

INTERIM REPORT JANUARY - SEPTEMBER 2014

Stockholm October 22, 2014



Kai Wörn, President and CEO:

“Husqvarna Group’s positive trend from the first half year continued into the seasonally smaller third quarter. Total Group sales increased by 3%, adjusted for changes in exchange rates.

Operating income for the third quarter increased by 46% to SEK 301m (206), and the margin rose to 4.4%, driven by improvements across all business areas. On Group level, the favorable development was supported by reduced material costs, higher sales volume and improved productivity. Cash flow was solid, and the net debt/equity ratio improved to 0.50 (0.57).

From a business area perspective, currency adjusted sales for Americas and Construction increased by 6% respectively, while Europe & Asia/Pacific was flat. In terms of earnings, Europe & Asia/Pacific reported higher results and improved margin, Americas’ turn-around showed steady progress reducing the operating loss in the quarter by more than half, and Construction sustained its profitable growth.

As previously communicated, the Group’s current focus is to increase the operating margin from approximately 5% in 2013 to 10% in 2016. On a year-to-date basis, the operating margin has improved by close to 2 percentage points. The positive development has largely been enabled by a successful execution of the Accelerated Improvement Program, which primarily aims to cut product cost by reducing material costs, and improve product mix by focusing on core brands and on products where the Group has leadership positions.

We are now taking the final steps of preparing for next season. Keeping the momentum in the execution of the Accelerated Improvement Program is the priority for 2015. In parallel, the new brand based organization will be fully operational as of January 1, 2015, and forms the base for taking steps towards expansion beyond 2015.

From a short term demand perspective, we expect the fourth quarter to show a stable development compared to the corresponding quarter prior year.”

Third quarter

- Net sales increased to SEK 6,785m (6,349). Adjusted for exchange rate effects, net sales increased 3%.
- Operating income increased 46% to SEK 301m (206). Sales, operating income and margin improved for all business areas.
- Earnings per share increased to SEK 0.31 (0.16).
- Operating cash flow amounted to SEK 1,286 (2,001).
- The net debt/equity ratio improved to 0.50 (0.57).

SEKm	Q3	Q3	Change, %		Jan-Sep	Jan-Sep	Change, %		LTM ³	FY
	2014	2013	As rep.	Adj. ¹	2014	2013	As rep.	Adj. ¹		
Net sales, Group	6,785	6,349	7	3	27,515	25,600	7	6	32,222	30,307
Europe & Asia/Pacific ²	3,305	3,209	3	0	13,406	12,442	8	5	15,700	14,736
Americas ²	2,614	2,357	11	6	11,576	10,854	7	6	13,293	12,571
Construction	866	783	11	6	2,533	2,304	10	8	3,229	3,000
EBITDA	539	454	19	16	3,295	2,654	24	23	3,227	2,586
EBITDA margin, %	7.9	7.2	-	-	12.0	10.4	-	-	10.0	8.5
Operating income, Group	301	206	46	44	2,588	1,916	35	34	2,280	1,608
Europe & Asia/Pacific ²	309	285	8	8	2,079	1,635	27	25	1,932	1,488
Americas ²	-55	-122	55	55	383	176	n/a	n/a	237	30
Construction	109	86	27	21	307	232	33	31	352	277
Operating margin, %	4.4	3.2	-	-	9.4	7.5	-	-	7.1	5.3
Income after financial items	231	95	n/a	-	2,312	1,613	43	-	1,879	1,180
Income for the period	176	92	91	-	1,767	1,220	45	-	1,463	916
Earnings per share, SEK	0.31	0.16	94	-	3.08	2.12	45	-	2.56	1.60

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

² Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 13. ³ LTM = Last Twelve Months.

THIRD QUARTER

Net sales

Net sales for the third quarter 2014 increased by 7% to SEK 6,785m (6,349). Adjusted for exchange rate effects, net sales for the Group increased by 3%, 6% for Americas and Construction respectively, while Europe & Asia/Pacific was unchanged.

Operating income

Operating income for the third quarter increased by 46% to SEK 301m (206), corresponding to an operating margin of 4.4% (3.2). Operating income and margin improved for all business areas.

