeting.

**NOTE 28****Investments in associated companies****Participation in associated companies**

SEKm	2011	2010
<b>Opening balance</b>	<b>5</b>	<b>6</b>
Operating income	0	0
Dividend	–	0
Exchange difference	0	–1
Other	0	0
<b>Closing balance</b>	<b>5</b>	<b>5</b>

Participations in associated companies at December 31, 2011, includes goodwill to an amount of SEK 2m (2).

The Group's share of the associated companies, none of which are listed, was as follows:



## Associated companies 2011

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group <sup>1</sup>			Income statement		Balance sheet	
				Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Diamant Boart, Argentina	46.7	4	0	–	0	0	12	0	15	14
Diamant Boart, Philippines	20.0	1	0	0	–	0	2	0	5	3
<b>Total</b>		<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>20</b>	<b>17</b>

<sup>1)</sup> Viewed from Husqvarna's perspective.

## Associated companies 2010

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group <sup>1</sup>			Income statement		Balance sheet	
				Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Diamant Boart, Argentina	46.7	4	0	–	0	–	13	–1	14	8
Diamant Boart, Philippines	20.0	1	0	0	–	0	2	0	5	3
<b>Total</b>		<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>–1</b>	<b>19</b>	<b>11</b>

<sup>1)</sup> Viewed from Husqvarna's perspective.

## NOTE 29 Shares in subsidiaries

Subsidiaries		Registration number	Holding, %	Net book value SEKm
Australia	Husqvarna Australia Pty. Limited	115475619	100	215
Belgium	Husqvarna Finance Belgium SA	0899.846.135	100	9,322
Belgium	Husqvarna Finance International SA	0807.965.656	100	4,906
Belgium	Husqvarna Belgium SA	0400.604.654	100	1,172
Belgium	Husqvarna Finance North America SA	0807.963.478	100	5,609
Canada	Husqvarna Canada Corp.	823542477RT0001	100	350
Colombia	Husqvarna Colombia S.A.	900.047.189-0	100	1
Denmark	Husqvarna Danmark A/S	26205328	100	16
Estonia	Husqvarna Eesti Osaühing	11159436	100	0
Latvia	SIA Husqvarna Latvija	40003760065	100	3
Slovakia	Husqvarna Slovensko s.r.o.	36437115	100	5
South Africa	Husqvarna South Africa (Proprietary) Limited	2005.025971.07	100	19
Sweden	Husqvarna Försäkrings AB	516406-0393	100	273
Sweden	Husqvarna Intellectual Property Holding AB	556745-5893	100	0
Sweden	Tandsbyns Industrifastigheter AB	556793-1265	100	0
Sweden	Tandsbyn Mek. Verkstad Husqvarna Sundsvalls Depot AB & Co Handelsbolag	993200-0848	100	1
Sweden	Husqvarna Holding Aktieföretag	556037-1964	100	1
United States	Millhouse Insurance Company	20-4233540	100	79
United States	Husqvarna U.S. Holding, Inc.	34-1946153	100	7,092
Venezuela	Husqvarna Venezuela, C.A.	J-31418196-3	100	0
<b>Total</b>				<b>29,064</b>

A detailed specification of Group companies is available on request from Husqvarna AB, Investor Relations.

# Proposed Distribution of Earnings

	Thousands of SEK
Retained earnings	16,712,830
Net income for 2011	736,815
<b>Total</b>	<b>17,449,645</b>

The Board of Directors has proposed that the Annual General Meeting 2012 resolves that the above sum be disposed of as follows:

	Thousands of SEK
A dividend to the shareholders of SEK 1,50 per share	858,781 <sup>1)</sup>
To be carried forward	16,590,864
<b>Total</b>	<b>17,449,645</b>

<sup>1)</sup> Calculated on the number of outstanding shares as per February 23, 2012.

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's and the Group's financial strength, liquidity and overall position. The Company's equity would have been SEK 44,997 thousand lower if the assets and liabilities had not been valued at fair value in accordance with the Swedish Annual Accounts Act (SFS 1995:1554), 4:14a.

