

# INTERIM REPORT JANUARY – JUNE 2014

Stockholm July 16, 2014



## Kai Wärn, President and CEO:

“Husqvarna Group has delivered a strong first half of the year. Operating income for the second quarter increased by 35% to SEK 1,384m (1,022) and the margin rose to 12.5% (10.0). As in the first quarter, the positive development was driven by a combination of strong demand and impact from the Accelerated Improvement Program.

From a market demand perspective, Europe benefitted from positive weather conditions in the second quarter, while North America was challenged by a late spring and high trade inventory situation entering the quarter. Still, operating profit for Americas increased 41% to SEK 220m and the operating margin rose to 5.0% (3.7), mainly driven by cost reductions, productivity and mix improvements. For Europe & Asia/Pacific the operating income rose 38% to SEK 1,101m and the operating margin recovered to 19.1% (15.5), primarily as a result of higher sales volume and a good development within the core brands Husqvarna and Gardena and in prioritized product areas such as robotic lawn mowers and watering equipment. Construction had yet another strong quarter with operating income increasing 21%, driven by continued profitable growth across most markets.

A large share of the result improvement is attributable to activities in our Accelerated Improvement Program. The positive signs in the first quarter have all trended into the second quarter; the reduction of direct material costs is sustained and we are driving favorable mix by prioritizing our premium brands and product leadership areas, as well as growth in the dealer channel, especially in the U.S.

In June we announced a new organization which gradually will be implemented and fully effective by January 1, 2015. The new organization will follow the brand dimension for three forest and garden divisions with global profit and loss responsibility; Husqvarna, Gardena and Consumer Brands. The Construction division will continue in its current form. Group functions will also be established in order to secure Group wide synergies and scale benefits, such as in sourcing, logistics and technology. In addition to providing better accountability and increased speed in decision making, the new organization will facilitate increased focus on key differences essential for market leadership in the different customer segments targeted by each division.

Keeping the momentum in the Accelerated Improvement Program remains key. From a demand perspective the third quarter may be more challenging in terms of comparison with prior year, as 2013 benefitted from a favorable garden season.”

## Second quarter

- Net sales increased to SEK 11,045m (10,227). Adjusted for exchange rate effects, net sales increased 7%.
- Operating income increased 35% to SEK 1,384m (1,022), including total negative impact from changes in exchange rates of SEK -3m, compared to the second quarter 2013.
- Sales and operating income were higher for all business areas.
- Earnings per share increased to SEK 1.70 (1.15).
- Operating cash flow increased to SEK 2,282 (1,915).
- The net debt/equity ratio improved to 0.60 (0.75).

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM	FY
	2014	2013	As rep.	Adj. <sup>1</sup>	2014	2013	As rep.	Adj. <sup>1</sup>		
Net sales, Group	11,045	10,227	8	7	20,730	19,251	8	7	31,786	30,307
Europe & Asia/Pacific <sup>2</sup>	5,767	5,148	12	10	10,101	9,233	9	8	15,604	14,736
Americas <sup>2</sup>	4,393	4,264	3	4	8,962	8,497	5	6	13,036	12,571
Construction	885	815	8	8	1,667	1,521	10	9	3,146	3,000
EBITDA	1,621	1,265	28	27	2,755	2,200	25	24	3,141	2,586
EBITDA margin, %	14.7	12.4	-	-	13.3	11.4	-	-	9.9	8.5
Operating income, Group	1,384	1,022	35	34	2,287	1,710	34	33	2,185	1,608
Europe & Asia/Pacific <sup>2</sup>	1,101	800	38	36	1,770	1,350	31	29	1,908	1,488
Americas <sup>2</sup>	220	156	41	43	438	298	47	51	170	30
Construction	121	100	21	21	198	146	36	36	329	277
Operating margin, %	12.5	10.0	-	-	11.0	8.9	-	-	6.9	5.3
Income after financial items	1,274	916	39	-	2,081	1,518	37	-	1,743	1,180
Income for the period	975	661	48	-	1,591	1,128	41	-	1,379	916
Earnings per share, SEK	1.70	1.15	48	-	2.77	1.96	41	-	2.41	1.60

<sup>1</sup> Adjusted for currency translation effects only (i.e. excluding transaction and hedging effects) and items affecting comparability.

<sup>2</sup> Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 16.

## SECOND QUARTER

### Net sales

Net sales for the second quarter 2014 increased by 8% to SEK 11,045m (10,227). Adjusted for exchange rate effects, net sales for the Group increased 7%, by 10% for Europe & Asia/Pacific, by 4% for Americas and by 8% for Construction.

### Operating income

Operating income for the second quarter increased 35% to SEK 1,384m (1,022), corresponding to an operating margin of 12.5% (10.0). Operating income and margin rose for all business areas.

Operating income was positively impacted primarily by the higher sales volume, reduction of direct material costs and improved productivity. Costs for selling and administration as a percentage of sales declined, although logistics and marketing costs increased as a result of the higher sales activity.

Changes in exchange rates had a total negative impact on operating income of SEK -3m compared to the second quarter 2013.

### Financial items net

Financial items net amounted to SEK -110m (-106), of which net interest amounted to SEK -96m (-105). The average interest rate on borrowings at June 30, 2014, was 3.5% (3.9).

### Income after financial items

Income after financial items increased to SEK 1,274m (916) corresponding to a margin of 11.5% (9.0).

### Taxes

Tax amounted to SEK -299m (-255), corresponding to a tax rate of 23% (28) of income after financial items.

### Earnings per share

Income for the period increased 48% to SEK 975m (661), corresponding to SEK 1.70 (1.15) per share.

