

INTERIM REPORT JANUARY - JUNE 2016

Stockholm July 15, 2016



Kai Wärn, President and CEO:

“The positive development continued in the second quarter, despite lower demand for lawn and garden products in North America, which was affected by unfavorable weather. Group operating income increased with SEK 54m to SEK 1,729m (1,675), including a currency head-wind of close to SEK -170m for the quarter, and the corresponding margin improved to 15.0% (13.7). The higher result was driven by a positive product mix as well as a successful execution of efficiency improvements.

Sales in the Husqvarna Division increased 3% adjusted for currency. Sales developed positively in Europe, primarily driven by a continued strong growth in the market for robotic lawn mowers, balancing the weaker demand in North America. Operating income increased to SEK 1,031m (1,001) positively affected by higher sales of robotic lawn mowers and operational improvements, which were partly offset by the adverse currency impact and additional costs for growth initiatives. The Gardena Division added another quarter of solid improvement following the strong first quarter, with sales growing 13% adjusted for currency. Growth benefitted from channel expansion as well as new product introductions such as the Gardena Smart Garden concept and mobile watering equipment. Operating income for the division rose to SEK 449m (397).

The turn-around of the Consumer Brands Division is proceeding according to plan. Ongoing operational improvements continue to support margin improvement through cost reductions and efficiency enhancements. However, the progress in the quarter was dampened by weather challenges in North America resulting in substantially lower retail sales, and the currency situation remained unfavorable. The operating margin improved to 5.5% (4.9) and operating income amounted SEK 147m (178).

The Construction Division continued its path of profitable growth, capitalizing on a market leading portfolio of products and services as well as investments in market and sales structure the recent years. Growth in the second quarter was 4% adjusted for currency despite a difficult market in the stone industry. Operating income rose to SEK 179m (160) and a corresponding margin of 16.2% (14.6).

The priority for the Group during the remainder of the year will be to offset the currency headwind and finance the profitable growth initiatives by operational improvements.”

Second quarter 2016

- Net sales amounted to SEK 11,504m (12,263), a decrease of -4% adjusted for changes in exchange rates.
- Operating income increased to SEK 1,729m (1,675), despite unfavorable currency impact of around SEK -170m, and the corresponding margin increased to 15.0% (13.7).
- Net debt* decreased to SEK 7,511m (8,146) and the net debt/equity ratio improved to 0.54 (0.63).
- Earnings per share after dilution increased to SEK 2.19 (1.98).

Group SEKm	Q2		Change, %		Jan-Jun		Change, %		LTM*2	FY
	2016	2015	As rep.	Adj.*1	2016	2015	As rep.	Adj.*1		
Net sales	11,504	12,263	-6	-4	22,865	23,191	-1	1	35,844	36,170
Items affecting comparability*	-	-	-	-	-	-	-	-	-153	-153
Operating income	1,729	1,675	3	5	2,895	2,787	4	5	2,935	2,827
Excl. items affecting comparability*	1,729	1,675	3	5	2,895	2,787	4	5	3,088	2,980
Operating margin, %	15.0	13.7	-	-	12.7	12.0	-	-	8.2	7.8
Excl. items affecting comparability*, %	15.0	13.7	-	-	12.7	12.0	-	-	8.6	8.2
Income for the period	1,259	1,143	10	n/a	2,020	1,931	5	n/a	1,977	1,888
Earnings per share after dilution, SEK	2.19	1.98	11	n/a	3.51	3.35	5	n/a	3.44	3.28
Net sales, Divisions										
Husqvarna	5,721	5,727	0	3	11,178	11,069	1	3	17,733	17,624
Gardena	1,995	1,795	11	13	3,513	3,114	13	15	5,068	4,669
Consumer Brands	2,682	3,643	-26	-24	6,101	6,986	-13	-11	9,051	9,936
Construction	1,106	1,098	1	4	2,073	2,022	3	5	3,992	3,941
Operating income, Divisions										
Husqvarna	1,031	1,001	3	4	1,875	1,898	-1	0	2,210	2,233
Gardena	449	397	13	14	675	601	12	13	660	586
Consumer Brands	147	178	-17	-12	211	167	26	40	-103	-147
Construction	179	160	12	15	268	234	15	17	429	395

¹ Adjusted for currency translation effects (i.e. excluding transaction and hedging effects). ² Last twelve months.

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

SECOND QUARTER

Net sales

Net sales for the second quarter 2016 decreased by -6% to SEK 11,504m (12,263). Adjusted for exchange rate effects, net sales for the Group decreased by -4%.

The decline in sales refers to the Consumer Brands Division. Sales in Husqvarna, Gardena and Construction divisions increased.

Operating income

Operating income increased to SEK 1,729m (1,675) and the corresponding operating margin rose to 15.0% (13.7). Operating income was positively impacted by a favorable mix, continued efficiency improvements and cost reductions, which partly were offset by negative currency effects and costs for growth initiatives.