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, February 23, 2012

Lars Westerberg  
Chairman of the Board

Peggy Bruzelius  
Board member

Robert F. Connolly  
Board member

Börje Ekholm  
Board member

Magdalena Gerger  
Board member

Tom Johnstone  
Board member

Ulla Litzén  
Board member

Ulf Lundahl  
Board member

Anders Moberg  
Board member

Johan Ihrman  
Employee representative  
Board member

Annika Ögren  
Employee representative  
Board member

Our audit report was issued on February 23, 2012  
PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in charge

# Auditor's Report

## To the Annual General 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 for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 27–92.

### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and 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 President 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 President, 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 opinion.

### 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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts

Act. 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 examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Husqvarna AB for the year 2011.

### Responsibilities of the Board of Directors and the President

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 President 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, 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 President is liable to the company. We also examined whether any member of the Board of Directors or the President 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 opinion.

### 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 President be discharged from liability for the financial year.

Stockholm, February 23, 2012

PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in charge

# Five-year review

<b>Income</b>					
SEKm	2011	2010	2009	2008	2007
<b>Net sales</b>	<b>30,357</b>	<b>32,240</b>	<b>34,074</b>	<b>32,342</b>	<b>33,284</b>
Europe & Asia/Pacific	16,365	16,621	16,594	16,934	15,589
Americas	11,193	12,944	14,845	12,266	14,274
Construction	2,799	2,675	2,635	3,142	3,421
Cost of goods sold	-21,948	-23,037	-25,423	-22,965	-23,509
<b>Gross income</b>	<b>8,409</b>	<b>9,203</b>	<b>8,651</b>	<b>9,377</b>	<b>9,775</b>
Selling and administrative costs	-6,858	-6,758	-7,091	-7,016	-6,211
<b>Operating income<sup>1</sup></b>	<b>1,551</b>	<b>2,445</b>	<b>1,560</b>	<b>2,361</b>	<b>3,564</b>
<b>Operating income<sup>1</sup> excl. items affecting comparability</b>	<b>1,615</b>	<b>2,652</b>	<b>2,012</b>	<b>2,677</b>	<b>3,564</b>
Europe & Asia/Pacific	2,277	2,383	1,410	2,216	2,490
Europe & Asia/Pacific excl. items affecting comparability	2,277	2,383	1,710	2,368	2,490
Americas	-654	152	437	321	799
Americas excl. items affecting comparability	-654	312	535	347	799
Construction	130	82	-123	13	472
Construction excl. items affecting comparability	194	129	-69	150	472
Financial items, net	-404	-394	-466	-594	-675
<b>Income after financial items</b>	<b>1,147</b>	<b>2,051</b>	<b>1,094</b>	<b>1,767</b>	<b>2,889</b>
Income tax	-150	-302	-191	-479	-853
<b>Income for the period</b>	<b>997</b>	<b>1,749</b>	<b>903</b>	<b>1,288</b>	<b>2,036</b>
<sup>1)</sup> Of which depreciation, amortization and impairment.	-1,120	-1,221	-1,500	-1,163	-1,081

<b>Financial position</b>					
SEKm	2011	2010	2009	2008	2007
Total assets	29,103	28,402	30,229	34,337	28,803
Net assets	19,309	17,803	18,475	22,367	19,401
Europe & Asia/Pacific	12,382	11,550	12,201	14,457	12,066
Americas	5,675	5,217	4,848	5,884	5,402
Construction	2,576	2,596	2,645	3,312	2,961
Inventories	8,078	7,000	6,706	8,556	7,758
Trade receivables	3,660	3,575	3,385	4,184	3,912
Trade payables	2,797	2,810	2,854	3,280	2,731
Working capital	5,699	4,478	4,163	6,462	6,146
Total equity	12,388	12,203	12,126	8,815	7,389
Interest-bearing liabilities	8,261	7,667	9,094	16,287	13,318
Long-term borrowings	6,941	6,985	7,934	10,694	2,911
Short-term borrowings	968	309	661	3,159	10,130
Net debt	6,921	5,600	6,349	13,552	12,012

