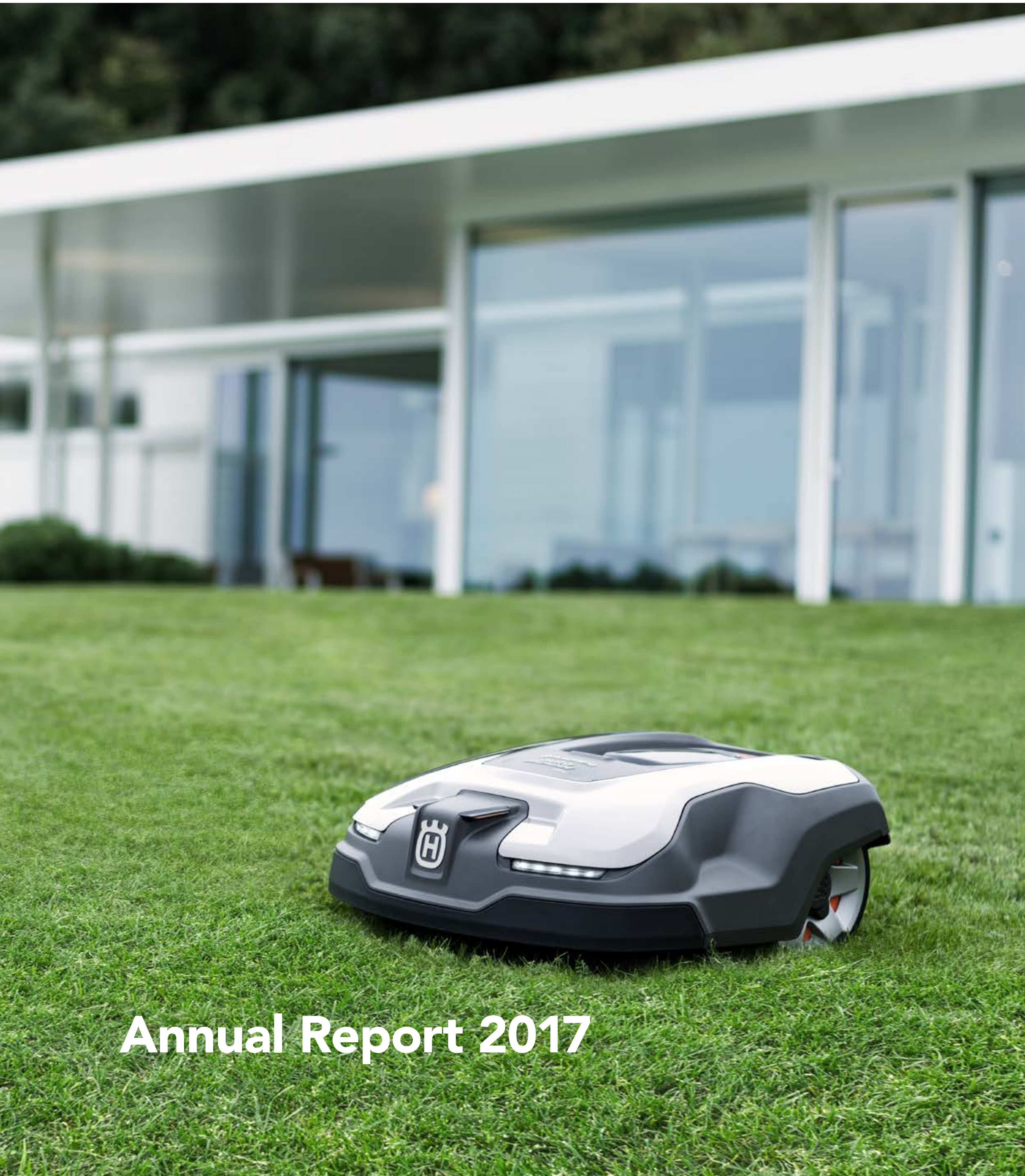


Annual Report 2017

Contents

The formal Annual Report, including the Directors' Report and the Financial Statements for the Parent and the Group are on pages 44 – 115.

Shaping great experiences

For more than 325 years, our passion for innovation has made us refine and reinvent our offering to match what our customers need to get the job done. This has helped us find new opportunities based on our engineering and innovation expertise. Through centuries of change in the market, we've been turning technology into opportunity.

When a customer chooses a product or solution from our broad portfolio of brands, it's not just a chainsaw or lawn mower, power cutter or smart garden system, it's performance, pride and the promise of better results. Our customers are our business partners and they always expect the most from us. We bring user-centered, innovative solutions that meet their needs.

We aim to make a difference for everyone shaping green spaces and urban environments. And we turn our passion for gardening into enjoyable tools and great end results created by users. Each of these experiences is sustainable in terms of environmental impact, endurability and attractiveness.

Everything we do through all of our brands, products, solutions and services is part of the same mission: to shape great experiences.

Share of Group net sales	Division		Division	Share of Group net sales
50% Share of Group net sales	HUSQVARNA DIVISION	Husqvarna Group	CONSUMER BRANDS DIVISION	23% Share of Group net sales
14% Share of Group net sales	GARDENA DIVISION		CONSTRUCTION DIVISION	13% Share of Group net sales

A strong and innovative year

Husqvarna Group enjoyed another year of strong development. The Group's net sales increased by 7 percent, adjusted for currency effects. The divisions in profitable growth mode increased by almost 8 percent, thus exceeding the target of 3 to 5 percent. The operating margin continued to improve, reaching 9.6 percent (8.9).

Key data

39,394
Net sales, SEKm (35,982)

3,790
Operating income, SEKm (3,218)

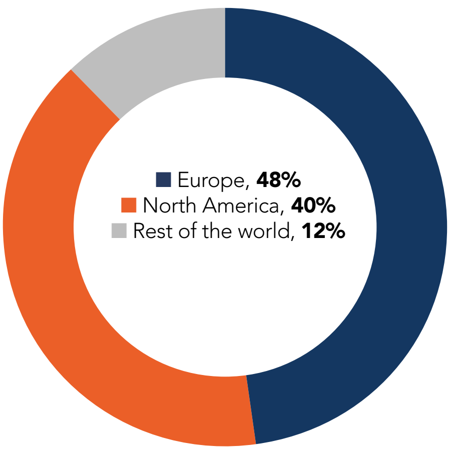
9.6
Operating margin, % (8.9)

1,847
Operating cash flow, SEKm (1,666)

13,252
Average number of employees (12,704)

26
CO_2 emission intensity reduction, % (13)

Net sales by region



New generation of professional chainsaws

In 2017, a new generation of professional chainsaws was launched. The new generation, led by Husqvarna 572 XP®, aims to deliver chainsaws with outstanding productivity, durability and reliability while at the same time staying true to Husqvarna's heritage and providing high ergonomics and safety.

Gardena at the Chelsea Flower Show

The Chelsea Flower Show in London is the most famous and prestigious of its kind in the world. Over five days in May, this is the gardening hotspot and the place to be. Almost 160,000 visitors attend the event each year. This is where emerging garden trends are spotted and where traditional landscaping meets city gardening. The UK garden market is one of the most important markets in Europe and one of Gardena's prioritized growth markets, making the show an excellent opportunity to strengthen the Gardena brand. And for the first time, Gardena was represented at the show with its own garden to showcase the innovative Gardena Smart System as well as a stand highlighting the Gardena City Gardening concept.

Acquisitions strengthen Construction Division

During the year, Husqvarna Group acquired HTC and Pullman Ermator, and agreed to acquire the light compaction and concrete equipment business from Atlas Copco, strengthening its position in surface preparation and the light construction market. Together with the earlier acquisition of Diamond Tool Supply, the Construction Division is now a market leader in the fast-growing and attractive market segment for preparing and polishing concrete floors.

Husqvarna Group's first solar-powered facility

Husqvarna Group has built its first solar power generating facility at its current injection molding site in Nashville, Arkansas. The facility is expected to reduce the company's CO_2 footprint by about 1,000 tons during the first year of operation and approximately 25,000 tons over the expected 25-year life of the facility. The solar array covers about 4.5 acres of land and the solar generating system is scalable, which means it can be expanded in the future.

Innovation award for Husqvarna Automower®

Husqvarna Group was recognized as a distinguished "Innovation Vendor Partner of the Year" by Lowe's, a leading American retailer, for the robotic lawn mower Husqvarna Automower®. The award acknowledged Husqvarna Group for "setting the highest bar in innovation." Not only did Lowe's recognize Husqvarna Automower® as an innovative product, the Group was also praised for its innovative and unique approach to creating a sales model that utilizes dealer expertise and installation services, while driving significant brand awareness from product placement at Lowe's.

CEO statement

In our journey towards market leadership by 2020, the progress we made in 2017 confirms our direction and priorities. We are building for the future by investing significantly in resources that will generate growth while at the same time improving the efficiency of core operations. We are delivering on our aspiration to outgrow the market, improve operating margins and increase capital efficiency. Given our development over the last two years, we can now definitively say that we have shifted from a profitability focus to one of profitable growth.

Profitable growth is the way we create shareholder value. Essentially, this means steering three of our four divisions towards profitable growth with a net sales increase of more than 3-5 percent per year and achieving an average operating margin for the Group of at least 10 percent with the net working capital to sales ratio at a maximum of 25 percent. The Consumer Brands Division, however, will continue to have financial turnaround and operating margin improvement as its first priority.

Operating income more than doubled in four years

Operating income increased to SEK 3,790m (3,218) in 2017, representing an increase of almost 18 percent since 2016 and more than doubling in four years. The corresponding margin rose to 9.6 percent from 8.9 percent in 2016. Our cash flow continues to improve and net debt to EBITDA is at an all-time low, giving us financial strength and the freedom to invest in further organic development as well as attractive bolt-on acquisition opportunities. In this context, it is important to underline our long-term view and commitment. In the last two years, we have also substantially stepped up our expensed and capitalized growth investments in innovation and capabilities that will generate attractive profitable growth going forward.

Robust growth drives Group performance

The Husqvarna, Gardena and Construction divisions enjoyed another good year in 2017. Their combined organic net sales growth rate was 7.7 percent, well above the previous year's rate of 3.3 percent, proving their ability not only to grow but also to deliver earnings growth and margin improvements. Robotic lawn mowers and other battery-powered products continued to support the strong sales and earnings development in particular in the Husqvarna Division. The sharp focus on the growth strategy continued to yield healthy earnings improvement for Gardena. There are several reasons for this solid development, including new products such as Gardena Smart System – the market's first connected automatic lawn care and water management system, investments to grow in new geographic markets, particularly our entry into the UK, and new distribution channels.

Acquisitions strengthen Construction Division

Our Construction Division has enjoyed many years of organic growth and earnings expansion. Since we want the division to occupy an even larger share of the Group, we successfully acquired two market leaders in 2017: HTC in floor grinding and Pullman Ermator in dust and slurry management. In addition, just before the close of the year, we also signed to acquire the Light Compaction and Concrete Equipment business from Atlas Copco. Together, these acquisitions will add almost 30 percent of yearly sales to our Construction Division.

These acquisitions target the attractive concrete surfaces and floors segment, offering high growth rates and solid profitability. Through these acquisitions, we strengthened our position by adding the market's most efficient floor grinding machines as well as the leading high performance dust extractors and added several value steps allowing for future solution orientation. This is an excellent example of value creation, taking product and technology expertise with limited distribution power and giving it a global sales reach through integration into our Construction Division.

Challenging year for Consumer Brands Division

Our Consumer Brands Division had a difficult year as the US retail market proved to be more challenging than anticipated. In recent years, we have made cost reductions and efficiency improvements, but it is now clear that we need to accelerate these measures as well as launch new products with better margins, including robotic lawn mowers. Many new products will be launched in 2018 including new lines of battery-powered garden products under our Poulan, McCulloch, Jonsered and WeedEater brands.

New demands influence growth strategy

For Husqvarna Group, these are exciting times. We see changing purchasing behavior. New channels for customer relations are emerging that promise engaging ways to learn and sell. Our investments to build capability in this area are crucial for us as we aim to take a larger share of the market in the growing e-commerce channel. Digital technologies are becoming readily applicable in our sector and we see an accelerated demand for battery products. Beyond these market trends is the importance of long-term thinking. Sustainability is becoming a priority area for our customers, which we strongly embrace. These factors influence market dynamics and our growth strategy.

A more growth-oriented cost base

In this phase of our profitable growth strategy, it is vital to synchronize our growth investments with the improvements to our cost structure at the same time as we deliver sales growth. In essence, we are striving to shift our cost structure to make it more growth oriented. It is crucial for us to be clear on the goal – profitable growth – and the direction, which means winning market shares. To realize our potential, we need to accelerate development cycles, test new concepts effectively and structurally become better at testing, learning and modifying our offering. An opportunity-driven focus will deliver sustainable and innovative products and services that generate greater value. But, at the same time, this new way of working requires us to be bolder and to accept some calculated risks.

We pioneered robotic lawn mowers over two decades ago. We aim to stay ahead of this market by investing in more intelligent and connected products as well as expanding into new segments. This includes the professional segment, where we are launching our first products and now also seriously expanding into new geographies such as the US market. For our professional users, it is critical that we be more than a product provider. With the Husqvarna Fleet Services™ system, we offer a unique cloud-based system that connects products and operators to an online service for smarter, more efficient and profitable landscaping operations. We are also investing in business development for our loyal base of dealers. We aspire to be their preferred supplier and act as their business partner, helping them build a profitable business by selling the optimal mix of products and services.

Our Gardena Smart System is the first app-controlled system connecting robotic lawn mowing and automatic watering. We are continuing to roll out products to more countries and adding new features to make it a truly automated gardening solution. These are just a few examples of how we are investing for the future.

> Given our development over the last two years, we can now definitively say that we have shifted from a profitability focus to one of profitable growth.

Integrating sustainability in every aspect

Linked to our ambition to connect people with nature and our passion for innovation, "Sustainovate" is our approach for integrating sustainability into every aspect of our business. This encapsulates our work to contribute to a sustainable society and reduce our impacts along the value chain, ultimately leading to a stronger and more successful Group.

The largest share of our CO_2 emissions impact occurs when our products are in use. Boosting sales of energy-efficient products and encouraging a shift to low-carbon energy sources are therefore central to the strategy. The shift to battery-powered technologies, connected products and services, and robotics will help accelerate progress towards these objectives.

Decoupling emissions from business growth

Sustainovate's target of 10 percent CO_2 intensity reductions by 2020 compared with 2015 will provide a solid foundation on which to build. We have already extended our commitment to reduce our product carbon emissions by 33 percent by 2035, regardless of how much we grow our business. Creating a market for a sustainable product and service offering is an important part of this development. We are among the first Swedish companies, and the first in our industry, to have this long-term commitment approved by the Science Based Targets Initiative. In 2017, we outlined a technology roadmap to help us deliver on this goal.

Another step forward in 2018

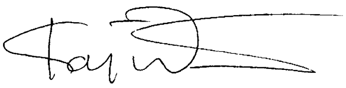
Looking ahead, we have plenty of exciting opportunities and I am confident we have chosen the right path to success. Our profitable growth ambitions in Husqvarna, Gardena and Construction are on track and I expect another step forward in 2018 in terms of growth, market shares and improved results. We will also continue our efforts to build a stable long-term platform for the Consumer Brands Division. However, in the short term, it will be challenging to achieve results in line with 2017 for this division. This is due to rising raw material costs and the impact from lower sales volumes because we proactively decided to step back from one of our major retail accounts. The decision to reduce volume may be a near-term setback, but we are confident that Consumer Brands will emerge stronger in the mid- to long-term. The Group's overall development is naturally our first priority, and in this respect, I am full of confidence.

Proud of our dedicated employees

The energy and commitment of all of our employees is vital to our success. For nearly 330 years, we have proven this again and again. It is thanks to our 13,000 employees located across 40 countries, four divisions and a range of functions that we are a growing company and seen as an attractive workplace. Our aim is to be the best place to work and to provide a platform for all employees to make a difference and maximize their talents.

We measure this through our Team Survey, asking all employees how likely it is that they would recommend Husqvarna Group as a place to work, or the Net Promoter Score. We also monitor our ratings across three overarching areas: employee satisfaction, engagement and communicative leadership. This year, we received a record-high response rate to our Group-wide team survey of 94 percent and got a Net Promoter Score of well above the general industry average, which constitutes a big step ahead versus 2016. The score indicates that our employees believe in our business strategy, that they have clear and connected objectives and that they feel engaged and motivated on our journey towards market leadership 2020. People will make this happen and make the difference. I would like to thank each of you for your commitment and contribution to our shared journey.

Stockholm, March 2018



Kai Wärn, President & CEO

Strategy & targets

Husqvarna Group has been successful in improving its financial performance in recent years. The initial focus of cutting product costs, improving the product mix and reducing complexity in the product offering has now shifted into a more growth-oriented focus. In 2017, the Group took the next step in its strategic development by putting a stronger emphasis on profitable growth with the aim to gain market share and continuously improve its operating margin and capital efficiency. Together with a strong vision and the Group's way of integrating sustainability into its business, Sustainovate, the Group has set the course to achieve its 2020 market leadership aspiration.

OUR CORE PURPOSE

Turning technology into opportunity

With a passion for innovation, we create performance, pride and improved results for our customers.

OUR VISION

Shaping great experiences

We make a difference to those who shape green spaces and urban environments through our leadership in sustainable, user-centered solutions.

Financial & sustainability targets

Husqvarna Group's financial targets should direct and support the Group in delivering on its strategy. Following the successful margin recovery between 2013 and 2016, the Group now aims to deliver profitable growth. In short, this means achieving net sales growth exceeding the average growth in the industry by around 1 to 2 percentage points and continually improving the operating margin in a capital-efficient way. In terms of sustainability, the most important target is to reduce environmental impact by lowering CO_2 emissions.

Financial targets

As of 2017, Husqvarna Group has three new financial targets for net sales growth, operating margin and capital efficiency.

Definitions	Target	Achievement 2017
1 Growth The target is to grow faster than the market which means at least 3 to 5% annual currency-adjusted net sales growth, excluding any impact from acquisitions. The target is valid for the divisions in profitable growth mode: Husqvarna, Gardena and Construction. The Consumer Brands Division will continue to prioritize margin recovery before net sales growth. The net sales growth for the divisions in profitable growth mode was 7.7% in 2017 (3.3).	≥ 3–5%	↗ 7.7%
2 Margin The Group's operating margin should, on average, exceed 10% in the coming years. The operating margin rose to 9.6% in 2017 (8.9).	≥ 10%	↗ 9.6%
3 Capital efficiency The Group's operating working capital, seasonally adjusted by taking the average of the closing balances for the last five quarters, should be a maximum of 25% in relation to annual net sales. In 2017, the ratio improved, amounting to 25.5% (26.6).	≤ 25%	↘ 25.5%
! Other targets In addition to the three financial targets, the Group aims to have a long-term credit rating corresponding to at least BBB, which is the current rating by Standard & Poor's.	BBB	BBB
According to the dividend policy, the annual cash dividend to shareholders should normally exceed 40 percent of net income for the previous year.	≥ 40%	↗ 48%

Sustainovate

Husqvarna Group's approach to sustainability is built on five challenges where the Group can make the greatest difference and create economic, social and environmental value for key stakeholders. Sustainovate includes Group-wide targets to drive company performance to 2020 compared to 2015. Below is the Group's progress so far.

Definitions	2020 Targets		2017 Progress against the target	
Carbon Challenge Decouple our business growth from carbon emissions	**10%** CO_2 emissions intensity reduction across the value chain	**33%** absolute CO_2 emissions reduction from product use by 2035	**26%** CO_2 emissions intensity reduction across the value chain	**11%** absolute CO_2 emissions reduction from product use
Team Challenge Be the best place to work	**+8** A Team Survey Net Promoter Score (NPS) equal to or better than the peer group.		**+10** Net Promoter Score In 2017 the peer group's NPS was +8.	
Supplier Challenge Inspire and build a sustainable supplier base	**70%** of the purchasing spend derives from strategic suppliers audited and approved on their sustainability performance		**20%** of the purchasing spend derived from audited and approved suppliers	
Safety Challenge Lead our industry in safety across the value chain	**35%** reduction in new product incidents, compared with 2016	**40%** reduction in injury rate in operations	**6%** reduction in new product incidents	**30%** reduction in injury rate in operations
Community Challenge Build a platform for our teams to engage in local communities	To be defined in 2018		Defined themes: • Protecting biodiversity • Promoting healthier lifestyles • Supporting communities during and after natural disasters	

Strategy

Husqvarna Group has delivered on the first part of its promise to improve profits and margins during the past few years. The next step is expansion and profitable growth aimed at outgrowing the market, taking market share and continually improving the operating margin. The overall ambition is to achieve market leadership by 2020.

The Group operates on the principle of having strong, focused and empowered divisions with the tools needed to drive business towards their desired goals. Group strategic functions design the strategic framework under which each part of the value chain operates to ensure alignment across the four divisions and secure important synergies, for example, in product platform management, lead-buy sourcing, supply chain and brand architecture. There are also over-arching initiatives to secure success across the Group in key areas of battery-powered products, robotic mowers and digitalization.

Market leader ambition 2020

Husqvarna Group's ambition is market leadership by 2020, and this covers a wider perspective than just market share. Market leadership is defined as being the number one player or the number two player competing for the number one position. A market leader also drives industry evolution in terms of innovation, customer focus, sustainability and operational excellence. It is also able to capture the financial opportunities inherent in the market share position and innovation leadership.

A supply chain for the future

Achieving profitable growth and realizing market leadership within the industry requires an understanding of what it takes to get there in terms of securing the right expertise and mindset to serve customers in their channel of choice. It also means having the right services, processes and commercial structures to meet the ever-changing needs of customers. A transparent, reliable, agile and sustainable supply chain is imperative as a foundation for market leadership.

This is especially true in the lawn and garden markets, which are characterized by strong seasonality and a global supply chain foot-print that puts high requirements on flexibility. Growing omnichannel requirements (a multichannel approach to sales that offers customers a seamless experience online, on phones and in stores) are driving demand for shorter lead-times and single shipments. For this reason, the Group needs to transform the supply chain into a more seamless end-to-end model utilizing emerging technologies that will define the factory of the future.

To further build on our heritage of innovation, the Group will move from a traditional supplier approach to a more network-oriented collaborative methodology based on long-term strategic partner-ships with key suppliers. This way, it will develop the ability to quickly identify and operationalize opportunities brought by suppliers' innovation capabilities.

Profitable growth focus of 2020 Strategy

The Husqvarna, Gardena and Construction divisions are all operating well above the Group's target to achieve an operating margin of 10 percent, which means that these divisions have a profitable growth agenda. The Consumer Brands Division remains in turnaround mode and will maintain margin improvement as its priority. The long-term ambition and detailing of the Group's strategy, Strategy 2020, was set in 2014. The most distinctive change was the end-user focused organization that was established in 2015. In 2017, the strategy was further refined and calibrated. The key initiatives to drive profitable growth or to improve margins have been detailed in the business plan of each division.

Customer segmentation is key

Knowing which end-user segments to target and how to effect-ively serve their needs and requirements determines success in the market. Understanding the different needs of end-user segments enables the Group to develop better offerings, a more balanced product mix, a differentiated channel approach, clear brand position-ing and more targeted communication. The different brands play an important role, as they are the direct link to end-users.

Business model differentiation

The key principle for defining the Group's four divisions is business model differentiation. In essence, this means each division targets its unique group of end-users and builds operations on the success

The journey towards market leadership 2020

2013
Launch of AIP
→ Accelerated Improvement Program to restore profitability

2014
Strategy 2020 Group
→ Market, customer and technology studies
→ Breadth and focus
→ Goals and definitions

2015
New organization
→ Growth and turnaround strategies
→ AIP program closed

2016
Profitable growth initiatives
→ Financing of growth initiatives
→ Support margin target

factors needed in each of these segments. The Husqvarna Division shall be the preferred choice for professionals and prosumers in forestry, lawn and garden segments. Gardena aims to be the leading brand in the passionate gardener segment where gardening is a life-style, while the role of the Consumer Brands Division is to be the best alternative in the broad mass consumer segment. The Construction Division aims to be the preferred choice for professionals in several niche construction and stone industry segments.

Investments to drive profitable growth

To deliver growth in the future the Group needs to invest today to inject energy, create new ideas and build new capabilities. The principle for financing these investments is that they need to be matched by Group-wide cost and efficiency programs that deliver savings largely corresponding to the investment needs. Successfully executing these programs will release the funds needed to finance the profitable growth initiatives of the three divisions in profitable growth mode going forward. For Consumer Brands, cost and efficiency measures are essential since they are prerequisites for its margin improvement.

The Group's investments in profitable growth continue and an internal efficiency program, based on the success of a similar program in 2016 and 2017, will be implemented in 2018 and 2019. In addition to cost savings in areas such as product cost, logistics and indirect material, an important part of the efficiency program is also to ensure that a higher sales volume also leads to good growth in operating income and improvement in operating margin.

Strengths providing foundation for profitable growth

- Leading market positions
- Strong brands
- Substantial R&D resources
- Global presence
- Flexible supply chain
- More than 325 years of experience

A strong customer-focused organization

Husqvarna Group

HUSQVARNA DIVISION
Professionals & prosumers

GARDENA DIVISION
Passionate/lifestyle gardeners

CONSUMER BRANDS DIVISION
Mass consumer segments

CONSTRUCTION DIVISION
Construction & stone industry professionals

Differentiated customer focus leading to:

- Superior products and solutions
- Balanced product mix
- Differentiated channel approach
- Clear brand positioning
- Targeted communication

2017

New financial targets to support profitable growth

→ Execution of profitable growth strategy and continued growth investments

2018

Continued execution of profitable growth strategy for Husqvarna, Gardena and Construction. Turnaround priority for Consumer Brands

Market leader ambition

→ Number 1 or 2 player, competing for number 1

→ Driving industry evolution in:

- End customer focus
- Innovation and sustainability
- Operational excellence
- Financial performance

2020

Strategic growth initiatives

Husqvarna Division

- Exploit leading position in robotic lawn mowing
- Capture spare parts and accessories opportunities
- Grow in commercial lawn and garden market
- Become leader in battery-powered products
- Business development for dealer channel

Gardena Division

- Go-to-market excellence
- Expand geographically
- Grow in new channels
- New product categories
- Innovation such as Gardena Smart System

Consumer Brands Division

- Revitalize brands
- Become leader in battery-powered products and robotic mowers
- Optimize supply chain footprint
- Ready business for e-commerce

Construction Division

- Create new service revenue streams
- Accelerate growth in emerging markets
- Explore adjacent segments, including acquisitions


Husqvarna
W 70P

Market & trends

Husqvarna Group is one of the world's largest producers of outdoor power products for forest, lawn and garden care. It is also among the leaders in niche segments in the light construction industry. As a global company, the Group is affected by several market trends that represent both opportunities and challenges. Dealing with these trends strategically is important to further strengthen the Group's market position.

A steadily growing market

The global forest and garden market is growing steadily. Over the last five years, market value is estimated to have increased around 3 percent per year. The addressable market for forest, lawn and garden products in regions and segments where Husqvarna Group is present is estimated at SEK 185bn. The addressable market for construction and stone industry products is around SEK 45bn with an estimated long-term growth rate of 3 percent.

The overall forest and garden market is attractive and can be characterized as mature with stable growth. Average growth has historically kept pace with gross domestic product (GDP) development at between 2 to 3 percent per year. Demand is driven mainly by general economic trends. Housing starts, employment levels, consumer purchasing power and consumer confidence are important indicators. New technology and product innovation are also important drivers of demand. Weather conditions may be important in a given year as they can impact the season and thus affect demand both positively and negatively. In addition, a large portion of demand is estimated to be driven by replacement needs.

Europe and North America, where a significant part of the world's forest, park and garden areas are located, are the biggest markets. Combined, the two regions make up around 85 percent of the market in terms of value. Consumers in many of the larger markets outside of Europe and North America, such as China and Brazil, do not have the same needs, conditions and tradition of garden care among individuals, which explains the relatively small size of these markets. Demand in these markets is driven mainly by commercial end-users.

Lawn mowers are the largest product segment, battery-powered the fastest growing

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

> "For Husqvarna Group, these are exciting times. We see changing purchasing behavior. New channels for customer relations are emerging, which promise engaging ways to learn and sell. Digital technologies are becoming readily applicable in our sector and we see an accelerated demand for battery products.
>
> *Kai Wärn, President & CEO*

Rapid growth in robotic mowers and battery-powered products in 2017

The global market continued to grow during the year. The largest region, North America, increased, driven mainly by lawn mowers and battery-powered handheld products in the US. Europe is estimated to have grown somewhat faster than North America mainly due to increasing demand for robotic mowers and battery-powered products. Asia/Pacific is estimated to have increased due to good development in emerging markets such as China.

Construction market up about 3 percent

The long-term annual growth rate for the Group's product offering for the construction and stone industries is around 3 percent for construction products and slightly higher for stone products. Demand normally correlates strongly with activity in the construction industry, which is characterized by substantial cyclical variations. The estimated addressable market for the Construction Division has been redefined and increased to SEK 45bn following acquisitions in the concrete surfaces and floors market.

Customers and distribution

The Group sells forest, park and garden products to more than 25,000 dealers and leading retailers worldwide, which in turn sell them to end-users. Dealers primarily sell products in the high-performance segments to professional users and prosumers (demanding consumers) and offer product service while retailers sell products in the low- to medium-price ranges, mainly targeting the consumer segments. The online channel, which in addition to pure online resellers is also used by dealers and retailers, is becoming more significant, although its share still represents less than 10 percent of the total market.

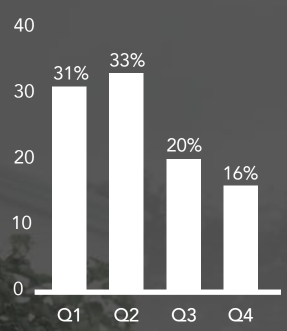
Construction and stone industry products are sold directly to end-users such as sawing and drilling contractors and quarry operators, to rental companies that lease the equipment to end-users and to dealers who sell to professional construction end-users.

Estimated addressable market value by division, SEK

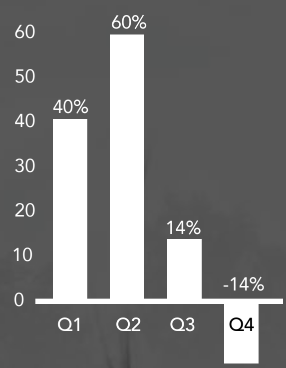
Seasonality

Forest and garden products, which represent almost 90 percent of the Group's total sales, are highly seasonal due to end-user buying patterns. Most equipment is sold during the spring and summer when most lawn care and gardening activities take place. Because the main markets are located in the Northern hemisphere, sales are highest toward the end of the first quarter and in the second quarter. The third quarter generally marks the end of the gardening season, given average weather patterns. The season for watering products is normally even shorter and often ends after the second quarter. Demand for forestry products tends to be somewhat higher during the second half of the year. For construction products, demand is fairly evenly distributed over the year.

Net sales, seasonality
Average distribution per quarter 2013–2017, %



Operating income, seasonality
Average distribution per quarter 2013–2017, %



Market trends

A continously evolving market impacts both the Group's operations and offering. By analyzing and understanding these changes, the Group can better develop its strategy for flexibility and competitiveness.

Battery technology

New battery technology increases capacity at an affordable price, making energy storage a viable alternative for a full range of industries, from cars to smaller devices.

Opportunity & risks
The price of lithium-ion battery packs is decreasing while energy density is increasing. This creates opportunities for battery-powered products with higher performance that can be used in a wider range of products. The growth in cordless products is also attracting new types of competitors.

The Group's response
Our offering of battery products is on the rise in all of our business areas.

Digitalization

Digitalization is increasingly impacting how products are developed, produced, distributed, serviced and shared. Artificial intelligence is reducing monotonous activities both within the Group's factory walls and in green spaces.

Opportunity & risks
Gathering and analyzing data from devices is generating greater efficiencies and enabling the development of new features for greater user flexibility and productivity.

The Group's response
Husqvarna Fleet Services™ is a cloud-based data gathering system for professional landscapers. This is just one example of a business model that improves customer productivity and profitability.