Changes in exchange rates had a total negative impact on operating income of approximately SEK -170m compared to the second quarter 2015.

Financial items net

Financial items net decreased to SEK -72m (-139), mainly impacted by currency effects.

Income after financial items

Income after financial items increased to SEK 1,657m (1,536), corresponding to a margin of 14.4% (12.5).

Taxes

Tax amounted to SEK -398m (-393) corresponding to a tax rate of 24% (26) of income after financial items.

Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK 1,255m (1,138), corresponding to SEK 2.19 (1.98) per share after dilution.

JANUARY – JUNE

Net sales

Net sales for January – June decreased by -1% to SEK 22,865m (23,191). Adjusted for exchange rate effects, net sales for the Group increased by 1%.

Sales in Husqvarna, Gardena and Construction divisions increased, while sales in Consumer Brands division decreased.

Operating income

Operating income for January – June increased to SEK 2,895m (2,787) and the corresponding operating margin rose to 12.7% (12.0).

Operating income was positively impacted by a favorable mix, efficiency improvements and cost reductions, which partly were offset by negative currency effects and costs for growth initiatives.

Changes in exchange rates had a total negative impact on operating income of approximately SEK -380m compared to January - June 2015.

Financial items net

Financial items net increased to SEK -214m (-194), mainly due to higher interest costs.

Income after financial items

Income after financial items increased to SEK 2,681m (2,593) corresponding to a margin of 11.7% (11.2).

Taxes

Tax amounted to SEK -661m (-662), corresponding to a tax rate of 25% (26) of income after financial items.

Earnings per share

Income for the period attributable to equity holders of the Parent Company increased to SEK 2,014m (1,924), corresponding to SEK 3.51 (3.35) per share after dilution.

OPERATING CASH FLOW

Operating cash flow* for the first half-year improved to SEK 707m (126), mainly due to slightly higher earnings and a lower need for working capital, reflecting the lower demand in North America. Operating cash flow* for the second quarter increased to SEK 2,444m (2,385).

Due to the seasonal build-up of working capital, operating cash flow* is normally negative in the first quarter, followed by positive cash flow in the second quarter.

FINANCIAL POSITION

Group equity as of June 30, 2016, excluding non-controlling interests, increased to SEK 13,830m (12,935), corresponding to SEK 24.1 (22.5) per share after dilution.

Net debt* decreased to SEK 7,511m (8,146). The net pension liability increased to SEK 1,924m (1,756), other interest-bearing liabilities decreased to SEK 7,410m (8,008) and liquid funds and other interest-bearing assets amounted to SEK 2,453m (2,248).

During the second quarter 2016, the Group issued bonds totalling SEK 1,700m, of which SEK 500m with three years maturity and SEK 1,200m with five years maturity. At the same time bonds totalling SEK 150m maturing in 2017 were re-purchased.

The net debt/equity ratio improved to 0.54 (0.63) and the equity/assets ratio increased to 41% (39).

*Alternative Performance Measures, see page 17.

PERFORMANCE BY BUSINESS SEGMENT

Husqvarna

SEKm	Q2		Change, %		Jan-Jun		Change, %		Full-year	
	2016	2015	As rep.	Adj. ¹	2016	2015	As rep.	Adj. ¹	LTM ²	2015
Net sales	5,721	5,727	0	3	11,178	11,069	1	3	17,733	17,624
Operating income	1,031	1,001	3	4	1,875	1,898	-1	0	2,210	2,233
<i>Excl. items affecting comparability*</i>	1,031	1,001	3	4	1,875	1,898	-1	0	2,261	2,284
Operating margin, %	18.0	17.5	-	-	16.8	17.1	-	-	12.5	12.7
<i>Excl. items affecting comparability*</i>	18.0	17.5	-	-	16.8	17.1	-	-	12.8	13.0

¹ Adjusted for currency translation effects. ² Last twelve months. *Alternative Performance Measure, refer to page 17.

Net sales in the Husqvarna Division increased by 3% in the second quarter, adjusted for changes in exchange rates. The strong growth continued for robotic lawn mowers. By region, sales increased primarily in EMEA while sales in North America were impacted by unfavorable weather.

Operating income rose to SEK 1,031m (1,001), corresponding to an operating margin of 18.0% (17.5). Operating income was positively impacted by the higher robotic lawn mower sales and cost reductions, which were partly offset by adverse currency effects and additional costs for investments in growth initiatives.

The year-on-year currency impact amounted to around SEK -100m for the second quarter and around SEK -230m for the first six months.

Gardena

SEKm	Q2		Change, %		Jan-Jun		Change, %		Full-year	
	2016	2015	As rep.	Adj. ¹	2016	2015	As rep.	Adj. ¹	LTM ²	2015
Net sales	1,995	1,795	11	13	3,513	3,114	13	15	5,068	4,669
Operating income	449	397	13	14	675	601	12	13	660	586
<i>Excl. items affecting comparability*</i>	449	397	13	14	675	601	12	13	665	591
Operating margin, %	22.5	22.1	-	-	19.2	19.3	-	-	13.0	12.5
<i>Excl. items affecting comparability*</i>	22.5	22.1	-	-	19.2	19.3	-	-	13.1	12.7

¹ Adjusted for currency translation effects. ² Last twelve months. *Alternative Performance Measure, refer to page 17.