<b>Cash flow</b>					
SEKm	2011	2010	2009	2008	2007
Cash flow from operations, excluding change in operating assets and liabilities	1,915	2,888	2,749	2,703	3,232
Cash flow from operating assets and liabilities	-1,418	-613	1,897	441	-576
<b>Cash flow from operations</b>	<b>497</b>	<b>2,275</b>	<b>4,646</b>	<b>3,144</b>	<b>2,656</b>
Cash flow from investments	-969	-1,313	-909	-1,131	-813
<b>Operating cash flow</b>	<b>-472</b>	<b>962</b>	<b>3,737</b>	<b>2,013</b>	<b>1,843</b>
Acquisitions of operations	-	-	-43	-845	-8,876
<b>Total cash flow from operations and investments</b>	<b>-472</b>	<b>962</b>	<b>3,694</b>	<b>1,168</b>	<b>-7,033</b>

**Key data**

SEKm	2011	2010	2009	2008	2007
Net sales	30,357	32,240	34,074	32,342	33,284
Net sales growth, %	-6	-5	5	-3	13
Gross margin, %	27.7	28.5	25.4	29.0	29.4
EBITDA	2,671	3,666	3,060	3,524	4,645
EBITDA margin, %	8.8	11.4	9.0	10.9	14.0
Operating income	1,551	2,445	1,560	2,361	3,564
Operating income excl. items affecting comparability	1,615	2,652	2,012	2,677	3,564
Operating margin, %	5.1	7.6	4.6	7.3	10.7
Operating margin excl. items affecting comparability, %	5.3	8.2	5.9	8.3	10.7
Europe & Asia/Pacific	13.9	14.3	8.5	13.1	16.0
Europe & Asia/Pacific excl. items affecting comparability, %	13.9	14.3	10.3	14.0	16.0
Americas	-5.8	1.2	2.9	2.6	5.6
Americas excl. items affecting comparability, %	-5.8	2.4	3.6	2.8	5.6
Construction	4.7	3.1	-4.7	0.4	13.8
Construction excl. items affecting comparability, %	6.9	4.8	-2.6	4.8	13.8
Income after financial items	1,147	2,051	1,094	1,767	2,889
Income for the period	997	1,749	903	1,288	2,036
Capital expenditure	994	1,302	914	1,163	857
Europe & Asia/Pacific	600	788	557	684	468
Americas	287	411	251	381	304
Construction	107	103	60	97	85
Operating cash flow	-472	962	3,737	2,013	1,843
Cash flow per share	-0.82	1.68	6.81	4.43 <sup>1</sup>	4.04 <sup>1</sup>
Earnings per share, diluted, SEK	1.73	3.03	1.64	2.81 <sup>1</sup>	4.46 <sup>1</sup>
Equity per share, SEK	21.5	21.2	21.1	19.3 <sup>1</sup>	16.1 <sup>1</sup>
Average number of shares, millions	572.6	573.4	548.8	454.5 <sup>1</sup>	456.2 <sup>1</sup>
Dividend per share, SEK	1.50 <sup>2</sup>	1.50	1.00	0.00	1.50 <sup>1</sup>
Dividend pay-out ratio, % <sup>3</sup>	87	49	64	-	42
Capital employed	20,648	19,870	21,220	25,102	20,707
Return on capital employed, %	7.4	11.0	6.6	10.7	17.6
Return on equity, %	8.0	13.9	7.5	15.8	28.6
Capital turn-over rate, times	1.6	1.7	1.6	1.5	1.8
Net debt/equity ratio	0.56	0.46	0.52	1.54	1.63
Interest coverage ratio, times	3.7	6.7	3.2	3.5	5.3
Equity/assets ratio, %	42.4	42.8	40.1	25.7	25.7
Salaries and remunerations	3,904	4,080	3,998	4,037	3,973
Average number of employees	15,698	14,954	15,030	15,720	16,093
Europe & Asia/Pacific	7,037	7,278	-	-	-
Americas	6,664	5,582	-	-	-
Construction	1,997	2,094	-	-	-

<sup>1)</sup> Number of shares 2007–2008 have been restated for the rights issue made in 2009.

<sup>2)</sup> As proposed by the Board.

<sup>3)</sup> Dividend pay out ratio is defined as total dividend in relation to the income for the period excluding non-controlling interest.