Rising demand for safe and efficient products

Demand for resources is on the rise and more regions are impacted by water scarcity. Ensuring safety both in the workplace and in the home is central to people's well-being.

Opportunity & risks
The products that go beyond meeting baseline standards for water as well as fuel-efficiency and safety will increasingly be regarded as delivering a competitive advantage.

The Group's response
As part of Sustainovate, the Group aims to increase sales of its most efficient and safe products.

Consumer values and purchasing behavior

More than 80 percent of consumers research their purchases online, yet only some 10 percent complete the transactions there.

Opportunity & risks
The industry will reflect the shift to e-commerce. With new purchasing behavior comes a change in consumer expectations on companies they choose to do business with.

The Group's response
The Group is amplifying its online presence with simplified direct customer interaction as well as sales of parts, accessories and other value-added services.

Urbanization and new customer groups

Global middle-class spending may triple by 2030 and 60 percent of the population is expected to live in urban environments. Most of this will occur in Asia. In Europe, the share of people 55+ will outweigh that of younger generations.

Opportunity & risks
Parks and other green spaces are becoming important as more people live in cities. Consumer demographics are changing, opening new opportunities for product innovation and shifting purchasing power to new regions.

The Group's response
The Group is meeting changing demographics by growing in Asia and providing an offering tailored to urban living and adapted to more compact spaces and silent, unobtrusive products.

The world leader in robotic lawn mowing

Over 20 years of research, innovation and lush, green lawns have made Husqvarna Group the world leader in robotic mowing. And more than one million robotic mowers have been sold globally since the initial launch in 1995.

Husqvarna Group is the undisputed global market leader in robotic lawn mowers, with a sizeable market share in a rapidly-growing market. The Group maintains a high level of investments in product development and concepts to better service the market and thereby maintain its leading position. In order to meet all customer needs in all channels, the Group offers robotic mowers under a variety of brands, each of which has its own role in the market targeting different customer segments.

The latest range of robotic mowers is developed for functionality, durability and reliability. They work quietly, efficiently and autonomously to give a better finish to a lawn than any other mower. Thanks to optimized design and intelligent behavior, a robotic mower from Husqvarna Group can cope with steep slopes, find its way through narrow passages and deliver great cutting results in any type of weather.

The more advanced versions have additional GPS navigation to ensure full coverage and excellent cutting results in even the most complex gardens. They also offer the option to control, configure and track the mower from anywhere in the world using an app on a phone or other device.

Another milestone will be reached in 2018 when the Group launches the first generation of robotic mowers for commercial use. Husqvarna Automower® 550 and 520 are designed for professional landscaping and lawn care.

Husqvarna Automower® is the original world-leading robotic lawn mower. It delivers a premium, innovative and high-performance experience, bringing a professional finish to the largest and most complex lawns.

Gardena robotic lawn mowers make life in the garden more enjoyable. Perfect for gardening enthusiasts who want to create beautiful outdoor spaces.

The McCulloch robotic lawn mower simplifies everyday garden maintenance, mowing with clever, powerful technology and easy-to-use features.


Husqvarna
Husqvarna

Operations

Husqvarna Group operates on the principle of having strong, focused and empowered divisions with all of the functions needed to drive business towards their desired goals. Group strategic functions design the strategic framework to ensure alignment across the four divisions to secure the most important and vital synergies, for example, in sourcing, logistics and technology. The three divisions in forest and garden, Husqvarna, Gardena and Consumer Brands, and the Construction Division each have different business models with their own distinct end-user target groups, strategies and offerings.

Husqvarna Division

A global leader in forest and garden products

A deep understanding of customer needs and requirements is the foundation for the Husqvarna Division´s leadership in forest, park and garden products and services used by professionals and prosumers. Husqvarna offers a broad and competitive range of products and services and has global distribution through long-lasting partnerships with dealers, proven innovation capability and strong brand recognition.

The division's core brand is Husqvarna, which is used globally and accounts for the majority of sales. Other brands are Zenoah, which is a regional brand in Japan, and Klippo, a well-known lawn mower brand in Sweden. Target end-users are found in professional areas such as forestry, tree care, landscaping and commercial lawn and garden services as well as consumer segments including home- and landowners. Global market share is approximately 20 percent with a generally stronger position in Europe and the consumer segments.

Market positions are strong for professional handheld products, especially chainsaws, and for wheeled products such as lawn mowers. Husqvarna is the undisputed market leader in robotic lawn mowers, a product pioneered by Husqvarna more than 20 years ago.

The Husqvarna Division operates globally, with the majority of sales generated in Europe and North America. This means that further opportunities exist in emerging markets that offer relatively higher growth rates. The Husqvarna Division is the main research and development driver in Husqvarna Group and R&D has a broad, end-user insight-driven approach. Product and service innovation is critical for the division's long-term competitiveness.

Profitable growth is the goal

The Husqvarna Division delivers well above double digit operating margins and there are attractive growth opportunities in the market. The objective for the division is to realize profitable growth. In the long term, strengthening professional market share and further increasing brand recognition is of the utmost importance. Since professionals are reached through the dealer channel, the Husqvarna Division aims to be the channel's preferred business partner.

Focus on commercial end-users

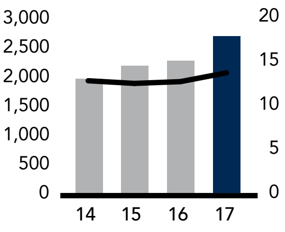
The commercial lawn and garden segment has the greatest potential in the professional segment. It involves a differentiated distribution approach to fulfill high customer service and technical support requirements. Offering products that enable productivity gains and increases in uptime is important. Supplying parts and offering safety and sustainability features such as improved noise and emission conditions is also important. Battery-powered products play an important role in this context. This is why it is important to leverage application knowledge to claim a leadership position also in this area.

Leverage market leadership in robotic mowers

In the demanding consumer (prosumer) market, robotic lawn mowers together with other battery-powered products are considered the biggest growth opportunities. For many years, Husqvarna has been the global market leader in robotic mowers. Maintaining this position and fully capitalizing on this growing market is critical. Key areas include continued R&D investments as well as differentiated strategies depending on robotic mower maturity in different countries.

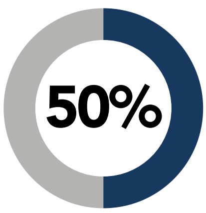
To fund profitable growth activities, the division will continue to focus on reducing costs and improving efficiency.

Operating income and margin

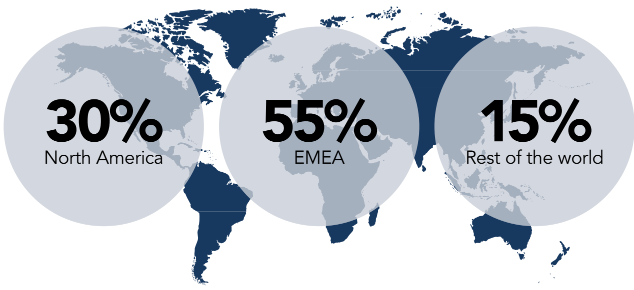


■ Operating income, SEKm
— Operating margin, %

Share of Group net sales



Net sales by region



Brands	Product range	End-users	Distribution channels	Main competitors
Husqvarna Zenoah	• Handheld products such as chainsaws, brush cutters, trimmers and leaf blowers, both petrol and electric/battery-powered • Wheeled products such as front riders, garden tractors, zero-turn mowers, walk-behind mowers and snow throwers • Robotic lawn mowers • Accessories and spare parts	• Professional users • Prosumers	• Dealer-centric, multi-channel	• STIHL Group • Deere & Company • Honda • Toro • Yamabiko Corporation

Pavel Hajman, President Husqvarna Division

A good year for both products and services

Looking back on 2017, Pavel Hajman, President Husqvarna Division, has many success stories to tell. And good financial news. The division is more service- and solution-oriented. It is gaining market share in robotic mowers and battery-powered products and growing in new markets such as India. And efforts in commercial lawn and garden market are beginning to show positive results.

"We've created a strong organization with tight cooperation between product development, branding, sales and marketing. This is giving us high momentum in executing our growth strategy," Pavel says.

He cites many successful product and service initiatives in the Husqvarna Division during the year. "We launched the X-CUT chain, our first chainsaw chain designed and manufactured in-house, which received extremely positive feedback from customers and forestry professionals," he says. The division also increased market shares in the important markets for robotic mowers and battery-powered handheld products.

"The market is growing fast in these areas, and we want to maintain our strong position as it transitions from petrol- to battery-powered products and a higher share of robotic mowers. Our consumer-graded series of battery-powered products, including walk-behind mowers, gained traction in 2017," he explains.

When it comes to sustainability, the highlight of the year was the trial project Battery Box™, an unmanned and app-controlled rental depot where people can access battery-powered garden products on a pay-per-use basis. The project provided valuable knowledge about the sharing economy and a real sustainable solution.

The division is also striving to become more solutions-oriented. One example is the cloud-based Husqvarna Fleet Services™ system that enables commercial lawn and garden operators to manage a fleet of products on a smart device or computer. "Ultimately, it improves the commercial lawn and garden operator's profitability, which at the end of the day is what we're always trying to do for them as a supplier. Here, we had a large number of installations during the year," he says.

Another milestone was reached when the Husqvarna Division established a sales unit in India. "This is very important for our future positioning and growth and we've recruited almost 20 employees for this initiative," Pavel says.

Commercial lawn and garden is an important segment for the future as more people are moving to cities, creating a demand for more public parks and green spaces. "Urbanization is one of the key global trends today. And people want to live in environmentally-sound surroundings. This makes developing and managing urban parks even more important. Our customers in commercial lawn and garden are a growing segment where we aim to increase our attractiveness," says Pavel.

For 2018, the division has a lot to look forward to. "We will upgrade Husqvarna Fleet Services™ for our commercial customers and launch Husqvarna Connect for the consumers – a digital platform where you remotely can control your Husqvarna Automower® or Gardena Smart System. We're also excited about our first robotic lawn mower designed for commercial applications, a completely new "stand-on" mower that will be important for commercial users in North America and the next generation of our iconic professional chainsaws, starting with Husqvarna 572 XP®," says Pavel. "We will also expand our range of battery-powered products with higher performance mowers and blowers," he concludes.

> "Urbanization is one of the key global trends. This makes developing and managing urban parks even more important.
>
> **Pavel Hajman**
> President Husqvarna Division

Strategic priorities

- Develop business in dealer channel
- Commercial lawn and garden
- Robotic lawn mowers
- Battery-powered products
- Parts and accessories
- Emerging markets

A new generation of the iconic professional chainsaw

In 2018, Husqvarna Group will continue to launch the new generation of its most iconic product, the professional Husqvarna chainsaw. Since Husqvarna started making chainsaws almost 60 years ago, its focus has been on constantly improving performance and user experience. And the new chainsaw is no different: The new Husqvarna 572 XP® forestry chainsaw will reinforce Husqvarna as an innovation leader in the world of chainsaws.

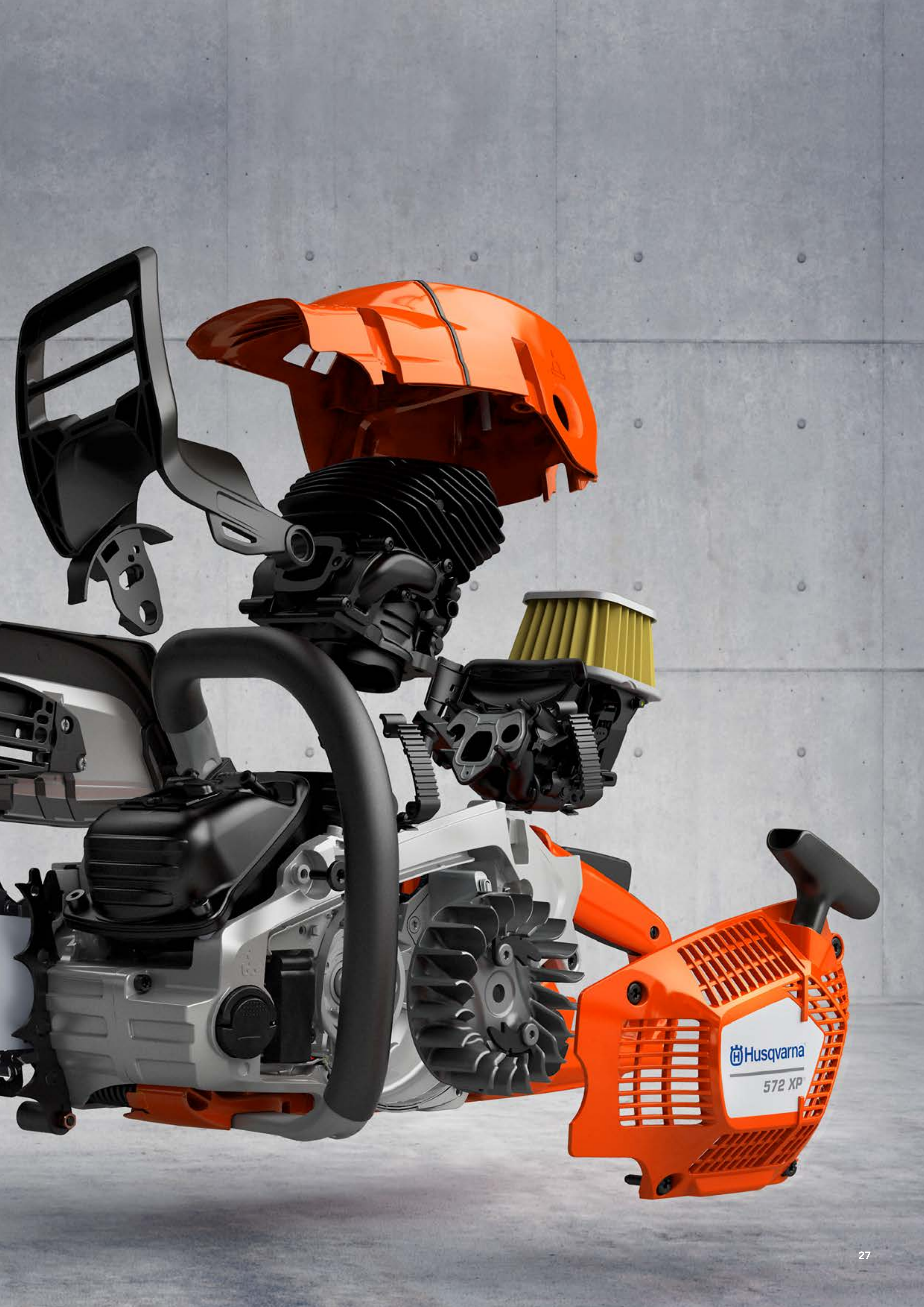
The next generation takes Husqvarna's respected chainsaw up a notch. It has been built from scratch on a new platform that is set to become the new foundation for professional chainsaws going forward. The saws are manufactured where it all started – in the same factory in Huskvarna, Sweden where Husqvarna's chainsaw history began in 1959.

The new generation, which will be spearheaded by Husqvarna 572 XP®, is geared to deliver chainsaws with outstanding productivity, durability and reliability. At the same time, the machine stay true to the Husqvarna heritage and provide high ergonomics and safety. It is designed to be stronger yet lighter and more durable. With an outstanding power to weight ratio, its powerful engine and user-centric design with world-leading low vibrations levels, users can stay productive for many hours with superior cutting performance.

Tested to perfection by professionals, each component of the chainsaw has been crafted to meet the toughest conditions around the world, day after day. Field tests conducted by Husqvarna demonstrate the chainsaw's ability to perform in varying altitudes, climates and humidity levels.

The development of the new platform has also benefited from increased digitalization. Husqvarna has extended its use of new technical solutions including sensor-based data collection and digital prototyping. Prototyping enables highly accurate stress analysis to optimize design while sensors placed on chainsaws in field tests are used to collect data on usage statistics.

Husqvarna 572 XP® will be equipped with the Group's second in-house designed chain, X-CUT C85, from the saw chain factory in Huskvarna, Sweden, further optimizing the cutting experience. The new professional chain is a highly durable, full chisel chain, sharp, pre-stretched and ready to use right out of the box.


Husqvarna
572 XP

Gardena Division

Aiming for garden domain leadership

Gardena is the preferred brand for many home and garden owners when it comes to garden care. Gardena is recognized for its high quality and market-leading innovation. Products are designed with the passionate gardener in mind – people who enjoy gardening activities. Gardena is the number one watering brand in Europe and aims to become the European garden domain leader.

The Gardena brand enjoys strong brand awareness and recognition in consumer segments in the European markets. The main focus is on end-users with a passion for gardening and who see their outdoor space as a reflection of their personality. These users take pride in crafting unique results and truly enjoy the different activities involved in gardening. They also like to have some of the work automated so they can focus on the more fun parts of gardening. For this reason, they demand reliable, user-friendly products with high quality.

A leader in watering and hand tools

Gardena offers the broadest range of gardening products in its markets and leads the market in Europe for watering and hand tools. The product range is characterized by solutions and systems. Much of its success has come from systems such as Original Gardena System in watering products (garden hoses, connectors, nozzles, sprinklers) and Gardena Combisystem for hand tools (soil cultivation and cutting tools such as secateurs and loppers). To satisfy the demands of the growing urban population, a new range of garden products for smaller gardens and gardening on balconies, terraces and rooftops has been introduced.

The division's customer support is also an advantage, for example, an offering for watering and garden planning and availability of service and parts. Maintaining this strength and leveraging it further into online sales is important going forward.

Growing in robotic lawn mowing and connected, automatic garden care

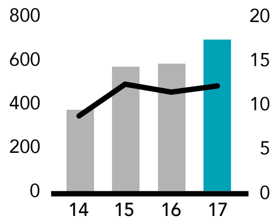
Electric and battery-powered products, such as robotic mowers built on the great experience from Husqvarna Automower®, lawn mowers, trimmers, hedge cutters and shrub shears are also included in the offering. Further building on these positions in these fast-growing segments is key.

To capitalize on the possibilities brought by connectivity and the Internet of Things as well as the demand for automated garden care, Gardena introduced the market's first connected automatic lawn care and water management solution, Gardena Smart System. The system connects intelligent garden sensors, watering equipment and controls, and robotic lawn mowers. A smartphone app lets the consumer control and monitor the devices to optimize and automate watering and mowing.

Growth on the agenda

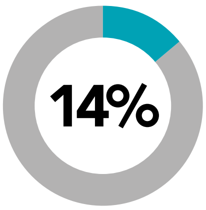
Gardena is represented in more than 80 countries, although the division's core markets are located in Europe, in particular Germany, Austria, Switzerland, Belgium and the Netherlands. Gardena is also well represented in Australia, Canada and South Africa. There are significant opportunities to expand beyond the core markets in new distribution channels as well as to leverage on Gardena's brand strength into new or adjacent product categories.

Operating income and margin

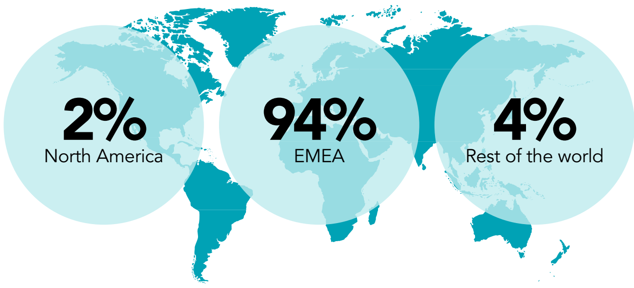


■ Operating income, SEKm
▬ Operating margin, %

Share of Group net sales



Net sales by region



Brand	Product range	End-users	Distribution channels	Main competitors
GARDENA	• Watering management: garden hoses, connectors, reels and sprayers; sprinklers and sprinkler systems; water pumps and watering controls • Corded and battery-powered products such as robotic mowers, trimmers, hedge cutters and shrub shears • Garden tools such as secateurs, loppers, axes, digging tools and winter tools • Smart products such as Gardena Smart System	• Consumers – passionate gardeners	• Retail-centric, multi-channel	• Bosch Group • Fiskars • Hozelock • Kärcher

Sascha Menges, President Gardena Division

The passionate gardener's trusted choice

Sascha Menges, President Gardena Division, is going for gold in many ways: Reaching excellent results for 2017, another record year for the division, and making Gardena the obvious choice for the passionate gardener. This is all thanks to his highly-engaged team that is building success upon success for Gardena.

"Our results during the year reinforce the strength of our strategic roadmap and our quest to deliver strong growth. We launched another 60 products, increased market shares and continued our successful geographic expansion, particularly in Scandinavia and the UK," says Sascha. He notes that this also has involved making strides in new channels to distribute products and increased branding investments, for example in television advertising.

"Gardena Smart System was another great achievement. We continued our rollout to more countries and we have now tripled our user base, which is a huge success," he says. "We've also added new products and features in 2017, including adaptive scheduling that saves water by stopping watering when the soil has enough moisture. We've also added the possibility to connect other brands and opened our system to partners. Our first partnership is with Netatmo, a company that offers market-leading cameras that connect with the system," he continues.

Gardena is the market leader in several product categories in Europe and the vision is to be the garden domain leader.

"We're going for gold. There's plenty more market share to be gained out there. Europe is very important for us because it has a passionate and active gardening culture, and we offer unique brand strength that goes far beyond gardening tools," says Sascha. "The easiest way to make our vision a reality is to work with passionate and engaged people willing to go the extra mile. We've got them. And they're definitely giving us the winning edge."

The City Gardening concept was launched in 2017 to meet the needs of the growing customer base made up of urbanites wanting to create green oases on small balconies, terraces and lawns in the city. This puts new demands not only on garden tools but also the services and advice that Gardena can provide.

For 2018, the division has another wave of innovative new products ready for launch. "City Gardening will offer a vertical gardening module for growing plants on walls and there will be a new robotic lawn mower called Sileno City for smaller gardens. We'll also introduce a new and extended range of battery-powered products that goes hand in hand with our sustainability ambitions. In 2018, we will celebrate the 50th anniversary of the original Gardena watering system with a metal-based premium range. And a complete new range of innovative hose trolleys will come to the market," says Sascha.

"All in all, we look forward to creating even more engaging and inspiring experiences for our passionate gardeners," he concludes.

> "We continued our rollout of Gardena Smart System to more countries and we've now tripled our user base, which is a huge success.

Sascha Menges
President Gardena Division

Strategic priorities

- Geographic expansion
- New product categories
- Innovation such as Gardena Smart Garden
- Multi-channel distribution and digital excellence
- Further strengthening the brand
- Operational excellence and cost efficiency to fund growth agenda

Consumer Brands Division

The compelling offering in the broad massmarket

The Consumer Brands Division possesses a broad and strong product offering, a portfolio of well-recognized brands, long-standing retail relationships and a sizeable market share position. Being part of Husqvarna Group gives competitive advantages such as access to industry-leading technology, innovation and scale. Continued cost control, operational excellence and leveraging on Group advantages will give the division the opportunity to turn around its financial performance.

The Consumer Brands division aims to be the leading forest and garden supplier for the broad massconsumer segments. Products are sold mainly through retailers such as Lowe's and Walmart in the US and Castorama and B&Q in Europe. The retail landscape is highly consolidated in North America and competition in the mass-consumer segment is fierce with a strong emphasis on price. The estimated addressable market is SEK 70bn, of which more than 60 percent is in North America and slightly less than 30 percent in Europe.

Contributing scale and leveraging on Group R&D

The Consumer Brands Division has the opportunity to leverage on industry-leading technology, innovation and scale from other parts of the Group such as the Husqvarna Division. This will allow the division to benefit from new features and technology to keep products and brands relevant, exciting and competitive. At the same time, the division provides scale advantages in areas such as manufacturing, logistics and sourcing that the Husqvarna Division can benefit from. Leveraging these opportunities effectively will bring advantages over many competitors that are positioned in the consumer segments only.

Protecting professional and prosumer market segments

The division also has a long-term ringfencing role aimed at protecting the Group's business in the professional and more advanced segments of the market by providing compelling alternatives in the entry-level mass consumer segments. This has prevented competitors from climbing to the more valuable professional or prosumer segments via a first entry into the consumer segments.

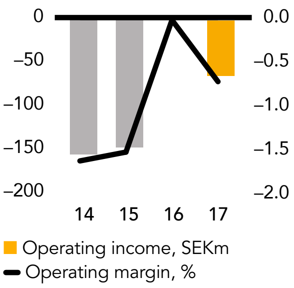
Long-term margin target of 5 percent

Due to the Division's unsatisfactory financial starting point, the overarching priority of recent years and for the coming years is margin recovery. This will be achieved mainly through a combination of cost reduction and efficiency measures and new product development to achieve a more favorable mix.

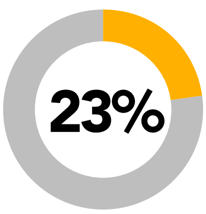
In 2018, Consumer Brands will launch several new ranges of battery-powered products and invest additional resources in marketing robotic lawn mowers, especially in the US. Improved cross-selling of parts and accessories as well as e-commerce sales are also important success factors in the long term.

Sales in 2018 will be impacted by the announced decision to scale back some SEK 1bn of sales to one of the major retail customers. The drop in sales will delay the operating income improvement trajectory for the division but will benefit the division in the long run.

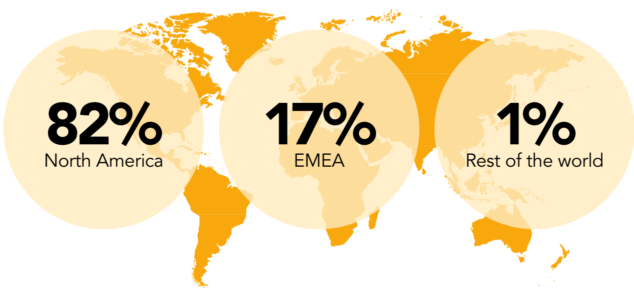
Operating income and margin



Share of Group net sales



Net sales by region



Brands	Product range	End-users	Distribution channels	Main competitors
McCulloch Poulan PRO Weed Eater Flymo Jonsered	• Ride-on lawn mowers: mainly garden tractors and zero-turn mowers • Walk-behind lawn mowers, snow throwers and tillers • Handheld products, both petrol-powered and electric such as chainsaws, trimmers, hedge trimmers and leaf blowers • Robotic lawn mowers • Accessories and spare parts	• Mass market consumers	• Retail-centric, multi-channel	• Modern Tool and Die Company (MTD) • Stiga SpA • TTI • Positec • Private labels

In March 2018, just before the publication of this Annual Report, Jeff Hohler suddenly and unexpectedly passed away.

"Our thoughts go out to Jeff's family and to those closest to him. He was a truly great leader and will be profoundly missed", Kai Wärn, President & CEO.

Jeff Hohler, President Consumer Brands Division

The turnaround for Consumer Brands continues

The Consumer Brands Division continued to make progress on its turnaround journey, but faced a market that perhaps was more competitive than ever. E-commerce growth, the introduction of robotic mowers and other battery technology as well efforts to strengthen brands and continued cost reductions were some highlights during the year.

A lot is going on in Consumer Brands. Jeff Hohler, President Consumer Brands Division, explains, "We finished the warehousing project at our factory in Orangeburg, South Carolina, where we turned several satellite distribution centers into a single partly-automated warehouse. We also finished a project at our plant in McRae, Georgia, where we moved a distant stamping facility into the building. And a similar project is ongoing at our Nashville facility." These projects have resulted in improved quality and customer service, lower costs and reduced CO_2 emissions avoiding many of miles of road trucking transportation.

The division also continued to take steps to drive growth with new products, such as the new McCulloch ROB robotic mower and other battery-powered products, which is a key factor for improving financial performance. New battery products for the McCulloch, Poulan, WeedEater and Jonsered brands will also be launched in 2018.

The division also had a good year in zero turns (a popular ride-on lawn mower in the US), and made strides in e-commerce. "E-commerce is the future without question. We're enhancing our supply chain to better service e-commerce business going forward."

The retailer Lowe's continued to be a good partner. "We are now finding ways to bring new products in battery, and launching robotic mowers, while still serving customers that prefer the petrol-powered products," says Jeff.

During the year, the Jonsered brand was transferred from the Husqvarna Division. The brand will be adapted for and used in retail in the US and Europe. The WeedEater brand will also be revitalized. "We made it a bit friendlier looking, showing that it's lightweight and easy to use," says Jeff.

Rapid new product development with "little i" innovation is one of the division's strategic priorities – small, incremental improvements that help develop a brand or a product.

"Even though we see robots and battery-powered products as the future, we have a significant petrol business that we need to develop and grow. And here's where 'little i' comes in. Small, but noticeable, improvements that get consumers' attention. Like Steelguard, the robust reinforcement around the mower deck we introduced to make it more durable, a perfect example of 'little i' innovation."

Robotic lawn mowers have yet to make it in the US. "We are working on different scenarios and we will utilize our retail distribution, backed by the Group's extensive dealer distribution network," Jeff explains.

> E-commerce is the future without question. We're enhancing our supply chain to better service e-commerce business going forward.

Jeff doesn't hesitate when asked what the keys to success will be in 2018. "It's about finding a way to win in battery products and bringing 'little i' excitement to our core petrol products. And making sure we gain more than our fair share in e-commerce opportunities," he says.

At the end of 2017, the Consumer Brands Division announced it would reduce business volume with one of their biggest US retail customers to focus on accounts that offer more attractive opportunities. "While the decision may be a near-term setback since it puts additional pressure on us to match lower sales with quick cost reductions, we are confident that we will emerge stronger in the mid- to longer term," says Jeff.

Jeff Hohler
President Consumer Brands Division

Strategic priorities

- Operational excellence and cost leadership
- Battery-powered products and robotic lawn mowers
- Omnichannel emphasis
- Rapid, user-relevant innovation in core petrol categories
- Brand investments

Construction Division

The preferred choice of construction industry customers

The Construction Division is a global leader in machinery and diamond tools for the construction and stone industries. Its foundation is built on product and technology leadership, offering professional users the most efficient and powerful solutions in the market as well as first class sales and service support. Products and solutions are distributed globally in all relevant sales channels.

The division develops, manufactures and sells mainly light construction products for sawing, drilling, grinding, polishing and demolishing concrete, steel and other hard materials. Its products are used exclusively by professionals who demand high-level performance, reliability and superior technical service. Satisfying these demands is essential for success. The Husqvarna brand is the main brand for construction products, complemented by the Pullman Ermator and HTC brands that were acquired in 2017. Diamant Boart is the brand for stone industry products.

Strong global market positions

The global market for the division's product range for the construction and stone industries is valued at approximately SEK 45bn. The market is fragmented with many small, local competitors and only a few global actors. The division's combined global market share in relevant product categories is about 15-18 percent and it has leading positions in most areas. Positions are strongest in power cutters, floor grinding machines, dust and slurry management solutions, floor, wall and wire saws as well as multi-wire.

Key success factors

The division offers high-quality products and solutions to professional customers. A global service network is critical to support the business. Products and services are sold to dealers, rental companies and directly to contractors by using innovative sales processes and tools. High levels of investments are made to maintain the widest, most innovative and powerful range of products in the market and to provide the best sales and service support.

Long-term growth

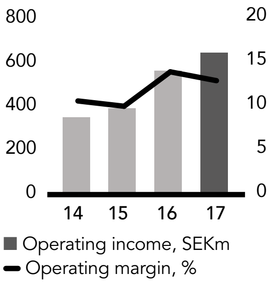
The Construction Division completed a significant restructuring of its operations since the market downturn in 2008 and 2009, creating a strong foundation for continued profitable growth and market share gains. The brand portfolio was consolidated, complexity in the product offering was reduced, previous acquisitions were fully integrated and R&D levels increased. In 2017, the organic sales in the division rose for the seventh consecutive year.

Acquisitions to support profitable growth

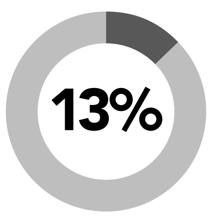
Pullman Ermator and HTC were acquired in 2017, aiming to increase market share in the attractive concrete surfaces and floors market. Just before the close of the year, the Construction Division also signed to acquire the Light Compaction and Concrete Equipment business from Atlas Copco with a product range that further strengthens it in this segment. Together the three acquired operations had sales of almost SEK 1.3bn in 2016.