Net sales in the Gardena Division increased by 13% in the second quarter, adjusted for changes in exchange rates, primarily attributable to a continued strong development for robotic lawn mowers and watering products. Growth benefitted from expanded distribution as well as new product introductions such as the Gardena Smart Garden concept and revitalized watering equipment.

Operating income for the second quarter increased by 13% to SEK 449m (397), corresponding to an operating margin of 22.5% (22.1). The increase was mainly a result of the higher sales volume, which was partly offset by unfavorable impact from changes in exchange rates and costs for growth initiatives.

Changes in exchange rates had a total negative year-on-year impact of around SEK -30m on operating income in the second quarter and around SEK -60m for January – June.

Consumer Brands

SEKm	Q2		Change, %		Jan-Jun		Change, %		LTM ²	Full-year
	2016	2015	As rep.	Adj. ¹	2016	2015	As rep.	Adj. ¹		
Net sales	2,682	3,643	-26	-24	6,101	6,986	-13	-11	9,051	9,936
Operating income	147	178	-17	-12	211	167	26	40	-103	-147
<i>Excl. items affecting comparability*</i>	147	178	-17	-12	211	167	26	40	-76	-120
Operating margin, %	5.5	4.9	-	-	3.5	2.4	-	-	-1.1	-1.5
<i>Excl. items affecting comparability*</i>	5.5	4.9	-	-	3.5	2.4	-	-	-0.8	-1.2

¹ Adjusted for currency translation effects. ² Last twelve months. *Alternative Performance Measure, refer to page 17.

Net sales in the Consumer Brands Division decreased by -24% in the second quarter, adjusted for changes in exchange rates. The decline was largely driven by unfavorable weather conditions during large parts of the second quarter along the US east coast, as well as a continued pursuit of value before volume strategy.

The operating margin increased to 5.5% (4.9) while operating income declined to SEK 147m (178). On-going improvement measures such as reductions of direct and indirect material cost continued to deliver but did not fully compensate for the impact of significantly lower sales volume and negative currency effects.

Changes in exchange rates had a total negative year-on-year impact of around SEK -65m on operating income in the second quarter and around SEK -120m for January – June.

Construction

SEKm	Q2		Change, %		Jan-Jun		Change, %		LTM ²	Full-year
	2016	2015	As rep.	Adj. ¹	2016	2015	As rep.	Adj. ¹		
Net sales	1,106	1,098	1	4	2,073	2,022	3	5	3,992	3,941
Operating income	179	160	12	15	268	234	15	17	429	395
<i>Excl. items affecting comparability*</i>	179	160	12	15	268	234	15	17	499	465
Operating margin, %	16.2	14.6	-	-	12.9	11.6	-	-	10.7	10.0
<i>Excl. items affecting comparability*</i>	16.2	14.6	-	-	12.9	11.6	-	-	12.5	11.8

¹ Adjusted for currency translation effects. ² Last twelve months. *Alternative Performance Measure, refer to page 17.

Net sales in the Construction Division increased by 4% in the second quarter, adjusted for changes in exchange rates. The strong sales growth continued in North America. Sales in Europe increased, but were impacted by the slowdown in demand for stone industry products.

Operating income increased to SEK 179m (160), mainly as a result of the higher sales volume and positive currency effects, which was off-set by a decline in profit level in the stone business following the sharp drop in demand. The corresponding operating margin increased to 16.2% (14.6).

Changes in exchange rates had a total positive year-on-year impact of around SEK 25m on operating income in the second quarter and around SEK 30m for January – June.

PARENT COMPANY

Net sales January - June 2016 for the Parent Company, Husqvarna AB, amounted to SEK 8,673m (8,014), of which SEK 6,635m (6,228) referred to sales to Group companies and SEK 2,038m (1,786) to external customers.

Income after financial items amounted to SEK 1,228m (861). Income for the period was SEK 716m (659). Investments in tangible and intangible assets amounted to SEK 289m (321). Cash and cash equivalents amounted to SEK 636m (121) at the end of the second quarter. Undistributed earnings in the Parent Company amounted to SEK 17,966m (17,166).

Dividend payable of SEK 1.10 per share has reduced equity attributable to equity holders of the Parent Company by SEK 630m.

ACQUISITION OF DIAMOND TOOL SUPPLY

Husqvarna Group's Construction Division has acquired Diamond Tool Supply Inc. out of Michigan, USA, a leading producer of polishing and grinding diamond tools for concrete, stone and terrazzo. The acquisition adds sales of around USD 5.8m (approximately SEK 47m), mainly in the US, to Husqvarna Group's Construction Division, based on the full-year 2015 accounts. Diamond Tool Supply (DTS) has around 70 employees. The acquired operation is included in Husqvarna Group's accounts as of May 3, 2016. The impact on the Group's financial statements is limited.