# Quarterly data

<b>Income</b>			<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Full year</b>
SEKm							
Net sales	<b>2011</b>		8,774	10,179	6,410	4,994	30,357
	2010		9,082	11,457	6,907	4,794	32,240
	2009		11,152	11,481	6,709	4,732	34,074
EBITDA	<b>2011</b>		946	1,281	389	55	2,671
	2010		1,073	1,660	701	232	3,666
	2009		1,138	1,452	492	-22	3,060
EBITDA margin, %	<b>2011</b>		10.8	12.6	6.1	1.1	8.8
	2010		11.8	14.5	10.1	4.8	11.4
	2009		10.2	12.6	7.3	-0.5	9.0
Operating income	<b>2011</b>		662	1,012	113	-236	1,551
	2010		778	1,319	411	-63	2,445
	2009		786	1,116	173	-515	1,560
Operating income excl. items affecting comparability	<b>2011</b>		702	1,012	137	-236	1,615
	2010		828	1,476	411	-63	2,652
	2009		821	1,134	232	-175	2,012
Operating margin, %	<b>2011</b>		7.5	9.9	1.8	-4.7	5.1
	2010		8.6	11.5	5.9	-1.3	7.6
	2009		7.0	9.7	2.6	-10.9	4.6
Operating margin excl. items affecting comparability, %	<b>2011</b>		8.0	9.9	2.1	-4.7	5.3
	2010		9.1	12.9	5.9	-1.3	8.2
	2009		7.4	9.9	3.5	-3.7	5.9
Income after financial items	<b>2011</b>		589	897	24	-363	1,147
	2010		690	1,250	310	-199	2,051
	2009		590	944	108	-548	1,094
Margin, %	<b>2011</b>		6.7	8.8	0.4	-7.3	3.8
	2010		7.6	10.9	4.5	-4.2	6.4
	2009		5.3	8.2	1.6	-11.6	3.2
Income for the period	<b>2011</b>		484	681	55	-223	997
	2010		535	936	402	-124	1,749
	2009		464	761	130	-452	903
Earnings per share, SEK <sup>1</sup>	<b>2011</b>		0.84	1.18	0.10	-0.39	1.73
	2010		0.92	1.62	0.70	-0.21	3.03
	2009		0.98	1.35	0.23	-0.79	1.64

<b>Financial position</b>			<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Full year</b>
SEKm							
Inventories	<b>2011</b>		7,442	7,157	7,080	8,078	8,078
	2010		7,326	6,769	6,006	7,000	7,000
	2009		8,975	6,979	5,823	6,706	6,706
Equity	<b>2011</b>		12,073	12,228	12,870	12,388	12,388
	2010		12,458	13,079	12,406	12,203	12,203
	2009		12,579	13,003	12,416	12,126	12,126
Interest-bearing liabilities	<b>2011</b>		10,289	9,247	8,260	8,261	8,261
	2010		10,418	10,525	7,897	7,667	7,667
	2009		12,895	12,929	10,276	9,094	9,094
Net debt	<b>2011</b>		8,305	7,632	6,628	6,921	6,921
	2010		8,511	6,632	5,109	5,600	5,600
	2009		10,312	9,137	6,918	6,349	6,349
Working capital	<b>2011</b>		7,677	7,060	6,310	5,699	5,699
	2010		7,167	5,720	4,377	4,478	4,478
	2009		6,700	6,524	4,794	4,163	4,163

<sup>1)</sup> Number of shares have been restated for the rights issue made in 2009.

## Net sales by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2011</b>	4,541	5,752	3,430	2,642	16,365
	2010	4,459	5,845	3,708	2,609	16,621
	2009	5,034	5,639	3,446	2,475	16,594
Americas	<b>2011</b>	3,588	3,692	2,241	1,672	11,193
	2010	4,028	4,863	2,482	1,571	12,944
	2009	5,470	5,142	2,584	1,649	14,845
Construction	<b>2011</b>	645	735	739	680	2,799
	2010	595	749	717	614	2,675
	2009	648	700	679	608	2,635