## JANUARY – JUNE

### Net sales

Net sales for January – June increased by 8% to SEK 20,730m (19,251). Adjusted for exchange rate effects, net sales for the Group increased by 7%, for Europe & Asia/Pacific by 8%, for Americas by 6%, while sales for Construction increased by 9%.

### Operating income

Operating income for January – June increased 34% to SEK 2,287m (1,710) and the corresponding operating margin rose to 11.0% (8.9). Operating income and margin rose for all business areas.

Operating income for the first half year was positively impacted primarily by the higher sales volume, reduction of direct material costs, improved productivity and favorable mix. Logistics and marketing costs rose as a result of the higher sales activity.

Changes in exchange rates had a total negative impact on operating income of SEK -48m compared to January - June 2013.

### Financial items net

Financial items net amounted to SEK -206m (-192), of which net interest amounted to SEK -178m (-195).

### Income after financial items

Income after financial items increased to SEK 2,081m (1,518) corresponding to a margin of 10.0% (7.9).

### Taxes

Tax amounted to SEK -490m (-390), corresponding to a tax rate of 24% (26) of income after financial items.

## Earnings per share

Income for the period increased 41% to SEK 1,591m (1,128), corresponding to SEK 2.77 (1.96) per share.

## OPERATING CASH FLOW

Operating cash flow for January - June increased to SEK 2,282m (1,915). Cash flow from operations, excluding changes in operating assets and liabilities, increased due to the higher result. Cash flow from changes in operating assets and liabilities decreased, mainly as a result of inventory changes. The increase in capital expenditure was mainly related to the new manufacturing facility for chainsaw chains in Huskvarna.

<b>Operating cash flow</b> SEKm	<b>Q2</b> <b>2014</b>	Q2 2013	<b>Jan-Jun</b> <b>2014</b>	Jan-Jun 2013	Full year 2013
Cash flow from operations, excluding changes in operating assets and liabilities	1,654	1,044	2,671	1,775	1,776
Changes in operating assets and liabilities	924	1,103	-1,761	-1,210	1,116
<b>Cash flow from operations</b>	<b>2,578</b>	<b>2,147</b>	<b>910</b>	<b>565</b>	<b>2,892</b>
Cash flow from investments, excluding acquisitions and divestments	-296	-232	-588	-436	-1,079
<b>Operating cash flow</b>	<b>2,282</b>	<b>1,915</b>	<b>322</b>	<b>129</b>	<b>1,813</b>

## FINANCIAL POSITION

Group equity as of June 30, 2014, excluding non-controlling interests, amounted to SEK 12,556m (11,591), corresponding to SEK 21.9 (20.2) per share.

Net debt decreased to SEK 7,603m (8,733) as of June 30, 2014, of which liquid funds amounted to SEK 2,330m (1,940) and interest-bearing debt amounted to SEK 8,525m (9,209), excluding pensions. The major currencies used for debt financing are SEK and USD. Net debt decreased by SEK 200m during the last twelve months as a result of changes in exchange rates.

The net debt/equity ratio improved to 0.60 (0.75) and the equity/assets ratio rose to 40% (38).

<b>Net debt</b> SEKm	<b>30 Jun</b> <b>2014</b>	30 Jun 2013	31 Dec. 2013
Interest-bearing liabilities	8,525	9,209	7,290
Provisions for pensions and other post-employment benefits	1,408	1,464	1,253
Less: Liquid funds	-2,330	-1,940	-1,884
<b>Net debt</b>	<b>7,603</b>	<b>8,733</b>	<b>6,659</b>

On June 30, 2014, long-term loans including financial leases amounted to SEK 5,421m (7,515) and short-term loans including financial leases to SEK 2,792m (1,487). Long-term loans consist of SEK 3,463m (4,939) in issued bonds, and bank loans and financial leases of SEK 1,958m (2,576). The major part of the bonds and bank loans mature in 2016 - 2018. During the second quarter 2014 the Group amortized a loan amounting to SEK 500m with original maturity in March 2015. The Group also has an unutilized SEK 6 bn syndicated revolving credit facility, with maturity in 2016.

## PERFORMANCE BY BUSINESS AREA

### Europe & Asia/Pacific

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2014	2013	As rep.	Adj. <sup>1</sup>	2014	2013	As rep.	Adj. <sup>1</sup>		
Net sales	5,767	5,148	12	10	10,101	9,233	9	8	15,604	14,736
Operating income	1,101	800	38	36	1,770	1,350	31	29	1,908	1,488
Operating margin, %	19.1	15.5	-	-	17.5	14.6	-	-	12.2	10.1

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

Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 16.

Net sales for Europe & Asia/Pacific increased by 12% in the second quarter. Adjusted for exchange rate effects, net sales increased by 10%.

Efforts to grow sales of premium brands, in the prioritized product areas and sales channels, continued to develop well. Watering products and robotic lawn mowers were the products with the best development. Market demand in Europe was positively impacted by favorable weather conditions in both the first and second quarters.

Operating income for the second quarter increased 38% to SEK 1,101m (800) and the operating margin improved to 19.1% (15.5), mainly as a result of the higher sales volume, favorable product and channel mix, reduction of direct material costs and improved productivity.

Changes in exchange rates had a positive year-on-year impact of SEK 30m on operating income in the second quarter and SEK 35m in the first half year.

### Americas

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2014	2013	As rep.	Adj. <sup>1</sup>	2014	2013	As rep.	Adj. <sup>1</sup>		
Net sales	4,393	4,264	3	4	8,962	8,497	5	6	13,036	12,571
Operating income	220	156	41	43	438	298	47	51	170	30
Operating margin, %	5.0	3.7	-	-	4.9	3.5	-	-	1.3	0.2

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

Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 16.