By combing the strengths and capabilities of Pullman Ermator, a leader in dust and slurry management solutions, HTC, a leader in floor grinding products, and the light compaction and concrete equipment business from Atlas Copco, Husqvarna Construction can provide even more efficient total solutions, increase the market preference of floor grinding as a floor preparation method and polished concrete floors as a flooring solution and ultimately expand the market. By integrating the acquired entities and leveraging on the division's extensive geographic sales and service reach, the prerequisites will be in place to accelerate growth further and realize synergies.

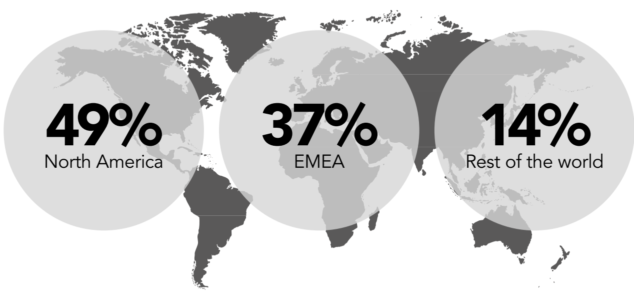
Operating income and margin



Share of Group net sales



Net sales by region



Brands	Product range	End-users	Distribution channels	Main competitors
Husqvarna Diamant Boart Pullman Ermator HTC	• Power cutters • Floor, tile and masonry saws, wall and wire saws • Drill motors with stands • Floor grinding machines • Dust and slurry solutions • Demolition robots • Diamond tools for construction and stone industries	• Construction industry: infrastructure projects such as road and bridge construction, renovation and construction of commercial and residential properties • Natural stone industry	• Direct sales to professional end-users: sawing, floor grinding and demolition contractors • Rental companies that rent equipment to building companies and contractors • Construction dealers • Stone processing industry	• Hilti • STIHL • Tyrolit • Ehwa and Shinhan • Skystone

Henric Andersson, President Construction Division

Gearing up through acquisitions

Henric Andersson, President Construction Division, is pleased with 2017. The long-term goal to reinforce a focused and performance-oriented organization is yielding results and efforts to broaden the offering with more service content are all very good reasons to be satisfied. The organic growth strategy developed well and sales were further boosted by acquisitions aiming to build a market-leading offering in the concrete surfaces and floors segment.

"When we set our strategy for 2016 through 2018, we identified key areas where we want to make headway. We wanted to continue to build a strong performance culture where the main focus has been clear goals and personal accountability, since this is the ultimate enabler of everything we would like to do. As we operate in a very demanding industry we also realized we have to be the best in terms of operational excellence. Only by doing ordinary things in an extraordinary way can we support our customers in their very challenging operations. We also set out to expand our offering into services and financing solutions for our customers. During 2017, we took our first step when we launched our new UpCare service contracts. We also stepped up in emerging markets investing in local organizations and in adapting the products and how we go to market," says Henric.

The acquisitions of HTC and Pullman Ermator, leaders in their respective fields for floor grinding and dust and slurry management, were important steps, as was the agreement to acquire the Light Compaction and Concrete Equipment business from Atlas Copco just before the end of the year.

"HTC is the floor grinding expert, an interesting market segment that has been exceeding the industry average growth for quite some time. HTC was the opportunity to acquire the number one spot in this segment. Floor grinding is a highly productive, cost-effective and more environmentally-friendly floor solution since it doesn't require epoxy or other artificial floor materials. And the floors require few repairs. But we need to convince the market that this is the preferred method. Together with HTC, we can more powerfully market these advantages and increase preferences for this solution to ultimately grow the market," he continues.

Floor grinding is an application that produces a large amount of dust, so it is important to also use highly effective dust extractors. "Construction activities almost always generate some kind of dust or slurry," says Henric. "And this is where Pullman Ermator comes in – the market leader in dust and slurry management solutions."

"By putting these pieces together, we can offer even more effective solutions. We can offer the best machines for floor grinding and products for high-capacity dust and slurry extraction. There are already several markets that have discovered these advantages, but we still need to communicate this better," explains Henric.

> "We're continuing our successful profitable growth journey – that's the story, a story to be proud of.

The American Occupational Safety and Health Administration (OSHA) recently introduced new regulations on the amount of dust allowed where people are working. "Suddenly, everyone is looking for high-capacity dust extraction, which has been very good for Pullman Ermator. And there's likely more to come in this area," he says.

"We're continuing our successful profitable growth journey – that's the story, a story to be proud of," he concludes.

Henric Andersson
President Construction Division

Strategic priorities

- Continue to build a strong performance culture
- Excel in operational excellence
- Add service offerings
- Step up growth in emerging markets
- Integrate acquired businesses and explore adjacent segments

Sustainovate

Anchored in a passion for innovation and connecting people with nature, Sustainovate is Husqvarna Group's way of integrating sustainability into its business.

Creating a strong company for the future demands the ingenuity and courage of its people, forward-thinking leadership and the insights of strategic partners. The Group is committed to raise the bar on safety and product efficiency and find new ways to reduce consumption of energy, water and other resources. Just as vital to the Group's vision is exploring innovative product ideas and business models that will deliver positive impacts on people and the planet, and making these technologies widely available.

For more information on Husqvarna Group's work with sustainability, see *Sustainovate Progress Report 2017*.

Integrating sustainability across the Group

Sustainovate is the Group's strategic approach to integrating sustainability throughout the business. At its heart is innovation that brings people and nature closer together.

With its focus on long-term value creation, embracing sustainability is critical to market leadership. Sustainovate is founded on five key challenges that reduce impacts and enhance the Group's role to positively affect lives and the environment. It includes Group-wide targets to drive company performance up until 2020, compared to 2015*. Each division has identified its role in achieving the strategy and is driving initiatives in the areas where it can add the most value. Husqvarna Group will raise the bar on safety and product efficiency and promote product ideas and business models that deliver value as well as market and sustainability leadership.

Definitions	The ambition	2020* Targets	2017 Progress against the target
Carbon Challenge Decouple our business growth from CO_2 emissions.	Through innovation, energy-efficient operations and new products, the Group aims to grow its business while reducing emissions across its value chain – from product design and development, suppliers, manufacturing and logistics to smarter product use.	**10%** CO_2 emissions intensity reduction across the value chain **33%** absolute CO_2 emissions reduction from product use by 2035	**26%** CO_2 emissions intensity reduction across the value chain **11%** absolute CO_2 emissions reduction from product use
Team Challenge Be the best place to work.	Efforts to build an attractive, behavior-led workplace should never stop. And by providing a platform for employees to make a difference and delivering opportunities where people of all backgrounds can maximize their talents, the Group aims to be the employer of choice.	**+8** A Team Survey Net Promoter Score (NPS) equal to or better than the peer group	**+10** Net Promoter Score In 2017 the peer group's NPS was +8
Supplier Challenge Inspire and build a sustainable supplier base.	By evaluating suppliers' environmental, human rights and safety performance as well as ethical standards, the Group aims to motivate suppliers to improve, and prioritizes those with high sustainability performance.	**70%** of the purchasing spend derives from strategic suppliers audited and approved on their sustainability performance	**20%** of the purchasing spend derived from audited and approved suppliers
Safety Challenge Lead our industry in safety across the value chain.	With its strong focus on safety and ergonomics in product development and by creating safer and more secure workplaces, the Group will improve safety across its value chain.	**35%** reduction in new product incidents, compared with 2016 **40%** reduction in injury rate in operations	**6%** reduction in new product incidents **30%** reduction in injury rate in operations
Community Challenge Build a platform for our teams to engage in local communities.	By connecting people with nature, the Group aims to protect biodiversity, promote healthier lifestyles and create more resilient communities.	To be defined 2018	Defined themes • Protecting biodiversity • Promoting healthier lifestyles • Supporting communities during and after natural disasters

*Unless otherwise stated.

Contributing to change

In 2015, the United Nations adopted a plan to achieve a better future, paving a path to end extreme poverty, fight inequality and injustice and protect our planet to 2030. At the heart of this agenda are the 17 United Nations Sustainable Development Goals (SDGs). Realizing the SDGs requires efforts across all sectors of society and business has an important role to play as a change agent. Based on its most relevant issues, the Group works to make a difference within 12 SDGs in three ways:

- By reducing the negative impacts of its own operations, the Group can contribute to five of the goals.
- By making a positive impact for customers and its own value chain through its products and services, the Group can contribute to ten of the goals.
- By positively impacting society at large through engagement in local communities the Group can contribute to five of the goals.

Where the Group can reduce negative impacts of its operations

Where the Group can positively impact customers and value chains

Where the Group can positively impact society at large

Sustainable and high-performing products

Crucial to the Group's striving to reduce its environmental footprint is reducing product impacts during use. This is why developing more energy-efficient products and finding ways to introduce solutions that support a shift to low-carbon alternatives are top priorities.

Battery technology is a cornerstone in product development. Husqvarna Group's battery-powered products have a lower environmental impact during their life cycle compared with petrol-powered products. They are well suited for sustainable green space management thanks to their quiet, ergonomic and low-emission operation.

The Group's battery-powered products are available under several different brands. They cover the needs and demands of a wide range of end-customer segments, from professional landscapers looking for the most productive equipment to convenience-seeking homeowners.

Running on an interchangeable lithium-ion high-performance battery system, the same battery can be used with many diferent products such as chainsaws, leaf blowers, grass trimmers and hedge trimmers. This provides power, performance and ergonomics you would expect from Husqvarna Group's petrol-powered products, but with no fumes, lower emissions, weight and vibrations. Their low noise levels also make them perfect for commercial use, in public environments such as parks.

Five key challenges

Carbon Challenge

Husqvarna Group is two years into the launch of Sustainovate and there is growing evidence that addressing climate change is spurring innovation, generating operational efficiencies, reducing risks and delivering tangible cost savings across the value chain. The 2020 target engages every aspect of the business. Through it, CO_2 emissions intensity will be reduced by 10 percent across the value chain compared with the target's 2015 baseline. The target comprises four sub-targets covering suppliers, operations, transportation and product use. 2020 is an important milestone towards realizing the Group's Science-based target, launched in 2016. This ambitious target reflects the Group's aim to cut absolute CO_2 emissions from product use by 33 percent by 2035.

Target on track

Overall, the Group has reduced CO_2 emissions intensity by 26 percent across the value chain. Sales of battery products and robotics are growing, with a more than 70 percent increase in sales since 2015. Through this growth and together with sales of energy-efficient petrol-powered products, CO_2 emissions intensity from product use decreased by 26 percent compared to 2015. Renewable energy is key to reducing carbon impacts in operations. The share of electricity classified as renewable has grown to 42 percent of total electricity consumption. The Group has installed solar-power facilities at factories in the US and Sweden and is sourcing only renewable electricity at 13 sites in seven European countries. More sites will follow in 2018. Compared with 2015, CO_2 intensity decreased by 43 percent in operations at the same time as value added increased by 20 percent. Improvements at the Group´s warehouses in Orangeburg, South Carolina, US have particularly contributed to this year's outcome.

Focus on sustainable products

The Group's greatest carbon impact occurs when its products are in use. The Group is both increasing sales of the most energy-efficient petrol-powered products and promoting solutions such as batteries and robotics that can leverage low-carbon alternatives. While markets for batteries and robotics are growing, the Group's legacy in petrol products is important. State-of-the-art products are replacing older generations of petrol handheld products. This cuts carbon impact while improving uptime, performance, reliability and durability. Husqvarna Fleet Services™ help customers optimize product use where data from devices yields insights that lead to better customer solutions and greater efficiency.

Team Challenge

The Husqvarna Group's promise to its people is to provide a workplace filled with purpose and opportunities. The Team Challenge is to create the best place to work with a target to meet and exceed the industry benchmark in this regard. The Net Promoter Score (NPS) measures how the Group is living up to employees' expectations by asking how likely it is that they would recommend Husqvarna Group as a place to work. The NPS target was met for the first time in 2017 with a score of +10 (a fifteen point improvement from 2015). The survey also showed a record-high response rate of 94 percent. For evaluated companies in 2017, the average score was +8. The NPS reflects the Group's efforts in many areas, such as employee satisfaction, engagement and communicative leadership.

Backed by action

Sustainovate is central to the Group's strong company culture and strong employer brand. Team efficiency, work environment, engagement, leadership and performance dialogue are all backed by Group initiatives. For example, the Group launched its Future Executive Program with London Business School in 2017 to strengthen senior leaders' ability to develop business strategy going forward. The Group has five additional leadership programs targeting new and experienced managers. So far, approximately 460 employees have taken part in these Group leadership programs. Group key behaviors – seeking customer's point of view, demonstrating collaboration by giving and seeking support and maintaining focus and simplicity – are supported through processes, local activities and training. Initiatives at Group manufacturing sites also focus on improving engagement and the Group's attractiveness.

A diverse organization

A diverse workforce is key to a global organization. Cultural and gender diversity is in focus, particularly on divisional and regional levels. About one-third of the Group's total workforce is female, a slight rise since 2015, and there are 24 percent women in senior positions, indicating room for improvement.

Supplier Challenge

By partnering with suppliers, the Group can better understand and reduce sustainability risks and develop more sustainable solutions. Husqvarna Group's approach to managing the supply chain is two-fold. Strengthened supplier audits and assessments make the Group's impacts more transparent. At the same time, supplier collaboration creates opportunities for lasting change and secures competitive advantage.

Shared priorities

The Group works closely on environmental, human rights and anti-corruption priorities with over 160 strategic suppliers (70 percent of Group purchasing spend) through Excite, the Group-wide supplier program. Through this collaborative program and an internal approval process, suppliers can boost capabilities and Husqvarna Group gains greater insight into its upstream impacts. Excite suppliers take part in quarterly business review meetings and undergo audits and training. The Group audited 22 of 160 suppliers in 2017. Since 2015, 42 percent of strategic suppliers have been audited.

Reducing risks

Audits and self-assessments help the Group monitor supplier performance in risk-prone regions and operations. Auditing capacity in China, Europe and the US has expanded. In the past three years, conditions have improved across sustainability priorities, except for slightly lower performance in environmental compliance. No zero tolerance incidents of non-compliances such as child labor or forced labor were found. Environmental protection, workplace safety and fire safety are the most frequently found non-compliances in China. Electronics in products comprise minerals that can potentially be extracted in areas at risk for human rights violations. It is therefore important to increase transparency in sourcing beyond the Group's Tier 1 suppliers.

Safety Challenge

Efforts to improve the safety of all employees at Group operations have shown tangible progress. Strengthened processes have led to fewer safety incidents and improved safety performance. The Safety challenge has two targets – workplace and product safety – and reflect the Group's commitment to protecting employees and customers.

Workplace safety

The 2020 workplace safety target is to reduce the injury rate by 40 percent in Group operations, compared to 2015. The year-end outcome was 30 percent, showing a marked reduction in safety incidents compared to 2015. With a total cases incident rate of 5.8 (6.6) per million hours worked, performance in most facilities reflects – and at some sites exceeds – the industry standard in the manufacturing sector.

Product target

Our target is to reduce incidents related to new products by 35 percent compared with our 2016 baseline (our current product safety metric is counting the number of injury or property damage cases involving new products during the last 24 months). This equates to 60 cases during 2019 and 2020. In 2017, 38 cases involving products released in 2016 and 2017 were reported, bringing our product safety KPI down from 94 cases to 88 (an improvement of 6 percent). In order to achieve the target, Husqvarna Group is further developing its approach, including collecting data and sharing best practice for safety innovation.

Community Challenge

Community engagement contributes to the vision of helping shape green spaces and urban environments. The Group is exploring ways that its products and local presence can support communities and sustainability efforts. A Group platform for engagement is being built to share learning.

This challenge aims to support local Group operations in how they invest in community efforts in relevant ways, aligned with three common themes: protecting biodiversity, promoting a healthier lifestyle and supporting communities, especially during and after natural disasters. Initiatives include promoting urban parks and engaging in conservation projects. The third ambition is to build capabilities for a collective response to support communities and non-government organizations during and after areas have been hit by storms, fires or earthquakes. This includes planning for as well as deploying expertise, products and resources.

During 2017, initiatives included:

- Husqvarna Loves Parks: Group volunteers used Husqvarna products in initiatives to improve natural areas in 11 countries, including Australia, the Netherlands and the US. Husqvarna division invested over a half a million SEK in 2017 and approximately 300 employees took part.
- Peru Cocoa Alliance program: In partnership with the NGO Palladium, Husqvarna division supported the Peru Cocoa Alliance program that facilitates and increases capabilities of cocoa producers, while at the same time protecting tropical forests.

Challenge target

The Community Challenge target is being redefined. A framework is being developed for each local organization to share best practice.

Working at Husqvarna Group

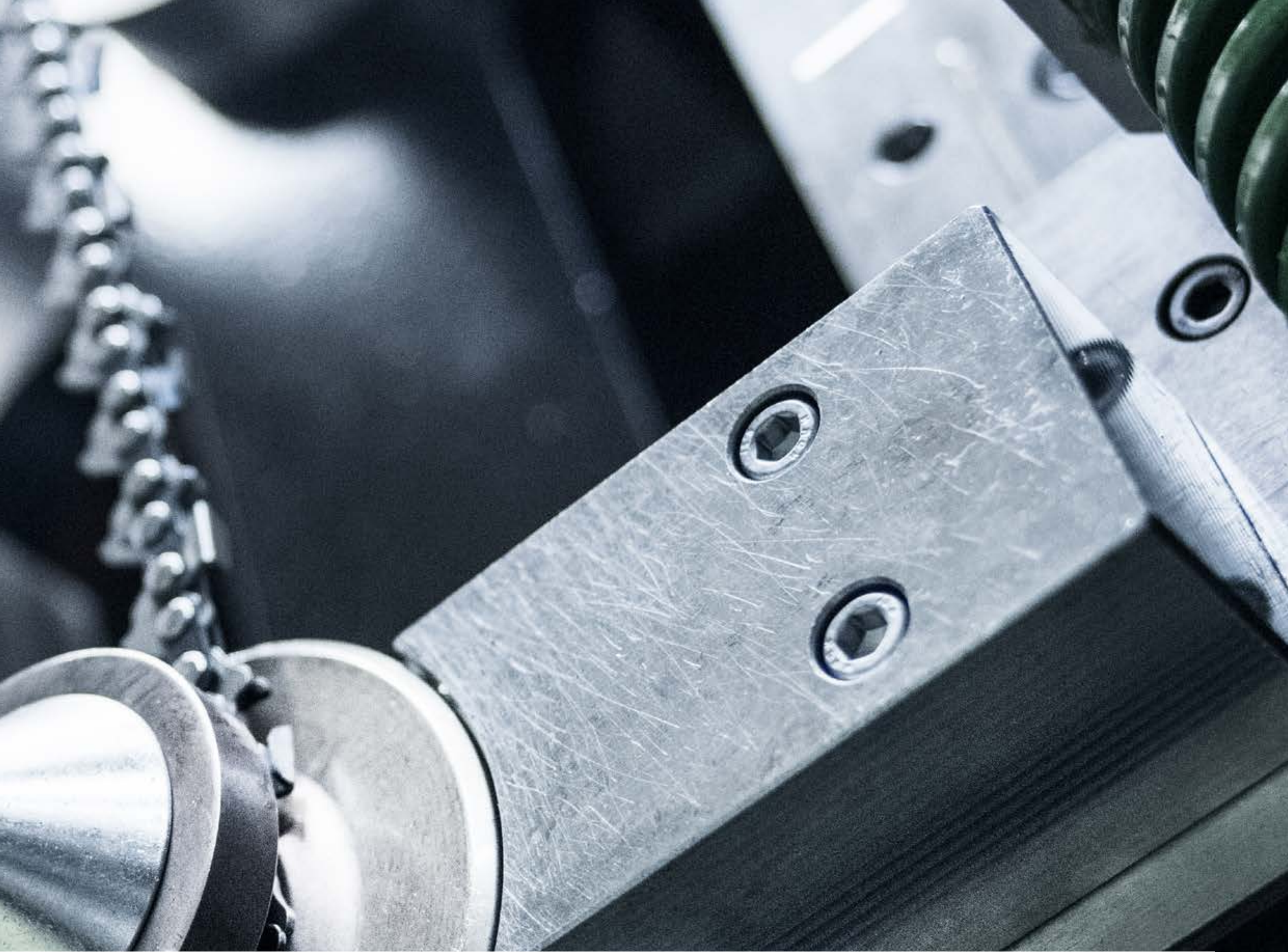
A few of the Group's 13,000 talented people provide their insights about working at the Husqvarna Group and show how they work together to shape great customer experiences.

The best thing about working at Husqvarna Group is that I love coming to work. I interact with so many people from different backgrounds and cultures. It challenges me to grow daily by meeting the needs of those I come in contact with. The most impactful memory from work was to see our President of Consumer Brands Division, Jeff Hohler, volunteer in the community. As busy as Jeff was, he still used his volunteer day to help those in need. There was a hidden message that I received, "Never be too busy to give and help others".

Eddrina Clark
Front Desk Administrator/HR Assistant, Husqvarna Group, USA

When I got the offer to join Husqvarna Group, the choice was simple. Having recently taken my Masters degree in Management of Innovation and Business Development, I saw Husqvarna Group as a company that would give me the opportunity to grow. I moved to a city I had never been to before and where I didn't know anyone. Since I took several courses abroad during my time at university in the US, South Korea and China, I wasn't afraid of a new adventure. Three years on, I have no plans to leave. I love doing what I do.

Johanna Wendel
Production Leader, Husqvarna Group, Sweden

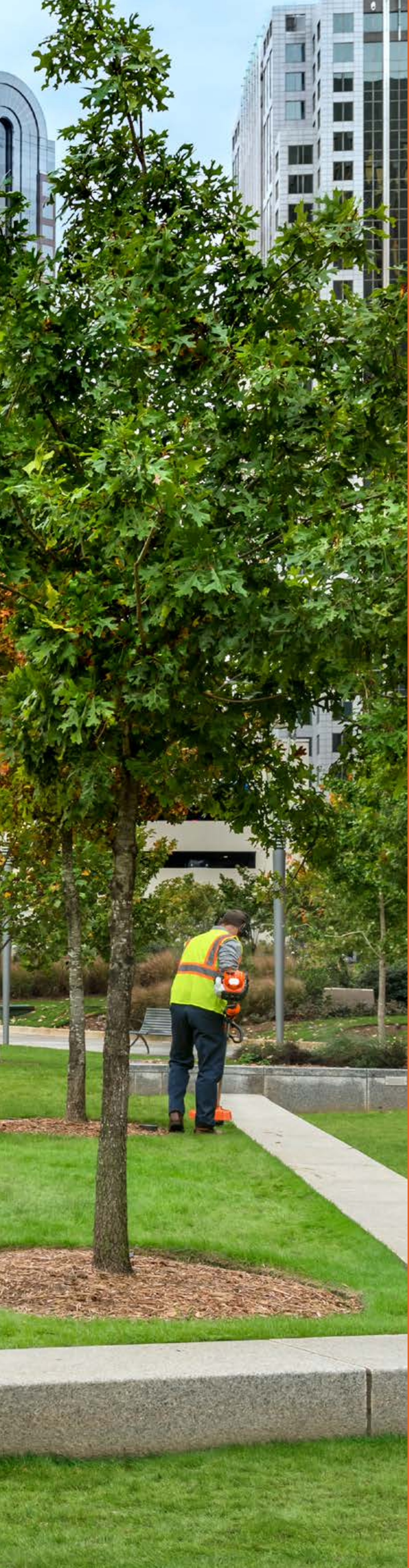


To me, the best part about working at our chainsaw chain factory Edge is our culture. No idea is too crazy not to try. We all strive to keep getting better, to reach our goals and get the job done. And most importantly, we have a lot of fun doing it. I decided to join Edge because I was impressed by the plans to build a new factory and intrigued to explore unknown territory. I've worked here since 2013. Back then, we were just a small team working with developing the idea of Edge. Now our plans have been put into practice and it's inspiring to be a part of the journey and being able to contribute going forward.

Robert Karlsson
Quality Group Manager, Edge, Husqvarna Group, Sweden

What makes my heart beat faster at work is definately my boss. No, just kidding. I like to help other people in our company. Not only that, I work in an awesome company and I want to make it even better, every day. I like that there are always new challenges. Because improvement is never ending. That's unique. It's not just a job. My co-workers have become friends and some of them feel like family. And the combination of professional and family is the key to success at Husqvarna Group.

Florian Kaufmann
Husqvarna Operating Systems Change Agent Logistics, Husqvarna Group, Germany



Financial information

Contents

Board of Directors' Report

The Board of Directors and the President and CEO of Husqvarna AB (publ), corporate registration number 556000-5331, with its registered office in Jönköping, Sweden, hereby submit the Annual Report and consolidated financial statements for the 2017 financial year.

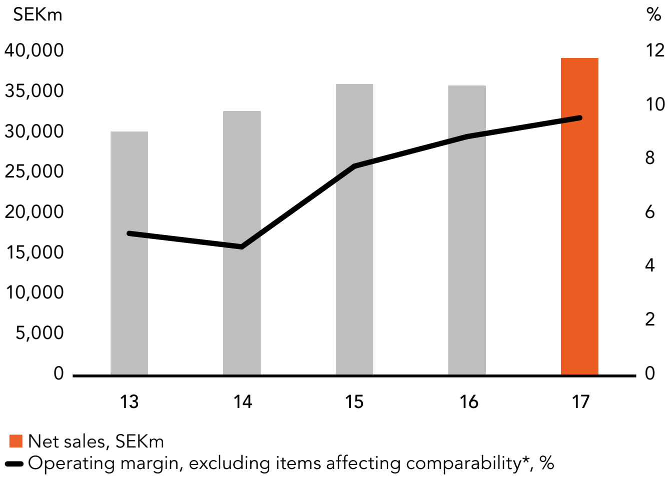
- Net sales amounted to SEK 39,394m (35,982). Adjusted for changes in exchange rates, net sales increased by 7%.
- Operating income increased by 18% to SEK 3,790m (3,218).
- The higher operating income was mainly driven by the higher sales volume, reduced direct material costs and favorable currency.
- Continued investments in profitable growth initiatives.
- Operating margin rose by 0.7 percentage points to 9.6% (8.9).
- Net income increased by 26% to SEK 2,660m (2,104).
- Earnings per share rose to SEK 4.62 (3.66) after dilution.
- Operating cash flow* amounted to SEK 1,847m (1,666).
- The net debt/equity ratio improved to 0.46 (0.48).
- The Board of Directors proposes an increase of the dividend to SEK 2.25 per share (1.95) for 2017.

Net sales and income

Net sales

Net sales for 2017 amounted to SEK 39,394m (35,982). Adjusted for changes in exchange rates, net sales for the Group increased by 7%. Currency adjusted sales were 8% higher in the Husqvarna Division, 9% higher in the Gardena Division and 21% higher in the Construction Division. Acquisitions contributed with around 15 percentage points to the growth in Construction. Net sales in the Consumer Brands Division declined by 1%.

Net sales and operating margin



Key figures

SEKm	2017	2016	2015	2014[1]	2013
Net sales	39,394	35,982	36,170	32,838	30,307
Gross margin, %	*31.6*	*30.8*	*28.1*	*28.5*	*26.5*
EBITDA*	5,105	4,382	3,980	3,315	2,586
EBITDA margin, %	*13.0*	*12.2*	*11.0*	*10.1*	*8.5*
Items affecting comparability*	–	–	–153	–767	–
Operating income	3,790	3,218	2,827	1,581	1,608
Operating income, excl. items affecting comparability*	3,790	3,218	2,980	2,348	1,608
Operating margin, %	*9.6*	*8.9*	*7.8*	*4.8*	*5.3*
Operating margin, excl. items affecting comparability, %*	*9.6*	*8.9*	*8.2*	*7.2*	*5.3*
Income after financial items	3,290	2,796	2,483	1,256	1,180
Net income	2,660	2,104	1,888	824	916
Earnings per share after dilution, SEK	4.62	3.66	3.28	1.43	1.60
Dividend per share, SEK[2]	2.25	1.95	1.65	1.65	1.50
Return on capital employed, %	*14.7*	*13.7*	*12.4*	*7.6*	*7.7*
Return on equity, %	*17.4*	*15.2*	*14.6*	*6.7*	*8.1*
Net debt/equity ratio, times	0.46	0.48	0.49	0.60	0.58
Operating cash flow*[3]	1,847	1,666	1,732	1,274	1,411
Average number of employees	13,252	12,704	13,572	14,337	14,156

1) 2014 has been restated.
2) The dividend for 2017 as proposed by the Board.
3) Hedge effects related to financing have been moved from operations to financing activities (SEK –64m for 2015, SEK 151m for 2014 and SEK 402m for 2013). The equivalent amount has affected the operating cash flow.

* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Operating income
Operating income increased by 18% to SEK 3,790m (3,218) and the corresponding operating margin rose 0.7 percentage points to 9.6% (8.9).

Operating income was positively impacted primarily by the higher sales volume, reduced direct material costs and improved product quality, which to some extent was offset by increased costs for profitable growth initiatives.

Changes in exchange rates had a total favorable impact on operating income of approximately SEK 250m compared to 2016.

Financial items net
Financial items net increased to SEK –500m (–422) mainly related to higher net interest cost.

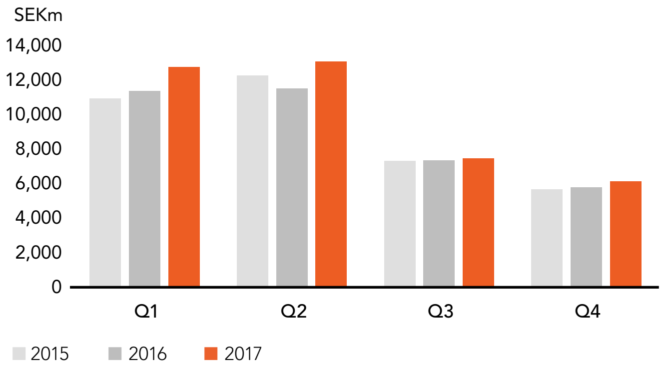
Income after financial items
Income after financial items increased by 18% to SEK 3,290m (2,796) corresponding to a margin of 8.4% (7.8).

Taxes
Tax amounted to SEK –630m (–692) corresponding to a tax rate of 19% (25). The tax cost was favorably impacted by a one-time tax deduction with a tax effect of approximately SEK 175m and positive tax effects related to legal restructuring within the Group. The revaluation of the deferred tax assets and liabilities due to the US tax reform had a negative impact of approximately SEK –75m.

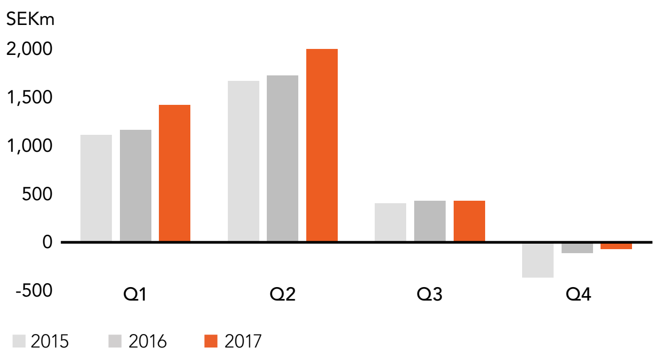
The US tax reform will have a positive impact on tax costs and net income the coming years, reducing the expected tax rate for the Group with around one percentage point.

Earnings per share
Income for the period attributable to equity holders of the Parent Company increased by 26% to SEK 2,654m (2,100), corresponding to SEK 4.62 (3.66) per share after dilution.