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.

No shares were converted in the second quarter. In July 2016, 513 A-shares were converted to B-shares at the request of shareholders. The total number of votes thereafter amounts to 159,959,258.6.

The total number of registered shares in the company at June 30, 2016 amounted to 576,343,778 of which 113,694,825 were A-shares and 462,648,953 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 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, as will fluctuations in prices of sourced raw materials and components.

Short term, demand for the Group's products is impacted by weather conditions. The Group's production processes and supply chain are therefore adapted to respond to changes in weather conditions. In the ordinary course of business, the Group is exposed to legal risks such as commercial, product liability and other disputes and provides for them as appropriate.

Financial risks refer primarily to currency exchange rates, interest rates, financing, tax and credit risks. Risk management within Husqvarna Group is regulated by a financial policy established by the Board of Directors.

For further information on risks and uncertainty factors, see pages 44 - 47 in the Annual Report 2015 which is available at www.husqvarnagroup.com/ir.

ACCOUNTING PRINCIPLES

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

The accounting policies adopted are consistent with those presented in the Annual Report of 2015, which is available at www.husqvarnagroup.com/ir.

FOOTNOTE

*Alternative Performance Measures, see page 17 "Definitions and reconciliations of Alternative Performance Measures".

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 14, 2016

Tom Johnstone
Chairman of the
Board

Magdalena Gerger
Board member

Ulla Litzén
Board member

David Lumley
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Kai Wörn
President and CEO
and Board member

Soili Johansson
Board member and
employee representative

Annika Ögren
Board member and
employee representative

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, 2016 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 14, 2016

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant

Consolidated income statement

SEKm	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
Net sales	11,504	12,263	22,865	23,191	36,170
Cost of goods sold	-7,567	-8,446	-15,766	-16,398	-25,996
Gross income	3,937	3,817	7,099	6,793	10,174
Gross margin, %	34.2	31.1	31.0	29.3	28.1
Selling expenses	-1,803	-1,718	-3,349	-3,185	-5,833
Administrative expenses	-404	-424	-855	-821	-1,532
Other operating income/expense	-1	0	0	0	18
Operating income	1,729	1,675	2,895	2,787	2,827
Operating margin, %	15.0	13.7	12.7	12.0	7.8
Financial items, net	-72	-139	-214	-194	-344
Income after financial items	1,657	1,536	2,681	2,593	2,483
Margin, %	14.4	12.5	11.7	11.2	6.9
Income tax	-398	-393	-661	-662	-595
Income for the period	1,259	1,143	2,020	1,931	1,888
Income for the period attributable to:					
Equity holders of the Parent Company	1,255	1,138	2,014	1,924	1,883
Non-controlling interest	4	5	6	7	5
Earnings per share:					
Before dilution, SEK	2.20	1.99	3.52	3.36	3.29
After dilution, SEK	2.19	1.98	3.51	3.35	3.28
Average number of shares outstanding:					
Before dilution, millions	571.9	573.0	572.5	573.0	573.0
After dilution, millions	573.4	574.1	573.8	574.0	574.2

Key data

Net sales growth, %	-6	11	-1	12	10
Items affecting comparability*, SEKm	-	-	-	-	-153
Operating income excl. items affecting comparability*, SEKm	1,729	1,675	2,895	2,787	2,980
Operating margin excl. items affecting comparability*, %	15.0	13.7	12.7	12.0	8.2
Average number of employees	13,139	15,295	13,606	14,693	13,572

EBITDA*

Operating income, SEKm	1,729	1,675	2,895	2,787	2,827
Reversal of depreciation, amortization and impairment, SEKm	275	277	555	538	1,153
EBITDA*, SEKm	2,004	1,952	3,450	3,325	3,980
EBITDA margin, %	17.4	15.9	15.1	14.3	11.0

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Consolidated comprehensive income statement

SEKm	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
Income for the period	1,259	1,143	2,020	1,931	1,888
Other comprehensive income					
<i>Items that will not be reclassified to the income statement:</i>					
Remeasurements on defined benefit pension plans, net of tax	-258	111	-368	46	295
Total items that will not be reclassified to the income statement, net of tax	-258	111	-368	46	295
<i>Items that may be reclassified to the income statement:</i>					
Currency translation differences	522	-502	412	69	12
Net investment hedge, net of tax	-291	296	-151	-166	-250
Cash flow hedges, net of tax	-30	-87	-116	-83	-60
Total items that may be reclassified to the income statement, net of tax	201	-293	145	-180	-298
Other comprehensive income, net of tax	-57	-182	-223	-134	-3
Total comprehensive income for the period	1,202	961	1,797	1,797	1,885
Total comprehensive income attributable to:					
Equity holders of the Parent Company	1,196	956	1,789	1,790	1,882
Non-controlling interest	6	5	8	7	3