Net sales for Americas increased by 3% in the second quarter 2014. Adjusted for exchange rate effects, net sales increased by 4%.

Market demand in the first half of the year was hampered by a late spring and challenging early summer weather conditions in the U.S. Demand also suffered from high trade inventory levels entering the second quarter, following the strong sell-in to the trade in the first quarter.

Sales increased in the U.S. and Latin America, with a slightly better development for handheld products than for the wheeled products in the second quarter. Dealer channel sales continued to develop strongly, accounting for the majority of the total sales increase in the quarter as well as for the first six months.

Operating income for the second quarter increased to SEK 220m (156) and the corresponding margin rose to 5.0% (3.7), mainly due to lower direct material costs, improved productivity and favorable mix, which partly was offset by higher logistics costs.

Changes in exchange rates had a negative year-on-year effect of SEK -26m on operating income in the second quarter and SEK -62m in the first half year.

## Construction

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2014	2013	As rep.	Adj. <sup>1</sup>	2014	2013	As rep.	Adj. <sup>1</sup>		2013
Net sales	885	815	8	8	1,667	1,521	10	9	3,146	3,000
Operating income	121	100	21	21	198	146	36	36	329	277
Operating margin, %	13.7	12.3	-	-	11.9	9.6	-	-	10.5	9.2

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

Net sales for Construction increased by 8% in the second quarter 2014. Adjusted for exchange rate effects, the increase in sales was also 8%.

Market demand for construction products in most main markets continued to develop positively also in the second quarter. Sales increased in all markets, with the best development in region rest of the world, primarily driven by continued strong growth in Brazil, and in Europe.

Operating income increased to SEK 121m (100), mainly as a result of the higher sales volume. The corresponding operating margin improved to 13.7% (12.3).

Changes in exchange rates had a negative year-on-year effect of SEK -8m on operating income in the second quarter and SEK -21m in the first half year.

## NEW ORGANIZATION AS OF JANUARY 1, 2015

Husqvarna Group will establish a new organization for its forest and garden operations which follows the brand dimension with a global profit and loss responsibility. The Construction division will continue in its current form. The new organization will be implemented gradually and fully effective as of January 1, 2015. Implementation costs and redundancies will be limited.

The forest and garden operations will be organized in three global brand divisions representing three different business models;

- Husqvarna (including Zenoah), which are dealer channel centric brands that enjoy strong recognition across many different forest and garden product segments, primarily for professionals and demanding consumers. Net sales for the division in 2013 represented approximately 52% of Group net sales.
- Gardena, which is a retail centric brand with strong "must have" recognition in the consumer watering segment. Net sales for the division in 2013 represented approximately 13% of Group net sales.
- Consumer Brands. This division includes all other Group brands, such as PoulanPro, McCulloch and Flymo. Net sales for the division in 2013 represented approximately 25% of Group net sales.

The divisions will have global profit & loss, cash flow and balance sheet responsibility. Most operational activities will primarily be organized within the brand divisions. To secure synergies and strategic alignment, a Group Operations division and global staff functions such as Business Development and Technology Office will be established.

The Construction division, which represents around 10% of Group net sales, will not be impacted by the organizational changes in the forest and garden operations.

In the Group's external financial reporting, the segment reporting will comprise four divisions; the three forest and garden divisions Husqvarna, Gardena and Consumer Brands, and the Construction division, as of January 1, 2015. The new organization results in new cash generating units, which potentially creates a need for impairment of intangible assets. Any such consequences will be communicated when known.

## PARENT COMPANY

Net sales January - June 2014 for the Parent Company, Husqvarna AB, amounted to SEK 7.107m (6,430), of which SEK 5,578 (4,981) referred to sales to Group companies and SEK 1,529m (1,449) to external customers.

Income after financial items amounted to SEK 829m (1,012). Income for the period was SEK 505m (907). Investments in tangible and intangible assets amounted to SEK 263m (227). Cash and cash equivalents amounted to SEK 795m (432) at the end of the quarter. Undistributed earnings in the Parent Company amounted to SEK 17,085m (17,466).

## CONVERSION OF SHARES

According to the company's articles of association, owners of A-shares have the right to have such shares converted to B-shares. Conversion reduces the total number of votes in the company.

In April 2014, 66,454 A-shares were converted to B-shares at the request of shareholders. In July 2014, another 353,733 A-shares were converted to B-shares at the request of shareholders. The total number of votes thereafter amounts to 168,391,475.6.

The total number of registered shares in the company at June 30, 2014 amounted to 576,343,778 shares of which 123,417,175 were A-shares and 452,926,603 were B-shares.

## RISKS AND UNCERTAINTY FACTORS

A number of factors may affect Husqvarna's operations in terms of operational and financial risks. Operational risks are managed by the operative units, and financial risks by Group Treasury.

For more information on risk than stated below, see the Annual Report, which is available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir).

### Operational risks

Operational risks include general economic conditions, as well as trends in consumer and professional spending, particularly in North America and Europe, where the majority of the Group's products are sold. An economic downturn in these markets may have an adverse effect on Group sales and earnings. Shifts in product technology as well as shifts in distribution structure could also have a negative impact on Group sales and earnings, as will fluctuations in prices of sourced raw materials and components.

The Group is currently investing in a new production facility for manufacturing of chainsaw chains. As the Group has limited experience of producing saw chains, such an investment involves risks including, but not limited to, unsatisfactory ramp up of production capacity, or fine tuning of the manufacturing equipment parameters could take longer time to achieve adequate quality of the finished products.

Demand for the Group's products is also dependent on weather conditions. Dry weather can reduce demand for such products as lawn mowers and tractors, but can stimulate demand for watering products. Demand for chainsaws normally increases after storms and during cold winters.