Net sales by quarter



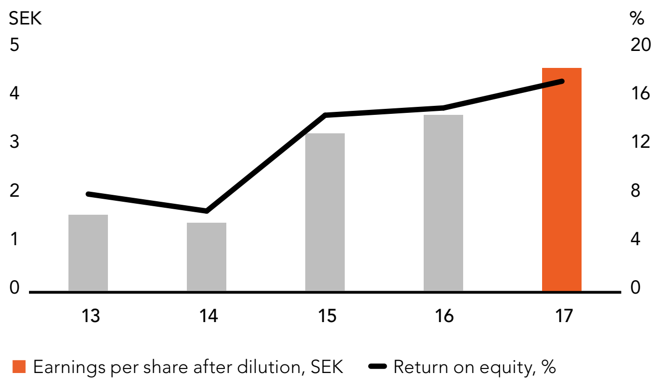
Operating income by quarter



Sales by region

%	2017	2016
Sweden	4.7	4.6
France	5.1	5.3
Germany	12.1	11.2
Rest of Europe	26.2	25.0
Europe	**48.1**	**46.1**
Asia/Pacific	7.9	8.0
Canada	3.6	3.5
US	36.4	38.4
Latin America	3.3	3.3
Rest of the world	0.7	0.7
Total	**100.0**	**100.0**

Earnings per share and return on equity



EBITDA*

SEKm	2017	2016
Operating income	3,790	3,218
Reversal of depreciation, amortization and impairment	1,315	1,164
EBITDA*	**5,105**	**4,382**
EBITDA margin, %	*13.0*	*12.2*

Items affecting comparability*

SEKm	2017	2016	2015	2014	2013
Impairment of goodwill	–	–	–	–767	–
Restructuring expenses	–	–	–153	–	–
Total	–	–	–153	– 767	–

* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Operating cash flow

Operating cash flow* in 2017 increased to SEK 1,847m (1,666), mainly reflecting the higher operating income. The higher sales had a negative impact on operating working capital, which partly was offset by improved capital efficiency.

SEKm	2017	2016
Cash flow from operations, excluding changes in operating assets and liabilities	4,037	3,613
Cash flow from operating assets and liabilities	–298	–58
Cash flow from operations	**3,739**	**3,555**
Cash flow from investments in property, plant and equipment and intangible assets	–1,892	–1,889
Operating cash flow*	**1,847**	**1,666**

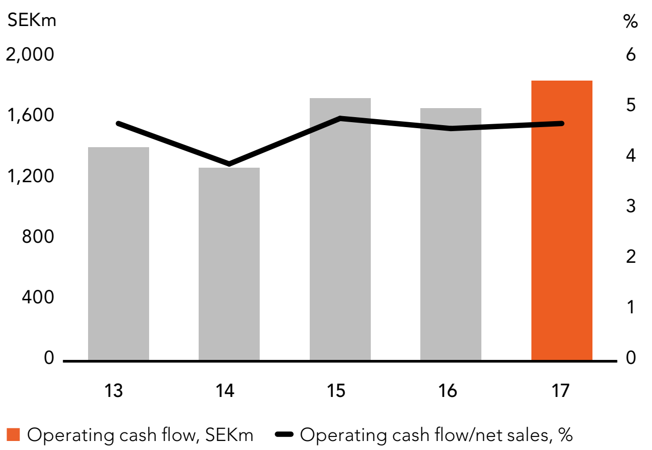
Capital expenditure and Research & Development (R&D)

Capital expenditure in 2017 amounted to SEK 1,892m (1,889), corresponding to 4.8% (5.2) of net sales. Investments in property, plant and equipment amounted to SEK 1,305m (1,489) and investments in intangible assets totaled SEK 587m (400), of which SEK 370m (249) was related to R&D and SEK 217m (151) to IT and software.

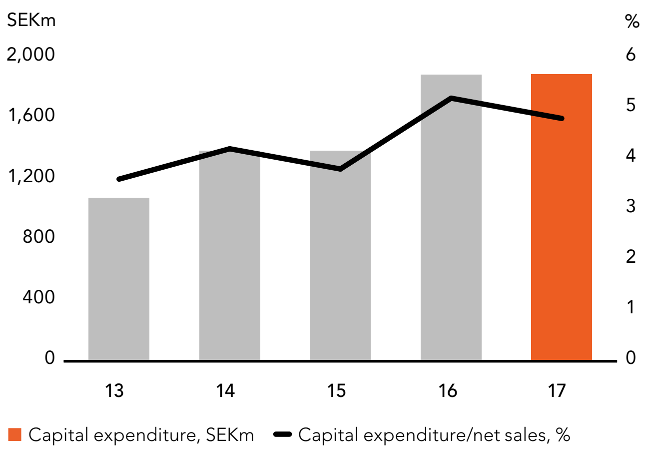
Approximately 46% (51) of capital expenditure was related to new products, 19% (19) to rationalization and replacement of production equipment, 9% (5) to expansion of capacity and 13% (9) to IT systems.

R&D costs amounted to SEK 1,342m (1,241), of which SEK 200m (202) was amortization of capitalized product development (intangible assets). The total R&D costs thus corresponded to 3.4% (3.4) of net sales.

Operating cash flow*



Capital expenditure



*Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Financial position

Operating working capital

Operating working capital at year-end amounted to SEK 8,831m (8,763). Inventories increased to SEK 9,522m (9,225), trade receivables totaled SEK 3,407m (3,290) and trade payables equaled SEK 4,098m (3,752).

Change in operating working capital

SEKm	
December 31, 2016	**8,763**
Changes in exchange rates	–365
Changes in working capital	433
December 31, 2017	**8,831**

Capital efficiency

Operating working capital as a percentage of net sales improved to 25.5 percent (26.6).

Equity

Group equity as of December 31, 2017, excluding non-controlling interests, increased to SEK 15,665m (14,339), corresponding to SEK 27.3 (25.0) per share after dilution.

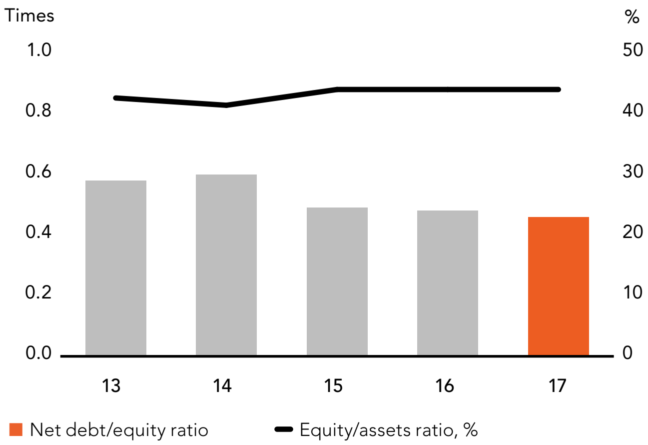
Net debt

Net debt* amounted to SEK 7,199m (6,833). The net pension liability decreased to SEK 1,698m (1,727), other interest-bearing liabilities increased to SEK 8,039m (7,396) and liquid funds and other interest-bearing assets increased to SEK 2,538m (2,290).

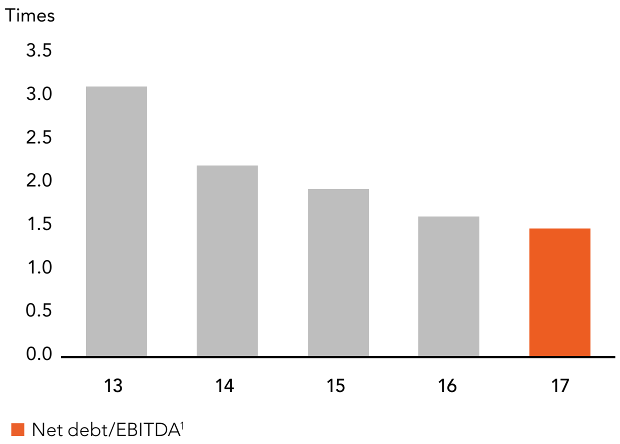
The net debt/equity ratio improved to 0.46 (0.48) and the equity/assets ratio was 44% (44). For more information about the Group's funding, see note 19.

SEKm	2017	2016
Net pension liability	1,698	1,727
Other interest-bearing liabilities	8,039	7,396
Less: Liquid funds and other interest-bearing assets	–2,538	–2,290
Net debt*	**7,199**	**6,833**
Net debt/equity ratio	0.46	0.48
Equity/assets ratio, %	*44*	*44*

Net debt/Equity and Equity/Assets ratio



Net debt/EBITDA[1]



* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

[1] Excluding items affecting comparability.

Performance by business segment

Husqvarna Division

Net sales in the Husqvarna Division increased by 8%, adjusted for changes in exchange rates. The increase was mainly driven by strong performance for robotic lawn mowers and battery-powered handheld products in Europe.

Operating income increased by 18% to SEK 2,740m (2,317). The higher sales volume, reduced direct material costs and improved product quality impacted positively, partly offset by higher costs for investments in growth activities.

Changes in exchange rates had a total favorable year-on-year impact of around SEK 160m.

Gardena Division

Net sales adjusted for changes in exchange rates in the Gardena Division increased by 9%, supported by good growth for robotic lawn mowers, watering products and battery-powered products. Geographical expansion, channel expansion and new products continued to contribute to the good development.

Operating income increased by 19% to SEK 706m (595), mainly as a result of the higher sales volume and efficiency improvements, partly offset by costs for investments in growth activities.

Changes in exchange rates had a total favorable year-on-year impact on operating income of around SEK 40m.

Husqvarna

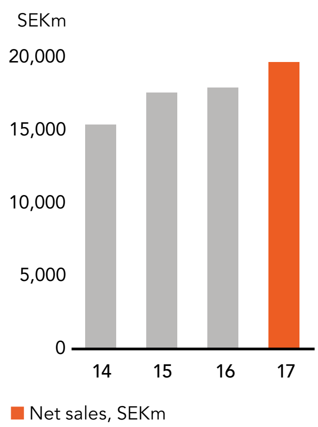
SEKm	2017	2016	Change, %
Net sales	19,733	17,960	10
Currency adjusted change, %*	*8*	*2*	–
Operating income	2,740	2,317	18
Operating margin, %	*13.9*	*12.9*	–

Gardena

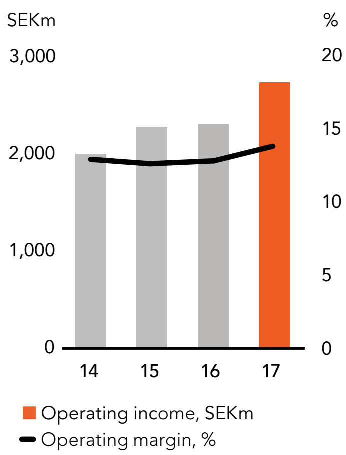
SEKm	2017	2016	Change, %
Net sales	5,630	5,033	12
Currency adjusted change, %*	*9*	*8*	–
Operating income	706	595	19
Operating margin, %	*12.5*	*11.8*	–

HUSQVARNA

Net sales

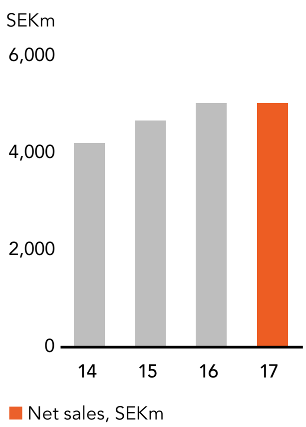


Operating income and margin

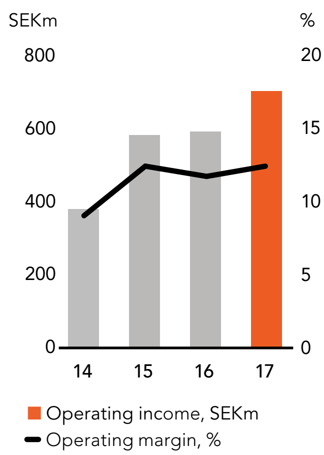


GARDENA

Net sales



Operating income and margin



*Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Consumer Brands Division

Net sales in the Consumer Brands Division decreased by 1%, adjusted for changes in exchange rates. The decline was affected by a continued pursuit of value before volume strategy.

Efficiency improvement measures such as reductions of direct material and manufacturing costs were not enough to offset higher raw material costs and the impact of a challenging US retail market. Furthermore, a restructuring of the Nashville footprint added some SEK 30m of one-time costs.

Changes in exchange rates had a total favorable year-on-year impact on operating income of around SEK 55m.

Construction Division

Net sales in the Construction Division increased by 21%, adjusted for changes in exchange rates, with good development in both North America and Europe. Acquired entities Pullman Ermator and HTC contributed with some 15 percentage points of the 21% increase.

Operating income increased by 14% to SEK 649m (568), positively impacted by the increased sales volume. 2017 includes restructuring costs of approximately SEK 50m and 2016 includes a one-time favorable effect of SEK 25m related to pensions.

Changes in exchange rates had a neutral year-on-year impact on operating income.

Consumer Brands

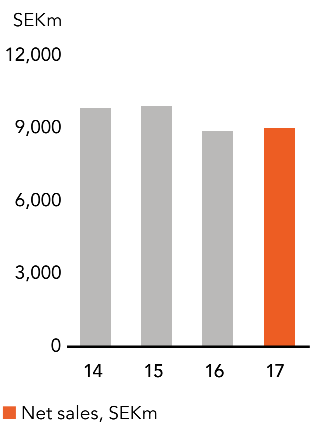
SEKm	2017	2016	Change, %
Net sales	9,009	8,888	1
Currency adjusted change, %*	*–1*	*–10*	–
Operating income	–65	3	n/a
Operating margin, %	*–0.7*	*0.0*	–

Construction

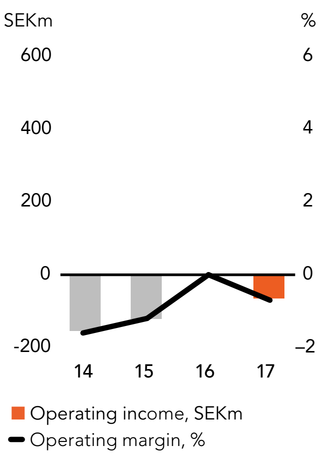
SEKm	2017	2016	Change, %
Net sales	5,015	4,101	22
Currency adjusted change, %*	*21*	*4*	–
Operating income	649	568	14
Operating margin, %	*12.9*	*13.9*	–

CONSUMER BRANDS

Net sales

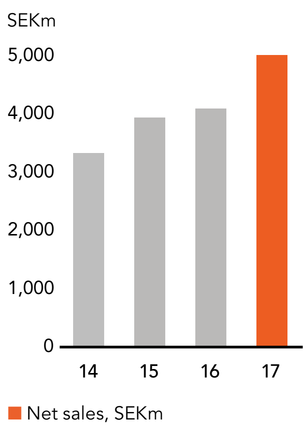


Operating income and margin

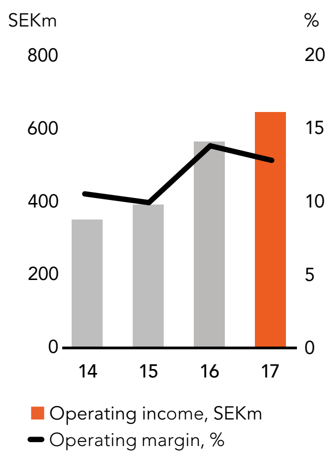


CONSTRUCTION

Net sales



Operating income and margin



* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Husqvarna Group rated BBB by Standard & Poor's

In January 2017, Husqvarna Group received an investment grade long-term corporate rating of BBB with a stable outlook from Standard & Poor's Ratings Services.

Acquisition of Pullman Ermator

In January 2017 Husqvarna Group acquired Pullman Ermator AB, a market leader in dust and slurry management solutions including dust extractor systems, dry/wet vacuums, and air scrubbers for the light construction industry. By integrating Pullman Ermator's market leading dust and slurry management solutions into Husqvarna Construction Divsions's concrete cutting, drilling and grinding systems, more efficient total solutions for Husqvarna Construction's customers will be created. Pullman Ermator had sales of approximately SEK 300m in 2016 and is included in the Group's accounts as of mid-January 2017. Further details are provided in note 26.

Acquisition of HTC

In May 2017 Husqvarna Group's Construction Division finalized the acquisition of the Floor Grinding Solutions Division of HTC Group AB, the global market leader in floor grinding solutions. Sales in 2016 amounted to approximately SEK 380m. Combined with the acquisition of Pullman Ermator the Group will establish a strong position in the fast growing and attractive surface preparation and polished flooring market. Distribution will be increased by utilizing Husqvarna Construction's global reach and scale. Further details are provided in note 26.

Acquisition of light compaction and concrete equipment business

In December 2017 the Construction Division signed an agreement to acquire the Light Compaction & Concrete Equipment business from Atlas Copco. Atlas Copco Light Compaction & Concrete Equipment, a part of Atlas Copco Power Technique, is a global leader in this business segment and had annual sales of approximately SEK 570m in 2016. The acquisition includes product lines, operations and R&D in Bulgaria, and specific sales and service resources that will reinforce Husqvarna Construction's existing organization. The around 200 employees are predominantly located in Bulgaria but also in all key markets.

This step will further reinforce the Group's leadership position in concrete surfaces and floors and complement the acquisitions of Pullman Ermator and HTC. Atlas Copco's light compaction and concrete product lines are logical expansions of the current product range within Concrete Surfaces & Floors. By adding this new product range, the Construction Division will be able to support customers through the entire concrete surface or floor creation process.

Down-sizing business with large US retail customer

In October 2017, it was announced that the Consumer Brands Division of the Husqvarna Group will significantly reduce the volume of business with one of its biggest US retail customers, following the strategy to focus resources on accounts with more attractive opportunities. Because of the reduced volume, the Consumer Brands Division's net sales for 2018 is expected to decline by some SEK 1bn compared to 2017. The sales decline will delay the operating income improvement trajectory for the Division.

Subsequent events

Changes in Group Management effective February, 2018

To manage Husqvarna Group's broad and rapid digital transformation, a new function within Group Management has been created: "Group Digital, Operations and Technology Development". The new function will support the Group's divisions in the digital transformation and safeguard synergies between them.

The new function is headed by Pavel Hajman, formerly President of Husqvarna Division, and consists of the current Group strategic functions Technology Office, Group Operations, Group Information Services (GIS) and the Program Office for Efficiency Programs.

Effective February 1, 2018, the following changes have also been made to Group Management:

- Sascha Menges, formerly President of Gardena Division, became President of Husqvarna Division
- Pär Åström, formerly Senior Vice President Group Business Development, became President Gardena Division
- Per Ericson, Head of People & Organization, has also assumed leadership of Group Business Development
- Hillevi Agranius, Group Chief Information Officer (CIO) and Head of (GIS) became a member of Group Management

As of February 19, 2018, Mona Abbasi has taken on the position as Senior Vice President Group Communications, Brand & Marketing and member of Group Management (previously headed by Per Ericson on an acting basis), replacing Sofia Axelsson who left the Group at the end of September 2017. Most recently Mona Abbasi held the position as VP Consumer Experience & Brand of the Electrolux Group.

Acquisition of light compaction and concrete equipment business completed

The agreement to acquire Atlas Copco's Light Compaction & Concrete Equipment business, which was signed in December 2017, was completed on February 1, 2018.

Acting President Consumer Brands Division

In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

Parent Company

Net sales for 2017 for the Parent Company, Husqvarna AB, amounted to SEK 15,662m (14,231), of which SEK 12,124m (11,024) referred to sales to Group companies and SEK 3,538m (3,207) to external customers.

Income after financial items decreased to SEK 2,894m (4,889), mainly due to higher dividends from subsidiaries last year. Net income decreased to SEK 1,852m (4,544). Investments in property, plant and equipment and intangible assets amounted to SEK 997m (756). Cash and cash equivalents amounted to SEK 265m (412) at the end of the year. Undistributed earnings in the Parent Company amounted to SEK 21,914m (21,695).

The Husqvarna share

At year-end 2017, the share capital in Husqvarna AB amounted to SEK 1,153m (1,153), comprising 112,513,001 A-shares (113,393,909) and 463,830,777 B-shares (462,949,869).

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

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

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

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

As of December 31, 2017, the largest shareholders were Investor AB, with 33.0% (32.9) of the votes, and L E Lundbergföretagen, with 25.0% (25.0). No other shareholder held more than 10% of the votes. Market capitalization amounted to SEK 45bn (41) at the end of 2017. For more information on major shareholders, see page 123.

Repurchase, sale and equity swaps of B-Shares

The 2017 AGM authorized the Board to allow the Company to sell B-shares up to the total number of such shares held by the Company at the time of the authorization. Sale of B-shares may only be in consideration of cash payment at a price within the share price interval registered at that time.

The AGM further resolved to authorize the Board of Directors to, on one or more occasions, direct the Company to enter one or more equity swap agreements with a third party, on terms and conditions in accordance with market practice.

The purpose of the authorization to sell shares, and to enter into equity swap agreements is to hedge the Company's undertakings (including social costs) for the Company's long-term incentive programs and to continuously adapt the number of shares held for this reason.

The participants in the Group's long-term incentive programs are entitled to receive a maximum number of shares in accordance with the conditions of the programs, and transfers of shares under the programs are made without consideration.

1,674,510 B-shares were sold by the Company during 2017, following the Board of Directors' resolution to utilize the authorization to sell shares. A total of 91,606 options related to the long-term incentive program 2009 were exercised, and 1,197,117 B-shares were transferred to participants in the long-term incentive program for 2014, decreasing the number of B-shares held by the company. At the end of 2017 the Company did not own any shares.

At year-end 2017, Husqvarna AB had entered into an equity-swap agreement whereby a third-party bank had acquired 3,900,000 B-shares to cover obligations under long-term incentive programs.

In addition, the 2017 AGM authorized the Board to resolve to issue not more than 57.6 million B-shares, representing 10% of the total number of shares in issue, to facilitate acquisitions where the consideration will be paid with own shares. No such issuance was made in 2017.

Legal matters and compliance

Companies within Husqvarna Group are involved in commercial, product liability, regulatory and other disputes in the ordinary course of business. Such disputes can involve claims for compensatory damages, fines and penalties, property damage or personal injury compensation and occasionally also punitive damages. For certain types of claims (primarily product liability litigation), the Group has self-insurance, up to certain limits, as well as external "excess" coverage. The Group continuously monitors and evaluates pending claims and disputes, and acts when deemed necessary. The company believes that these activities help to minimize such risks. It is difficult to predict the outcome of each dispute, but based on its present knowledge, the Group estimates that none of the disputes in which it is currently involved will have a material adverse effect on the consolidated financial position or result.

Husqvarna Group is committed to a culture of compliance, to being a responsible employer and to being a good corporate citizen. Such commitment is reflected in the Code of Conduct that was adopted in 2008 and subsequently updated in 2013. The Code of Conduct applies to all employees. Husqvarna Group expects all of its suppliers, dealers, subcontractors, consultants and other business partners to also adopt and follow its principles. Employees who become aware of any non-compliance or other unethical conduct are expected to report such matters to our internal compliance function. Such reports may be made directly to a manager, via a dedicated compliance email or via a 24-hour toll-free hotline. Reports may be made anonymously.

Sustainability

In accordance with the Swedish Annual Accounts Act chapter 6, §11, Husqvarna Group has chosen to establish the statutory sustainability report as a report separated from the Annual Report. The sustainability report (Sustainovate Progress Report 2017) has been submitted to the auditor at the same time as the Annual Report and is available on http://www.husqvarnagroup.com/en/sustainability-report.

The Sustainability Report presents "Sustainovate", which is Husqvarna Group's approach to integrating sustainability into the business. The report is framed around five challenges that are most relevant to the Group's ability to create economic, social and environmental value for its stakeholders.

According to the Swedish Annual Accounts Act chapter 6, §12, Husqvarna Group is required to report on certain sustainability and corporate responsibility related issues which are presented in the Sustainability Report under sections:

- Environmental impact, pages 12, 22 and 32.
- Social aspects, occupational health and safety, employees, pages 18, 22, 24 and 25.
- Respect for human rights, page 31.
- Anti-corruption efforts, page 31.

Environmental permits

In 2017, Husqvarna Group operated 24 major production facilities, of which eleven were in Europe, eight in the US, three in China, one in Brazil and one in Japan. All facilities have the environmental permits required for current operations.

Husqvarna Group included in CSR indexes

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

Employees

The average number of employees in 2017 was 13,252 (12,704), of which 1,936 (1,775) in Sweden. At year-end, the total number of employees was 13,807 (13,199).
Of the total average number of employees in 2017, 8,758 (8,459) were men and 4,494 (4,245) were women.

Salaries and remuneration in 2017 amounted to SEK 5,121m (4,680), of which SEK 1,112m (1,010) refers to Sweden. For more information on employees, see note 4.

Annual General Meeting 2018

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held in Jönköping, Sweden on April 10, 2018.

Notification and proposals to the AGM

The notification to attend the 2018 AGM has been available on the Group's website, www.husqvarnagroup.com/agm, since March 7, 2018. The full proposal to the AGM was published on the Group's website on March 20, 2018.

Proposed distribution of earnings

The Board of Directors proposes a dividend for 2017 of SEK 2.25 per share (1.95) corresponding to a total dividend payment of SEK 1,285m (1,114) based on the number of outstanding shares at the end of 2017. It is also proposed that the dividend be paid in two installments to better match the Group's cash flow profile, with one payment of SEK 0.75 per share in April and the remaining SEK 1.50 per share in October.

The proposed record dates are April 12, 2018, for the first payment and October 12, 2018, for the second payment.

SEKt	
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	17,455,888
Net income	1,852,347
Total	**21,913,982**

SEKt	
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 2.25 per share.[1]	1,285,074
To be carried forward	20,628,908
Total	**21,913,982**

[1] Calculated on the number of outstanding shares as of December 31, 2017.

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

Principles for remuneration to Group Management and remuneration to the Board

For the President & CEO (hereinafter "CEO") and other members of Group Management, the principles for remuneration as set out below and approved by the 2017 AGM currently apply. The Board of Directors proposes that the corresponding principles should be approved by the 2018 AGM for the period up to and including the 2019 AGM.

The principles set forth in this item shall apply to remuneration and other employment conditions of Group Management. The principles shall apply to contracts of employment entered into after the 2018 AGM and also to amendments made thereafter to contracts of employment which are in force. Remuneration to Group Management is determined by the Board of Directors based on proposals from the Remuneration Committee.

Principles

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

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

Fixed salary

Fixed salary shall constitute the basis for total remuneration. The salary shall be related to the relevant market and shall reflect the degree of responsibility involved in the position. The salary levels shall be reviewed regularly (normally through an annual evaluation of salaries) in order to ensure continued competitiveness and in order to correctly reward performance.

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

Members of Group Management shall be entitled to STI in addition to the fixed salary. The STI shall be based on the financial result for the Group and/or for the business unit for which the member of Group Management is responsible. In addition, performance indicators can be used in order to focus on matters of special interest to the Company. Clearly defined objectives for "target" and "stretch" levels of performance shall be stated in the beginning of the year and reflect the plans approved by the Board of Directors. STI shall be dependent on the position and may amount to a maximum of 50% of the fixed salary on attainment of the "target" level and a maximum of 100% of the fixed salary on attainment of "stretch" level, which also is the maximum STI. In the US, the STI component is normally higher and may amount to a maximum of 100% on attainment of the "target" level and a maximum of 150% of the fixed salary on attainment of the "stretch" level. The Board of Directors decides whether the maximum levels, 50/100/150%, shall be utilized or if a lower level shall be used.

Long-term incentive

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

Pensions and insurance

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

Other benefits

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

Notice of termination and severance pay

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

Authority for the Board to deviate from the principles

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

Remuneration to the Board 2017

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2017 AGM resolved on fees of SEK 5,605,000.

No consulting fees were paid to Board members and no Board fees are paid to Board members who are also employed by the Group. For more information concerning remuneration, see note 4.

Risk management

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

Responsibility for managing risks

The Board of Directors ("Board") is ultimately responsible for ensuring proper risk management within Husqvarna Group. The Board has delegated this responsibility, in part, to the President & CEO ("CEO"), who must act in accordance with the Board guidelines and instructions. The Presidents of the divisions and the Group staff functions, in turn, are responsible for risk management implementation within their divisions/areas of responsibility.
The Group also has a dedicated risk management function that

- oversees the Group's overall Enterprise Risk Management efforts,
- secures appropriate insurance coverage for insurable risks, and
- assesses and facilitates the prioritization of the Group's risks.

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

The Group has increasingly adopted a pro-active and structured approach to the identification and evaluation of risks, which involves everyone from operational decision-makers to the Board. The Group has formally incorporated such approach into our strategic decision-making and budgeting processes, with the primary purpose being to identify, facilitate, and fund, critical risk mitigation activities. At the same time, this process allows the Group to identify external risks/changes, which if handled pro-actively, can provide an opportunity to achieve an advantage over our competitors.

Market and operational risks

The following sections highlight certain market and operational risk areas that are relevant to Husqvarna Group. (Financial Risks are separately discussed further below.)

Competitive market risks

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

The markets in which Husqvarna Group operates are relatively mature, which means that underlying demand is fairly stable under normal economic conditions. Price competition is intense, particularly for entry price point consumer products for the retail market. The Group's strategy is based on product innovation, utilization of the Group's strong brands, global distribution and scale efficiency to create differentiated product and solution offerings for the different end-customer segments.

Product life cycles are becoming shorter, requiring product development to become more efficient. Certain of the Group's products require long development lead times, making it essential to understand the end-customers' need to ensure that such product will be demanded. Customer demands and needs may also change as a result of overall macro-economic and demographic changes, such as the trend towards urbanization, changing climate effects, new distribution models and/or the advent of new technologies.

One such technological change is the increasing number, and performance, of battery-powered products in certain of our market segments that have historically been dominated by petrol products. This creates both opportunities and risks for the Group, including the risk that other manufacturers, having a greater scale in manufacturing or sourcing battery-powered products, will increasingly use that leverage to take share in the outdoor power equipment market.

Another change the Group must be aware of, and take a leadership role in, is our increasingly digitized marketplace, where the internet and technology are causing changes to customer preferences and demands, including demands for connected products and/or alternative service oriented solutions that may be in addition to, or in lieu of, traditional product purchases. These changes can be gradual or more sudden as a result of technology disruptors. Finally, the Group must also be a leader in terms of more efficient and environmentally sound products in order to differentiate the Group's offering from those of its competitors, and to be prepared for future legislative changes affecting, primarily, petrol-powered products. For more on our commitment to a sustainable product offering in the Group's Sustainovate Report on progress 2017.

Weather related risks

Demand for the Group's products is also dependent on the weather. Unexpected or unusual weather conditions in our core markets can affect sales either adversely or positively. Dry weather can reduce demand for products such as lawn mowers and tractors, but can stimulate demand for watering products. Demand for chainsaws normally increases after storms and during cold winters. Husqvarna Group strives for a flexible production and supplier structure that can be adjusted at short notice to meet actual demand without the burden of excess safety stock inventories.

Sales channels risks

Consumer products are sold mainly through large retail chains. This market is highly consolidated in North America and the UK, while in the rest of Europe the market consolidation is still ongoing. This implies that the Group's retail customers (such as large Do it Yourself (DIY) chains) are becoming larger and fewer in number, which gives them greater bargaining power and several of them source products that they market under their own brands. This situation can provide Husqvarna Group with an opportunity to generate higher growth by displaying the Group's products in a large number of retail outlets in a wider geographical market. However, it also entails risks. Most obviously, the failure to build or maintain strong supply relationships with key DIY retailers can have significant negative effects on volumes and profitability. Conversely, successfully maintaining such customer relationships can lead to a greater degree of dependence on individual customers, with higher levels of trade receivables and credit risks related to these customers. Moreover, any decline in the relative market success (or financial health) of a retailer with whom we have a strong relationship can have a disproportionately negative effect on the Group. Such risk is most relevant to the Consumer Brands Division and, to a lesser degree, the Gardena Division.

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

Internet commerce is increasing and becoming an ever larger portion of our total turnover, primarily as the result of on-line sales activities of our dealers and retail partners. This brings new risks and uncertainties, including new buying patterns and challenges to ensuring adequate pre- and post-sales support for products sold on-line. Our challenge is to ensure that we offer relevant products to all customer segments in all relevant purchasing channels.

Risks in manufacturing, production and supply

Husqvarna Group's production consists mainly of assembly of purchased components, and is normally sufficiently flexible to meet fluctuations in demand resulting from economical, seasonal and weather variations, but is subject to the availability and applicable lead times of key components. Handheld products such as chainsaws and clearing saws, for which the Group also manufactures engines, as well as watering products, feature a higher proportion of specialized components that are produced in-house. Despite this level of flexibility, we maintain a relatively large manufacturing base with corresponding fixed costs, meaning that any material decline in overall sales volumes can have a significant negative impact on the profitability and overall cost-efficiency. Moreover, having a broad supply chain potentially increases the risk that products may contain components that are not produced sustainably. The Group and its suppliers must share the same high standards for the environment, labor and human rights performance as stated in the Supplier Code of Conduct.