Operating income was positively impacted primarily by reduction of direct material costs, higher sales volume and improved productivity.

Changes in exchange rates had a total negative impact on operating income of SEK -12m compared to the third quarter 2013.

Financial items net

Financial items net amounted to SEK -70m (-111), of which net interest amounted to SEK -89m (-95). The average interest rate on borrowings as of September 30, 2014, was 3.5% (4.4).

Income after financial items

Income after financial items increased to SEK 231m (95) corresponding to a margin of 3.4% (1.5).

Taxes

Tax for the third quarter amounted to SEK -55m (-3).

Earnings per share

Income for the period increased to SEK 176m (92), corresponding to SEK 0.31 (0.16) per share.

JANUARY – SEPTEMBER

Net sales

Net sales for January - September increased by 7% to SEK 27,515m (25,600). Adjusted for exchange rate effects, net sales for the Group increased by 6%, for Europe & Asia/Pacific by 5%, for Americas by 6%, and sales for Construction increased by 8%.

Operating income

Operating income for January – September increased by 35% to SEK 2,588m (1,916) and the corresponding operating margin rose to 9.4% (7.5). Operating income and margin rose for all business areas.

Operating income for the first nine months was positively impacted by the higher sales volume, reduction of direct material costs, improved productivity and favorable mix.

Changes in exchange rates had a total negative impact on operating income of SEK -60m compared to January - September 2013.

Financial items net

Financial items net amounted to SEK -276m (-303), of which net interest amounted to SEK -267m (-290).

Income after financial items

Income after financial items increased to SEK 2,312m (1,613) corresponding to a margin of 8.4% (6.3).

Taxes

Tax amounted to SEK -545m (-393), corresponding to a tax rate of 24% (24) of income after financial items.

Earnings per share

Income for the period increased by 45% to SEK 1,767m (1,220), corresponding to SEK 3.08 (2.12) per share.

OPERATING CASH FLOW

Operating cash flow for January - September amounted to SEK 1,608m (2,130). 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 higher inventory. The increase in capital expenditure was mainly related to the new manufacturing facility for chainsaw chains in Huskvarna.

Operating cash flow	Q3	Q3	Jan-Sep	Jan-Sep	Full year
SEKm	2014	2013	2014	2013	2013
Cash flow from operations, excluding changes in operating assets and liabilities	124	305	2,795	2,080	1,776
Changes in operating assets and liabilities	1,477	1,950	-284	740	1,116
Cash flow from operations	1,601	2,255	2,511	2,820	2,892
Cash flow from investments, excluding acquisitions and divestments	-315	-254	-903	-690	-1,079
Operating cash flow	1,286	2,001	1,608	2,130	1,813

FINANCIAL POSITION

Group equity as of September 30, 2014, excluding non-controlling interests, amounted to SEK 12,852m (11,361), corresponding to SEK 22.4 (19.8) per share.

Net debt decreased to SEK 6,450m (6,511) as of September 30, 2014, of which liquid funds amounted to SEK 2,316m (1,588) and interest-bearing debt amounted to SEK 7,167m (6,834), excluding pensions. The major currencies used for debt financing are SEK and USD. Net debt decreased by SEK 124m during the last twelve months as a result of changes in exchange rates.

The net debt/equity ratio improved to 0.50 (0.57) and equity/assets ratio amounted to 44% (44).

Net debt	30 Sep	30 Sep	31 Dec.
SEKm	2014	2013	2013
Interest-bearing liabilities	7,167	6,834	7,290
Provisions for pensions and other post-employment benefits	1,599	1,265	1,253
Less: Liquid funds	-2,316	-1,588	-1,884
Net debt	6,450	6,511	6,659

On September 30, 2014, long-term loans including financial leases amounted to SEK 5,482m (6,496) and short-term loans including financial leases to SEK 1,134m (185). Long-term loans consist of SEK 3,466m (4,927) in issued bonds, and bank loans and financial leases of SEK 2,016m (1,569). The major part of the bonds and bank loans mature in 2016 - 2018.