Consolidated balance sheet

SEKm	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Assets			
Property, plant and equipment	4,759	4,627	4,620
Goodwill	5,825	5,584	5,613
Other intangible assets	4,061	3,936	3,926
Derivatives	-	-	4
Other non-current assets	167	103	165
Deferred tax assets	1,409	1,617	1,421
Total non-current assets	16,221	15,867	15,749
Inventories	7,816	7,874	7,874
Trade receivables	6,845	6,688	3,126
Derivatives	182	386	342
Tax receivables	24	45	70
Other current assets	706	546	882
Other short term investments	2	1	4
Cash and cash equivalents	2,269	1,861	1,622
Total current assets	17,844	17,401	13,920
Total assets	34,065	33,268	29,669
Equity and liabilities			
Equity attributable to equity holders of the Parent Company	13,830	12,935	13,041
Non-controlling interests	27	26	20
Total equity	13,857	12,961	13,061
Borrowings	6,235	4,571	4,580
Derivatives	80	33	10
Deferred tax liabilities	1,661	1,476	1,554
Provisions for pensions and other post-employment benefits	1,951	1,756	1,425
Other provisions	931	925	860
Total non-current liabilities	10,858	8,761	8,429
Trade payables	3,886	4,103	3,077
Tax liabilities	332	443	121
Other liabilities	2,762	2,551	2,080
Dividend payable	630	630	-
Borrowings	562	3,178	2,016
Derivatives	533	226	346
Other provisions	645	415	539
Total current liabilities	9,350	11,546	8,179
Total equity and liabilities	34,065	33,268	29,669

Key data

Operating working capital, SEKm	10,775	10,459	7,923
Return on capital employed, %	13.0	9.6	12.4
<i>Excl. items affecting comparability*</i>	13.6	12.8	13.1
Return on equity, %	14.8	9.2	14.6
<i>Excl. items affecting comparability*</i>	15.6	14.7	15.5
Capital turn-over rate, times	1.7	1.7	1.7
Equity/assets ratio, %	41	39	44
Equity per share after dilution, SEK	24.1	22.5	22.7

Net debt*

Net pension liability, SEKm	1,924	1,756	1,395
Other interest-bearing liabilities, SEKm	7,410	8,008	6,952
Dividend payable, SEKm	630	630	-
Less: Liquid funds and other interest-bearing assets, SEKm	-2,453	-2,248	-1,972
Net debt*, SEKm	7,511	8,146	6,375
Net debt/equity ratio	0.54	0.63	0.49

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Consolidated cash flow statement

SEKm	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
Cash flow from operations					
Operating income	1,729	1,675	2,895	2,787	2,827
Non cash items	235	322	632	567	1,406
<i>Cash items</i>					
Paid restructuring expenses	-7	-8	-24	-20	-27
Net financial items, received/paid	-162	-150 ¹	-204	-162 ¹	-251 ¹
Taxes paid	-35	-74	-120	-156	-252
Cash flow from operations, excluding change in operating assets and liabilities	1,760	1,765	3,179	3,016	3,703
Change in operating assets and liabilities					
Change in inventories	770	1,183	245	-6	-89
Change in trade receivables	1,175	919	-3,531	-3,809	-287
Change in trade payables	-1,368	-1,347	754	869	-175
Change in other operating assets/liabilities	428	230	692	664	-32
Cash flow from operating assets and liabilities	1,005	985	-1,840	-2,282	-583
Cash flow from operations	2,765	2,750	1,339	734	3,120
Investments					
Acquired and divested assets/subsidiaries	-30	-	52	-	63
Investments in property, plant and equipment and intangible assets	-321	-365	-632	-608	-1,388
Cash flow from investments	-351	-365	-580	-608	-1,325
Cash flow from operations and investments	2,414	2,385	759	126	1,795
Financing					
Dividend paid to shareholders	-315	-315	-315	-315	-945
Dividend paid to non-controlling interests	-1	-1	-1	-1	-3
Other financing activities	-1,562	-1,876 ¹	152	422 ¹	-829 ¹
Cash flow from financing	-1,878	-2,192	-164	106	-1,777
Total cash flow	536	193	595	232	18
Cash and cash equivalents at beginning of period	1,667	1,745	1,622	1,579	1,579
Exchange rate differences referring to cash and cash equivalents	66	-77	52	50	25
Cash and cash equivalents at end of period	2,269	1,861	2,269	1,861	1,622

Operating cash flow*

Cash flow from operations and investments, SEKm	2,414	2,385 ¹	759	126 ¹	1,795 ¹
Acquired and divested assets/subsidiaries, SEKm	30	-	-52	-	-63
Operating cash flow*, SEKm	2,444	2,385¹	707	126¹	1,732¹

¹ Hedges related to financing have been moved from operations to financing activities (SEK -165m for the second quarter 2015, SEK -316m for the first half year 2015 and SEK -64m for full-year 2015). The equivalent amount has affected the operating cash flow.