Husqvarna's operations are also subject to seasonal variations. Demand for consumer garden products and commercial lawn and garden products normally peaks in the second quarter, while the peak season for chainsaws is normally in the third quarter. Husqvarna has adapted its production processes and supply chain to respond to these conditions. However, parameters such as cash flow and production levels follow the seasonal variations in demand, which results in relatively greater risk exposure for the Group over short periods of time.

In the ordinary course of business, Husqvarna is exposed to legal risks such as commercial, product liability and other disputes.

### Financial risks

Financial risks refer primarily to currency exchange rates, interest rates, financing, and credit risks. Risk management within the Husqvarna Group is regulated by a financial policy established by the Board of Directors. A higher indebtedness resulting from the seasonality of the Group's operations involve greater exposure to changes in exchange rates and interest rates, as well as financing risks.

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim financial reporting and the Swedish Annual Act. The financial statement of the Parent Company has been prepared in accordance with the Swedish Annual Act, chapter 9 and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities.

The accounting policies adopted are consistent with those presented in the Annual Report of 2013, except as described below. The Annual Report 2013 is available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir).

### New and amended standards adopted as of January 1, 2014

Husqvarna Group has adopted the following new and amended standards as of January 1, 2014.

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 in the consolidated financial reports of the parent company. The new standard has not had a significant impact on the financial statements.

IFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities. The new standard has not had a significant impact on the financial statements.

IAS 27 (revised 2011), "Separate financial statements" includes the provisions on separate financial statements that remain after the control provisions of IAS 27 have been included in the new IFRS 10.

There are no other new or amended standards or interpretations effective as from January 1, 2014 that has had any impact on Husqvarna Group's financial statements.

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The Board of Directors and the President certify that, according to our knowledge, the half-year report has been prepared in accordance with the accounting principles applicable to Swedish listed companies, that the information provided presents a fair overview of the facts, and that nothing of a significant nature which could influence the view created by the report has been omitted.

Stockholm, July 16, 2014

*Lars Westerberg*  
Chairman of the Board

*Magdalena Gerger*  
Board member

*Tom Johnstone*  
Board member

*Ulla Litzén*  
Board member

*David Lumley*  
Board member

*Katarina Martinson*  
Board member

*Daniel Nodhäll*  
Board member

*Lars Pettersson*  
Board member

*Kai Wörn*  
Board member  
President and CEO

*Soili Johansson*  
Employee representative  
Board member

*Annika Ögren*  
Employee representative  
Board member



## REVIEW REPORT

Husqvarna AB (publ), corporate identity number 556000-5331

To the Board of Directors of Husqvarna AB (publ)

### Introduction

We have reviewed the condensed interim report for Husqvarna AB (publ) as at June 30, 2014 and for the six months period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 16, 2014

Ernst & Young AB

*Hamish Mabon*  
**Authorized Public Accountant**

*Helene Siberg Wendin*  
**Authorized Public Accountant**

## Consolidated income statement

SEKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
Net sales	11,045	10,227	20,730	19,251	30,307
Cost of goods sold	-7,609	-7,333	-14,742	-14,085	-22,288
<b>Gross income</b>	<b>3,436</b>	<b>2,894</b>	<b>5,988</b>	<b>5,166</b>	<b>8,019</b>
Margin, %	31.1	28.3	28.9	26.8	26.5
Selling expense	-1,714	-1,550	-3,038	-2,819	-5,148
Administrative expense	-351	-322	-676	-633	-1,260
Other operating income/expense	13	0	13	-4	-3
<b>Operating income<sup>1</sup></b>	<b>1,384</b>	<b>1,022</b>	<b>2,287</b>	<b>1,710</b>	<b>1,608</b>
Margin, %	12.5	10.0	11.0	8.9	5.3
Financial items, net	-110	-106	-206	-192	-428
<b>Income after financial items</b>	<b>1,274</b>	<b>916</b>	<b>2,081</b>	<b>1,518</b>	<b>1,180</b>
Margin, %	11.5	9.0	10.0	7.9	3.9
Income tax	-299	-255	-490	-390	-264
<b>Income for the period</b>	<b>975</b>	<b>661</b>	<b>1,591</b>	<b>1,128</b>	<b>916</b>
Attributable to:					
<b>Equity holders of the Parent Company</b>	<b>971</b>	<b>658</b>	<b>1,586</b>	<b>1,123</b>	<b>914</b>
Non-controlling interest in income for the period	4	3	5	5	2
Basic earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
Diluted earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
Basic weighted average number of shares outstanding, millions	572.7	572.6	572.7	572.6	572.6
Diluted weighted average number of shares, millions	572.8	572.7	572.8	572.7	572.8

## Consolidated comprehensive income statement

SEKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
<b>Income for the period</b>	<b>975</b>	<b>661</b>	<b>1,591</b>	<b>1,128</b>	<b>916</b>
<b>Items that will not be reclassified to the income statement:</b>					
Remeasurements on defined benefit pension plans	-22	-	-101	-	148
	<b>-22</b>	<b>-</b>	<b>-101</b>	<b>-</b>	<b>148</b>
<b>Items that may be reclassified to the income statement:</b>					
Currency translation differences	557	691	611	302	163
Hedging of net equity in foreign subsidiaries	-45	-	-45	-	-
Cash flow hedges	-23	1	-12	29	4
	<b>489</b>	<b>692</b>	<b>554</b>	<b>331</b>	<b>167</b>
<b>Other comprehensive income, net of tax</b>	<b>467</b>	<b>692</b>	<b>453</b>	<b>331</b>	<b>315</b>
<b>Total comprehensive income for the period</b>	<b>1,442</b>	<b>1,353</b>	<b>2,044</b>	<b>1,459</b>	<b>1,231</b>
Attributable to:					
Equity holders of the Parent Company	1,437	1,350	2,038	1,454	1,231
Non-controlling interest	5	3	6	5	0
<sup>1</sup> Of which depreciation, amortization and impairment	-238	-243	-469	-490	-978