The Group also has an unutilized SEK 6 bn syndicated revolving credit facility, with maturity in 2016. An amendment of the facility, reducing the amount to SEK 5 bn and extending the maturity to 2019, with an option for an additional 1+1 year, was signed in early October.

PERFORMANCE BY BUSINESS AREA

Europe & Asia/Pacific

SEKm	Q3		Change, %		Jan-Sep		Change, %		LTM ²	Full year
	2014	2013	rep.	Adj. ¹	2014	2013	rep.	Adj. ¹		
Net sales	3,305	3,209	3	0	13,406	12,442	8	5	15,700	14,736
Operating income	309	285	8	8	2,079	1,635	27	25	1,932	1,488
Operating margin, %	9.4	8.9	-	-	15.5	13.1	-	-	12.3	10.1

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

Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 14.

Net sales for Europe & Asia/Pacific increased by 3% in the third quarter. Adjusted for exchange rate effects, net sales were unchanged.

Handheld products such as chainsaws, and electrical products including robotic lawn mowers, developed positively in the quarter, while sales of watering products declined, largely as a result of a late season for watering products prior year. Sales of snow throwers were also down, mainly related to a decline in Russia.

Operating income for the third quarter increased 8% to SEK 309m (285) and the operating margin improved to 9.4% (8.9), mainly driven by reduction of direct material costs.

Changes in exchange rates had a negative year-on-year impact of SEK -14m on operating income in the third quarter and a positive impact of SEK 20m for January - September.

Americas

SEKm	Q3		Change, %		Jan-Sep		Change, %		LTM ²	Full year
	2014	2013	rep.	Adj. ¹	2014	2013	rep.	Adj. ¹		
Net sales	2,614	2,357	11	6	11,576	10,854	7	6	13,293	12,571
Operating income	-55	-122	55	55	383	176	n/a	n/a	237	30
Operating margin, %	-2.1	-5.2	-	-	3.3	1.6	-	-	1.8	0.2

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

Sales and operating income for 2013 has been restated between Europe & Asia/Pacific and Americas. See page 14.

Net sales for Americas increased by 11% in the third quarter 2014. Adjusted for exchange rate effects, net sales increased by 6%.

Market demand developed favorably in the U.S. Sales increased in the U.S. and Latin America, with a continued positive development in the dealer channel.

The operating loss for the quarter decreased to SEK -55m (-122) and the corresponding margin recovered to -2.1% (-5.2), mainly due to lower direct material costs and the higher sales volume.

Changes in exchange rates had a negative year-on-year effect of SEK -2m on operating income in the third quarter and SEK -63m for January - September.

Construction

SEKm	Q3		Change, %		Jan-Sep		Change, %		LTM ²	Full year
	2014	2013	rep.	Adj. ¹	2014	2013	rep.	Adj. ¹		
Net sales	866	783	11	6	2,533	2,304	10	8	3,229	3,000
Operating income	109	86	27	21	307	232	33	31	352	277
Operating margin, %	12.6	10.9	-	-	12.1	10.1	-	-	10.9	9.2

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

Net sales for Construction increased by 11% in the third quarter 2014. Adjusted for exchange rate effects, the increase in sales was 6%.

Sales growth in North America continued to be strong as a result of market share gains and favorable market demand. Sales in Europe also developed positively, while sales in the rest of the world were in line with the corresponding quarter prior year.

Operating income increased to SEK 109m (86), mainly as a result of the higher sales volume and a favorable product mix. The corresponding operating margin improved to 12.6% (10.9).

Changes in exchange rates had a positive year-on-year effect of SEK 4m on operating income in the third quarter and a negative impact of SEK -17m for January - September.

ACQUISITION OF ASSETS IN NETA INDUSTRIES (AUSTRALIA)

Husqvarna Group has acquired the assets of Neta Industries, Pty, Ltd. ("Neta") for approximately SEK 25m. Neta has approximately 50 employees and is one of Australia's leading providers of mobile watering and specialty irrigation products, and will serve as the Group's platform for the micro-drip irrigation market in Australia. Financial impact in 2014 will be limited. Acquired sales amount to approximately SEK 100m on an annual basis. The purchase price allocation is preliminary.