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Change in Group equity

SEKm	Attributable to equity holders of the Parent company	Non-controlling interests	Total equity
Opening balance January 1, 2015	12,068	20	12,088
Share-based payment	17	-	17
Transfer of treasury shares ¹	5	-	5
Dividend	-945	-1	-946
Total comprehensive income	1,790	7	1,797
Closing balance June 30, 2015	12,935	26	12,961
Opening balance January 1, 2016	13,041	20	13,061
Share-based payment	19	-	19
Transfer of treasury shares ¹	3	-	3
Hedge for LTI-programs	-77	-	-77
Dividend	-945	-1	-946
Total comprehensive income	1,789	8	1,797
Closing balance June 30, 2016	13,830	27	13,857

¹ Options exercised related to 2009 LTI-program.

Fair value of financial instruments

The Group's financial instruments carried at fair value are derivatives. Derivatives belong to Level 2 in the fair value hierarchy. Future cash flows have been discounted using current quoted market interest rates and exchange rates for similar instruments. Further information about the accounting principles for financial instruments and methods used for estimating the fair value of the financial instruments are described in note 1 and note 19, respectively, in the Annual Report 2015.

The carrying value approximates fair value for all financial instruments except for non-current borrowings, which are shown in the table below.

SEKm	June 30, 2016		June 30, 2015		December 31, 2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<i>Non-current borrowings</i>						
Financial leases	194	212	154	168	214	225
Loans	6,041	6,148	4,417	4,562	4,366	4,466
Total non-current borrowings	6,235	6,360	4,571	4,730	4,580	4,691

Five-year review, Group

	2015	2014 ¹	2013	2012 ²	2011
Net sales, SEKm	36,170	32,838	30,307	30,834	30,357
Net sales growth, %	10.1	8.4	-1.7	1.6	-5.8
Gross margin, %	28.1	28.5	26.5	26.9	27.7
Operating income, SEKm	2,827	1,581	1,608	1,675	1,551
Excluding items affecting comparability*, SEKm	2,980	2,348	1,608	1,931	1,615
Operating margin, %	7.8	4.8	5.3	5.4	5.1
Excluding items affecting comparability*, %	8.2	7.2	5.3	6.3	5.3
Return on capital employed, %	12.4	7.6	7.7	7.4	7.4
Excluding items affecting comparability*, %	13.1	11.1	7.7	8.5	7.7
Return on equity, %	14.6	6.7	8.1	8.8	8.0
Excluding items affecting comparability*, %	15.5	12.9	8.1	10.5	8.6
Capital turn-over rate, times	1.7	1.7	1.6	1.5	1.6
Operating cash flow ^{*3} , SEKm	1,732	1,274	1,411	1,499	-554
Capital expenditure, SEKm	1,388	1,386	1,078	776	994
Average number of employees	13,572	14,337	14,156	15,429	15,698

¹ 2014 has been restated due to a correction.

² 2012 has been restated due to the amended IAS 19. 2011 is not affected by the amendment.

³ Hedges related to financing have been moved from operations to financing activities (SEK -64m for 2015, SEK 151m for 2014, SEK 402m for 2013, SEK -355m for 2012 and SEK 82m for 2011).

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Net sales and income by quarter, Group¹

SEKm		Q1	Q2	Q3	Q4	Full-year
Net sales	2016	11,361	11,504			
	2015	10,928	12,263	7,307	5,672	36,170
	2014	9,685	11,045	6,785	5,323	32,838
Operating income	2016	1,166	1,729			
	2015	1,112	1,675	405	-365	2,827
	2014	908	1,373	332	-1,032	1,581
Operating margin, %	2016	10.3	15.0			
	2015	10.2	13.7	5.5	-6.4	7.8
	2014	9.4	12.4	4.9	-19.4	4.8
Income for the period	2016	761	1,259			
	2015	788	1,143	196	-239	1,888
	2014	620	967	199	-962	824
Earnings per share after dilution, SEK	2016	1.32	2.19			
	2015	1.37	1.98	0.34	-0.42	3.28
	2014	1.08	1.68	0.35	-1.68	1.43

¹Including items affecting comparability.

Net sales and operating income, last twelve months, Group

SEKm		Q1	Q2	Q3	Q4
Net sales	2016	36,603	35,844		
	2015	34,081	35,299	35,821	36,170
	2014	30,968	31,786	32,222	32,838
Operating income	2016	2,881	2,935		
<i>Excl. items affecting comparability*</i>	2016	3,034	3,088		
	2015	1,785	2,087	2,160	2,827
<i>Excl. items affecting comparability*</i>	2015	2,552	2,854	2,927	2,980
	2014	1,828	2,179	2,305	1,581
<i>Excl. items affecting comparability*</i>	2014	1,828	2,179	2,305	2,348
Operating margin, %	2016	7.9	8.2		
<i>Excl. items affecting comparability*</i>	2016	8.3	8.6		
	2015	5.2	5.9	6.0	7.8
<i>Excl. items affecting comparability*</i>	2015	7.5	8.1	8.2	8.2
	2014	5.9	6.9	7.2	4.8
<i>Excl. items affecting comparability*</i>	2014	5.9	6.9	7.2	7.2