## Consolidated balance sheet

SEKm	30 Jun 2014	30 Jun 2013	31 Dec. 2013
<b>Assets</b>			
Property, plant and equipment	3,860	3,510	3,609
Goodwill	5,901	5,809	5,713
Other intangible assets	3,900	3,815	3,839
Derivatives	0	-	0
Deferred tax assets	1,268	1,210	1,122
Other financial assets	89	76	84
<b>Total non-current assets</b>	<b>15,018</b>	<b>14,420</b>	<b>14,367</b>
Inventories	6,945	6,678	7,087
Trade receivables	6,457	6,467	2,816
Derivatives	116	303	273
Tax receivables	72	193	69
Other current assets	644	630	539
Other short term investments	0	212	17
Cash and cash equivalents	2,214	1,425	1,594
<b>Total current assets</b>	<b>16,448</b>	<b>15,908</b>	<b>12,395</b>
<b>Total assets</b>	<b>31,466</b>	<b>30,328</b>	<b>26,762</b>
<i>Pledged assets</i>	<i>87</i>	<i>77</i>	<i>87</i>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the Parent Company	12,556	11,591	11,372
Non-controlling interests	20	23	18
<b>Total equity</b>	<b>12,576</b>	<b>11,614</b>	<b>11,390</b>
Long-term borrowings	5,421	7,515	6,408
Deferred tax liabilities	1,270	1,252	1,203
Provisions for pensions and other post-employment benefits	1,408	1,464	1,253
Derivatives	22	75	13
Other provisions	815	782	796
<b>Total non-current liabilities</b>	<b>8,936</b>	<b>11,088</b>	<b>9,673</b>
Trade payables	3,686	2,903	2,838
Tax liabilities	524	491	96
Other liabilities	2,335	2,275	1,633
Short-term borrowings	2,792	1,487	643
Derivatives	290	132	226
Other provisions	327	338	263
<b>Total current liabilities</b>	<b>9,954</b>	<b>7,626</b>	<b>5,699</b>
<b>Total equity and liabilities</b>	<b>31,466</b>	<b>30,328</b>	<b>26,762</b>
<i>Contingent liabilities</i>	<i>90</i>	<i>134</i>	<i>89</i>

## Consolidated cash flow statement

SEKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
<b>Cash flow from operations</b>					
Operating income	1,384	1,022	2,287	1,710	1,608
<i>Non cash items</i>					
Depreciation/amortization and impairment	238	243	469	490	978
Capital gain and losses	0	0	0	4	3
Other non cash items	63	52	128	39	135
<i>Cash items</i>					
Paid restructuring expenses	-31	-30	-57	-61	-134
Net financial items, received/paid	60	-135	-56	-203	-420
Taxes paid	-60	-108	-100	-204	-394
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>1,654</b>	<b>1,044</b>	<b>2,671</b>	<b>1,775</b>	<b>1,776</b>
<b>Change in operating assets and liabilities</b>					
Change in inventories	788	1,728	380	1,386	820
Change in trade receivables	893	399	-3,439	-3,429	73
Change in trade payables	-923	-1,209	741	167	168
Change in other operating assets/liabilities	166	185	557	666	55
<b>Cash flow from operating assets and liabilities</b>	<b>924</b>	<b>1,103</b>	<b>-1,761</b>	<b>-1,210</b>	<b>1,116</b>
<b>Cash flow from operations</b>	<b>2,578</b>	<b>2,147</b>	<b>910</b>	<b>565</b>	<b>2,892</b>
<b>Investments</b>					
Divestments of shares in subsidiaries	-	7	-	7	8
Capital expenditure in property, plant and equipment	-245	-160	-475	-318	-796
Capitalization of intangible assets	-51	-72	-113	-117	-282
Sale of fixed assets	0	0	0	0	0
Other	0	0	0	-1	-1
<b>Cash flow from investments</b>	<b>-296</b>	<b>-225</b>	<b>-588</b>	<b>-429</b>	<b>-1,071</b>
<b>Cash flow from operations and investments</b>	<b>2,282</b>	<b>1,922</b>	<b>322</b>	<b>136</b>	<b>1,821</b>
<b>Financing</b>					
Change in interest-bearing liabilities, net	-839	-903	1,109	1,236	-246
Dividend to shareholders	-859	-859	-859	-859	-859
Dividend to non-controlling interests	-4	-3	-4	-3	-3
<b>Cash flow from financing</b>	<b>-1,702</b>	<b>-1,765</b>	<b>246</b>	<b>374</b>	<b>-1,108</b>
<b>Total cash flow</b>	<b>580</b>	<b>157</b>	<b>568</b>	<b>510</b>	<b>713</b>
Cash and cash equivalents at beginning of period	1,581	1,254	1,594	920	920
Exchange rate differences referring to cash and cash equivalents	53	14	52	-5	-39
<b>Cash and cash equivalents at end of period</b>	<b>2,214</b>	<b>1,425</b>	<b>2,214</b>	<b>1,425</b>	<b>1,594</b>

Effective January 1, 2014, Husqvarna Group has changed the format of the Group's cash flow statement. The adjustment has not affected the operating cash flow, only changes to the layout within this subtotal. The comparative period has been adjusted.