MANAGEMENT CHANGE

Ulf Liljedahl, CFO of Husqvarna Group since 2011, has decided to leave the Group as of end of February, 2015. Ulf Liljedahl has been appointed President and CEO of Volito Group. The search for a successor has been initiated.

ANNUAL GENERAL MEETING 2015

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held in Jönköping, Sweden, on April 21, 2015.

Nomination Committee

In accordance with the decision by Husqvarna's Annual General Meeting ("AGM") on April 10, 2014, the members of the Nomination Committee for the 2015 AGM are to be appointed by the four largest shareholders in terms of voting rights in the company as of the last banking day in August, August 29, 2014, who have expressed a wish to participate in the nomination committee work. In addition, the Nomination Committee shall also include the Chairman of the Husqvarna Board.

The Nomination Committee has been appointed by Investor AB, L E Lundbergföretagen AB, Alecta and If Skadeförsäkring AB. Each has appointed one member, who will form Husqvarna's Nomination Committee together with the Chairman of the Husqvarna Board.

The Nomination Committee's members are: Petra Hedengran (Chairman), Investor AB, Claes Boustedt, L E Lundbergföretagen AB, Ramsay Brufer, Alecta, Ricard Wennerklint, If Skadeförsäkring AB and Lars Westerberg, Chairman of Husqvarna AB.

The Nomination Committee will prepare proposals for the AGM in 2015, including proposals for the Chairman of the AGM, Board members, Chairman of the Board, remuneration for Board members, fees to the auditors, and to the extent deemed necessary, the tasks and composition of the Nomination Committee for the AGM in 2016.

Shareholders who wish to submit proposals to the Nomination Committee should send an email to nominationcommittee@husqvarnagroup.com by February 13, 2015.

PARENT COMPANY

Net sales January - September 2014 for the Parent Company, Husqvarna AB, amounted to SEK 9,507m (8,603), of which SEK 7,446 (6,664) referred to sales to Group companies and SEK 2,061m (1,939) to external customers.

Income after financial items amounted to SEK 620m (1,570). Income for the period was SEK 300m (1,311). Investments in tangible and intangible assets amounted to SEK 400m (355). Cash and cash equivalents amounted to SEK 595m (171) at the end of the quarter. Undistributed earnings in the Parent Company amounted to SEK 16,964m (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 July 2014, 353,733 A-shares were converted to B-shares at the request of shareholders. In October 2014, another 637,973 A-shares were converted to B-shares at the request of shareholders. The total number of votes thereafter amounts to 167,817,299.9.

The total number of registered shares in the company at September 30, 2014 amounted to 576,343,778 shares of which 123,063,442 were A-shares and 453,280,336 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.

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 normally is 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.

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 have had any impact on Husqvarna Group's financial statements.

REVIEW REPORT

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

Stockholm, October 22, 2014

Kai Wärm
President and CEO

Consolidated income statement

SEKm	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Net sales	6,785	6,349	27,515	25,600	30,307
Cost of goods sold	-4,850	-4,678	-19,592	-18,763	-22,288
Gross income	1,935	1,671	7,923	6,837	8,019
Margin, %	28.5	26.3	28.8	26.7	26.5
Selling expense	-1,306	-1,179	-4,344	-3,998	-5,148
Administrative expense	-328	-286	-1,004	-919	-1,260
Other operating income/expense	0	0	13	-4	-3
Operating income¹	301	206	2,588	1,916	1,608
Margin, %	4.4	3.2	9.4	7.5	5.3
Financial items, net	-70	-111	-276	-303	-428
Income after financial items	231	95	2,312	1,613	1,180
Margin, %	3.4	1.5	8.4	6.3	3.9
Income tax	-55	-3	-545	-393	-264
Income for the period	176	92	1,767	1,220	916
Attributable to:					
Equity holders of the Parent Company	176	93	1,762	1,216	914
Non-controlling interest in income for the period	0	-1	5	4	2
Basic earnings per share, SEK	0.31	0.16	3.08	2.12	1.60
Diluted earnings per share, SEK	0.31	0.16	3.08	2.12	1.60
Basic weighted average number of shares outstanding, millions	572.8	572.7	572.7	572.6	572.6
Diluted weighted average number of shares, millions	573.0	572.8	572.9	572.7	572.8