## Operating income by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2011</b>	815	1,079	291	92	2,277
	2010	732	1,145	511	-5	2,383
	2009	674	840	190	-294	1,410
Europe & Asia/Pacific excl. items affecting comparability	<b>2011</b>	815	1,079	291	92	2,277
	2010	732	1,145	511	-5	2,383
	2009	708	858	249	-105	1,710
Americas	<b>2011</b>	-94	-98	-172	-290	-654
	2010	81	202	-92	-39	152
	2009	218	332	-8	-105	437
Americas excl. items affecting comparability	<b>2011</b>	-94	-98	-172	-290	-654
	2010	131	312	-92	-39	312
	2009	219	332	-8	-8	535
Construction	<b>2011</b>	-17	75	50	22	130
	2010	1	11	42	28	82
	2009	-67	-14	29	-71	-123
Construction excl. items affecting comparability	<b>2011</b>	23	75	74	22	194
	2010	1	58	42	28	129
	2009	-67	-14	29	-17	-69
Group common costs etc.	<b>2011</b>	-42	-44	-56	-60	-202
	2010	-36	-39	-50	-47	-172
	2009	-39	-42	-38	-45	-164
Group common costs excl. items affecting comparability	<b>2011</b>	-42	-44	-56	-60	-202
	2010	-36	-39	-50	-47	-172
	2009	-39	-42	-38	-45	-164

## Operating margin by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2011</b>	17.9	18.8	8.5	3.5	13.9
	2010	16.4	19.6	13.8	-0.2	14.3
	2009	13.4	14.9	5.5	-11.9	8.5
Europe & Asia/Pacific excl. items affecting comparability	<b>2011</b>	17.9	18.8	8.5	3.5	13.9
	2010	16.4	19.6	13.8	-0.2	14.3
	2009	14.1	15.2	7.2	-4.2	10.3
Americas	<b>2011</b>	-2.6	-2.7	-7.7	-17.3	-5.8
	2010	2.0	4.2	-3.7	-2.5	1.2
	2009	4.0	6.5	-0.3	-6.4	2.9
Americas excl. items affecting comparability	<b>2011</b>	-2.6	-2.7	-7.7	-17.3	-5.8
	2010	3.3	6.4	-3.7	-2.5	2.4
	2009	4.0	6.5	-0.3	-0.5	3.6
Construction	<b>2011</b>	-2.6	10.3	6.7	3.3	4.7
	2010	0.1	1.5	5.9	4.6	3.1
	2009	-10.3	-2.0	4.3	-11.7	-4.7
Construction excl. items affecting comparability	<b>2011</b>	3.6	10.3	9.9	3.3	6.9
	2010	0.1	7.8	5.9	4.6	4.8
	2009	-10.3	-2.0	4.3	-2.8	-2.6

# The share

## Listing and trading volume

The Group shares have been listed on NASDAQ OMX Stockholm since June 2006.

A total of 604 million (585) Husqvarna Group shares were traded in 2011, with a total value of SEK 24.2 billion (29.2), corresponding to an average daily trading volume of 2.4 million (2.3) shares or SEK 95m (115).

The turnover velocity for the Husqvarna Group B-share was 124 percent in 2011.

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 Group share is traded on several MTFs including Chi-X, BATS and Turquoise. However, the NASDAQ OMX Stockholm exchange accounts for the majority of trading.

## Dividend and dividend policy

The Board of Directors has proposed a dividend of SEK 1.50 per share (1.50) for 2011, representing 87 percent (49) of income for the year. The policy is that the dividend shall normally exceed 40 percent of income for the year.

## Repurchase of shares

The AGM 2011 authorized the Board of Directors to repurchase a maximum of three percent of the total number of outstanding B-shares to ensure Husqvarna's commitments in terms of existing long-term incentive programs. 0 B-shares were repurchased during the year. At year-end, the total number of repurchased shares amounted to 3,823,373 B-shares (3,906,007) corresponding to 0.66 percent of the total number of outstanding shares.

## Conversion of shares

At Husqvarna AB's AGM in 2010, it was resolved to amend Husqvarna's articles of association, whereby shareholders in Husqvarna, who hold A-shares shall be entitled to request conversion of their A-shares into B-shares. In 2011, 5,294,748 A-shares were converted to B-shares.

## Analyst coverage

There are currently more than 15 analysts who analyze and follow Husqvarna and give recommendations on the share.

## ADR

Husqvarna sponsors a Level I American Depositary Receipt (ADR) program in the United States. The ADRs, which each represent 2 ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a US dollar denominated security, and the associated dividends are paid to investors in US dollars. Citibank is Husqvarna's ADR depository bank.