## Change in Group equity

SEKm	Attributable to equity holders of the Parent company	Non controlling interests	Total equity
<b>Opening balance January 1, 2013</b>	<b>10,987</b>	<b>21</b>	<b>11,008</b>
Share-based payment	9	-	9
Dividend	-859	-3	-862
Total comprehensive income	1,454	5	1,459
<b>Closing balance June 30, 2013</b>	<b>11,591</b>	<b>23</b>	<b>11,614</b>
<b>Opening balance January 1, 2014</b>	<b>11,372</b>	<b>18</b>	<b>11,390</b>
Share-based payment	5	-	5
Dividend	-859	-4	-863
Total comprehensive income	2,038	6	2,044
<b>Closing balance Jun 30, 2014</b>	<b>12,556</b>	<b>20</b>	<b>12,576</b>

## Fair value of financial instruments as of June 30, 2014

The carrying value of interest bearing- assets and liabilities in the balance sheet can deviate from the fair value which is showed in the table below. Further information about accounting principles for financial instruments and methods used for estimating the fair value of the financial instruments are described in note 1 and note 20, respectively, in the Annual Report 2013.

SEKm	Book value	Fair value
<b>Financial assets</b>		
<i>Financial assets held for trading valued at fair value</i>		
– of w hich derivatives w here hedge accounting is not applied	100	100
– of w hich currency derivatives w here hedge accounting for cash flow hedges is applied	16	16
<b>Total</b>	<b>116</b>	<b>116</b>
<b>Financial liabilities</b>		
<i>Financial liabilities that are held for trading at fair value</i>		
– of w hich derivatives w here hedge accounting is not applied	170	170
– of w hich currency derivatives w here hedge accounting for cash flow hedges is applied	52	52
– of w hich interest derivatives w here hedge accounting for cash flow hedges is applied	34	34
– of w hich currency derivatives related to net investments in foreign currency w here hedge accounting is applied	56	56
<i>Other financial liabilities</i>		
Loans	8,052	8,219
<b>Total</b>	<b>8,364</b>	<b>8,531</b>

## Key data, Group

	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
Net sales, SEKm	11,045	10,227	20,730	19,251	30,307
Net sales growth, %	8	-4	8	-6	-2
Gross margin, %	31.1	28.3	28.9	26.8	26.5
Operating income, SEKm	1,384	1,022	2,287	1,710	1,608
Operating margin, %	12.5	10.0	11.0	8.9	5.3
Working capital, SEKm	6,431	7,179	6,431	7,179	4,885
Return on capital employed, %	-	-	10.6	5.9	7.7
Return on equity, %	-	-	11.8	6.5	8.1
Earnings per share, SEK	1.70	1.15	2.77	1.96	1.60
Capital-turnover rate, times	-	-	1.7	1.5	1.6
Operating cash flow, SEKm	2,282	1,915	322	129	1,813
Net debt/equity ratio	-	-	0.60	0.75	0.58
Capital expenditure, SEKm	295	232	588	435	1,078
Average number of employees	16,128	14,773	15,714	15,164	14,156

## Items affecting comparability

SEKm		Q1	Q2	Q3	Q4	Full year
Costs for personnel cut-backs	2012	-	-	-	-256	-256

## Net sales and income by quarter, Group

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Net sales</b>	<b>2014</b>	9,685	<b>11,045</b>			
	2013	9,024	10,227	6,349	4,707	30,307
	2012	9,811	10,706	5,841	4,476	30,834
<b>Operating income</b>	<b>2014</b>	903	<b>1,384</b>			
	<i>Margin, %</i>	9.3	<b>12.5</b>			
	2013	688	1,022	206	-308	1,608
	<i>Margin, %</i>	7.6	10.0	3.2	-6.5	5.3
	2012	930	1,152	197	-604	1,675
	<i>Margin, %</i>	9.5	10.8	3.4	-13.5	5.4
<b>Income after financial items</b>	<b>2014</b>	807	<b>1,274</b>			
	<i>Margin, %</i>	8.3	<b>11.5</b>			
	2013	602	916	95	-433	1,180
	<i>Margin, %</i>	6.7	9.0	1.5	-9.2	3.9
	2012	796	1,031	104	-756	1,175
	<i>Margin, %</i>	8.1	9.6	1.8	-16.9	3.8
<b>Income for the period</b>	<b>2014</b>	616	<b>975</b>			
	2013	467	661	92	-304	916
	2012	633	786	106	-498	1,027
<b>Earnings per share, SEK</b>	<b>2014</b>	1.07	<b>1.70</b>			
	2013	0.81	1.15	0.16	-0.53	1.60
	2012	1.10	1.36	0.19	-0.87	1.78

## Net sales and operating income, 12 months rolling, Group

SEKm		Q1	Q2	Q3	Q4
<b>Net sales</b>	<b>2014</b>	30,968	<b>31,786</b>		
	2013	30,047	29,568	30,076	30,307
	2012	31,394	31,921	31,352	30,834
<b>Operating income</b>	<b>2014</b>	1,823	<b>2,185</b>		
	<i>Margin, %</i>	5.9	<b>6.9</b>		
	2013	1,433	1,303	1,312	1,608
	<i>Marginal, %</i>	4.8	4.4	4.4	5.3
	2012	1,819	1,959	2,043	1,675
	<i>Margin, %</i>	5.8	6.1	6.5	5.4

## Net sales by business area

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2014</b>	4,334	<b>5,767</b>			
	2013	4,085	5,148	3,209	2,294	14,736
	2012	4,653	5,345	3,096	2,257	15,351
<b>Americas</b>	<b>2014</b>	4,569	<b>4,393</b>			
	2013	4,233	4,264	2,357	1,717	12,571
	2012	4,420	4,553	1,986	1,572	12,531
<b>Construction</b>	<b>2014</b>	782	<b>885</b>			
	2013	706	815	783	696	3,000
	2012	738	808	759	647	2,952
<b>Total Group</b>	<b>2014</b>	9,685	<b>11,045</b>			
	2013	9,024	10,227	6,349	4,707	30,307
	2012	9,811	10,706	5,841	4,476	30,834