Consolidated comprehensive income statement

SEKm	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Income for the period	176	92	1,767	1,220	916
Items that will not be reclassified to the income statement:					
Remeasurements on defined benefit pension plans	-140	136	-241	136	148
	-140	136	-241	136	148
Items that may be reclassified to the income statement:					
Currency translation differences	379	-449	990	-147	163
Hedging of net equity in foreign subsidiaries	-198	-	-243	-	-
Cash flow hedges	71	-13	59	16	4
	252	-462	806	-131	167
Other comprehensive income, net of tax	112	-326	565	5	315
Total comprehensive income for the period	288	-234	2,332	1,225	1,231
Attributable to:					
Equity holders of the Parent Company	288	-232	2,326	1,222	1,231
Non-controlling interest	0	-2	6	3	0
¹ Of which depreciation, amortization and impairment	-238	-248	-707	-738	-978

Consolidated balance sheet

SEKm	30 Sep 2014	30 Sep 2013	31 Dec. 2013
Assets			
Property, plant and equipment	4,076	3,438	3,609
Goodwill	6,046	5,651	5,713
Other intangible assets	3,890	3,748	3,839
Derivatives	-	-	0
Deferred tax assets	1,231	1,005	1,122
Other financial assets	93	76	84
Total non-current assets	15,336	13,918	14,367
Inventories	6,787	5,863	7,087
Trade receivables	3,970	4,084	2,816
Derivatives	287	142	273
Tax receivables	37	134	69
Other current assets	523	498	539
Other short term investments	0	202	17
Cash and cash equivalents	2,029	1,244	1,594
Total current assets	13,633	12,167	12,395
Total assets	28,969	26,085	26,762
<i>Pledged assets</i>	89	75	87
Equity and liabilities			
Equity attributable to equity holders of the Parent Company	12,852	11,361	11,372
Non-controlling interests	20	21	18
Total equity	12,872	11,382	11,390
Long-term borrowings	5,482	6,496	6,408
Deferred tax liabilities	1,289	1,133	1,203
Provisions for pensions and other post-employment benefits	1,599	1,265	1,253
Derivatives	21	58	13
Other provisions	817	778	796
Total non-current liabilities	9,208	9,730	9,673
Trade payables	2,533	2,188	2,838
Tax liabilities	317	325	96
Other liabilities	2,112	1,860	1,633
Short-term borrowings	1,134	185	643
Derivatives	530	95	226
Other provisions	263	320	263
Total current liabilities	6,889	4,973	5,699
Total equity and liabilities	28,969	26,085	26,762
<i>Contingent liabilities</i>	95	141	89

Consolidated cash flow statement

SEKm	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Cash flow from operations					
Operating income	301	206	2,588	1,916	1,608
<i>Non cash items</i>					
Depreciation/amortization and impairment	238	248	707	738	978
Capital gain and losses	0	-1	0	3	3
Other non cash items	-103	66	25	105	135
<i>Cash items</i>					
Paid restructuring expenses	-21	-21	-78	-82	-134
Net financial items, received/paid	-222	-115	-278	-318	-420
Taxes paid	-69	-78	-169	-282	-394
Cash flow from operations, excluding change in operating assets and liabilities	124	305	2,795	2,080	1,776
Change in operating assets and liabilities					
Change in inventories	397	635	777	2,021	820
Change in trade receivables	2,479	2,226	-960	-1,203	73
Change in trade payables	-1,219	-643	-478	-476	168
Change in other operating assets/liabilities	-180	-268	377	398	55
Cash flow from operating assets and liabilities	1,477	1,950	-284	740	1,116
Cash flow from operations	1,601	2,255	2,511	2,820	2,892
Investments					
Acquisition of assets	-25	-	-25	-	-
Divestments of shares in subsidiaries	-	1	-	8	8
Capital expenditure in property, plant and equipment	-249	-180	-724	-498	-796
Capitalization of intangible assets	-66	-74	-179	-191	-282
Sale of fixed assets	0	0	0	0	0
Other	0	0	0	-1	-1
Cash flow from investments	-340	-253	-928	-682	-1,071
Cash flow from operations and investments	1,261	2,002	1,583	2,138	1,821
Financing					
Change in interest-bearing liabilities, net	-1,518	-2,155	-409	-919	-246
Dividend to shareholders	-	-	-859	-859	-859
Dividend to non-controlling interests	-	-	-4	-3	-3
Cash flow from financing	-1,518	-2,155	-1,272	-1,781	-1,108
Total cash flow	-257	-153	311	357	713
Cash and cash equivalents at beginning of period	2,214	1,425	1,594	920	920
Exchange rate differences referring to cash and cash equivalents	72	-28	124	-33	-39
Cash and cash equivalents at end of period	2,029	1,244	2,029	1,244	1,594