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Items affecting comparability*

SEKm		Q1	Q2	Q3	Q4	Full-year
No items	2016	-	-			
Restructuring charge	2015	-	-	-	-153	-153
Impairment of goodwill	2014	-	-	-	-767	-767
No items	2013	-	-	-	-	-
Cost for personell cut-backs	2012	-	-	-	-256	-256
Restructuring charge	2011	-40	-	-24	-	-64

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Net sales (external) by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2016	5,457	5,721			
	2015	5,342	5,727	3,519	3,036	17,624
	2014	4,358	5,038	3,264	2,789	15,449
Gardena	2016	1,518	1,995			
	2015	1,319	1,795	1,060	495	4,669
	2014	1,152	1,712	879	469	4,212
Consumer Brands	2016	3,419	2,682			
	2015	3,343	3,643	1,708	1,242	9,936
	2014	3,393	3,410	1,776	1,259	9,838
Construction	2016	967	1,106			
	2015	924	1,098	1,020	899	3,941
	2014	782	885	866	806	3,339
Total Group	2016	11,361	11,504			
	2015	10,928	12,263	7,307	5,672	36,170
	2014	9,685	11,045	6,785	5,323	32,838

Operating income by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2016	844	1,031			
	2015	897	1,001	321	14	2,233
<i>Excl. items affecting comparability*</i>	2015	897	1,001	321	65	2,284
	2014	667	818	432	91	2,008
Gardena	2016	226	449			
	2015	204	397	113	-128	586
<i>Excl. items affecting comparability*</i>	2015	204	397	113	-123	591
	2014	177	399	-7	-186	383
Consumer Brands	2016	64	147			
	2015	-11	178	-119	-195	-147
<i>Excl. items affecting comparability*</i>	2015	-11	178	-119	-168	-120
	2014	44	97	-138	-158	-155
Construction	2016	89	179			
	2015	74	160	144	17	395
<i>Excl. items affecting comparability*</i>	2015	74	160	144	87	465
	2014	81	117	107	49	354
Group common costs	2016	-57	-77			
	2015	-52	-61	-54	-73	-240
	2014	-61	-58	-62	-828	-1,009
<i>Excl. items affecting comparability*</i>	2014	-61	-58	-62	-61	-242
Total Group	2016	1,166	1,729			
	2015	1,112	1,675	405	-365	2,827
<i>Excl. items affecting comparability*</i>	2015	1,112	1,675	405	-212	2,980
	2014	908	1,373	332	-1,032	1,581
<i>Excl. items affecting comparability*</i>	2014	908	1,373	332	-265	2,348

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Operating margin by segment

%		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2016	15.5	18.0			
	2015	16.8	17.5	9.1	0.5	12.7
<i>Excl. items affecting comparability*</i>	2015	16.8	17.5	9.1	2.1	13.0
	2014	15.3	16.2	13.2	3.3	13.0
Gardena	2016	14.9	22.5			
	2015	15.5	22.1	10.7	-25.9	12.5
<i>Excl. items affecting comparability*</i>	2015	15.5	22.1	10.7	-24.8	12.7
	2014	15.4	23.3	-0.8	-39.7	9.1
Consumer Brands	2016	1.9	5.5			
	2015	-0.3	4.9	-7.0	-15.7	-1.5
<i>Excl. items affecting comparability*</i>	2015	-0.3	4.9	-7.0	-13.6	-1.2
	2014	1.3	2.8	-7.8	-12.5	-1.6
Construction	2016	9.2	16.2			
	2015	8.0	14.6	14.1	1.9	10.0
<i>Excl. items affecting comparability*</i>	2015	8.0	14.6	14.1	9.7	11.8
	2014	10.4	13.2	12.4	6.0	10.6
Total Group	2016	10.3	15.0			
	2015	10.2	13.7	5.5	-6.4	7.8
<i>Excl. items affecting comparability*</i>	2015	10.2	13.7	5.5	-3.7	8.2
	2014	9.4	12.4	4.9	-19.4	4.8
<i>Excl. items affecting comparability*</i>	2014	9.4	12.4	4.9	-5.0	7.2

*Alternative Performance Measure, refer to page 17 for definitions and reconciliations.