More information is found on [www.citi.com/dr](http://www.citi.com/dr)

## FURTHER INFORMATION CONCERNING THE HUSQVARNA SHARE

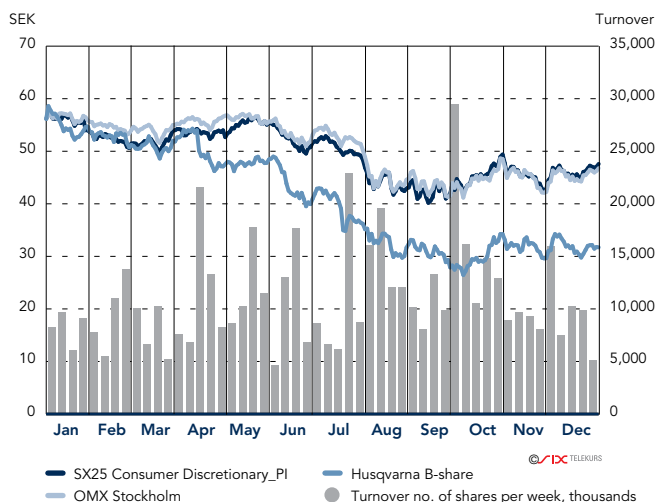
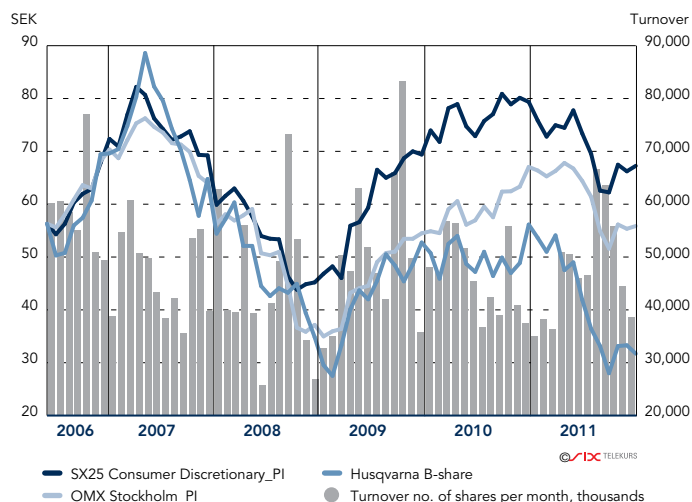
The following information, and more, is available at [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital
- Insider trading



[www.husqvarnagroup.com/en/ir](http://www.husqvarnagroup.com/en/ir)  
For more information

## Husqvarna B-share, 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

## Largest shareholders in Husqvarna AB

	Capital, %	Votes, %	Change during the year	
			Capital, %	Votes, %
Investor AB	16.8	30.1	1.1	-0.7
Alecta Mutual Pension Insurance	9.6	7.2	0.2	0.2
LE Lundbergföretagen	6.7	22.0	1.5	6.4
Nordea Investment Funds	6.1	2.5	3.9	1.3
Swedbank Robur Investment Funds	5.7	1.9	-0.6	-0.1
Didner & Gerge Investment Funds	2.2	1.7	0.2	0.1
SEB Investment Funds & SEB Trygg Liv	2.1	0.8	-0.6	-0.3
IF Skadeförsäkring AB	1.4	3.5	0.2	0.2
Andra AP-fonden	1.3	0.4	-0.1	-0.1
AMF Insurance & Pension Investment Funds	1.2	0.4	-1.3	-1.4
<b>Total for the 10 largest shareholders</b>	<b>53.2</b>	<b>70.6</b>	<b>2.9</b>	<b>6.1</b>

Source: SIS Ägarservice as of December 30, 2011.

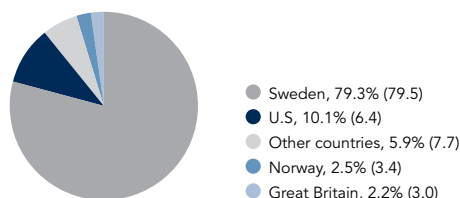
## Share data

	2011	2010	2009
Earnings per share, SEK	1.73	3.03	1.64
Earnings per share after dilution, SEK	1.73	3.03	1.64
Cash flow per share, operating, SEK	-0.82	1.68	6.81
Cash flow per share, operating, after dilution, SEK	-0.82	1.68	6.81
Equity per share, SEK	21.5	21.2	22.0
Dividend per share, SEK <sup>1</sup>	1.50	1.50	1.00
Yield, % <sup>2</sup>	4.7	2.7	1.9
Dividend payout ratio, %	87	49	64
Year-end price, A-share, SEK	32	56	50
Highest price, A-share, SEK	59	57	51
Lowest price, A-share, SEK	26	41	24
Year-end price, B-share, SEK	32	56	53
Highest price, B-share, SEK	59	58	54
Lowest price, B-share, SEK	26	44	25
Number of shareholders	65,291	66,041	71,750
Market capitalization, SEKm	18,269	32,301	29,966

<sup>1</sup> Dividend 2011 as proposed by the Board.