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
Opening balance January 1, 2013	10,987	21	11,008
Share-based payment	11	-	11
Dividend	-859	-3	-862
Total comprehensive income	1,222	3	1,225
Closing balance September 30, 2013	11,361	21	11,382
Opening balance January 1, 2014	11,372	18	11,390
Share-based payment	11	-	11
Transfer of treasury shares *	2	-	2
Dividend	-859	-4	-863
Total comprehensive income	2,326	6	2,332
Closing balance September 30, 2014	12,852	20	12,872

* Options exercised related to 2009 LTI-program

Fair value of financial instruments as of September 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
Financial assets		
<i>Financial assets held for trading valued at fair value</i>		
– of w hich derivatives w here hedge accounting is not applied	203	203
– of w hich currency derivatives w here hedge accounting for cash flow hedges is applied	84	84
Total	287	287
Financial liabilities		
<i>Financial liabilities that are held for trading at fair value</i>		
– of w hich derivatives w here hedge accounting is not applied	174	174
– of w hich currency derivatives w here hedge accounting for cash flow hedges is applied	42	42
– of w hich interest derivatives w here hedge accounting for cash flow hedges is applied	23	23
– of w hich currency derivatives related to net investments in foreign currency w here hedge accounting is applied	312	312
<i>Other financial liabilities</i>		
Loans	6,457	6,615
Total	7,008	7,166