## Operating income by business area

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2014</b>	669	<b>1,101</b>			
	2013	550	800	285	-147	1,488
	2012	846	1,018	238	-342	1,760
<i>Excl. items affecting comparability</i>	2012	846	1,018	238	-155	1,947
<b>Americas</b>	<b>2014</b>	218	<b>220</b>			
	2013	142	156	-122	-146	30
	2012	83	87	-97	-233	-160
<i>Excl. items affecting comparability</i>	2012	83	87	-97	-197	-124
<b>Construction</b>	<b>2014</b>	77	<b>121</b>			
	2013	46	100	86	45	277
	2012	39	85	89	20	233
<i>Excl. items affecting comparability</i>	2012	39	85	89	45	258
<b>Group common costs</b>	<b>2014</b>	-61	<b>-58</b>			
	2013	-50	-34	-43	-60	-187
	2012	-38	-38	-33	-49	-158
<i>Excl. items affecting comparability</i>	2012	-38	-38	-33	-41	-150
<b>Total Group</b>	<b>2014</b>	903	<b>1,384</b>			
	2013	688	1,022	206	-308	1,608
	2012	930	1,152	197	-604	1,675
<i>Excl. items affecting comparability</i>	2012	930	1,152	197	-348	1,931

## Operating margin by business area

%		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2014</b>	15.4	19.1			
	2013	13.5	15.5	8.9	-6.4	10.1
	2012	18.2	19.0	7.7	-15.1	11.5
<i>Excl. items affecting comparability</i>	2012	18.2	19.0	7.7	-6.8	12.7
<b>Americas</b>	<b>2014</b>	4.8	5.0			
	2013	3.3	3.7	-5.2	-8.5	0.2
	2012	1.9	1.9	-4.9	-14.8	-1.3
<i>Excl. items affecting comparability</i>	2012	1.9	1.9	-4.9	-12.5	-1.0
<b>Construction</b>	<b>2014</b>	9.8	13.7			
	2013	6.5	12.3	10.9	6.5	9.2
	2012	5.3	10.5	11.7	3.1	7.9
<i>Excl. items affecting comparability</i>	2012	5.3	10.5	11.7	6.9	8.7
<b>Total Group</b>	<b>2014</b>	9.3	12.5			
	2013	7.6	10.0	3.2	-6.5	5.3
	2012	9.5	10.8	3.4	-13.5	5.4
<i>Excl. items affecting comparability</i>	2012	9.5	10.8	3.4	-7.8	6.3

## Net assets by business area

SEKm	Assets		Liabilities		Net Assets	
	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun
	2014	2013	2014	2013	2014	2013
Europe & Asia/Pacific	17,299	16,909	4,290	3,955	13,009	12,954
Americas	7,261	6,753	2,484	1,737	4,777	5,016
Construction	3,241	3,311	581	614	2,660	2,697
Other	1,335	1,415	1,602	1,735	-267	-320
<b>Total</b>	<b>29,136</b>	<b>28,388</b>	<b>8,957</b>	<b>8,041</b>	<b>20,179</b>	<b>20,347</b>

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

Other includes deferred taxes and Husqvarna's common group services such as Holding, Treasury and Risk Management.

## Restatement of business areas 2013

As from 1 January 2014, the responsibility for sales from Sweden to certain American distributors has been transferred from Europe & Asia/Pacific to Americas. To reflect this change in the Group's business area reporting, the corresponding sales and operating income has as of the same date been transferred from Europe & Asia/Pacific to Americas. Sales and operating income for 2013, amounting to SEK 216m and SEK 26m respectively, has been restated accordingly between the two business areas, as shown in the tables below:

## Europe &amp; Asia/Pacific

SEKm	Q1 (restated) 2013	Q1 2013	Q2 (restated) 2013	Q2 2013	Q3 (restated) 2013	Q3 2013	Q4 (restated) 2013	Q4 2013	Full year (restated) 2013	Full year 2013
Net sales	4,085	4,126	5,148	5,200	3,209	3,258	2,294	2,368	14,736	14,952
Operating income	550	555	800	806	285	289	-147	-136	1,488	1,514
Operating margin, %	13.5	13.4	15.5	15.5	8.9	8.9	-6.4	-5.8	10.1	10.1

## Americas

SEKm	Q1 (restated) 2013	Q1 2013	Q2 (restated) 2013	Q2 2013	Q3 (restated) 2013	Q3 2013	Q4 (restated) 2013	Q4 2013	Full year (restated) 2013	Full year 2013
Net sales	4,233	4,192	4,264	4,212	2,357	2,308	1,717	1,643	12,571	12,355
Operating income	142	137	156	150	-122	-126	-146	-157	30	4
Operating margin, %	3.3	3.3	3.7	3.6	-5.2	-5.4	-8.5	-9.5	0.2	0.0



## Five-year review, Group

	2013	2012 <sup>1</sup>	2011	2010	2009
Net sales, SEKm	30,307	30,834	30,357	32,240	34,074
Operating income, SEKm	1,608	1,675	1,551	2,445	1,560
Net sales growth, %	-2	2	-6	-5	5
Gross margin, %	26.5	26.9	27.7	28.5	25.4
Operating margin, %	5.3	5.4	5.1	7.6	4.6
Return on capital employed, %	7.7	7.4	7.4	11.0	6.6
Return on equity, %	8.1	8.8	8.0	13.9	7.5
Capital turn-over rate, times	1.6	1.5	1.6	1.7	1.6
Operating cash flow, SEKm	1,813	1,144	-472	962	3,737
Capital expenditure, SEKm	1,078	776	994	1,302	914
Average number of employees	14,156	15,429	15,698	14,954	15,030

<sup>1</sup> 2012 has been restated due to the amended IAS 19. The years 2009-2011 are not affected by the amendment.