<sup>2</sup> Dividend/year-end share price.

## Distribution of shareholders by country



## Shareholding, by size in Husqvarna AB

Size of holding	Votes, %	No. of shareholders	% no. of shareholders
1-1 000	2.7	49,827	76.3
1 001-10 000	5.6	13,942	21.4
10 001-100 000	3.8	1,240	1.9
100 001-1 000 000	6.2	201	0.3
1 000 001-	81.7	81	0.1
<b>Total</b>	<b>100.0</b>	<b>65,291</b>	<b>100.0</b>

## Key facts, Husqvarna shares

Listing:	NASDAQ OMX Stockholm
Number of shares:	576,343,778
Market capitalization at year-end 2011:	SEK 18 bn
Ticker codes:	Bloomberg HUSQA SS, HUSQB SS, Reuters HUSQa.ST, HUSQb.ST, NASDAQ OMX Stockholm HUSQ A, HUSQ B
ISIN codes:	A-share SE0001662222, B-share SE0001662230

## Key facts, Husqvarna ADR

Ticker code:	HSQVY
ISIN code:	US4481031015
Ratio:	Two ordinary B-shares equals one ADR

# Definitions

## Capital indicators

### *Net assets*

Total assets exclusive of liquid funds and interest-bearing financial receivables 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 financial receivables less operating liabilities and non-interest-bearing provisions.

### *Net debt*

Total interest-bearing liabilities less liquid funds.

### *Interest bearing liabilities*

Long-term and short-term borrowings 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.

## Other definitions

### *Adjusted*

As reported adjusted for items affecting comparability, changes in exchange rates and acquisitions/divestments.

### *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 operating 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 interests, taxes, depreciation, impairment and amortization.

### *Value creation*

Operating income less the weighted average cost of capital (WACC) on average net assets: (Net sales – operating costs – operating income) – (WACC x average net assets).

### *Interest coverage ratio*

Income after financial items plus financial costs divided with financial costs.



# The Website

Husqvarna Group's website – [www.husqvarnagroup.com](http://www.husqvarnagroup.com) – contains detailed and updated financial information for investors as well as information about the Group's objectives and strategies, corporate governance, Group-related news, and more. The website also has a subscription service for receiving press releases and reports by email. A selection of headlines and functions on the webpage is shown below.

- 1 About Husqvarna Group**  
The Group strategy, business, organization and history.
- 2 General Meetings**  
Notices, proposals and minutes from AGM etc.
- 3 Corporate governance**  
Ownership structure, General Meetings, Board of Directors and Group Management.
- 4 Corporate responsibility**  
Environmental, social and economical responsibility.
- 5 The share**  
Largest shareholders, share price development, share facts etc.
- 6 Financial reports**  
Annual and interim reports etc.
- 7 Financial data**  
Annual and quarterly financial statistics.
- 8 Share price development**
- 9 Latest press releases**
- 10 Upcoming events**



# From Production to Innovation

The history of Husqvarna stretches back more than 320 years. This long period is characterized by innovation and responsiveness to market needs. Husqvarna's reputation for producing high quality products with reliable performance has paved the way for sustained growth and enabled expansion in several areas.



Weapons foundry



Meat mincer



Motorbike

## ▶ 1689 Weapons foundry

The foaming waterfall in Huskvarna, Sweden, turns out to be a hidden source of power. The first Husqvarna plant is established here as a weapons factory harnessing that energy. The last Husqvarna rifle was produced in 1989.

## ▶ 1896 Bicycles

The company continues to produce bicycles until 1962.

## ▶ 1872 Sewing machines

The production of sewing machines started in 1872 and were produced for more than 100 years until the operation was divested in 1997.