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

The effects of interrupted deliveries vary, depending on the specific materials and components. A shortfall in deliveries or quality-related issues from a supplier could have negative consequences for production and for deliveries of finished products. This risk is exacerbated in those cases where Husqvarna Group relies on a few (or even single) suppliers to deliver key materials or components. The Group's purchasing organization works closely with suppliers in order to manage deliveries, and monitors the suppliers' financial stability, quality-assurance systems and flexibility of production.

Electronic components, including batteries and related parts, are becoming increasingly common and important for the Group's products and services. At the same time worldwide demand for such components, especially battery cells is dramatically increasing. As for all direct material supply, availability is dependent on suppliers and if they have supply interruptions or lack of capacity, it may have an adverse effect on the Group's production and deliveries. To pro-actively address these challenges, the Group has established "battery products" as one of its three so-called "acceleration initiatives", with the stated goal of achieving market leadership in this important segment. Steps taken under such initiative have included a significant expansion of internal resources dedicated to battery products and a significant increase in battery related R&D spend. We have also taken steps to work more closely with external partners, such as the recently announced strategic partnership with BMZ GmbH, a system provider and specialist for intelligent battery solutions.

The Group is investing substantial resources in building a production facility for manufacturing saw chains. The Group has limited experience of producing saw chains, so this involves adding and building new technological expertise. Risks, include, but are not limited to, unsatisfactory ramp up of the production capacity potentially requiring additional unplanned investments, or finetuning of the manufacturing equipment parameters that could take longer than planned to achieve desired quality and product cost.

In light of the seasonal variations in the Group's operations, the number of temporary employees increases in preparation for the peak production season, and decreases at the end of the production season. The production season for most products is during the first and second quarters, whereas chainsaws and other handheld products have its production peak in the third quarter. Husqvarna Group relies to a great extent on temporary labor for the seasonal production, which poses risks in terms of training and availability of such temporary labor. Sick leave and issues related to wellness can negatively impact the productivity of the Group.

Risks related to prices for raw materials and components

The Group's operations and its performance are affected by fluctuations in the prices of raw materials and components. The most important raw materials are steel, aluminum and various types of plastic. These prices can fluctuate considerably in the course of a year, as a result of changes in world prices for raw materials or the ability of suppliers to deliver them. The total consumption is linked to production volume and production mix. The Group does not use financial instruments to hedge prices of raw materials, but endeavors to manage the risk through bilateral agreements.

In 2017, Husqvarna Group purchased materials, components and finished products amounting to SEK 18,901m (16,903).

Cost structure, Group

	2017		2016	
	% of net sales	SEKm	% of net sales	SEKm
Cost of goods sold:				
Raw materials, components and finished products	48.0	18,901	47.0	16,903
Factory overhead, R&D, tools	13.8	5,427	14.3	5,126
Direct wages	3.8	1,510	4.0	1,446
Restructuring	0.0	9	–	–
Other	2.8	1,109	3.9	1,411
Total cost of goods sold	**68.4**	**26,956**	**69.2**	**24,886**
Gross operating income	**31.6**	**12,438**	**30.8**	**11,096**
Selling expense	17.3	6,796	17.1	6,168
Administrative expense	4.8	1,883	4.8	1,707
Restructuring	0.1	40	–	–
Other	–0.2	–71	0.0	3
Operating margin/income	**9.6**	**3,790**	**8.9**	**3,218**

Risks related to acquisitions, restructurings and organizational changes

Husqvarna Group may undertake acquisitions, divestitures or organizational changes from time to time, all of which involve risks. For example, in the case of acquisitions, sales may be adversely affected, the costs of integration may be higher than anticipated, and synergy effects may be lower than expected. In case of acquisitions or cessation of operations, environmental risk assessments are always conducted by qualified experts. Restructuring and organizational changes likewise involve the risk of creating higher costs or lower revenues than anticipated and losing key personnel, or that estimated savings are below announced targets. The Group aims to mitigate these risks by, among other things, thorough pre-transaction due diligence as well as having clear post-transaction planning, whereby clear roles and responsibilities are established for post-closing hand-over and integration matters.

Product compliance risks

Husqvarna Group is subject to a vast array of laws, regulations and industry standards applicable to our products in terms of design, operation, chemical content, noise, safety and (in the case of petrol products) exhaust emissions. Any failure to comply with such product standards could harm our end-customers and result in significant costs, as a result of "stop sale" orders, product recalls, fines, and damage to the Group's reputation. Product standards are often subject to interpretation and frequently change, typically becoming more strict over time. In particular, we anticipate more stringent emissions regulations (including potentially a zero-emissions requirement in certain jurisdictions over the longer-term) which will require new technical solutions and products. Husqvarna Group continually works to adapt existing products, or develop new products, to meet new legislative requirements. When appropriate, the Group supplements its existing governance structures with dedicated cross-divisional project teams to pro-actively mitigate risks associated with major regulatory challenges and/or legislative changes, with regular reporting to Group Management.

Product liability risks

The Group is exposed to product liability in the event that products are alleged to have caused damage to persons or property. The Group is insured to a large degree against such claims, partly through insurance in its own captive subsidiaries, and partly through external insurers. However, there is no guarantee that such insurance cover is in force or sufficient in a specific case, or that claims regarding product liability may not have an adverse effect on the company's earnings and financial position. In addition, such insurances do not cover the costs for warranty repair, recall exposure or any adverse effect on brand value. External insurance is subject to availability and pricing, which may vary over time. The Group has established a committee on product safety, the tasks of which include monitoring all safety related product issues and ensuring that product safety is integrated into the design, production and distribution of all Group products.

Risks related to information systems and cyber-crime

To a large extent the Group relies on IT systems in its operations. Disruptions or faults in critical systems may have a direct impact on operations such as production and logistics. Cyber security risks are increasing in society in general, especially due to cyber-criminals who can use a variety of means, ranging from sophisticated virus attacks to simple email fraud. Any of these criminal activities, if successful, could have an adverse impact on the Group's operations, financial condition or reputation. The Group works continuously to keep systems protected and in addition, is also investing in enhanced disaster recovery, confidential or data storage capabilities and cyber security expertise as well as information security awareness and training. In parallel with such efforts and in connection with the EU's General Data Protection Regulation, the Group has enhanced its policies and practices to protect individual's rights in connection with any personal data processed by us.

Environmental, health and safety risks

Risks related to human rights, health, safety and the environment can arise in the entire supply chain, both at our suppliers and at our own production facilities. These risks can be followed by reputational impact for well-known brands owned by the Group. The Group applies the precautionary principle and takes action to prevent or mitigate injury or harm to human health or the environment.

Sensitivity analysis

±10%			±10%			±1%
Currency			Raw materials			Interest rates
– SEK | USD +	– SEK | EUR +	– SEK | ALL +	STEEL	ALUMINIUM	PLASTICS	INTEREST
SEKm –220[1]	SEKm +460[2]	SEKm +715[3]	SEKm ±165	SEKm ±50	SEKm ±105	SEKm ±7
Effect on operating income			**Effect on operating income**			**Effect on net income**

[1] Excluding hedge effects. SEK –290m refer to effect of transactions and SEK 70m to translation effects.
[2] Excluding hedge effects. SEK 400m refer to effect of transactions and SEK 60m to translation effects.
[3] Excluding hedge effects. SEK 550m refer to effect of transactions and SEK 165m to translation effects. All other refers to the other currencies including USD and EUR.

Integrity and compliance risks

The Group maintains several reporting channels including a "compliance whistle blower" hotline, and an employee who becomes aware of any non-compliance or other unethical conduct are expected to report such matters to our internal compliance function. The Code of Conduct, policies, guidelines and a strong corporate culture provide a foundation for a sound business environment. Corruption could exist in markets where the Group conducts business. In regions with estimated higher risks, the Group strengthens its efforts to mitigate these risks by increasing its internal control and audit activities, as well as third-party due diligence where appropriate.

Certain risks in the Construction Division

The construction market is less weather sensitive than the forest and garden market. On the other hand, it is more subject to financial cycles and changes in the political environment. Such cyclicality can have a significant impact on the capital intense equipment and the rental channel overall, as exemplified by developments during the 2008–2009 financial crisis. However, the specific submarkets addressed by the Construction Division tend to have smaller cyclical amplitudes than the overall construction industry. This is largely because of the high relative share of consumables (diamond tools) and the fact that the Division's products are often used in renovation projects, which are relatively more stable compared to new construction work.

Financial risks

The following sections highlight financial risk areas that are relevant to Husqvarna Group.

General

The Group's financial risks are managed on the basis of the Group's financial and credit policies, which are annually updated and approved by the Board. Management of financial risks is based largely on the use of financial instruments and is mainly centralized in Group Treasury, which operates in accordance with specified risk mandates and limits. For more information on accounting principles and risk management and risk exposure, see notes 1 and 19.

Financing risks

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

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

Interest rate risk

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

Foreign exchange risk

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

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

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

Credit risks

The Group's credit risks are managed on the basis of standardized credit ratings, credit limits, active monitoring of credits and routines for follow-up of trade receivables. The need for reserves for doubtful trade receivables is monitored continuously. Major credit limits are approved annually by the Board. To some extent, the Group utilizes credit insurance to reduce credit risk in trade receivables.

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

Tax risks

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

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

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

Pension commitments

Husqvarna Group's commitment for pensions and other post-employment benefits amounted to SEK 1,698m (1,727) at year-end 2017. The Group manages pension funds amounting to SEK 2,555m (2,520). At year-end 2017, 40% (44) of these funds were placed in shares, 51% (51) in bonds and 9% (5) in liquid assets or other investments.

Changes in value of the assets and liabilities depend primarily on trends for share prices and interest rates. Factors affecting the pension obligation include changes in the assumptions, such as discount rate, life expectancy and expected salary increases. In the interest of effective control and cost-efficient management of the Group's pension assets, management is centralized in Group Treasury and conducted in accordance with the pension fund policy adopted by the Board. For more information on pension commitments, see note 20.

Corporate Governance Report

As required by the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the "Swedish Code"), this Corporate Governance Report describes the organizational bodies, rules, and other governance structures by which Husqvarna Group is controlled and operated. Husqvarna Group's auditors have reviewed this report and their opinion has been included in the Auditor's Report.

Good corporate governance is a fundamental prerequisite not only to meet our obligations as a public company, but also to create value for shareholders in an efficient, responsible and sustainable manner. Husqvarna Group's corporate governance structures are defined in part by external laws (e.g., the Swedish Companies Act), in part by self-regulatory standards (e.g., the Swedish Code and the Nasdaq Stockholm Rulebook for Issuers) and in part by internal rules (e.g., the Company's Articles of Association, Code of Conduct, and policies). While not mandatory, Husqvarna Group has elected to comply with all aspects of the Swedish Code, without exception.

The highest corporate decision-making body in the Company is the Shareholders' General Meeting, which is normally held once a year in the form of the Annual General Meeting ("AGM"), but can also be in the form of an Extraordinary General Meeting under certain circumstances. The 2018 AGM will take place at 4 p.m. on Tuesday, April 10, 2018 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden.

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

Shareholders

Husqvarna AB's shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2017, the share capital amounted to SEK 1,153m, represented by 112,513,001 A-shares and 463,830,777 B-shares, each with a par value of SEK 2.

A-shares carry one vote and B-shares carry one tenth of a vote. As per the Articles of Association, holders of A-shares are entitled to request conversion of A-shares into B-shares on a 1:1 basis. In 2017, 880,908 A-shares were converted to an equivalent number of B-shares.

On December 31, 2017, the number of shareholders was 56,601. Of the total number of shares, foreign shareholders accounted for 34.0%. Investor AB is the single largest shareholder with a holding of 16.8% of the share capital and 33.0% of the votes as of December 31, 2017. Measured by number of votes, L E Lundbergföretagen is the second largest owner with a holding of 7.5% of the capital and 25.0% of the votes as of December 31, 2017. For further information on the Husqvarna AB shares and shareholders, see page 123.

Nomination Committee

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

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

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

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

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

The formation of the Nomination Committee for the 2018 AGM was announced on October 9, 2017. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2018 AGM are:

Member	Appointing shareholder
Petra Hedengran (Chair)	Investor AB
Claes Boustedt	L E Lundbergföretagen AB
Ricard Wennerklint	If Skadeförsäkring AB
Henrik Didner	Didner & Gerge Fonder AB
Tom Johnstone[1]	–

[1] Chair of the Husqvarna AB Board

The determination of the four largest shareholders for purposes of nominating representatives to the Nomination Committee was based on known holdings of voting rights as of August 31, 2017. Nomination Committee members do not receive compensation from Husqvarna AB for their work on the Nomination Committee.

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

Based on survey results and subsequent discussions and interviews, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the objective to achieve a gender balance in the Board.

The Nomination Committee has applied rule 4.1 of the Swedish Code as its diversity policy. In addition, the Nomination Committee also takes into consideration the need to ensure that the independence requirements of the Swedish Code are met.

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

While there is no formal cut-off date for proposals, it was recommended in the October 9, 2017 notice of the formation of the Nomination Committee that such shareholders proposals should be received by the Company no later than February 13, 2018.

For the 2018 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the website on March 7, 2018. The Nomination Committee will present and explain its work and proposals at the AGM.

Annual General Meeting

General

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

According to Husqvarna AB's Articles of Association, the AGM must be held in Jönköping or Stockholm, Sweden, although it is traditionally held in Jönköping, Sweden. The notice of the AGM (specifying its date, location, agenda, etc.) shall be made public at least four weeks and not more than six weeks prior to the AGM. The notice is published in the Swedish daily newspaper, Svenska Dagbladet and the Swedish Official Gazette (Post- och Inrikes Tidningar). It is also announced in a press release and on the Company's website at www.husqvarnagroup.com/agm. For the 2018 AGM the notice was published as press release on March 7, 2018 and in Svenska Dagbladet and the Swedish Official Gazette (Post- och Inrikes Tidningar) on March 9, 2018.

Shareholders who are listed in the share registry on the record day (i.e., Wednesday, April 4, 2018) and wish to be represented at the AGM must register to do so with the Company by no later than Wednesday, April 4, 2018. Shareholders who are individuals may attend the AGM in person or by proxy. Shareholders attending the meeting by proxy, including all corporate shareholders, must submit a valid power of attorney as well as other required documentation in due time before the AGM. This allows the Company to compile a book of shareholders from the Swedish Central Securities Depository, Euroclear Sweden AB. Following this compilation, voting certificates are sent to all shareholders attending the meeting or their designated representatives. Voting certificates are proof of voting rights and also serve as an entrance card to the AGM.

AGM agenda items & written documentation

The agenda for the AGM is reviewed and approved by the Board and consists of matters that are statutorily required, as well as other matters. Matters typically include:

- Election of Chair of the AGM[1];
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and CEO;
- Disposition of the Company's profit;
- Number of Board members[1];
- Remuneration to Board members, committee members and external auditors[1];
- Election of external auditor[1,2];
- Election of Chair of the Board[1];
- Election of Board members[1];
- Principles of remuneration for Group Management;
- Adoption of long-term incentive programs (if applicable);
- Repurchase and transfer of the Company's own shares (if applicable);
- Authorization to resolve on the issuance of new shares (if applicable); and
- Such other matters as may be deemed necessary and appropriate by the Board.

1) Indicates agenda items for which the Nomination Committee makes a proposal.
2) The 2014 AGM resolved to appoint Ernst & Young as auditor for the period from the 2014 AGM up until the end of 2018 AGM, which is in accordance with Husqvarna AB's current Articles of Association, which state that the term of office for the Auditors is four years.

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

At the AGM, the Chair of the Board presents a report on the Board's work during the preceding year, the CEO gives an overview of the Company's business and current priorities, and the auditors present their report and their review of the Company's finances. If required, the Chair of the Remuneration Committee reports on remuneration to Group's executive management (herein, "Group Management") and, if it is to be decided by the AGM, the Company's long-term incentive programs. Shareholders may also direct questions to the Chair of the Board, the CEO, the Chair of the Nomination Committee, the Chair of the Remuneration Committee, the external auditors or any other Board member. Written documentation is presented at the AGM, normally both in English and Swedish. This documentation may be downloaded from the Company's website and is also sent to shareholders upon request. Such documentation includes:

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

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

Annual General Meeting 2017

The 2017 AGM was held on April 4, 2017 in Jönköping, Sweden with 864 shareholders attending in person or by proxy, representing 49% of the total number of shares and 72% of the total number of votes. Also attending were the Board, the external auditors and members of Group Management. The following resolutions were passed:

- Adoption of the income statements and balance sheets for 2016, together with the Board's dividend proposal, which was set at SEK 1.95 per share in total, to be paid in two separate payments of SEK 0.65 per share to be paid on April 11, 2017, and SEK 1.30 per share to be paid on October 11, 2017.
- The Board and the CEO were discharged from liability for the financial year 2016.

- The Nomination Committee's proposal for the number of Board members and the election of Tom Johnstone, Ulla Litzén, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson, Christine Robins and Kai Wärn as Directors of the Board. Tom Johnstone was appointed Chair of the Board.
- The Nomination Committee's proposed remuneration to the Board of SEK 5,605t in total, of which SEK 1,825t to the Chair of the Board and SEK 525t to each of the Board members elected by the AGM and not employed by the Company, was adopted. Furthermore, according to the Nomination Committee's proposal, remuneration of SEK 190t to the Chair of the Audit Committee and SEK 100t to each of the other two members of the Audit Committee was resolved, as well as SEK 120t to the Chair of the Remuneration Committee and SEK 60t to each of the other two members.
- The Nomination Committee's proposal that the auditor's fee be paid on the basis of approved invoices.
- The Board's proposal for principles of remuneration to Husqvarna Group Management, based on fixed salary, variable salary, long-term incentives, pensions and other benefits.
- The Board's proposal for a performance-based long-term incentive program for 2017, LTI 2017, to be offered to 80 senior managers, whereby, subject to the fulfilment of certain performance targets and other conditions during a three-year vesting period, the participants would have the right to receive certain B-shares.
- The Board was authorized, on one or more occasions during the period up to the next AGM, to sell B-shares in Husqvarna AB on Nasdaq Stockholm for the purpose of hedging certain costs (including social security charges) for resolved incentive programs.
- In order to hedge the obligations of the Company under the LTI 2017, the Board was authorized, during the period up until the next AGM, to direct the Company to enter one or more equity swap agreements with a third party (e.g. a bank). Such swap agreements may be entered into on one or more occasions on terms and conditions in accordance with market practice.
- The Board was authorized to approve the issue of not more than 57,634,377 new B-shares against consideration in kind on one or more occasions during the period up to the 2018 AGM.

Annual General Meeting 2018

The 2018 AGM of Husqvarna AB will be held at 4 p.m. on Tuesday, April 10, 2018 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden. For more information regarding the 2018 AGM, see page 126.

The Board

According to Husqvarna AB's Articles of Association, the Board shall be comprised of no less than five and no more than ten Board members. The Articles of Association do not contain any specific provisions concerning the appointment and dismissal of directors (or the method by which the Articles of Association themselves may be amended), meaning that the rules otherwise stated in the Swedish Companies Act apply. There are currently eight Board members elected by the AGM (see table on pages 66-67). In addition to the Board members elected by the AGM, Swedish trade unions have the statutory right to appoint two ordinary Board members with voting rights, as well as two non-voting deputies.

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

- Establishing the overall goals and strategy of the Company;
- Appointing, evaluating and, if necessary, dismissing the CEO;
- Defining appropriate guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability;
- Ensuring that there is an appropriate system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations;
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines; and
- Ensuring that the Company's external communications are characterized by openness and that they are accurate, reliable and relevant.

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

The Board has also issued written instructions specifying when and how information required to enable the Board to evaluate the Company and the Group's financial position shall be reported to the Board, as well as the distribution of duties between the Board and the CEO. The Board has established an Audit Committee and a Remuneration Committee, which discharge certain monitoring and oversight responsibilities on behalf of the Board, as more fully described below.

The Chair of the Board ensures that the Board's work and procedures are evaluated and discussed with Board members annually, and are brought to the attention of the Nomination Committee with the aim of developing the Board's working methods and efficiency. In 2017, such evaluation was conducted principally through a combination of individual interviews and a detailed Board questionnaire. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as to the full Board. The Board members elected by the 2017 AGM fulfil the independence criteria set out by the Swedish Code, which requires that a majority be independent of the Company's management, and that at least two of those be independent as to the Company's largest shareholders.

Fees to Board members

Fees to Board members, including fees for committee work, are set by the shareholders at the AGM. For information on fees to the Board in 2017, see note 4.

Board meetings

According to the Board's Rules of Procedure, the Board shall hold at least four ordinary meetings and one statutory meeting per calendar year. In 2017, the Board held eleven meetings, of which three were by telephone, two were per capsulam, three were held in Huskvarna, Sweden and three were held in Stockholm, Sweden.

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

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

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

Audit Committee

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

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

The Committee members appointed in April 2017 were Ulla Litzén (Chair), Daniel Nodhäll and Katarina Martinson, who were the same members as the previous year. Audit Committee meetings are also attended by the Company's internal auditor who keeps the minutes of the meetings, the Company's CFO, the General Counsel and the external auditors. Other members of Group Management are present to report on matters as relevant. The Audit Committee regularly reports on its findings and recommendations to the full Board.

In 2017, the Audit Committee held six meetings, which fulfils its own charter rule that it shall meet at least four times per year. The Audit Committee meetings follow an adopted agenda plan, which includes a review of open issues, a treasury and tax update, and an internal audit update. The Audit Committee also reviews the Company's Interim Reports and Boards' Report before they are submitted to the Board. The Committee meets frequently with the Company's external auditors who deliver reports on the audit. It also reviews the Company's compliance work quarterly.

Remuneration Committee

In accordance with the Swedish Code, the Husqvarna Board annually appoints a Remuneration Committee whose primary responsibilities are to (a) prepare proposals on remuneration and other terms of employment for Group Management, (b) monitor and evaluate programs for variable remuneration for Group Management, and (c) monitor and evaluate the application of the remuneration guidelines for the Board and Group Management and current remuneration structures and levels in the Company. The Board has adopted a charter for the Remuneration Committee, which is periodically updated and approved by the Board.

The Remuneration Committee takes an active interest in talent management within the Company. The Remuneration Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time.

The Board determines the composition of the Remuneration Committee, which shall have at least three members, of which at least two must be independent of the Company and its executive management. Such Committee members are appointed annually by the Board at its Statutory Board Meeting or when a Committee member needs to be replaced. The Committee members appointed in April 2017 were Tom Johnstone (Chair), Lars Pettersson and Bertrand Neuschwander. All Remuneration Committee meetings are also attended by the Company's SVP People & Organization, who takes the minutes of the meetings. Other participants are invited, if relevant. For more information on remuneration to Group Management, see note 4.

In 2017, the Remuneration Committee held three meetings, which fulfils the charter criteria that it shall meet at least twice a year. All Committee meetings follow an adopted agenda plan, which includes a review of the Company's long-term incentive ("LTI") and short-term incentive ("STI") programs and ensures that these programs follow legal and internal policies, decisions from the AGM and other relevant rules and instructions. If needed, the Committee solicits advice and external benchmarks to ensure that the Company's remuneration principles are up to date. The Remuneration Committee also ensures that the performance of Group Management members and the CEO is evaluated once a year. The Remuneration Committee reports on its findings and recommendations to the full Board.

Auditors

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

As per the decision taken at the 2017 AGM, the auditor's fee until the 2018 AGM shall be paid on the basis of approved invoices. For more information, see note 7.

Organization and Group Management 2017[1]

Husqvarna Group has a brand-driven organization, with four separate reporting divisions: Husqvarna, Gardena, Consumer Brands and Construction. Group Management is a 13 member team consisting of (a) the CEO, (b) the four divisional presidents, (c) the three Group Staff Functions heads (as decribed below), and (d) the five Group Strategic Functions heads (as described below). Group Management, together, makes decisions on

- enhancing Group synergies,
- internal financial and business follow-up,
- external financial reporting for Board approval,
- Group governance,
- Group staffing plans,
- issue resolution,
- the Group's strategic and business development,
- budgets,
- external affairs,
- Board reporting,
- risk management and mitigation, and
- Group policies and guidelines.

Group Management meetings are chaired by the CEO. Group Management meets in person on a quarterly basis, with a telephone meeting in each month in which there is no physical meeting.

Clear roles and responsibilities apply for each of the Group functions as well as for the divisions. A Group governance structure has been implemented to ensure that decisions are made as close to operations as possible. Clear guidance has been provided to identify the level on which different types of decisions should be made. Changes to the governance structure (including applicable roles and responsibilities) can only be made by the decision of Group Management.

[1] The following sections describe the structure and organization of Group Management as is existing during 2017 and January 2018. Effective February 1, 2018, certain changes were made to this structure as described in more detail on page 63.

Group Management Structure 2017[1]

1) See page 63 for changes in Group Management and organization as of February 1, 2018.
2) In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

The CEO
The CEO is appointed by the Board and is responsible for the ongoing management of the Company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information for decisions and ensuring that commitments, agreements and other legal documents are in compliance with applicable laws and the Group Code of Conduct. The CEO also ensures compliance with the goals, policies and strategic plans approved by the Board, and updates the Board on the same when necessary. The CEO appoints all members of Group Management, with input from the Board Chair.

The divisional presidents
Each of the four divisions has its own President, who in turn reports to the Group CEO. Each of the division Presidents is responsible for the income statement and balance sheet for his/her respective division. However, all decisions made by a division are subject to the Group's overall strategic goals and policies. For more information about Husqvarna Group's divisions please see pages 24–33.

Group staff functions
Husqvarna Group has three "Group staff functions" as follows:

1. **Finance, IT & IR.** This function is primarily responsible for the Group's financial reporting as well as for Treasury, Tax, Internal Audit, Group IT and Investor Relations (IR).
2. **Legal Affairs.** This function is responsible for the Group's Legal Affairs, Risk Management and Compliance & Integrity functions.
3. **People & Organization.** This function is responsible for the Group's human resources, including compensation and benefit programs and talent management within the Group.

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

1. **Business Development.** This function is responsible for Group strategy, acquisitions and divestments.
2. **Communications, Brand & Marketing.** This function is responsible for managing the Group's brand portfolio, brand positioning, brand and customer insight, and business intelligence. It is also responsible for capturing Group marketing synergies and establishing the Group's framework for outbound licensing and pricing strategies. This function is also responsible for internal and external Group communications (excluding Investor Relations).
3. **Technology Office.** This function leads the Group's technology and innovation management, including intellectual property. In addition, it develops the strategy to ensure that the Group can capture product and technology synergies within and between the different divisions.
4. **Group Operations.** This function is responsible for ensuring that the Group can capture operational synergies across the different divisions such as in purchasing and supply-chain management. Group Operations is also responsible for the Group's sustainability work.
5. **Program Office – Efficiency programs and Quality.** This function is responsible for tracking and follow-up actions to secure product quality and cross-divisional savings opportunities.

Group Management Structure as of February, 2018

[1)] In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

Changes to Group Management February, 2018

Effective February 1, 2018, the following changes were made to the Group Management structure:

- A new function was created: "Group Digital, Operations and Technology Development", which is headed by Pavel Hajman (previously President of the Husqvarna Division) and incorporates the three existing Group strategic functions (Technology Office, Group Operations and Program Office for Efficiency and Quality) as well as the Group Information Services (GIS) function.
- Sascha Menges (formerly President of Gardena Division) became President of the Husqvarna Division.
- Pär Åström (formerly SVP Group Business Development) became President of the Gardena Division.
- Per Ericson (Head of People & Organization) also assumed leadership of Group Business Development.
- Hillevi Agranius, Group Chief Information Officer (CIO) and head of GIS, became a member of Group Management.
- Effective February 19, 2018, Mona Abbasi was appointed as the new SVP Group Communications, Brand and Marketing (previously headed by Per Ericsson on an acting basis).

External information

Husqvarna Group employs a series of procedures, controls, and systems to ensure we are able to provide the market with timely and accurate information, to the extent required by applicable law and good corporate practice, including the disclosure requirements of the EU's Market Abuse Regulation (MAR) and Nasdaq Stockholm's Rule Book for Issuers. The Board has delegated to the CEO, and an internal disclosure committee, comprised of the Group CFO and General Counsel, the day-to-day responsibility for assessing whether insider information exists (within the meaning of the EU's Market Abuse Regulation), and for ensuring that such information is promptly disclosed or, in exceptional circumstances, to delay such disclosure where necessary to protect the interests of the company, and permitted by applicable law.

Financial information is regularly issued in the form of:

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

All reports, presentations and press releases are published on the Group's website at www.husqvarnagroup.com.

Certain information required by U.K. Modern Slavery Act

Both the United Kingdom Modern Slavery Act of 2015 and the California Transparency in Supply Chains Act of 2010 require the Group to provide public disclosures regarding efforts to eradicate slavery and human trafficking from our operations. Husqvarna Group does not allow illegal or forced labor and expects that all suppliers will abide by all applicable international and local laws, rules and regulations in the manufacture and distribution of products, components and materials according to Husqvarna Group's Code of Conduct and Supplier Code of Business Ethics. The Group's efforts here are supported by ongoing quality and sustainability audits of the suppliers. A detailed statement is published on http://corporate.husqvarna.com/purchase/en/california-transparency-supply-chain-act-disclosure.

Internal control over financial reporting

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

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

Control environment

Internal control over financial reporting is based on the overall control environment. This involves clear definitions of organizational structure, decision-making paths and authority, which are communicated in the form of internal control documents such as policies, instructions and guidelines. During 2017, a Group common database has been established where the main processes are described and how policies, instructions and guidelines should be integrated with the way the work is performed to ensure, amongst other things, a correct financial reporting. The control environment also includes laws and other external regulations.

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

The overall duty of the Audit Committee is to support the Board's supervision of the audit and reporting processes, and to ensure the quality of such processes. The activities of the Audit Committee during the year are described on page 61.

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

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

Group rules for accounting and reporting are stipulated in the accounting manual. The documents are reviewed and updated regularly with reference to, for example, changes in legislation, accounting standards, procedures and listing requirements.

Risk assessment

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

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

Control activities

Control activities are designed to prevent, identify and correct errors and deviations in financial reporting within the Group. Control activities are integrated in processes for accounting and financial reporting and include, among other things, procedures for authorization and signing for the Company, reconciliation of bank balances and accounts, analysis of results, segregation of duties, automatic controls integrated in IT systems, and control of the basic IT environment.

The Group maintains several control processes for financial reporting and is standardizing key processes and controls within the Group. For key financial processes, the Group has established Minimum Internal Control Requirements (MICR) for its reporting units. The control function, like financial responsibility, follows the Company's organizational and responsibility structure.

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

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

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

Information and communication

Husqvarna Group maintains information and communication systems to facilitate correct and complete financial reporting. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition, other policies relevant to internal control over financial reporting are available to all relevant employees on the Group's intranet. Changes in accounting procedures are communicated and explained in newsletters from the Group's accounting function. Furthermore, to ensure the correct implementation of such changes, the Group has established internal forums with participation from key stakeholders in the area of financial reporting.

Monitoring activities

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

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

The Internal Control function has during 2017 continued its work to improve the completion rate of correction of detected deviations in the reporting units.