Net assets by segment

SEKm	Assets		Liabilities		Net Assets	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Husqvarna	12,829	11,927	3,894	3,549	8,935	8,378
Gardena	7,355	6,977	1,121	1,044	6,234	5,933
Consumer Brands	6,208	6,780	2,067	2,350	4,141	4,430
Construction	3,710	3,653	651	635	3,059	3,018
Other	1,483	1,684	2,484	2,336	-1,001	-652
Total	31,585	31,021	10,217	9,914	21,368	21,107

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

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

PARENT COMPANY

Income statement

SEKm	Q2 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015	Full-year 2015
Net sales	4,467	4,040	8,673	8,014	12,763
Cost of goods sold	-2,730	-2,736	-5,828	-5,982	-9,376
Gross income	1,737	1,304	2,845	2,032	3,387
Selling expense	-493	-404	-869	-706	-1,385
Administrative expense	-228	-237	-445	-429	-814
Other operating income/expense	0	0	0	0	-1
Operating income	1,016	663	1,531	897	1,187
Financial items, net	-432	586	-303	-36	892
Income after financial items	584	1,249	1,228	861	2,079
Appropriations	-289	-25	-309	-86	-99
Income before taxes	295	1,224	919	775	1,980
Tax on profit for the year	-64	-213	-203	-116	-135
Income for the period	231	1,011	716	659	1,845

Balance sheet

SEKm	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Non-current assets	32,338	32,330	32,485
Current assets	7,510	6,950	5,243
Total assets	39,848	39,280	37,728
Equity	19,141	18,341	19,563
Untaxed reserves	290	24	-
Provisions	162	102	127
Non-current liabilities	5,908	4,208	4,205
Current liabilities	14,347	16,605	13,833
Total equity and liabilities	39,848	39,280	37,728

Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares	Total
Number of shares as of 31 December 2015	113,694,826	459,305,937	3,343,015	576,343,778
<i>Conversion of A-shares into B-shares</i>	-1	1	-	-
<i>Options exercised related to LTI-programs</i>	-	291,759	-291,759	-
<i>Hedge for LTI-programs</i>	-	-1,300,000	1,300,000	-
Number of shares as of 30 June 2016 ¹	113,694,825	458,297,697	4,351,256	576,343,778

¹ In July 2016, another 513 A-shares were converted.

DEFINITIONS AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) has issued guidelines on Alternative Performance Measures (APMs) for listed issuers. The guidelines apply to APMs disclosed by issuers on or after July 3, 2016.

APMs refer to measures used by management and investors to analyze trends and performance of the Group's operations that cannot be directly read or derived from the financial statements. These measures are relevant to assist management and investors in analyzing the Group's performance. Investors should not consider these APMs as substitutes, but rather as additions, to the financial reporting measures prepared in accordance with IFRS. It should be noted that these APMs as defined, may not be comparable to similarly titled measures used by other companies.

Adjusted

As reported adjusted for currency translation effects (i.e. excluding transaction and hedging effects) and material acquisitions/divestments. There are no material acquisitions/divestments in the periods disclosed within this report. Net sales and operating income are disclosed adjusted for currency translation effects as Husqvarna Group is a global company generating significant transactions in other currencies than the reporting currency (SEK) and the currency rates have proven to be volatile. Refer to page 1 of this report for adjusted measures.

EBITDA

EBITDA is a measure of earnings before interest, taxes, depreciation, amortization and impairment charges. EBITDA measures Husqvarna Group's operating performance and the ability to generate cash from operations, without considering the capital structure of the Group or its fiscal environment. For a reconciliation of EBITDA refer to page 8.

Items affecting comparability

To assist in understanding Husqvarna Group's operations, we believe that it is useful to consider certain measures and ratios exclusive of items affecting comparability. Items affecting comparability includes items that are non-recurring, have a significant impact and are considered to be important for understanding the operating performance when comparing results between periods. The items affecting comparability are disclosed on page 13. All measures and ratios in this report have been disclosed including items affecting comparability first and then excluding items affecting comparability as a second measure when deemed appropriate.

Last twelve months (LTM)

Last twelve months rolling have been included to assist investors in their analysis of the seasonality that the Husqvarna Group's business is exposed to, refer to page 1.

Net debt

Net debt is a measure to describe the Group's gearing and its ability to repay its debts from cash generated from the Group's ordinary business (see operating cash flow below), if they were all due today. It's also used to analyze whether the Group is over- or underfunded and how future net interest costs will impact earnings. Net debt is defined as total interest-bearing liabilities plus dividend payable, less liquid funds and interest-bearing assets. For a reconciliation of net debt refer to page 10.

Operating cash flow

Operating cash flow is a measure of the amount of cash generated by the Group's ordinary business operations. The measure is defined as total cash flow from operations and investments, excluding acquisitions and divestments. For a reconciliation of operating cash flow refer to page 11.

For additional definitions refer to page 103 of the Group's Annual Report 2015.

TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Kai Wärm, President and CEO, and Jan Ytterberg, CFO, will be held at Husqvarna Group's office, Regeringsgatan 28, Stockholm at 10:00 CET on July 15, 2016. To participate, please dial +46 (0) 8 5033 6434 (Sweden) or +44 (0) 8444933800 (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 later the same day.

DATES FOR FINANCIAL REPORTS

October 20, 2016	Interim report for January – September
February 9, 2017	Year-end report for 2016

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 July 15, 2016.

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.