## ▶ 1903 Motorcycles

The dawn of a new era, as expertise in engines becomes a major asset for Husqvarna. The motorcycle operation was sold in 1987.

## ▶ 1874 Kitchen equipment

The first grey iron foundry is established and besides sewing machines Husqvarna produces kitchen equipment in cast iron. Among other things, 12 million meat mincers are exported world wide.

## ▶ 1918 Lawn mowers

Husqvarna acquires Norrahammars Bruk. In addition to a high-capacity foundry, this gives Husqvarna a new product range – lawn mowers. They become very popular, leading to the current focus on outdoor products.

## IN THE WORLD

**The first industry** In the eighteenth century, the world sees a change from a system of agriculture and manual crafts to a modern, manufacturing, system with the use of machinery. The working class rises, together with the first industries and the concept of wages.

**Dwelling as a machine** With the industrialization, women's emancipation gets started. Women's labour, working in textile factories and/or at home, gives birth to a demand for household appliances.

**From pedals to the engine** The second industrial revolution, in the late nineteenth century, emphasizes technological and scientific progress through innovations. Development of transport and rising urbanization create a growing need for bicycles first and motorbikes later on.

## CORPORATE BRAND



First logotype



1882



1932



1973



2012

"With our new corporate brand, we keep the connection with Husqvarna's long history. At the same time, by adding the word Group, it will be more visible to internal as well as external stakeholders that the cooperation is proud owner of several strong brands and that our offering is broad." Hans Linnarson, CEO and President



Chainsaw

Lawn Mower

Robotic Mower

### ▶ 1959 Chainsaws

Demand for bicycles, mopeds and motor-cycles declines at the end of the 1950s. Forestry becomes increasingly more important in Sweden, and the first Husqvarna chainsaw is produced in 1959.

### ▶ 1978 Part of Electrolux

Electrolux acquires Husqvarna, and chainsaws become the core of the Electrolux operation in outdoor products. The operation expands steadily through organic growth as well as acquisitions.

### ▶ 1995 Robotic lawn mower

Launch of Automower®, the world's first solar powered robotic lawn mower.

### ▶ 2006 Spin off and stock exchange listing

Husqvarna is spun off from Electrolux and the shares are listed on NASDAQ OMX Stockholm.

### ▶ 2007 Acquisition of Gardena and Zenoah

Husqvarna acquires Gardena as well as Zenoah and Klippo.

### ▶ 2010 New production facility in Poland

The new production facility in Mielec, Poland, is inaugurated. The facility will produce riders and walk-behind lawn mowers.

### ▶ 2012 Battery Products

A new range of semi-professional battery products will be launched to the market. Husqvarna is already offering a wide range of battery-powered products, including our robotic mower Automower®.

**The post-war period** There is growing interest in green energies, as well as the requirements to enable environmental balance. Concern for the forests rises and, at the same time, gardens also become available to the middle class.

**2000 World facts** Continuous innovations are the challenge of the twenty-first century. It is a post-modern digital world where digital solutions and services become increasingly important. Technological progress is revolutionary and diversified as never before. Also, sustainable and green development becomes even more important in view of the demographic explosion.

## Contacts

### Tobias Norrby

Investor Relations Manager  
tobias.norrby@husqvarnagroup.com  
+46 8 738 83 35

### Press Hotline

press@husqvarnagroup.com  
+46 8 738 90 80

*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.





## Husqvarna Group Identity

Launching a corporate brand is a natural step to show all stakeholders that the Group is proud owner of several brands, not only Husqvarna branded products, but also Gardena, McCulloch, Diamant Boart, Jonsered, PoulanPRO, Zenoah, Dixon and many more.

The new corporate brand keeps the connection with the Group's long history of innovation, by keeping the symbol and just adding Group. The original symbol is a heritage from 1689, when Husqvarna was a weapons foundry.

**Head office** Husqvarna AB (publ) • Mailing address: Box 7454, SE-103 92 Stockholm  
Visiting address: Regeringsgatan 28 • Telephone: +46 8-738 94 00 • [www.husqvarnagroup.com](http://www.husqvarnagroup.com)

**Registered office** Husqvarna AB (publ) Jönköping • Mailing address: SE-561 82 Huskvarna  
Visiting address: Drottninggatan 2 • Telephone: +46 36-14 65 00 • Telefax: 036-14 68 10