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

Board of Directors and auditors




Name **Function**	**Tom Johnstone, CBE** Chair of the Board	**Ulla Litzén** Board member	**Katarina Martinson** Board member	**Bertrand Neuschwander** Board member
Born	1955	1956	1981	1962
CV	M. A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, US. Hon. Doc. in Science, Cranfield University, UK. Chair of the Remuneration Committee.	B. Sc., Stockholm School of Economics, Sweden and MBA, Massachusetts Institute of Technology, US. Chair of the Audit Committee.	M. Sc., Stockholm School of Economics, Sweden. Member of the Audit Committee. Portfolio management for the Lundberg Family.	Graduate engineer, Institut National Agronomique de Paris-Grignon, France, MBA from INSEAD. Member of the Remuneration Committee. Chief Operating Officer, Groupe SEB, France.
Other major assignments	Board Chair of Combient AB and of the British-Swedish Chamber of Commerce. Vice Board Chair of Wärtsilä Corporation. Board member of Investor AB and Volvo Cars.	Board member of Alfa Laval AB, AB Electrolux, NCC AB and Ratos AB.	Board member of L E Lundbergföretagen AB, Fastighets AB L E Lundberg, Byggnads AB Karlsson & Wingesjö, L E Lundberg Kapitalförvaltning AB, Indutrade AB, Fidelio AB and AniCura AB.	Board Chair of SEB Alliance (Groupe SEB Corporate Venture). Board Chair of WMF Group Supervisory Board. Board member of Groupe SEB Denmark, Groupe SEB Finland, Groupe SEB Norway, Serge Ferrari Group SA, Tefal OBH Group AB and Zhejiang Supor Co., Ltd.
Previous positions	President & CEO of AB SKF 2003–2014. Executive Vice President of AB SKF 1999–2003. President Automotive Division, AB SKF 1995–2003. Senior management positions within AB SKF since 1987.	President of W Capital Management AB 2001–2005. Senior management positions and member of the Management Group, Investor AB 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB 1996–1998.	Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, US 2006–2008, investment research at ISI, International Strategy & Investment Group, New York, US 2005–2006.	Senior Executive Vice President for Business Units, Brands, Innovation & Strategy, Groupe SEB 2012–2014, Senior Executive Vice President for Business Units Brands & Innovation, Groupe SEB 2010–2012, CEO, Devanlay/Lacoste 2004–2009, Chair and Chief Executive Officer, Aubert Group 2001–2004.
Holdings in Husqvarna December 31, 2017	990 A-shares 14,800 B-shares	10,000 B-shares	113,478 A-shares 378,737 B-shares	0 shares
Nationality **Elected**	UK 2006	SE 2010	SE 2012	FR 2016
Total fees 2017, KSEK	1,945	715	625	585
Board meeting attendance	11/11	11/11	11/11	9/11
Remuneration Committee attendance	3/3	–	–	2/2
Audit Committee attendance	–	6/6	6/6	–
Independence to Husqvarna Group and its management	Yes	Yes	Yes	Yes
Independence to major shareholders	No	Yes	No	Yes

Daniel Nodhäll Board member	**Lars Pettersson** Board member	**Christine Robins** Board member	**Kai Wärn** Board member (and President & CEO)
1978	1954	1966	1959
M. Sc., Stockholm School of Economics, Sweden. Member of the Audit Committee. Managing Director, Head of Listed Core Investments at Investor AB.	M. Sc. in Applied Physics, Material Sciences, Uppsala University, Sweden. Hon. Doc. at Uppsala University. Member of the Remuneration Committee.	BBA in Marketing and Finance, University of Wisconsin, Madison, US and MBA at Marquette University, Milwaukee, WI, US. President & CEO of Char-Broil LLC, Columbus, GA, US.	M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. President & CEO of Husqvarna AB.
Board member of SAAB AB.	Board Chair of KP-Komponenter A/S. Board member of Festo AG, AB Industrivärden, Indutrade AB and L E Lundbergföretagen AB.		Board member of AB Electrolux.
Analyst focused on the engineering sector at Investor AB since 2002.	President & CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002.	President & CEO of BodyMedia, Pittsburgh, PA, US 2009-2014. President & CEO of Philips Oral Healthcare, Seattle, WA, US 2005-2009. Marketing and Finance positions within S.C. Johnson company 1988–2005.	Operations partner at IK Investment Partners Norden AB 2011–2013. President & CEO of Seco Tools AB 2004–2010. Various positions within ABB 1985–2004.
10,000 B-shares	5,000 B-shares	0 shares	260,426 B-shares (Own) 100,000 B-shares (Legal person)
SE 2013	SE 2014	US 2017	SE 2014
625	585	525	–
11/11	11/11	6/7	11/11
–	3/3	–	–
6/6	–	–	–
Yes	Yes	Yes	No
No	No	Yes	Yes

Auditors
Ernst & Young AB
Hamish Mabon
Authorized Public Accountant.
Born 1965.
Other audit assignments include: AB Tetra Pak, Skanska AB, Svenska Cellulosa Aktiebolaget SCA and Essity AB. Holdings in Husqvarna: 0 shares.

Soili Johansson
Employee representative
Born 1962. Representative of the Federation of Salaried Employees in Industry and Services.Holdings in Husqvarna: 225 A-shares, 750 B-shares.

Annika Ögren
Employee representative
Born 1965. Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 0 shares.

Carita Svärd
Deputy employee representative
Born 1968. Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 0 shares.

Lotta Widehäll
Deputy employee representative
Born 1976. Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 0 shares.

Group Management[1]

Name	**Sascha Menges**	**Kai Wärn**	**Francesco Franzé**	**Pär Åström**	**Henric Andersson**	**Anders Johanson**
Function	President, Gardena Division	President & CEO	Senior Vice President, Program Office – Efficiency programs and Quality	Senior Vice President, Business Development	President, Construction Division	Senior Vice President, Technology Office
Born	1971	1959	1964	1972	1973	1969
CV	M. Sc. in Ind. Engineering & Management, Swiss Federal Institute of Technology, Zurich, Switzerland. MBA, INSEAD, France. Employed 2004. Member of Group Management since 2011.	M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2013.	M. Sc. in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 1989. Member of Group Management since 2015.	M. Sc. in Industrial Engineering & Management, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2015.	M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. Employed 1997. Member of Group Management since 2012.	M. Sc. Chemical Engineering and an MBA, Chalmers University of Technology, Gothenburg, Sweden. Employed 2015. Member of Group Management since 2015.
Other major assignments	–	Board member of AB Electrolux.	–	–	–	Part time adjunct professor, industrial product development, KTH Royal Institute of Technology, Stockholm, Sweden.
Previous positions	Executive Vice President, Head of Manufacturing & Logistics, Husqvarna Group 2011–2014. Various positions in Supply Chain Management and Operations, Husqvarna Group 2007–2011. Vice President Supply Chain Management, Gardena AG 2004–2007. Associate Principal Management Consulting, McKinsey & Company, Inc 1996–2004.	Operations partner at IK Investment Partners Norden AB 2011–2013. President & CEO of Seco Tools AB 2004–2010. Various positions at ABB 1985–2004.	Venture capital and management consultancy, own enterprise 2009–2013. Head of Electric Category, Husqvarna Group 2004–2008. Senior Vice President Industrial Operations, Electrolux 1998–2003. Various positions within Operations in Electrolux Professional 1989–1999.	Vice President Business Development, Husqvarna Group 2013–2014. Principal, A.T. Kearney Management Consultants 2007–2013. A.T. Kearney and Occam Associates Management Consulting 1998–2007.	Senior Vice President, Technology Office, Husqvarna Group 2014–2015. Executive Vice President, Head of Product Management & Development, Husqvarna Group 2012–2015. Vice President Construction Equipment, Husqvarna Group 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.	Partner and Global Practice Leader Technology and Innovation Management, Arthur D. Little 2000–2006; 2008–2015. Director Strategic Product and Technology Planning, Gambro 2008. Director Business office and head of Business Consulting, Volvo IT 2006–2007. Various positions within Nobel Biocare 1996–2000.
Holdings in Husqvarna December 31, 2017	76,550 B-shares	260,426 B-shares (Own) and 100,000 B-shares (Legal person)	10,092 B-shares	40,404 B-shares	23,635 B-shares.	5,814 B-shares

1) See page 63 for changes to Group Management and organization as of February 1, 2018.
2) In March 2018, just before the publication of this Annual Report, Jeff Hohler, President Consumer Brands Division suddenly and unexpectedly passed away. Earl Bennet, former General Counsel for Americas, has been appointed Acting President Consumer Brands Division.

Pavel Hajman President, Husqvarna Division	**Jeff Hohler**[2] President, Consumer Brands Division	**Per Ericson** Senior Vice President, People & Organization, Acting Group Communications, Brand & Marketing	**Valentin Dahlhaus** Senior Vice President, Group Operations	**Brian Belanger** Senior Vice President, Legal Affairs, General Counsel and Secretary to the Board	**Jan Ytterberg** Senior Vice President, Finance, IT & IR and Chief Financial Officer
1965	1965	1963	1973	1969	1961
M. Sc. in Industrial Engineering and Management, Linköping Institute of Technology, Sweden. Employed 2014. Member of Group Management since 2014.	B. Sc. in Journalism, Bowling Green State University, US and MBA in Marketing, John Hopkins University, US. Employed 2015. Member of Group Management since 2015.	Forest Engineer, US. Forestry Studies, Swedish University of Agricultural Sciences, Sweden. Studies in Change Management in Organization and Social Systems, International Association for Organisational and Social Development (IOD), Belgium. Employed 2011. Member of Group Management since 2011.	MBA, Freie Universität, Berlin, Germany. Employed 2010. Member of Group Management since 2015.	J.D./LLM, Duke University School of Law, Durham, NC, US; Law Clerk. Circuit Court of Appeals for the District of Columbia Circuit, US. Employed 2006. Member of Group Management since 2015.	M. Sc. in Business Administration & Economics, Stockholm University, Sweden. Employed 2015. Member of Group Management since 2015.
–	–	–	–	–	–
Executive Vice President, Head of Asia/Pacific, Husqvarna Group 2014. President Assa Abloy AHG Greater China 2013–2014. Various positions in Seco Tools, President Asia/Pacific, Senior Vice President Group Business Development, Regional Director CEE, 1990–2013.	President, Tools Business Segment, Newell Rubbermaid, Inc., US. Various positions within Newell Rubbermaid 2001–2015. Various positions within the Black & Decker Corporation 1991–2001.	Executive Vice President Human Resources, Haldex 2006–2011. Various positions with increasing responsibility, Stora Enso 1987–2006, most recently as Executive Vice President Corporate Human Resources & Business Excellence.	Vice President Supply Chain Management 2013–2014. Director Supply Chain development/ PMO 2010–2013. Various Management Positions in Retail & Automotive since 2000.	Vice President Legal Affairs Husqvarna Asia/ Pacific Region, Husqvarna Group 2009–2012, with temporary additional assignments as Acting General Counsel Husqvarna Americas, Husqvarna Group 2013 and Acting Head of Asia/ Pacific Sales Region 2014. Associate General Counsel, Husqvarna Americas, Husqvarna Group 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.	Executive Vice President and Chief Financial Officer, Scania Group 2006–2015. Various positions in accounting and finance, Scania Group 1987–2006.
53,710 B-shares	21,374 B-shares	66,720 B-shares	7,351 B-shares	23,362 B-shares	7 A-shares, 16,309 B-shares

Consolidated income statement

SEKm	Note	2017	2016
Net sales	3	39,394	35,982
Cost of goods sold	5	–26,956	–24,886
Gross income		**12,438**	**11,096**
Selling expenses	5, 8	–6,836	–6,168
Administrative expenses	5	–1,879	–1,707
Other operating income	6	68	7
Other operating expenses	6	–1	–10
Operating income	3, 4, 7, 9	**3,790**	**3,218**
Financial income	10	20	29
Financial expenses	10	–520	–451
Financial items, net		**–500**	**–422**
Income after financial items		**3,290**	**2,796**
Income tax	11	–630	–692
Net income		**2,660**	**2,104**
Net income attributable to:			
Equity holders of the Parent Company		2,654	2,100
Non-controlling interests		6	4
Net income		**2,660**	**2,104**
Earnings per share:			
Before dilution, SEK	12	4.64	3.67
After dilution, SEK	12	4.62	3.66
Average number of shares outstanding:			
Before dilution, millions	12	572.0	572.3
After dilution, millions	12	574.2	574.1

Consolidated comprehensive income statement

SEKm	Note	2017	2016
Net income		2,660	2,104
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements on defined benefit pension plans, net of tax		33	–249
Total items that will not be reclassified to the income statement, net of tax		33	–249
Items that may be reclassified to the income statement:			
Exchange rate differences on translating foreign operations			
Currency translation differences	18	–693	1,058
Net investment hedge, net of tax	18	632	–605
Cash flow hedges			
Result arising during the period, net of tax	18	–56	–11
Reclassification adjustments to the income statement, net of tax	18	–15	–22
Total items that may be reclassified to the income statement, net of tax		–132	420
Other comprehensive income, net of tax		–99	171
Total comprehensive income		2,561	2,275
Total comprehensive income attributable to:			
Equity holders of the Parent Company		2,555	2,268
Non-controlling interests		6	7
Total comprehensive income		2,561	2,275

Consolidated balance sheet

SEKm	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Non-current assets			
Property, plant and equipment	9, 13	5,806	5,472
Goodwill	14	6,635	6,014
Other intangible assets	14	5,122	4,176
Derivatives	19, 25	4	0
Other non-current assets	15	527	93
Deferred tax assets	11	1,197	1,414
Total non-current assets		**19,291**	**17,169**
Current assets			
Inventories	16	9,522	9,225
Trade receivables	19	3,407	3,290
Derivatives	19, 25	316	349
Tax receivables		71	41
Other current assets	17	937	963
Other short-term investments	19	2	4
Cash and cash equivalents	19	1,872	1,937
Total current assets		**16,127**	**15,809**
Total assets		**35,418**	**32,978**
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	18	1,153	1,153
Other paid-in capital	18	2,605	2,605
Other reserves	18	–74	58
Retained earnings	18	11,981	10,523
Total equity attributable to equity holders of the Parent Company		**15,665**	**14,339**
Non-controlling interests	18	2	26
Total equity		**15,667**	**14,365**
Non-current liabilities			
Borrowings	19, 25	4,684	4,953
Derivatives	19, 25	28	44
Deferred tax liabilities	11	1,895	1,656
Provisions for pensions and other post-employment benefits	20	1,818	1,759
Other provisions	21	683	824
Total non-current liabilities		**9,108**	**9,236**
Current liabilities			
Trade payables	19	4,098	3,752
Tax liabilities		345	211
Other liabilities	22	2,457	2,512
Borrowings	19, 25	2,913	1,494
Derivatives	19, 25	414	905
Other provisions	21	416	503
Total current liabilities		**10,643**	**9,377**
Total equity and liabilities		**35,418**	**32,978**

Consolidated cash flow statement

SEKm	Note	2017	2016
Cash flow from operations			
Operating income		3,790	3,218
Non cash items			
Depreciation/amortization and impairment	5, 13, 14	1,315	1,164
Other non cash items		–118	–91
Cash items			
Paid restructuring costs		–52	–45
Net financial items, received/paid		–467	–353
Taxes paid		–431	–280
Cash flow from operations, excluding change in operating assets and liabilities		4,037	3,613
Change in operating assets and liabilities			
Change in inventories		–567	–821
Change in trade receivables		–104	56
Change in trade payables		406	537
Change in other operating assets/liabilities		–33	170
Cash flow from operating assets and liabilities		–298	–58
Cash flow from operations		3,739	3,555
Investments			
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment [1]	26	–1,619	59
Investments in property, plant and equipment	13	–1,305	–1,489
Investments in intangible assets	14	–587	–400
Investments and divestments of financial assets		–358	–
Cash flow from investments		–3,869	–1,830
Cash flow from operations and investments		–130	1,725
Financing			
Proceeds from borrowings	25	2,412	1,791
Repayment of borrowings	25	–1,453	–2,100
Net investment hedge	25	98	–239
Change in other interest-bearing net debt excluding liquid funds	25	55	–36
Transfer of treasury shares		155	7
Dividend paid to shareholders		–1,114	–944
Dividend paid to non-controlling interests		–10	–1
Cash flow from financing		143	–1,522
Total cash flow		13	203
Cash and cash equivalents at beginning of year		1,937	1,622
Exchange rate differences referring to cash and cash equivalents		–78	112
Cash and cash equivalents at year-end		1,872	1,937

[1] Whereof acquisition of subsidiaries/operations SEK –1,637m (–98).

Consolidated statement of changes in equity

	Attributable to equity holders of the Parent Company						
SEKm	Share capital (Note 18)	Other paid-in capital (Note 18)	Other reserves (Note 18)	Retained earnings (Note 18)	Total	Non-controlling interests (Note 18)	Total equity
Opening balance January 1, 2016	1,153	2,605	–359	9,642	13,041	20	13,061
Net income	–	–	–	2,100	2,100	4	2,104
Other comprehensive income	–	–	417	–249	168	3	171
Total comprehensive income	–	–	417	1,851	2,268	7	2,275
Transactions with owners							
Share-based payment	–	–	–	44	44	–	44
Transfer of treasury shares [1]	–	–	–	7	7	–	7
Hedge for LTI-programs	–	–	–	–77	–77	–	–77
Dividend to non-controlling interests	–	–	–	–	–	–1	–1
Dividend SEK 1.65 per share	–	–	–	–944	–944	–	–944
Closing balance December 31, 2016	1,153	2,605	58	10,523	14,339	26	14,365
Net income	–	–	–	2,654	2,654	6	2,660
Other comprehensive income	–	–	–132	33	–99	0	–99
Total comprehensive income	–	–	–132	2,687	2,555	6	2,561
Transactions with owners							
Share-based payment	–	–	–	62	62	–	62
Transfer of treasury shares [1]	–	–	–	4	4	–	4
Hedge for LTI-programs	–	–	–	–334	–334	–	–334
Sales of treasury shares	–	–	–	151	151	–	151
Acquisition of non-controlling interest	–	–	–	4	4	–17	–13
Divestment of non-controlling interest	–	–	–	–2	–2	2	–
Dividend to non-controlling interests	–	–	–	–	–	–15	–15
Dividend SEK 1.95 per share	–	–	–	–1,114	–1,114	–	–1,114
Closing balance December 31, 2017	1,153	2,605	–74	11,981	15,665	2	15,667

1) Options exercised related to 2009 LTI-program.

Group notes

Note 1 Accounting principles

BASIS OF PREPARATION

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

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

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

New and amended standards adopted by Husqvarna Group 2017

There are no new or amended standards adopted by Husqvarna Group as of January 1, 2017 that have had a material impact on the Group.

New standards and amendments from 2018 and forward

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after December 31, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9 "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 will replace the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018, but comparative periods will not be restated. IFRS 9 will not have a significant impact on the financial reports in the Group. Factoring is applied for a limited number of the Group's customers. However not all accounts receivables for these customers are sold, although managed within the same business model, and therefore these receivables will be recorded at fair value through other comprehensive income. As per December 31, 2017 the amount recorded in this business model is not significant.

The Group's current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9, no significant impact is expected on the accounting for its hedging relationships. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as is the case under IAS 39. It applies to the Group's financial assets classified at amortised cost as well as financial assets classified at fair value through other comprehensive income and result in an earlier recognition of credit losses. The restatement of the loss allowance provision on transition to IFRS 9 as a result of applying the expected credit loss model will amount to SEK –16m (before tax), affecting opening retained earnings. Expanded disclosures requirements will impact the nature and extent of the Group's disclosures about its financial instruments.

IFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, where the comparative year will be restated retrospectively. IFRS 15 will not have a significant impact on operating income, net income nor balance sheet amounts.

The following areas affect the financial statements:

- Some transport/shipping income and expense will be reclassified in the income statement due to the more detailed requirements on allocation of the transaction price to the performance obligations identified and due to the more detailed definitions of principal versus agent. The reclassification will not impact operating income but will reduce the Group's gross income 2017 with SEK 880m and reduce the Group's selling expenses by the corresponding amount.
- Expanded disclosures requirements will impact the nature and extent of the Group's disclosures related to revenue.

IFRS 16 "Leases" will result in most leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low-value assets. The standard replaces IAS 17 "Leases". The standard is effective for annual periods beginning on or after January 1, 2019. The Group is assessing the impact of IFRS 16. The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of SEK 1,670m, refer to note 9. An impact is expected as the lease contracts currently recorded as operating leases (mainly buildings, cars and fork lifts) will be recognised on the balance sheet. The Group does not intend to adopt IFRS 16 before its mandatory date.

IFRIC 23 "Uncertainty over income tax treatments" clarifies how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The interpretation is effective for annual periods beginning on or after January 1, 2019 subject to EU endorsement. The group is assessing the impact of IFRIC 23.

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

ACCOUNTING AND VALUATION PRINCIPLES

Principles applied for consolidation

Subsidiaries

The financial statements include Husqvarna AB and all companies (subsidiaries) which the Parent Company controls. Husqvarna Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. The Group generally controls a company by a shareholding of more than 50% of the voting rights referring to all shares and participations. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

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

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

At year-end 2017, the Group comprised 131 operating units, and 94 legal entities.

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

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

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

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

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

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

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

Segment reporting
Husqvarna Group's operating segments are reported in a manner consistent with the internal reporting provided to the President and CEO (Husqvarna Group's Chief operating decision maker) as a basis for evaluating the performance and for decisions on how to allocate resources to the segments. Husqvarna Group comprises four segments (divisions): Husqvarna, Gardena, Consumer Brands and Construction.

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

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

Buildings and land improvements	10–50 years
Machinery and technical installations	3–15 years
Other equipment	3–10 years

The Group assesses the estimated useful lives as well as whether there is any indication that any of the company's property, plant and equipment are impaired at the end of each reporting period.

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

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

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

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

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

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

Other intangible assets
Other intangible assets include computer software, patents, licenses and customer relations. Computer software, patents and licenses are recognized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. Computer software has an estimated useful life of 3–6 years and patents and licenses have a useful life of 10–13 years. Customer relations are capitalized at fair value in connection with business combinations. The values of these customer relationships are amortized over their useful lives of 5–12 years.

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

Financial instruments (applicable until December 31, 2017)
Classification of financial instruments
Husqvarna Group classifies its financial instruments in the following

categories, depending on the intention with the acquisition:

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

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

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

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

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

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

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

Financial assets and liabilities at fair value through profit or loss are carried to fair value. All changes to fair value are reported in the income statement when they arise and are reported within operating income. Refer to note 19 regarding disclosures of measurement at fair value.

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

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

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

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

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

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

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

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

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

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

Financial instruments (applicable from January 1, 2018)
Recognition and measurement of financial instruments
Regular purchases and sales of financial assets are recognized on trade date, the date on which Husqvarna Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

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

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

Financial assets

Classification and subsequent measurement

Husqvarna Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortized cost

Financial assets are included in current assets with the exception of maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Debt instruments

Debt instruments are those financial instruments that meet the definition of a financial liability from the issuer's perspective, such as for example trade receivables.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments; Amortized cost and Fair value through other comprehensive income.

Amortized cost

Financial assets that are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest are measured at amortized cost. Any expected credit loss allowance recognized (see section "Impairment and expected loss" below) will adjust the carrying amount of these assets. Interest income from these financial assets is included in the income statement using the effective interest rate method. Assets recorded at amortized cost include financial non-current assets, trade receivables, other receivables, short-term investments and cash and cash equivalents.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are reported in other comprehensive income, expect for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Assets recorded at fair value through other comprehensive income include trade receivables, where part of the portfolio is sold off in factoring agreements.

Husqvarna Group reclassifies debt investments only when its business model for managing those assets changes.

Impairment and expected loss

Husqvarna Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and FVOCI. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and reasonable and supportable forward looking information that is available without undue cost or effort at the reporting date about past events, current condition and forecasts of future economic conditions.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Expected credit losses are estimated by grouping trade receivables based on shared credit risk characteristics, days past due.

Financial liabilities

Classification and subsequent measurement

All of the Groups financial liabilities (excluding derivatives which are addressed in separate section below) are classified as subsequently measured at amortized cost. Liabilities measured at amortized cost include borrowings, financial lease liabilities, trade payables and other liabilities. Financial liabilities due within 12 months are classified as short-term liabilities, while those due after 12 months are classified as long-term liabilities.

Accounting of derivative financial instruments and hedging activities

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

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

The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than 12 months and as current asset or liability if the maturity is shorter than 12 months.

Cash flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as operating income. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale which is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the value of the asset or liability. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory.

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement within financial items.

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

Net investment hedge

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

Liquid funds

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

Inventories

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

Current and deferred tax

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

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

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

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

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

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

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

Pensions and other post-employment benefits

Pension obligations

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

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

All other pensions and other post-employment benefit plans are defined benefit plans. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, depending on factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid, in most countries AA-rated corporate bond indexes matching the duration of the pension obligation and in Sweden mortgage bonds. In countries without a deep market in such bonds, the market rate on government bonds is used.

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

Termination benefits

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

Share-based compensation

Husqvarna Group has share-based, equity settled, compensation programs where the Group receives services from employees as consideration for equity instruments (shares and options). The cost of the granted instruments' fair value at grant date is recognized during the vesting period.

The fair value of the instruments is the market value at grant date, adjusted for the discounted value of future dividends which employees will not receive. At the end of each reporting period, the Group revises the estimates of the number of instruments that are expected to vest. Husqvarna Group recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

Provisions

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

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

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

Revenue recognition (applicable until December 31, 2017)

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

Sales of finished products including spare parts and accessories

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

Services

Husqvarna Group provide services such as product repairs and service/maintenance. Revenues from services such as product repairs is recorded when the service has been performed. Revenues from service/maintenance agreements is recorded over the contract period.

Extended warranty

Revenue from extended warranty is recorded over the contract period.

Revenue recognition (applicable from January 1, 2018)

Husqvarna Group mainly generates revenue from sales of finished products including spare parts and accessories, but also from services.

Sales of finished products including spare parts and accessories

Husqvarna Group manufactures and sells finished products, spare parts and accessories mainly to dealers and retailers but also directly to consumers. In customer contracts with sale of finished products there are generally two performance obligations, products and shipping services. Revenue recognition will occur at a point in time when control of the asset is transferred to the customer. The point in time where control is transferred to the customer for goods depends on the terms of delivery (incoterms) used. Husqvarna Group is the principal for both the sale of the goods and the shipping service, hence the "gross" amount paid by the customer for the shipping service is recognized as revenue and the corresponding expense is recognized in cost of goods sold. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

When the group sell its products to a customer with a right of return, implicit or explicit, a refund liability and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale (expected value method). The group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

Services
Husqvarna Group provide services such as product repairs and service/maintenance. Revenues from service/maintenance agreements are recognized on a linear basis over the contract period, unless there is evidence that some other method better measures progress towards satisfying the performance obligation. Revenues from product repairs are recognized when the service is performed.

In some contracts with customers Husqvarna Group has extended warranty that is separately priced. Revenue from extended warranty is recognized on a linear basis over the contract period, unless there is evidence that some other method better measures progress toward satisfying the performance obligation.

Royalty income
Husqvarna Group licenses to customers intellectual property such as brand names. The Licenses frequently include fees that are based on the customer's subsequent usage or sale of products that contain the intellectual property. Sales- and usage-based royalties are recognized as the underlying sales or usages occur.

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

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

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

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

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

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

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

Note 2 Important accounting estimates and assessments

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

Impairment test of intangible assets with indefinite useful life
Intangible assets that have an indefinite useful life (goodwill and the brand Gardena) are tested annually for impairment, or more often if there is an indication of impairment. If there is an indication of impairment, the Group estimates the recoverable amount of the asset. An impairment loss is recognized by the amount by which the net book value of an asset exceeds its recoverable amount. The recoverable amount for a cash generating unit is determined on the basis of value in use estimated by using the discounted cash flow method based on expected future results. Key assumptions for forecasting are expected growth, margin and discount rates.
For information refer to note 14.

Inventory
Husqvarna Group's inventory is accounted for to the lowest of the acquisition value in accordance with the weighted average cost formula, and the net realizable value. The net value is adjusted for the estimated write-down for older articles, physically damaged goods, excess inventory and sales costs. The Group's large seasonality in stockpiling and sales together with weather-dependent products increase the difficulty to estimate the value of inventory. To minimize these difficulties, Husqvarna Group is constantly working with streamlining the production chain, keeping the inventory levels on a reasonably low level and focus on the inventory valuation to ensure that it is accurate in accordance with the circumstances on the closing date. The total provision for obsolescence amounts to SEK 374m (411) and the inventory net of provisions amounts to SEK 9,522m (9,225).

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

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

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

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

Provision for restructuring
Provision for restructuring represents the expected payments to be incurred in the coming years as a consequence of Husqvarna Group's decision to close some factories, rationalize production and reduce personnel. The amounts are based on the Group management's best estimates and are adjusted when changes to these estimates are known. Provision for reduction of personnel is calculated on individual basis except for most Blue Collar workers where negotiations are made collectively and are based on management's best estimate of the amount expected to be paid out. For further information refer to note 21.

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

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

Note 3 Segment information

Husqvarna Group has four divisions: Husqvarna, Gardena, Consumer Brands and Construction, which forms the basis for the Group's internal reporting reviewed by the Group's President and CEO (Husqvarna Group's chief operating decision maker) in order to assess performance and make decisions on resource allocation.

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

The Divisions consist of separate legal units as well as parts of multi-segment legal units meaning that an amount of allocation of costs and net assets is distributed among the Divisions. Operating costs not included in the Divisions are shown under Group common, which mainly include costs for Husqvarna Group's corporate functions. No sales of finished products are made between the Divisions.

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

All divisions include production, development, logistics, marketing and selling. The Divisions Husqvarna, Gardena and Consumer Brands include selling of forest, park and garden products to retailers and dealers. Forest, park and garden products comprise five product categories; Wheeled products, Electric products, Handheld products, Watering and hand tools and finally Accessories. The Construction Division includes sales of machines and diamond tools for the construction and stone industries. Group common includes royalty income from licenses of intellectual property such as brand names.

2017

SEKm	Husqvarna	Gardena	Consumer Brands	Construction	Group common [1]	Undistributed items [2]	Group
Net sales (external)	19,733	5,630	9,009	5,015	7	–	39,394
Operating income [3]	2,740	706	–65	649	–240	–	3,790
Financial income	–	–	–	–	–	20	20
Financial expenses	–	–	–	–	–	–520	–520
Income after financial items	**2,740**	**706**	**–65**	**649**	**–240**	**–500**	**3,290**
Total assets	12,890	7,430	5,622	5,514	36	3,926	35,418
Liabilities	3,863	1,034	1,451	918	388	12,097	19,751
Total equity	–	–	–	–	–	15,667	15,667
Total equity and liabilities	**3,863**	**1,034**	**1,451**	**918**	**388**	**27,764**	**35,418**
Cash flow from operations [4]	2,566	643	31	529	–244	–	3,525
Depreciation/amortization and impairment [3]	562	223	315	214	1	–	1,315
Investments in property, plant and equipment	–737	–215	–259	–92	–2	–	–1,305
Investments in intangible assets	–353	–92	–60	–82	–	–	–587
	2,038	**559**	**27**	**569**	**–245**	–	**2,948**
Change in other operating assets and liabilities [5]	–	–	–	–	–	–203	–203
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	–	–	–	–	–	–1,619	–1,619
Investments and divestments of financial assets	–	–	–	–	–	–358	–358
Net financial items, received/paid	–	–	–	–	–	–467	–467
Taxes paid	–	–	–	–	–	–431	–431
Cash flow from operations and investments	**2,038**	**559**	**27**	**569**	**–245**	**–3,078**	**–130**

2016

SEKm	Husqvarna	Gardena	Consumer Brands	Construction	Group common[1]	Undistributed items[2]	Group
Net sales (external)	**17,960**	**5,033**	**8,888**	**4,101**	**–**	**–**	**35,982**
Operating income[3]	2,317	595	3	568	–265	–	3,218
Financial income	–	–	–	–	–	29	29
Financial expenses	–	–	–	–	–	–451	–451
Income after financial items	**2,317**	**595**	**3**	**568**	**–265**	**–422**	**2,796**
Total assets	**12,317**	**6,952**	**6,259**	**3,627**	**46**	**3,777**	**32,978**
Liabilities	3,642	808	2,003	660	478	11,022	18,613
Total equity	–	–	–	–	–	14,365	14,365
Total equity and liabilities	**3,642**	**808**	**2,003**	**660**	**478**	**25,387**	**32,978**
Cash flow from operations[4]	2,365	417	–161	634	–265	–	2,990
Depreciation/amortization and impairment[3]	506	204	289	159	6	–	1,164
Investments in property, plant and equipment	–774	–158	–476	–75	–6	–	–1,489
Investments in intangible assets	–256	–65	–40	–39	–	–	–400
	1,841	**398**	**–388**	**679**	**–265**	**–**	**2,265**
Change in other operating assets and liabilities[5]	–	–	–	–	–	34	34
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	–	–	–	–	–	59	59
Net financial items, received/paid	–	–	–	–	–	–353	–353
Taxes paid	–	–	–	–	–	–280	–280
Cash flow from operations and investments	**1,841**	**398**	**–388**	**679**	**–265**	**–540**	**1,725**

1) Group common include common group services such as Holding, Treasury and Risk Management.
2) Undistributed items consists of liquid funds and other interest-bearing assets, interest-bearing liabilities, equity and tax items.
3) Husqvarna Group assess the performance of the segments based on operating income, excluding items affecting comparability. There are no items affecting comparability for 2017 and 2016. Impairment in the Group amount to SEK 29m (36) whereof SEK 10m (22) refer to the Husqvarna Division, SEK 1m (1) to Gardena, SEK 17m (7) to Consumer Brands, SEK 1m (2) to Construction and SEK 0m (4) Group common.
4) Cash flow from operations per division is calculated excluding depreciation/amortization and impairment, capital gains and losses, other non-cash items, paid restructuring expenses, net financial items, taxes paid and change in other operating assets/liabilities.
5) Change in other operating assets/liabilities also include other non cash items, paid restructuring expenses, and capital gains and losses.