Key data, Group

	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Net sales, SEKm	6,785	6,349	27,515	25,600	30,307
Net sales growth, %	7	9	7	-3	-2
Gross margin, %	28.5	26.3	28.8	26.7	26.5
Operating income, SEKm	301	206	2,588	1,916	1,608
Operating margin, %	4.4	3.2	9.4	7.5	5.3
Working capital, SEKm	5,275	5,108	5,275	5,108	4,885
Return on capital employed, %	-	-	10.8	6.0	7.7
Return on equity, %	-	-	12.2	6.4	8.1
Earnings per share, SEK	0.31	0.16	3.08	2.12	1.60
Capital-turnover rate, times	-	-	1.7	1.5	1.6
Operating cash flow, SEKm	1,286	2,001	1,608	2,130	1,813
Net debt/equity ratio	-	-	0.50	0.57	0.58
Capital expenditure, SEKm	315	254	903	689	1,078
Average number of employees	13,127	12,758	14,825	14,359	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
Net sales	2014	9,685	11,045	6,785		
	2013	9,024	10,227	6,349	4,707	30,307
	2012	9,811	10,706	5,841	4,476	30,834
Operating income	2014	903	1,384	301		
	<i>Margin, %</i>	9.3	12.5	4.4		
	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
Income after financial items	2014	807	1,274	231		
	<i>Margin, %</i>	8.3	11.5	3.4		
	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
Income for the period	2014	616	975	176		
	2013	467	661	92	-304	916
	2012	633	786	106	-498	1,027
Earnings per share, SEK	2014	1.07	1.70	0.31		
	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
Net sales	2014	30,968	31,786	32,222	
	2013	30,047	29,568	30,076	30,307
	2012	31,394	31,921	31,352	30,834
Operating income	2014	1,823	2,185	2,280	
	<i>Margin, %</i>	5.9	6.9	7.1	
	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
Europe & Asia/Pacific	2014	4,334	5,767	3,305		
	2013	4,085	5,148	3,209	2,294	14,736
	2012	4,653	5,345	3,096	2,257	15,351
Americas	2014	4,569	4,393	2,614		
	2013	4,233	4,264	2,357	1,717	12,571
	2012	4,420	4,553	1,986	1,572	12,531
Construction	2014	782	885	866		
	2013	706	815	783	696	3,000
	2012	738	808	759	647	2,952
Total Group	2014	9,685	11,045	6,785		
	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
Europe & Asia/Pacific	2014	669	1,101	309		
	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
Americas	2014	218	220	-55		
	2013	142	156	-122	-146	30
	2012	83	87	-97	-233	-160
<i>Excl. items affecting comparability</i>	2012	83	87	-97	-197	-124
Construction	2014	77	121	109		
	2013	46	100	86	45	277
	2012	39	85	89	20	233
<i>Excl. items affecting comparability</i>	2012	39	85	89	45	258
Group common costs	2014	-61	-58	-62		
	2013	-50	-34	-43	-60	-187
	2012	-38	-38	-33	-49	-158
<i>Excl. items affecting comparability</i>	2012	-38	-38	-33	-41	-150
Total Group	2014	903	1,384	301		
	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
Europe & Asia/Pacific	2014	15.4	19.1	9.4		
	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
Americas	2014	4.8	5.0	-2.1		
	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
Construction	2014	9.8	13.7	12.6		
	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
Total Group	2014	9.3	12.5	4.4		
	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 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
Europe & Asia/Pacific	15,472	14,702	3,375	3,007	12,097	11,695
Americas	6,591	5,619	1,789	1,577	4,802	4,042
Construction	3,291	3,101	585	560	2,706	2,541
Other	1,300	1,075	1,583	1,460	-283	-385
Total	26,654	24,497	7,332	6,604	19,322	17,893

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 & 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
<i>Operating margin, %</i>	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
<i>Operating margin, %</i>	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 ¹	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

¹ 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	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Net sales	2,400	2,173	9,507	8,603	10,442
Cost of goods sold	-1,989	-1,353	-7,106	-6,769	-8,530
Gross operating income	411	820	2,401	1,834	1,912
Selling expense	-333	-279	-963	-921	-1,207
Administrative expense	-161	-133	-502	-445	-608
Other operating income/expense	0	8	0	8	0
Operating income	-83	416	936	476	97
Financial items, net	-126	142	-316	1,094	1,015
Income after financial items	-209	558	620	1,570	1,112
Appropriations	-109	-103	-291	-263	-317
Income before taxes	-318	455	329	1,307	795
Taxes	113	-51	-29	4	116
Income for the period	-205	404	300	1,311	911

Balance sheet

SEKm	30 Sep 2014	30 Sep 2013	31 Dec. 2013
Non-current assets	32,825	30,709	30,952
Current assets	5,102	5,546	5,961
Total assets	37,927	36,255	36,913
Equity	18,139	19,049	18,636
Untaxed reserves	25	73	27
Provisions	125	180	129
Interest-bearing liabilities	16,441	14,440	15,215
Current liabilities	3,197	2,513	2,906
Total equity and liabilities	37,927	36,255	36,913

Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares	Total
Number of shares as of 31 December 2013	126,593,868	446,092,407	3,657,503	576,343,778
Conversion of A-shares into B-shares	-3,530,426	3,530,426	-	-
Shares allocated to 2011 LTI-program	-	96,495	-96,495	-
Options exercised related to 2009 LTI-program	-	39,190	-39,190	-
Number of shares as of 30 September 2014¹	123,063,442	449,758,518	3,521,818	576,343,778

¹ In October 2014 another 637,973 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 October 22, 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. A replay will be available at www.husqvarnagroup.com/ir later the same day.

DATES FOR FINANCIAL REPORTS

February 6, 2015 Year-end Report 2014

The AGM 2015 will be held in Jönköping, Sweden, on April 21, 2015.

CONTACTS

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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 October 22, 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.