## PARENT COMPANY

## Income statement

SEKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full-year 2013
<b>Net sales</b>	<b>3,709</b>	<b>3,214</b>	<b>7,107</b>	<b>6,430</b>	<b>10,442</b>
Cost of goods sold	-2,316	-2,659	-5,091	-5,416	-8,530
<b>Gross operating income</b>	<b>1,393</b>	<b>555</b>	<b>2,016</b>	<b>1,014</b>	<b>1,912</b>
Selling expense	-382	-369	-656	-642	-1,207
Administrative expense	-177	-149	-341	-312	-608
Other operating income/expense	0	0	0	0	0
<b>Operating income</b>	<b>834</b>	<b>37</b>	<b>1,019</b>	<b>60</b>	<b>97</b>
Financial items, net <sup>1</sup>	-118	1,036	-190	952	1,015
<b>Income after financial items</b>	<b>716</b>	<b>1,073</b>	<b>829</b>	<b>1,012</b>	<b>1,112</b>
Appropriations	-90	-79	-182	-160	-317
<b>Income before taxes</b>	<b>626</b>	<b>994</b>	<b>647</b>	<b>852</b>	<b>795</b>
Taxes	-136	25	-142	55	116
<b>Income for the period</b>	<b>490</b>	<b>1,019</b>	<b>505</b>	<b>907</b>	<b>911</b>

## Balance sheet

SEKm	30 Jun 2014	30 Jun 2013	31 Dec. 2013
Non-current assets	32,670	30,672	30,952
Current assets	6,424	7,655	5,961
<b>Total assets</b>	<b>39,094</b>	<b>38,327</b>	<b>36,913</b>
Equity	18,260	18,641	18,636
Untaxed reserves	26	78	27
Provisions	122	171	129
Interest-bearing liabilities	17,035	16,396	15,215
Current liabilities	3,651	3,041	2,906
<b>Total equity and liabilities</b>	<b>39,094</b>	<b>38,327</b>	<b>36,913</b>

## Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares	Total
<b>Number of shares as of 31 December 2013</b>	<b>126,593,868</b>	<b>446,092,407</b>	<b>3,657,503</b>	<b>576,343,778</b>
Conversion of A-shares into B-shares	-3,176,693	3,176,693	-	-
Shares allocated to 2011 LTI-program	-	96,495	-96,495	-
<b>Number of shares as of 30 June 2014 <sup>1</sup></b>	<b>123,417,175</b>	<b>449,365,595</b>	<b>3,561,008</b>	<b>576,343,778</b>

<sup>1</sup> In July 2014 another 353,733 A-shares have been converted to B-shares.

## DEFINITIONS

### Capital indicators

Capital employed	Total liabilities and equity less non-interest-bearing debt, including deferred tax liability.
Equity/assets ratio	Equity as a percentage of total assets.
Liquid funds	Cash and cash equivalents, short term investments and fair-value derivative assets.
Net assets	Total assets exclusive of liquid funds and interest-bearing financial receivables, less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.
Net debt	Total interest-bearing liabilities less liquid funds.
Net debt/equity ratio	Net debt in relation to total adjusted equity.
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.

### Other definitions

Adjusted	As reported adjusted for items affecting comparability, translation effects due to changes in exchange rates and acquisitions/divestments.
Average number of shares	Weighted number of outstanding shares during the period, after repurchase of own shares.
Capital expenditure	Property, plant and equipment and capitalization of product development and software.
Earnings per share	Income for the period divided by the average number of shares.
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment.
Gross margin	Gross operating income as a percentage of net sales.
LTM	Last twelve months.
Net sales growth	Net sales as a percentage of net sales in the preceding period.
Operating cash flow	Total cash flow from operations and investments, excluding acquisitions and divestments.
Operating margin	Operating income as a percentage of net sales.
Return on capital employed	Operating income plus financial income as a percentage of average capital employed.
Return on equity	Income for the period as a percentage of average equity.

## TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Kai Wörn, President and CEO, and Ulf Liljedahl, CFO, will be held at Husqvarna's office on Regeringsgatan 28 in Stockholm at 10:00 CET on July 16, 2014. To participate by phone, please dial +46 (0) 8 5052 0110 (Sweden) or +44 (0)20 7162 0077 (UK) ten minutes prior to the start of the conference. The conference call will also be audio cast live on [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). A replay will be available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir) later the same day.

## DATES FOR FINANCIAL REPORTS

October 22, 2014                      Interim report January – September

A Capital Markets Day will be held in Huskvarna, Sweden on September 25.

## CONTACTS

- Ulf Liljedahl, CFO, +46 8 738 94 42
- Tobias Norrby, Investor Relations Manager, +46 8 738 93 35

*This interim report comprises information which Husqvarna Group is required to disclose under the Securities Markets Act and/or the Financial Instruments Trading Act. It was released for publication at 08:00 CET on July 16, 2014.*

### Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements comprise, among other things, financial goals, goals of future business and financial plans. These statements are based on present expectations and are subject to risks and uncertainties that may give rise to major deviations in the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction in sales by important distributors, success in developing new products and in marketing, outcome of product responsibility litigation, progress in terms of reaching the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, integration of these into the existing business and successful achievement of goals for making the supply chain more efficient.