Geographic information

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

	Net sales, external		Non-current assets[1]	
SEKm	2017	2016	2017	2016
Sweden	1,848	1,641	5,135	3,056
France	2,004	1,896	9	8
Germany	4,772	4,045	6,216	6,014
Rest of Europe	10,333	9,005	941	850
Asia/Pacific	3,119	2,883	982	1,036
Canada	1,406	1,246	136	141
US	14,362	13,819	4,116	4,528
Latin America	1,291	1,193	28	28
Rest of the World	259	254	0	1
Total	**39,394**	**35,982**	**17,563**	**15,662**

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

Net sales per product category

SEKm	2017	2016
Forest, park and garden products	34,372	31,881
Construction products	5,015	4,101
Other	7	–
Total	39,394	35,982

Information about major customers

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

Note 4 Employees and employee benefits

Average number of employees

	2017			2016		
	Men	Women	Total	Men	Women	Total
Sweden	1,457	479	1,936	1,357	418	1,775
Germany	1,099	534	1,633	1,028	512	1,540
Czech Republic	433	492	925	405	437	842
UK	285	71	356	257	68	325
Poland	136	67	203	190	109	299
Rest of Europe	1,049	388	1,437	1,020	364	1,384
Total Europe	**4,459**	**2,031**	**6,490**	**4,257**	**1,908**	**6,165**
China	658	198	856	839	179	1,018
Japan	331	60	391	337	61	398
Rest of Asia/Pacific	171	84	255	147	86	233
Total Asia/Pacific	**1,160**	**342**	**1,502**	**1,323**	**326**	**1,649**
US	2,846	1,996	4,842	2,592	1,882	4,474
Canada	89	51	140	103	55	158
Total North America	**2,935**	**2,047**	**4,982**	**2,695**	**1,937**	**4,632**
Brazil	136	39	175	131	37	168
Rest of Latin America	40	17	57	24	19	43
Total Latin America	**176**	**56**	**232**	**155**	**56**	**211**
Other	28	18	46	29	18	47
Total	**8,758**	**4,494**	**13,252**	**8,459**	**4,245**	**12,704**
Whereof:						
Board members	41	6	47	34	7	41
Presidents and other senior managers	44	3	47	41	2	43

Salary and remuneration

SEKm	2017	2016
Salary expenses	5,121	4,680
Social expenses	922	822
Pension expenses – defined benefit obligations	135	112
Pension expenses – defined contribution plans	130	125
Total	**6,308**	**5,739**
Whereof remuneration to Board, Presidents and other senior managers [1]		
Salary expenses	132	127
(whereof variable salary expenses)	(75)	(65)
Social expenses	41	38
Pension expenses	19	18

[1] Refers to salary expenses for all board members, presidents and other senior executives in the Parent Company and subsidiaries.

Remuneration to Group Management

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits [1]	Severance pay etc.	Total
	2017						
President and CEO	9,833	7,664	3,933	6,593	180	–	28,203
Other members of Group Management [2]	34,514	25,843	12,702	16,103	524	–	89,686
Total	**44,347**	**33,507**	**16,635**	**22,696**	**704**	–	**117,889**

[1] Refers to housing, travel and car benefits.
[2] Other members of Group Management comprise eleven individuals. One individual has left Group Management during the year.

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits [1]	Severance pay etc.	Total
	2016						
President and CEO	9,500	8,997	3,800	4,613	180	–	27,090
Other members of Group Management [2]	32,822	32,413	11,946	10,703	2,214	–	90,098
Total	**42,322**	**41,410**	**15,746**	**15,316**	**2,394**	–	**117,188**

[1] Refers to housing, travel and car benefits.
[2] Other members of Group Management comprise twelve individuals.

Remuneration principles to the Board and senior executives
For the CEO and other members of Group Management, the principles for remuneration approved by the AGM 2017 apply. The principles shall apply to contracts of employment entered into after the AGM and also to amendments made thereafter to contracts of employment that are in force. Remuneration to Group Management is determined by the Board of Directors based on proposals from the Board of Directors' Remuneration Committee. Under special circumstances, the Board of Directors may deviate from these guidelines. In the case of such deviation, the next AGM shall be informed of the reasons.

The overall principles for remuneration to Group Management should be based on the position held, on individual and Group performance and be competitive in the country of employment. The overall remuneration package for Group Management comprises fixed salary, variable salary based on annual performance targets, long-term incentives and benefits such as pension and insurance benefits. Husqvarna Group aims to offer competitive and performance based remuneration. Variable remuneration may constitute a significant proportion of total remuneration, but could also be zero if the minimum level is not achieved or capped if the maximum level is attained. Variable salary to the President and Group Management is based on targets for the Group's and/ or the respective divisions' operating income, net sales, cash conversion cycle and cost savings program. The remuneration is reviewed annually by January 1.

The notice period for termination is 12 months on part of the Company and 6 months on the part of the employee and in the event of notice of termination from the employer, the CEO/ other members of Group Management is entitled to severance pay corresponding to 12 monthly salaries with deduction for any other income. Shorter period of notice and no right to severance pay might apply depending on position and country of employment for other members of Group Management. Members of Group Management shall be obliged not to compete with the Company during the notice period. Based on the circumstances in each case, a non-competition obligation with continued payment may also be applied during a maximum of 24 months from the end of the notice period.

Terms of employment for the President
The remuneration to the President and CEO comprises fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. The annual fixed salary to the President amounts to SEK 9,833t, effective January 1, 2017. The variable salary amounts to a maximum of 100% of the fixed salary. The President participates in the Group's long term incentive programs for 2015, 2016 and 2017 (LTI 2015, LTI 2016 and LTI 2017). For information on these programs, see "Long term incentive programs (LTI)" below. The President is entitled to housing allowance.

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

Terms of employment for other members of Group Management
As with the President, other members of Group Management receive a remuneration package comprised of fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. The variable salary amounts to a maximum 60-150% of the fixed salary. One of the members of Group Management is also covered by a special turn-around bonus which amounts to maximum 150% of the fixed salary. This bonus is paid in March 2019 if defined target for the division's operating income has been achieved by the end of 2018. Members of Group Management participate in the Group's long term incentive programs, for information on these programs, see "Long term incentive programmes (LTI)" below.

Pension terms for other members of Group Management
The members of Group Management employed in Sweden (9 out of 11) are covered by the collectively agreed ITP plan and the alternative rule of the plan. Most of these individuals are also covered by the Husqvarna Executive Pension Plan, which is a defined contribution plan. The employer contribution to the plan is equivalent to 35% of the pensionable salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary. Also last year's variable salary paid is pensionable for those who were covered by the plan before 2013. The pension age is 65 for the members of Group Management who are employed in Sweden. The members of Group Management that are not employed in Sweden are covered by the Group's company retirement plans in the respective country of employment (Germany and the US). Pension age is 65 or higher.

Fees to the Board of Directors
The Annual General Meeting 2017 authorized fees to the Board of Directors amounting to SEK 5,605t (5,950) in total, whereof SEK 1,825t (1,775) to the Chairman and SEK 525t (515) to each of the other Board members, not employed by the company, including a total of SEK 630t (570) as fees for Board Committee work. No consulting fees were paid to Board members. No board fees are paid to Board members who are also employed by the Group.

	2017			2016
SEKt	Fee	Fee for Board committe work	Total fee	Total fee
Tom Johnstone	1,825	120	1,945	1,885
Ulla Litzén	525	190	715	695
Katarina Martinson	525	100	625	600
Bertrand Neuschwander	525	60	585	515
Daniel Nodhäll	525	100	625	600
Lars Pettersson	525	60	585	570
Christine Robins [1]	525	–	525	–
Kai Wärn	–	–	–	–
Magdalena Gerger [2]	–	–	–	515
David Lumley [2]	–	–	–	570
Soili Johansson	–	–	–	–
Annika Ögren	–	–	–	–
Carita Spångberg [3]	–	–	–	–
Lotta Widehäll [3]	–	–	–	–
Total	**4,975**	**630**	**5,605**	**5,950**

1) Elected at the 2017 AGM.
2) Resigned at the 2017 AGM.
3) Deputy.

Board members are expected to engage themselves financially by acquiring Husqvarna shares, corresponding to approximately one year's board fee, within a period of five years. There are no agreements in place governing severance pay to Board member not employed by the Company.

Long term incentive programmes (LTI)
The purpose of the long term incentive programmes is to influence and award performance long term, align shareholders' and managements' interest, attract and retain key employees and to some extent provide variable remuneration instead of fixed salary. The Board of Directors will annually evaluate if a long-term incentive program (e.g. share-based or share-price based) should be proposed to the AGM. There are three on-going long term incentive programmes not yet vested; LTI 2015, LTI 2016 and LTI 2017.

LTI 2015, LTI 2016 and LTI 2017
The Annual General Meetings 2015, 2016 and 2017 authorized the implementation of the incentive programmes LTI 2015, LTI 2016 and LTI 2017, which comprise less than 70 (LTI 2015)/ 80 (LTI 2016 and LTI 2017) managers. The programmes comprise of share match awards and performance based share awards and have a three year vesting period. In order to participate in LTI 2015, the employees must buy Class B-shares in Husqvarna corresponding to 5-10% of his/her annual fixed salary. For LTI 2016 and LTI 2017 the purchase of Husqvarna shares is voluntary for participants that are not part of Group Management, while members of Group Management must buy shares corresponing to 10% of his/her annual fixed salary, 15% applies for the CEO. For each share which the employee participates with within the framework of the LTI program, the Company will grant one share match award.

The grant of performance based share awards is linked to the participant's annual target salary (fixed salary plus variable salary at target level). In order to receive the share match and the performance based shares, the employee must stay employed three years after grant date and maintain the original investment.

The number of performance based share awards that vest and give right to Class B-shares further depend on the fulfilment of certain targets of the Company's value creation during the calendar years 2015-2017 (LTI 2015) / 2016-2018 (LTI 2016) / 2017-2019 (LTI 2017). There are three performance levels set, with a linear progression of the number of performance based share awards from minimum to maximum level for each program. The minimum level must be exceeded in order for the performance based share awards to vest.

The performance levels corresponds to the following number of B-shares:

Performance level	LTI 2015	LTI 2016 / LTI 2017
Entry	0 shares	0 shares
Target	25% of target salary/ share price [1]	25% (CEO 30%) of target salary/ share price [1]
Stretch	40% of target salary/ share price [1]	50% (CEO 60%) of target salary/ share price [1]

1) SEK 66.14 for LTI 2015, 53.25 for LTI 2016 and 74.93 for LTI 2017 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the period 16-27 Feburary for LTI 2015, the month of February 2016 for LTI 2016 and the month of February 2017 for LTI 2017.

The value of the programmes is calculated based on the fair value of the share on grant date, as was SEK 59.70 for LTI 2015, SEK 60.00 for LTI 2016 and SEK 82.90 for LTI 2017, adjusted for expected dividend.

The participants participate with the following number of shares in total 131,062 in LTI 2015, 157,777 in LTI 2016 and 129,718 in LTI 2017. The programmes comprise maximum 949,100 in LTI 2015, 1,839,311 in LTI 2016 and 1,426,028 in LTI 2017, matching shares and performance shares.

LTI 2015 result
The performance period for LTI 2015 ended December 31, 2017. The following table shows the number of matching and performance based share awards to be awarded to participants by May 25, 2018, provided that the participant remains employed and has maintained the personal investment in shares. The targets for value creation, determined by the Board of Directors, are SEK 1,750m for "entry" level, SEK 3,240m for "target" level and SEK 4,030m for the maximum level "stretch". The actual result was SEK 3,011m, which means that performance share awards will be awarded to 84.6% of the number of shares on "target" level.

	Share awards LTI 2015		
Participants	Matching shares	Performance shares	Total
President and CEO	13,064	40,771	53,835
Other members of Group Management	39,098	122,944	162,042
Other participants	78,900	268,820	347,720
Total	**131,062**	**432,535**	**563,597**

Share awards
The table below outlines the number of granted share rights forfeited and exercised:

	2017			2016		
Share awards	LTI 2017	LTI 2016	LTI 2015	LTI 2016	LTI 2015	LTI 2014
At January 1	–	1,951,522	1,010,014	–	1,082,523	1,291,998
Granted	1,475,635	–	–	2,028,646	–	–
Forfeited	–49,607	–112,211	–446,417	–77,124	–72,509	–74,542
Exercised	–	–	–	–	–	–
At December 31	**1,426,028**	**1,839,311**	**563,597**	**1,951,522**	**1,010,014**	**1,217,456**

The LTI programmes are expensed during the three years vesting period. During 2017, SEK 73m (60) has been charged to the income statement, whereof SEK 17m (17) refers to cost for employer social contributions. The total provision for employer social contributions in the balance sheet amounted to SEK 26m (27).

LTI 2009
The performance period for LTI 2009 ended December 31, 2011 and matching shares and options were awarded the participants on vesting date June 1, 2012. The awarded options give the participants the right to buy one Husqvarna class-B share for each option, to an exercise price of SEK 48 per share. The weighted average share price of the options exercised during the period was SEK 82.21. The exercise period for the options expired June 1, 2017 and consequently there are no longer any outstanding options.

Note 5 Expenses by nature

SEKm	2017	2016
Costs for supplies and raw materials	18,901	16,903
Employee benefit expenses	6,308	5,739
Amortization/depreciation and impairment	1,315	1,164
Other	9,147	8,955
Total	35,671	32,761

Research and development expenses amount to SEK 1,342m (1,241) and is included in the expenses above.

Amortization/depreciation and impairment for the year is included in the following lines in the income statement:

	Property, plant and equipment		Intangible assets	
SEKm	2017	2016	2017	2016
Cost of goods sold	805	735	334	287
Selling expenses	58	33	–	–
Administrative expenses	37	32	81	77
Total	900	800	415	364

Impairment for property, plant and equipment is recorded within Cost of goods sold by SEK 28m (13) and within Administrative expenses by SEK 1m (5).

Impairment for intangible assets is recorded within Cost of goods sold by SEK 0m (18).

Note 6 Other operating income and operating expenses

SEKm	2017	2016
Other operating income		
Gain on divestment/liquidation of:		
Property, plant and equipment	7	5
Operations/subsidiaries	61	2
Total	68	7
Other operating expenses		
Loss on divestment/liquidation of:		
Property, plant and equipment	–1	0
Operations/subsidiaries	–	–10
Total	–1	–10

Note 7 Fees to auditors

SEKm	2017	2016
EY		
Audit fees for the annual audit engagement	21	22
Audit fees not included in the annual audit engagement	2	2
Tax advice	3	3
Other services	1	3
Total fees to EY	27	30
Audit fees to other auditors	0	0
Total fees to auditors	27	30

Note 8 Exchange rate gains and losses in operating income

SEKm	2017	2016
Exchange rate gains and losses in operating income [1]	–86	–10
Total	–86	–10

1) Included in selling expenses.

Operating income includes SEK 33m (50) of foreign exchange hedging result previously reported in other comprehensive income.

Information related to the accounting of cash flow hedges is presented in note 1.

Note 9 Leasing

Operating leases

There are no material contingent expenses or restrictions among the Group's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 469m (443) in 2017.

Future minimum lease payments are allocated as follows:

SEKm	2017	2016
Within 1 year	418	406
1-5 years	961	822
> 5 year	291	255
Total	1,670	1,483

Financial leases

No financial non-cancellable contracts are subcontracted within the Group. Neither are there any significant contingent expenses in the period's results, nor any significant restrictions in the contracts related to the leasing of facilities.

Future minimum lease payments are allocated as follows:

SEKm	2017	2016
Within 1 year	39	40
1-5 years	151	150
> 5 year	148	179
Nominal value	338	369
Present value	213	222

Maturity profile for financial leasing liabilities are included in note 19.

Financial leases, recognized as non-current assets, consisted of:

SEKm	2017	2016
Acquisition value		
Buildings and land	408	400
Machinery and technical installations	7	14
Closing balance, December 31	415	414
Accumulated depreciation		
Buildings and land	282	265
Machinery and technical installations	6	10
Closing balance, December 31	288	275
Net book value, December 31	127	139

Note 10 Financial income and expenses

SEKm	2017	2016
Financial income		
Interest income on deposits	16	16
Exchange rate differences		
– on borrowings	–	103
– on derivatives held for trading	–	–98
Other financial income	4	8
Total financial income	20	29
Financial expenses		
Interest expenses		
– on borrowings	–156	–163
– on cashflow hedges, interest rate derivatives	–36	–40
– on derivatives held for trading	–235	–166
– net on pension assets/liabilities	–32	–35
Exchange rate differences		
– on borrowings	–161	–
– on derivatives held for trading	155	–
Other financial expenses	–55	–47
Total financial expenses	–520	–451
Financial income and expenses, net	–500	–422

Note 11 Tax

SEKm	2017	2016
Current tax on income for the period	–529	–404
Deferred tax	–101	–288
Total	–630	–692

Theoretical and actual tax rates

	2017		2016	
SEKm	Tax. %	Result	Tax. %	Result
Income before taxes	–	3,290	–	2,796
Theoretical tax rate	–26.3	–865	–24.1	–674
Non-taxable items	11.0	362	4.0	112
Items not deductible for tax purposes	–1.8	–58	–1.6	–44
Change in valuation of deferred tax	1.1	35	–0.8	–24
Utilization of previously unrecognized tax losses	0.2	7	0.0	0
Effect of tax rate change [1]	–3.0	–99	–0.1	–4
Withholding tax	–0.3	–11	–1.1	–32
Other	0.0	–1	–1.0	–26
Actual tax rate	–19.1	–630	–24.7	–692

1) The majority of the effect in 2017 is related to the US tax reform.

The theoretical tax rate for the Group is calculated on the basis of the weighted total income before tax per country, multiplied by the local statutory tax rate.

Tax loss carry-forwards
As of December 31, 2017, the Group has tax loss carry-forwards of SEK 1,107m (1,198), whereof SEK 189m (273) has not been deemed to meet the criteria for asset recognition of deferred tax assets. The tax loss carry-forwards will expire as follows (gross amounts):

SEKm	2017	2016
Within a year	0	0
1–5 year	95	78
> 5 year	703	679
Without time limit	309	441
Total	1,107	1,198

Changes in deferred taxes

SEKm	Opening balance, Jan 1, 2017	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets/ subsidiaries	Closing balance, Dec 31, 2017
Non-current assets	–1,222	–135	–	–6	–155	–1,518
Inventories	137	10	–	4	13	164
Current receivables	76	14	–	2	–	92
Provision for pensions and similar commitments	397	–32	–4	–6	–	355
Other provisions	214	–68	–	–12	–6	128
Financial and operating liabilities	110	160	–158	–8	–	104
Other items	–270	–23	–	2	–	–291
Tax losses carried forward	316	–27	–	–21	–	268
Deferred tax assets and liabilities, net	–242	–101	–162	–45	–148	–698

SEKm	Opening balance, Jan 1, 2016	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets/ subsidiaries	Closing balance, Dec 31, 2016
Non-current assets	–1,144	2	–	–54	–26	–1,222
Inventories	61	72	–	3	1	137
Current receivables	24	55	–	–3	–	76
Provision for pensions and similar commitments	305	47	28	17	–	397
Other provisions	232	–31	–	13	–	214
Financial and operating liabilities	108	–190	179	13	–	110
Other items	–237	–15	–	–	–18	–270
Tax losses carried forward	518	–228	–	26	–	316
Deferred tax assets and liabilities, net	**–133**	**–288**	**207**	**15**	**–43**	**–242**

Tax items recognized in Other comperehensive income amounts to SEK –4m (28) for items related to Remeasurements on defined benefit pension plans, SEK 20m (9) for Cash flow hedges and SEK –178m (170) for Net investment hedge.

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
SEKm	2017	2016	2017	2016	2017	2016
Non-current assets	99	136	1,617	1,358	–1,518	–1,222
Inventories	257	323	93	186	164	137
Current receivables	116	106	24	30	92	76
Provisions for pensions and similar commitments	355	400	0	3	355	397
Other provisions	166	214	38	0	128	214
Financial and operating liabilities	185	200	81	90	104	110
Other items	139	181	430	451	–291	–270
Tax losses carried forward	268	316	–	–	268	316
Deferred tax assets and liabilities	**1,585**	**1,876**	**2,283**	**2,118**	**–698**	**–242**
Set-off of tax	–388	–462	–388	–462	–	–
Deferred tax assets and liabilities, net [1]	**1,197**	**1,414**	**1,895**	**1,656**	**–698**	**–242**

[1)] Deferred tax assets amounted to SEK 1,197m, whereof SEK 355m is expected to be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,895m, whereof SEK 19m are due within 12 months.

No deferred tax liability is recognised on temporary differences relating to the distributable earnings of subsidiaries as the parent company is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Note 12 Earnings per share

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

	2017	2016
Profit attributable to equity holders of the Parent Company (SEKm)	2,654	2,100
Weighted average numbers of ordinary shares in issue (millions)	572.0	572.3
Earnings per share before dilution (SEK)	4.64	3.67

Diluted
Diluted earnings per share is calculated by adjusting the weighted average numbers of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's long term incentive plan contains share options and share savings program which have a dilutive potential.

	2017	2016
Profit attributable to equity holders of the Parent Company (SEKm)	2,654	2,100
Weighted average numbers of ordinary shares in issue (millions)	572.0	572.3
Adjusted for:		
– share savings program (millions)	2.2	1.8
Weighted average numbers of ordinary shares in issue (millions)	574.2	574.1
Earnings per share after dilution (SEK)	4.62	3.66

Note 13 Property, plant and equipment

SEKm	Land and land improvements	Buildings and leasehold improvements	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
2017						
Opening accumulated acquisition value	315	3,395	12,410	1,267	1,177	18,564
Acquired companies	13	53	3	11	–	80
Investments	–	141	361	101	702	1,305
Sold, scrapped	–2	–81	–456	–93	–	–632
Reclassification	71	349	–363	751	–808	–
Exchange rate differences	–8	–92	–495	–34	–45	–674
Closing accumulated acquisition value	**389**	**3,765**	**11,460**	**2,003**	**1,026**	**18,643**
Opening accumulated depreciation and impairment	100	2,140	9,874	978	–	13,092
Depreciation	12	126	618	115	–	871
Impairment	–	–	29	–	–	29
Sold, scrapped	–	–60	–450	–86	–	–596
Reclassification	–3	–	–690	693	–	–
Exchange rate differences	–3	–80	–449	–27	–	–559
Closing accumulated depreciation and impairment	**106**	**2,126**	**8,932**	**1,673**	**–**	**12,837**
Closing balance, December 31, 2017	**283**	**1,639**	**2,528**	**330**	**1,026**	**5,806**
2016						
Opening accumulated acquisition value	293	3,106	11,078	1,192	1,044	16,713
Acquired companies	–	4	1	1	–	6
Investments	2	71	376	98	942	1,489
Sold, scrapped	–1	–23	–332	–95	–6	–457
Reclassification	6	93	707	16	–822	–
Exchange rate differences	15	144	580	55	19	813
Closing accumulated acquisition value	**315**	**3,395**	**12,410**	**1,267**	**1,177**	**18,564**
Opening accumulated depreciation and impairment	85	1,948	9,116	944	–	12,093
Depreciation	8	103	577	94	–	782
Impairment	–	7	11	–	–	18
Sold, scrapped	–	–16	–323	–90	–	–429
Reclassification	–	–	15	–15	–	–
Exchange rate differences	7	98	478	45	–	628
Closing accumulated depreciation and impairment	**100**	**2,140**	**9,874**	**978**	**–**	**13,092**
Closing balance, December 31, 2016	**215**	**1,255**	**2,536**	**289**	**1,177**	**5,472**

For information of where in the income statement the depreciation and impairment is reported, see note 5.

Note 14 Intangible assets

SEKm	Goodwill	Brands	Product development	Other	Total
2017					
Opening accumulated acquisition value	6,810	3,429	2,630	1,437	14,306
Acquired companies	847	138	–	557	1,542
Investments	–	–	370	217	587
Sold, scrapped	–	–	–9	–	–9
Exchange rate differences	–200	80	–65	–26	–211
Closing accumulated acquisition value	**7,457**	**3,647**	**2,926**	**2,185**	**16,215**
Opening accumulated amortization and impairment	796	326	2,034	960	4,116
Amortization	–	21	199	195	415
Impairment	–	–	–	–	–
Sold, scrapped	–	–	–9	–	–9
Exchange rate differences	26	–2	–62	–26	–64
Closing accumulated amortizations and impairment	**822**	**345**	**2,162**	**1,129**	**4,458**
Closing balance, December 31, 2017	**6,635**	**3,302**	**764**	**1,056**	**11,757**
2016					
Opening accumulated acquisition value	6,373	3,285	2,392	1,288	13,338
Acquired companies	42	–	–	74	116
Investments	–	–	247	153	400
Sold, scrapped	–	–	–71	–125	–196
Exchange rate differences	395	144	62	47	648
Closing accumulated acquisition value	**6,810**	**3,429**	**2,630**	**1,437**	**14,306**
Opening accumulated amortizations and impairment	760	305	1,829	905	3,799
Amortization	–	8	202	136	346
Impairment	–	–	16	2	18
Sold, scrapped	–	–	–71	–123	–194
Exchange rate differences	36	13	58	40	147
Closing accumulated amortizations and impairment	**796**	**326**	**2,034**	**960**	**4,116**
Closing balance, December 31, 2016	**6,014**	**3,103**	**596**	**477**	**10,190**

For information of where in the income statement the amortization and impairment is reported, see note 5.

The values of intangible assets with indefinite life are tested for impairment annually, or more frequently if impairment indicators are identified. An impairment loss is recognized with the amount by which the assets' net carrying amount exceeds its recoverable amount. The recoverable amount of a cash generating unit is determined based on estimates of value in use. Value in use is measured as expected future discounted cash flow before tax.

Future discounted cash flows before tax are based on by Group Management, approved five-year forecasts for each cash generating unit. Key assumptions for forecasting are the expected growth, margins and discount rates. Cash flows beyond the five year forecast have been extrapolated using an estimated growth rate of 2% (2) for all cash generating units.

Forecasted margin is partly based on previous results and partly on the expected market development. The pre-tax discount rate is based on the risk-free interest, market premium, beta value, capital structure and tax rate. External sources have been used as much as possible when determining these parameters, but the discount rate is still largely dependent on management's own assumptions. A common discount rate is used for all cash generating units since Group Treasury is centrally responsible for the handling of financing and capital structure. A pre-tax discount rate of 11% (11) has been used for 2017.

During 2017, value in use has exceeded the net book value for all cash-generating units, and accordingly, no impairment has been recognized.

Intangible assets with indefinite useful lives per cash generating unit (division):

SEKm	2017	2016
Husqvarna	2,634	2,702
Gardena [1]	4,499	4,383
Consumer Brands	731	782
Construction	1,937	1,230
Total Group	9,801	9,097

1) Whereof SEK 3,166m (3,083) relates to the net book value of the Gardena brand, which Husqvarna Group has assigned indefinite useful life. This is because the brand has a strong position among consumers and Husqvarna Group intends to maintain and further develop the brand.

The following two sensitivity analysis have been made of the estimated value in use:
- 10% higher discount rate
- 10% decreased cash flow

None of these adjusted assumptions would result in an impairment loss of intangible assets with indefinite useful lives, in any of the cash generating units.

Under the current business environment, management do not believe that any reasonably possible change in discount rate or in any of the other key assumptions on which the cash generating units' recoverable amounts are based upon would result in the net book value amount exceeding the recoverable amount.

Note 15 Other non-current assets

SEKm	2017	2016
Long-term holdings in securities	347	2
Net pension assets	120	32
Other long-term receivables	60	59
Total	527	93

Pension assets refer to pension plans with a net surplus of SEK 120m (32).

Note 16 Inventories

SEKm	2017	2016
Finished products	6,835	6,747
Supplies including raw materials	2,446	2,240
Work in progress	241	238
Total	9,522	9,225

The cost of inventories recognized as expense and included in Cost of goods sold amounted to SEK 24,723m (22,817).

Provisions for obsolescence are included in the value of the inventory. Provision made during the year amount to SEK 55m (73) and SEK 75m (136) has been reversed.

Inventories valued to net realizable value amounted to SEK 34m (57) referring to raw material and SEK 271m (391) referring to finished products.

Note 17 Other current assets

SEKm	2017	2016
Value added tax	353	413
Miscellaneous short-term receivables	173	133
Prepaid rents and leases	13	16
Prepaid insurance premiums	14	23
Prepaid supplies	55	54
Other prepaid expenses	329	324
Total	937	963

Note 18 Equity

Share capital

The share capital in Husqvarna AB consists of class A-shares and class B-shares. A class A-share entitles the holder to one vote and a class B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Other paid-in capital

Other paid-in capital consists of share-premium reserve following the rights issue in 2009.

Other reserves

The translation reserve includes all exchange rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented (SEK). The translation reserve also include net investments hedges.

The hedging reserve includes the effective portion of the accumulated net change in the fair value, related to the hedged risk, of cash-flow hedging instruments attributable to hedged items that have not yet occured.

Retained earnings

Retained earnings consist of accrued profits and also of the change in pension liability attributable to remeasurements of defined benefit plans recognized in "Total comprehensive income". Regarding changes in actuarial assumptions, see also Note 20. The proposed dividend for 2017 is SEK 2.25 (1.95).

Non-controlling interests

Non-controlling interests refer to the share of equity that belongs to external interests without a controlling influence in certain subsidiaries within the Group.

Share capital

SEKm	
On December 31, 2016, the share capital comprised:	
113,393,909 Class A-shares, par value SEK 2	227
462,949,869 Class B-shares, par value SEK 2	926
Total	1,153
On December 31, 2017, the share capital comprised:	
112,513,001 Class A-shares, par value SEK 2	225
463,830,777 Class B-shares, par value SEK 2	928
Total	1,153

Number of shares	Treasury shares	Outstanding shares	Total
Shares, December 31, 2016			
Class A-shares	–	113,393,909	113,393,909
Class B-shares	4,263,233	458,686,636	462,949,869
Exercised options LTI 2009			
Class A-shares	–	–	–
Class B-shares	–91,606	91,606	–
Long term incentive program 2014			
Class A-shares	–	–	–
Class B-shares	–1,197,117	1,197,117	–
Conversion of shares			
Class A-shares	–	–880,908	–880,908
Class B-shares	–	880,908	880,908
Hedge for LTI-programs			
Class A-shares	–	–	–
Class B-shares	3,900,000	–3,900,000	–
Sales of treasury shares			
Class A-shares	–	–	–
Class B-shares	–1,674,510	1,674,510	–
Shares, December 31, 2017			
Class A-shares	–	112,513,001	112,513,001
Class B-shares	5,200,000	458,630,777	463,830,777

Other reserves

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, January 1, 2017	**–5**	**663**	**–600**	**58**
Result arising during the year	–72	–	665	593
Tax on result arising during the year	16	–	–146	–130
Reclassification adjustments to the income statement	–19	–202	145	–76
Tax on reclassification adjustments to the income statement	4	–	–32	–28
Currency translation difference	–	–491	–	–491
Closing balance, December 31, 2017	**–76**	**–30**	**32**	**–74**

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, January 1, 2016	**28**	**–392**	**5**	**–359**
Result arising during the year	–14	–	–775	–789
Tax on result arising during the year	3	–	170	173
Reclassification adjustments to the income statement	–28	–	–	–28
Tax on reclassification adjustments to the income statement	6	–	–	6
Currency translation difference	–	1,055	–	1,055
Closing balance, December 31, 2016	**–5**	**663**	**–600**	**58**

Note 19 Financial risk management and financial instruments

FINANCIAL RISK MANAGEMENT

Financial risk management for Husqvarna Group entities is undertaken in accordance with the Group Financial Policy. Described below are the principles of financial risk management applicable to Husqvarna Group. Husqvarna Group is exposed to a number of risks relating to financial instruments including, for example, liquid funds, trade receivables, other receivables, trade payables, other liabilities, borrowings and derivative instruments. The primary risks associated with these instruments are:

- Financing risks in relation to the Group's capital requirements.
- Interest rate risks on liquid funds and borrowings.
- Foreign exchange risks on export and import flows plus earnings and net investments in foreign operations.
- Commodity price risks affecting expenditure on raw materials and components for goods produced.
- Credit risks relating to financial and commercial activities.

The Board of Directors of Husqvarna Group has adopted a Group Financial Policy, as well as a Group Credit Policy to regulate the management and control of these risks. These risks are to be managed according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets. The purpose of the policy is to have enough funding available to minimize the Group's cost of capital and to achieve an effective management of the Group's financial risks.

The management of financial risks has largely been centralized to Husqvarna Group Treasury, where measurement and control of financial risks are performed on a daily basis by a separate risk control function. Furthermore, Husqvarna Group's policies include guidelines for managing operating risk relating to financial instruments, e.g. through the clear assignment of responsibilities and the allocation of powers of attorney.

Proprietary trading in currencies and interest-bearing instruments is permitted with tight limits set within the framework of the Financial Policy. The primary purpose of such trading is to maintain a flow of high quality information and market knowledge, as well as to contribute to the proactive management of the Group's financial risks.

FINANCING RISK

Financing risk refers to the risk that the financing of the Group's capital requirements and the refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturities are evenly distributed over time, and that total short-term borrowings do not exceed available liquidity. Disregarding seasonal variations, net debt shall be long-term, according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least two years, and an even distribution of maturities. A maximum of SEK 3,000m in borrowings, originally long-term, is normally allowed to mature in the next 12-month period. When Husqvarna Group assesses its re-financing risk, the maturity profile is adjusted for available unutilized committed credit facilities.

In addition, seasonality in the cash flow is an important factor in the assessment of the financing risk. Consequently, Husqvarna Group always takes into account the fact that financial planning must include future seasonal fluctuations.

The average adjusted time to maturity for the Group's financing was 3.7 years (3.8) at the end of 2017.

Capital structure

Husqvarna Group's ambition is to have a capital structure where seasonally adjusted net debt in proportion to earnings before interest, tax, depreciations, amortizations and impairment (EBITDA) is not to exceed 2.5 in the long-term. This ambition for the capital structure may be adjusted in the event of changes to the macroeconomic situation, or allowed to deviate for a shorter period of time due to for example acquisitions. Dividend shall normally exceed 40% of income for the year.

Capital structure

SEKm	2017	2016
Net pension liability	1,698	1,727
Other interest-bearing liabilities	8,039	7,396
Less: liquid funds and other interest-bearing assets	–2,538	–2,290
Net debt	7,199	6,833
Net debt, excluding net pension liability	5,501	5,106
EBITDA	5,105	4,382
Net debt/EBITDA	1.48	1.62
Total equity	15,667	14,365
Total assets	35,418	32,978
Equity/assets ratio	44%	44%

Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits including derivative assets at fair market value. Husqvarna Group's goal is that the level of liquid funds, including unutilized committed credit facilities, shall equal at least 2.5% of sales for the last 12-months. At year-end, this ratio was 20.8% (20.3). In addition, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

Borrowings

The financing of Husqvarna Group is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various derivatives are used to convert the funds to the required currency. Financing is also undertaken locally, mostly in countries in which there are legal restrictions preventing financing through Group companies. The major part of the Group's financing is currently conducted through bilateral loan agreements, bonds through a Swedish Medium Term Note (MTN) program and other bond financing. In addition, the Group has an unutilized SEK 5bn committed revolving credit facility maturing in 2021. In addition, the Group also entered into a bilateral loan agreement amounting to SEK 1bn. The committed loan will be disbursed in two tranches, both amounting SEK 500m with tenors of six and seven years. The facility is unutilized as of December 31, 2017. Due to the nature of its business, the Group has major seasonal variations in its funding needs. These variations have during 2017 been managed mainly by utilizing the Group's commercial paper (CP) program and short-term bank loans.

At year-end 2017, the Group's total interest-bearing liabilities amounted to SEK 8,039m (7,396), of which SEK 4,684m (4,953) referred to long-term loans. During the year, the Group issued bonds totalling SEK 1,750m, of which SEK 1,100m with five years maturity and SEK 650m with seven years maturity.

Husqvarna Group has, as mentioned, substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 2,500–3,500m in excess of year-end borrowings, taking dividend into account.

Husqvarna Group has not breached any conditions in external loan agreements during the year.

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2017 [1]

SEKm	2018	2019	2020	2021	2022	>2022	Total
Financial leases	–39	–38	–37	–38	–38	–148	–338
Bonds, bank loans and other loans	–3,110	–1,177	–244	–1,384	–1,123	–756	–7,794
Derivative liabilities, interest rate [2]	–27	–16	0	11	5	5	–22
Derivative liabilities, foreign exchange [2]	–430	–	–	–	–	–	–430
Trade payables	–4,098	–	–	–	–	–	–4,098
Total financial liabilities	**–7,704**	**–1,231**	**–281**	**–1,411**	**–1,156**	**–899**	**–12,682**

1) Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.
2) For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in this note.

Borrowings

	2017		2016	
SEKm	Total borrowings	Facility amount	Total borrowings	Facility amount
Medium Term Note Program	3,947	8,000	3,546	5,000
Other bond loans	932	–	941	–
Committed revolving credit facility	–	5,000	–	5,000
Committed credit facility	–	1,000	–	–
Long–term bank loans [1]	1,920	–	1,608	–
Financial leases	213	–	222	–
Commercial papers	–	7,000	–	7,000
Other short–term loans	585	–	130	–
Derivative liabilities	442	–	949	–
Total	**8,039**	**21,000**	**7,396**	**17,000**

1) Originally long–term.

Market programs

Husqvarna Group has a MTN program, denominated in SEK, to issue long-term debt in the domestic capital market. The total amount of the program is SEK 8,000m. In addition, Husqvarna Group has a Swedish CP program. The total amount of the program is SEK 7,000m. The table Borrowings shows outstanding amounts under these two programs.

The currency composition of Husqvarna Group's borrowings is dependent upon the currency distribution of the Group's assets. Currency derivatives are used to obtain the preferred currency distribution.

Net debt – currency composition

	2017		2016	
SEKm	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
USD	493	8,056	654	8,455
SEK	6,529	–3,936	5,408	–4,590
EUR	996	2,319	1,037	2,091
CZK	–36	259	–29	167
BRL	–118	180	43	581
CNY	–438	–168	–394	–215
GBP	–158	153	–74	174
PLN	–17	–150	–11	–226
HKD	0	150	0	179
Other	–52	336	199	217
Total	**7,199**	**7,199**	**6,833**	**6,833**

INTEREST RATE RISK

Interest rate risk refers to the adverse effects of changes in market interest rates on the Group's net income. The main factor determining this risk is the interest–fixing period.

Interest rate risk in liquid funds

The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The fixed interest term for these current investments was 11 days (16) at the end of 2017. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 19m (19) and the Group's equity by SEK 14m (15).

Interest rate risk in borrowings
The Financial Policy states that the benchmark for the long-term loan portfolio is an average fixed interest term of six months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed interest term is three years. Derivatives, such as interest rate swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice versa. The average fixed interest term for the non-seasonal debt was 2.5 (2.6) years at year-end. On the basis of volumes and interest fixings at the end of 2017, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK ± 7m (6) before tax. Interest rates with different maturities and different currencies may not change uniformly. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. The Group has seasonal debt for which the interest risk is not calculated due to its short-term nature. As per December 31, 2017 the average interest rate in the total loan portfolio was 4.7% (4.6). At year-end, Husqvarna Group had outstanding interest rate derivatives with a nominal amount of SEK 4,802m (3,399) hedging the interest rate risk.

Hedge accounting of interest rate risk
Husqvarna Group applies hedge accounting for the hedging of interest rate risk. The total market value for hedges of interest rate risk amounted to SEK –24m as of December 31, 2017 of which SEK –15m is reported in the hedge reserve. Assuming an unchanged market interest rate, the effects on income after financial items for 2018 would be SEK –5m for Q1, SEK –4m for Q2, SEK –8m for Q3 and SEK –1m for Q4. During the year no ineffectiveness has occurred in the hedging of interest rate risk.

The table "Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2017" shows the future cashflows of the interest rate hedges. The cashflows during 2018, assuming unchanged market interest rates, would be SEK –12m for Q1, SEK –3m for Q2, SEK –11m for Q3 and SEK –1m for Q4.

FOREIGN EXCHANGE RISK
Foreign exchange risk refers to the adverse effects of changes in foreign currency exchange rates on Husqvarna Group's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally. The major currencies to which Husqvarna Group is exposed are EUR, USD, CAD and GBP.

Transaction exposure from commercial flows
The Financial Policy stipulates hedging of forecasted sales and purchases in foreign currencies, taken into consideration the price fixing periods and the competitive environment. Normally, 75–100% of the invoiced and forecasted flows are hedged up to and including 6 months, while forecasted flows for 7–12 months are hedged between 50–75%. Group subsidiaries primarily cover their risks in commercial currency flows through Group Treasury. Group Treasury assumes the currency risks and covers such risks externally by utilizing currency derivatives, for which hedge accounting is applied.

The table below shows the forecasted transaction flows (imports and exports) for 2018, hedges at year–end 2017 and comparative amounts for the previous year.

Commercial flows

	2017		2016	
Currency SEKm	2018 Forecast flow	Total hedge amount	2017 Forecast flow	Total hedge amount
EUR	4,052	–3,477	3,833	–2,968
CAD	1,091	–773	995	–745
GBP	703	–480	218	–186
AUD	635	–395	495	–360
RUB	549	–377	455	–344
NOK	545	–376	460	–338
Other	1,147	–329	1,607	–960
CNY	–303	203	–447	368
USD	–2,935	2,043	–3,304	2,628
SEK	–5,482	3,960	–4,312	2,905

The hedging effect on operating income amounted to SEK –102m (–103) during 2017. At year-end, the unrealized exchange rate result on forward contracts, all maturing in 2018, amounted to SEK –125m (44).

Translation exposure on consolidation of entities outside Sweden
Changes in exchange rates also affect the Group's income when translating income statements of foreign subsidiaries into SEK. Husqvarna Group does not hedge such exposures. The translation exposure arising from income statements of foreign subsidiaries is included in the sensitivity analysis below.

Exposure from net investments in foreign operations
The net assets and liabilities in foreign subsidiaries constitute a net investment in foreign operations, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, part of the Group's net investments in foreign operations is hedged with foreign exchange derivatives. This means that a decline in value of a net investment is offset by exchange rate gains on foreign exchange derivative contracts.

Foreign exchange sensitivity from transaction and translation exposure
Husqvarna Group is particularly exposed to changes in the exchange rates of EUR and USD. Furthermore, the Group has significant exposures against CAD, GBP, AUD and a number of other currencies. Using a static calculation and disregarding any effects from hedges, a 10% increase or decrease in the value of all currencies against SEK would affect the Group's result before financial items and tax by approximately SEK ± 715m (600) for one year. A 10% increase of USD would affect the Group's result with SEK –220m (–250) and a corresponding decrease of EUR with SEK –460m (–420). This assumes the same distribution of earnings and costs as in 2017 and does not include any dynamic effects, such as changes in competitiveness or consumer behaviour arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna Group's sales, these flows and results are not distributed evenly throughout the calendar year.

For more information on risks related to currency exposure, see Risk Management on page 57.

Hedge accounting of currency risk
Husqvarna Group applies hedge accounting for the hedging of commercial flows and when applicable for hedging of net investments in foreign operations. The total market value for hedges of commercial flows amounted to SEK –132m as of December 31, 2017 of which SEK –83m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2018 would be SEK –44m for Q1, SEK –32m for Q2, SEK –7m for Q3 and SEK 0m for Q4.

As of December 31, 2017, USD 1,443m of net investments in foreign operations were hedged. The total market value of derivatives for net investment hedging amounted to SEK –3m of which SEK 23m is reported in the hedge reserve. During the year no ineffectiveness has occurred in the hedging of currency risk.

COMMODITY PRICE RISK
Commodity price risk is the risk of increase in the cost of direct and indirect materials should underlying commodity prices rise on the global markets. Husqvarna Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposure, and indirect commodity exposure, which is defined as exposure arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A 10% rise or fall in the price of steel used in Husqvarna Group's products will affect the Group's results before financial items and tax by approximately SEK ± 165m (170), everything else being equal. The same effect on the price of aluminium would impact the results by SEK ± 50m (50) and a 10% change in the price of plastics would give an effect on results of SEK ± 105m (100).

CREDIT RISK

Credit risk in trade receivables

Husqvarna Group sells to a substantial number of customers including large retailers, buying groups, independent stores and professional users. Sales are made on the basis of normal delivery and payment terms. Customer financing solutions are normally arranged by third parties. The Credit Policy of the Group ensures that the management process for customer credits includes customer rating, credit limits, decision levels and management of bad debts. The Board of Directors decides on customer credit limits exceeding SEK 100m. Husqvarna Group uses an internal classification of the creditworthiness of its customers. The classification has different levels, from low risk to high risk. In the table below, trade receivables have been divided into three different intervals.

SEKm	2017	2016
Low to moderate risk	1,801	2,041
Medium to elevated risk	1,433	1,185
High risk	173	64
Total	**3,407**	**3,290**

As of December 31, 2017 net trade receivables, after provisions for bad debt, amounted to SEK 3,407m (3,290), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, directly dependent upon the seasonal pattern of Husqvarna Group's sales. This means that credit exposure is significantly higher during the first six months of each calendar year. A provision for bad debt is recorded when there is objective evidence that Husqvarna Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Provisions for bad debt at the end of the financial year amounted to SEK 152m (152), of which SEK 152m (152) refer to invoices due.

Trade receivables past due

Trade receivables that were past due, but not yet impaired amounted to SEK 717m (627) as of December 31, 2017.

Ageing analyses for past due trade receivables

Past due but not written down, SEKm	2017	2016
Up to 1 month	270	227
1 to 3 months	169	137
>3 months	278	263
Total	**717**	**627**

Provisions for past due trade receivables

SEKm	2017	2016
Opening balance, January 1	152	118
New provisions	58	60
Reversed unused provisions	–40	–23
Impairment of trade receivables	–16	–9
Currency exchange rate differences	–2	6
Closing balance, December 31	**152**	**152**

The situation regarding past due receivables has not changed significantly since previous year-end, taking the total volume of outstanding trade receivables into account. The fair value of collateral held for trade receivables due for payment was SEK 22m (25).

A plan for repayment is normally designed for customers with past due receivables at the same time as the account is placed under special surveillance. At a later stage, unpaid products may be repossessed or other securities be enforced.

Concentration of credit risk in trade receivables

	2017		2016	
Concentration of credit risk	Number of customers	% of total portfolio	Number of customers	% of total portfolio
Exposure <SEK 15m	N/A	88%	N/A	84%
Exposure SEK 15–100m	12	9%	10	8%
Exposure >SEK 100m	1	3%	1	8%

Husqvarna Group has substantial exposure towards a limited number of large customers, primarily in the U.S.

Credit risk in financial activities

Exposure to credit risk arises from the investment of liquid funds and through counterparty risks related to derivatives. In order to limit exposure to credit risk, a counterparty list has been created specifying the maximum approved exposure for each counterparty. Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term credit rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 11 days (16) at the end of 2017. A substantial part of the exposure arises from derivatives transactions.

The table below shows the gross volume of outstanding foreign exchange derivative contracts.

	2017		2016	
Maturity	2018	2019–	2017	2018–
Amount sold	–41,875	–	–33,623	–
Amount purchased	41,739	–	33,014	–
Net settled derivatives (NDF)	–1	–	2	–
Net	**–137**	–	**–607**	–

FAIR VALUE ESTIMATION

Below is a description of financial instruments carried at fair value, based on the classification in the fair value hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs that are not based on observable market data (Level 3).

The Group´s financial instruments carried at fair value are derivatives. Derivatives belong to Level 2 as future cash flows have been discounted using current quoted market interest rates and exchange rates for similar instruments.

To determine the fair value of the Group's borrowings, the prevailing market rates for the respective periods have been used and the Group's credit risk has been taken into account. Changes in credit spreads have been disregarded when determining fair value of financial leases. For short–term financial instruments such as trade receivables, other receivables, other short–term investments, cash and cash equivalents, trade payables, other liabilities and short term borrowings the fair value equals their carrying amount as the impact of discounting is not significant. Fair value of long–term borrowings are based on discounted cash flows using a rate based on the borrowing rate, and are within Level 2 in the fair value hierarchy.

SEKm	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Financial assets				
Financial assets at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	127	127	153	153
– of which currency derivatives where hedge accounting for cash flow hedges is applied	58	58	138	138
– of which interest derivatives where hedge accounting for cash flow hedges is applied	3	3	–	–
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	131	131	58	58
Loans and receivables				
Trade receivables	3,407	3,407	3,290	3,290
Other receivables	526	526	547	547
Other short-term investments	2	2	4	4
Cash and cash equivalents	1,872	1,872	1,937	1,937
Total financial assets	**6,126**	**6,126**	**6,127**	**6,127**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	132	132	360	360
– of which currency derivatives where hedge accounting for cash flow hedges is applied	147	147	105	105
– of which interest derivatives where hedge accounting for cash flow hedges is applied	28	28	39	39
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	134	134	445	445
Other financial liabilities				
Trade payables	4,098	4,098	3,752	3,752
Other liabilities	342	342	487	487
Financial leases	213	223	222	236
Borrowings	7,384	7,458	6,225	6,322
Total financial liabilities	**12,478**	**12,562**	**11,635**	**11,746**

Note 20 Provisions for pensions and other post-employment benefits

In many of the countries in which Husqvarna Group has operations the employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The Group's most extensive defined benefit pension plans are in the UK, Sweden, Germany, the US and Japan (two plans). The pension plans in these countries are funded except for the plan in Germany. Funded plans imply that there are assets in legal entities that exist solely to finance benefits to employees and former employees.

The pension plan in Germany is an unfunded cash balance plan. White collar employees in Sweden, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed through a pension fund.

The Group's defined benefit pension plans in the UK and in the US were closed, some time ago, for future pension accrual. Out of the Group's most extensive defined benefit plans, there are two in Japan (however, small in comparision to the Group's other defined benefit plans). One of the plans is a funded cash balance plan and the other is an unfunded plan based on career-average salary.

The pension plans in Japan, the UK, Sweden and the US are so called funded plans where the pension obligations are financed through pension funds whose operations are regulated by the legislation in the relevant country. The pension funds are separate legal entities with their own Board of Directors/Trustees etc., which might consist of representatives from both the company and the employees, which are responsible for the management of the pension fund asset.

	2017						
SEKm	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,275	1,226	436	181	904	231	4,253
Fair value of plan assets	–1,395	–627	–278	–141	–	–114	–2,555
Surplus/Deficit [1]	**–120**	**599**	**158**	**40**	**904**	**117**	**1,698**
Total funding level (%)	109	51	64	78	–	49	60
Duration	20	22	13	11	12	15	17
Actuarial assumptions (%)							
Discount rate	2.5	2.4	3.4/3.6	0.6	1.5	0.9	2.2
Inflation	3.2	1.5	–	–	1.7	1.8	2.2
Sensitivity analysis (%)							
Discount rate (–0,50%)	10.4	11.6	6.6	5.4	5.8	7.5	8.9
Discount rate (+0,50%)	–9.0	–10.0	–5.9	–5.1	–5.3	–6.6	–7.8
Inflation (+0,50%)	4.0	7.9	–	–	1.0	2.5	4.4

1) SEK 120m have been recorded as Other non-current asset and SEK 1,818m have been recorded as Provision for pensions and other post-employment benefits.

	2016						
SEKm	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,357	1,105	456	218	872	239	4,247
Fair value of plan assets	–1,389	–588	–284	–139	–	–120	–2,520
Surplus/Deficit [1]	–32	517	172	79	872	119	1,727
Total funding level (%)	102	53	62	64	–	50	59
Duration	21	22	15	11	12	14	18
Actuarial assumptions (%)							
Discount rate	2.7	2.5	3.8/4.1	0.6	1.6	1.6	2.3
Inflation	3.2	1.5	–	–	1.7	1.7	2.2
Sensitivity analysis (%)							
Discount rate (–0,5%)	11.0	11.5	6.9	5.5	5.9	9.5	9.1
Discount rate (+0,5%)	–9.5	–9.9	–6.2	–5.2	–5.3	–8.9	–8.0
Inflation (+0,5%)	6.0	8.0	–	–	1.2	1.5	4.0

1) SEK 32m have been recorded as Other non-current asset and SEK 1,759m have been recorded as Provision for pensions and other post-employment benefits.

Specification of net provisions for pensions and other post-employment benefits recognized in the balance sheet:

SEKm	2017	2016
Present value of obligations for unfunded plans	1,060	1,059
Present value of obligations for funded plans	3,193	3,188
Fair value of plan assets	–2,555	–2,520
Net provisions for defined benefit plans	1,698	1,727

The schedules are showing the obligations of the defined benefit plans in Husqvarna Group and the assumptions used to determine these obligations. As well as the assets relating to the benefit plans, the amounts recognized in the income statement, other comprehensive income and balance sheet. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

The schedules include reconciliations of the opening and closing balances of the present value of the defined benefit obligation, as well as opening and closing balances of the fair value of plan assets and of the changes in net provisions during the year. In a few countries, the Group provides mandatory lump sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are included in the present value of the defined benefit obligation and amount at year-end to SEK 44m (43). Husqvarna Group has no post-employment medical plans. Further information regarding pension cost is available in note 4.

The movement in the present value of the net defined benefit obligation

	2017			2016		
SEKm	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance, January 1	**4,247**	**–2,520**	**1,727**	**3,837**	**–2,442**	**1,395**
Current service cost	136	4	140	110	7	117
Past service costs and gains/losses on settlements	–1	–	–1	2	–	2
Interest expenses	96	–64	32	114	–79	35
	4,478	**–2,580**	**1,898**	**4,063**	**–2,514**	**1,549**
Remeasurements:						
Return on plan assets	–	–122	–122	–	–305	–305
Actuarial gains and losses due to changes in demographic assumptions	–31	–	–31	–8	–	–8
Experience assumptions	3	–	3	59	–	59
Actuarial gains and losses due to changes in financial assumptions	113	–	113	531	–	531
	85	**–122**	**–37**	**582**	**–305**	**277**
Exchange rate differences on foreign plans	–51	52	1	–30	95	65
Divestments and transfers	–14	–5	–19	–122	95	–27
Contributions:						
– Employers	–78	–67	–145	–76	–61	–137
– Plan participants	5	–5	–	5	–5	–
Payments from plans:						
– Benefit payments	–169	169	–	–175	175	–
– Settlements	–3	3	–	–	–	–
Closing balance, December 31	**4,253**	**–2,555**	**1,698**	**4,247**	**–2,520**	**1,727**

Plan assets comprise of the following [1]:

	2017		2016	
	SEKm	%	SEKm	%
Equity instruments				
– Equities	1,009	39.5	1,115	44.3
Debt securities				
– Government bonds	31	1.2	179	7.1
– Corporate bonds	384	15.0	310	12.3
– Index-linked bonds	308	12.1	305	12.1
– Interest rate funds	586	22.9	502	19.9
Properties	33	1.3	31	1.2
Liquid funds	10	0.4	19	0.8
Assets held by insurance company	194	7.6	59	2.3
Total	**2,555**	**100.0**	**2,520**	**100.0**

[1] Approximately 98% (98) of total plan assets refers to listed assets.

None of the assets above refers to shares in the Parent Company or real estate held by the group.

For the funded defined benefit pension plans (Sweden, the UK and the US represent around 90% of total pension assets) the Group's strategy is a combination of matching the assets with the liabilities and trying to achieve as high return as possible within the investment guidelines. This is partly done by investing in longer duration bonds designed to match the development of the debt and also by investing in corporate bonds, index-linked bonds and shares with the purpose of achieving a high return in various market conditions long term. As the maturity of the pension commitments decreases and/or the value of the assets reaches a satisfactory level in relation to the debt, the Group will gradually reduce the investment risk by shifting into assets with lower volatility.

Husqvarna Group is through its defined benefit obligations exposed to a number of risks, of which the following have the greatest impact on the Group's pension liability:

Discount rate

The discount rate reflects the estimated timing of benefit payments and is used for measuring the present value of the obligation. A fluctuation in the discount rate will have a material effect on the pension obligation but will also impact the interest income and expense reported in the finance net. To determine the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied in most countries. When valuing Swedish pension liabilities, Husqvarna Group uses interest rates for high quality mortgage bonds when determining discount rate.

Inflation risk

Most of the obligations are linked to inflation and an increase in inflation leads to higher debt. The return of the majority of the plan assets has a low correlation with inflation, while the holdings of index-linked bonds are protected against a rise in inflation and thus compensates for the increase in the deficit that would occur otherwise.

Longevity risk

Since most of the pension obligations mean that those covered by the plan will receive benefits for life, higher life expectancy assumptions have a significant impact on the pension liabilities.
The company expects to make contributions of approximately SEK 134m (151) to the plans during 2018.

The weighted average duration of the defined benefit obligation is 17 years (18).

Note 21 Other provisions

SEKm	Provisions for re-structuring	Warranty commit-ments	Claims	Other	Total
Opening balance, January 1, 2017	**61**	**480**	**384**	**402**	**1,327**
Provisions made	50	317	–	134	501
Provisions used	–52	–405	–22	–172	–651
Unused amounts reversed	–	–2	–7	–8	–17
Exchange rate differences	–5	–11	–37	–8	–61
Closing balance, December 31, 2017	**54**	**379**	**318**	**348**	**1,099**
Current provisions	44	246	–	126	416
Non-current provisions	10	133	318	222	683

Provisions for restructuring
Provisions for restructuring refer to the expected payments to be settled in the coming years as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel. The amounts are based on the Group management's best estimates and are adjusted when changes to these estimates are known.

Warranty commitments
Provisions for warranty comprise all potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to 24 months.

Claims
Provisions for claims refer to claim reserves in Husqvarna Group's insurance companies mainly due to product liabilities but also property damage and business interruptions. The provisions are estimated based on actuarial calculations.

Other
Other provisions are in all material aspects referring to payroll related provisions.

Note 22 Other liabilities

SEKm	2017	2016
Accrued holiday pay	252	220
Other accrued payroll expenses	700	671
Accrued customer rebates	666	517
Other accrued expenses	441	577
Value added tax	61	65
Personnel taxes and other taxes	87	65
Other operating liabilities	250	397
Total	2,457	2,512

Note 23 Pledged assets and contingent liabilities

Pledged assets

SEKm	2017	2016
Pension obligations [1]	113	106
Real estate mortgages	26	31
Total	139	137

[1] Refers to endowment that is pledged in favor of the recipient.

Contingent liabilities

SEKm	2017	2016
On behalf of external counterparties		
Guarantees and other commitments	101	109
Total	101	109

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are provided as part of Husqvarna Group's normal course of business. There was no indication at year-end that any payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealer's bankruptcy, to buy back repossessed Husqvarna Group products from certain dealers financing their floorplanning with an external financing company. During 2017 goods amounting to a value of SEK 9m (5) were bought back in connection with floorplanning activities.

Husqvarna Group is involved in commercial, product liability and other disputes in the ordinary course of business. Such disputes involve claims for compensatory damages, property damage, personal injury compensation and occasionally also punitive damages. The company is self-insured to a certain extent and is also insured against excessive liability losses for certain claims. Husqvarna Group continuously monitors and evaluates pending claims and disputes and take action when deemed necessary. The company believes that these activities help to minimize the risks. Due to the complexity of these disputes, it is difficult to predict a favorable outcome of each claim and an adverse outcome affecting the consolidated financial position and result could occur.

Note 24 Related party transactions

Sales to related parties are carried out on market-based terms. See the Parent Company's directly owned subsidiaries in the Parent Company's note 16, Shares in subsidiaries. Information about the Board of Directors and Group Management and compensation to those are reported in note 4, Employees and employee benefits. No unusual transactions have occurred between Husqvarna Group and the Board of Directors or Group Management. The value of those business transactions are insignificant.

Note 25 Changes in financial liabilities

SEKm	Opening balance, January 1, 2017	Cash flow from financing [2]	Cash flow within operating income	Reclassification	Foreign exchange movement	Changes in fair value	Other non-cash movement in financing [1]	Closing balance, December 31, 2017
Current interest-bearing borrowings (excl. finance leases)	1,479	–782	–	2,312	–110	–	–1	2,898
Current obligations under finance leases	15	–15	–	15	0	–	–	15
Non-current interest-bearing borrowings (excl. finance leases)	4,746	1,741	–	–2,312	–23	–	334	4,486
Non-current obligations under finance leases	207	–	–	–15	6	–	–	198
Derivatives, net	600	168	–71	–	–	–575	–	122
Total financial liabilities incl. net derivatives	**7,047**	**1,112**	**–71**	**–**	**–127**	**–575**	**333**	**7,719**

1) Other non-cash movement include accrued interest and share swaps.
2) Cash flow from financial liabilities is included in the Group's consolidated cash flow statement under "Proceeds from borrowings", "Repayment of borrowings", "Net investment hedge" and "Change in other interest-bearing net debt excluding liquid funds".

Note 26 Acquisitions and divestments

Acquisition of Pullman Ermator AB

Husqvarna Group acquired 100% of the shares in Pullman Ermator AB on January 12, 2017 and Husqvarna Group consolidated the company as of this date. Pullman Ermator AB is a market leader in dust and slurry management solutions including dust extractor systems, dry/wet vacuums and air scrubbers for the light construction industry. The acquired product range complements the Construction Division's market leading cutting, drilling and grinding systems and supports the Construction Division's ambition to grow in the surface preparation market.

The goodwill of SEK 514m arising from the acquisition is attributable to economies of scale from distributing the Pullman Ermator range of products in the Construction Division's distribution network. None of the goodwill recognized is expected to be deductible for income tax purposes.

Summary balance sheet as of acquisition date January 12, 2017

SEKm	
Property, plant and equipment	3
Other intangible assets	451
Inventories	57
Trade receivables and other current assets [1]	52
Cash and cash equivalents	22
Deferred tax liabilities	–101
Trade payables and other current liabilities	–32
Total identifiable net assets	**452**
Goodwill	514
Total net assets	**966**
Less acquired cash	–22
Net cash flow - investments	**944**

1) The fair value of trade and other receivables is SEK 52m and includes trade receivables with contractual amount of SEK 50m. No trade receivables are expected to be uncollectible.

Acquisition costs of SEK 4m have been charged to other operating expenses in the consolidated income statement, whereof SEK 1m was included in the operating income in 2016 and SEK 3m in 2017.

Since the acquisition date, the acquisition of Pullman Ermator AB has had an impact of SEK 394m on consolidated net sales and SEK 62m on net income (incl. restructuring expenses). The difference in impact on the Group's consolidated net sales and net income, compared to if the acquisition had been consolidated from January 1, 2017, is insignificant.

Acquisition of HTC Floor Grinding Solutions

Husqvarna Group acquired 100% of the Floor Grinding Solutions Division of HTC Group AB on May 2, 2017 and Husqvarna Group consolidated the company as of this date. HTC Floor Grinding Solutions, part of HTC Group AB, is the global market leader in floor grinding solutions. HTC brings extensive floor grinding product and application expertise which combined with Husqvarna Group's global reach and scale gives a stronger position to grow the polished flooring market and help the customers to achieve beautiful and easily maintained floors at lower environmental impact. Through the acquisition the ability to develop and offer customers the best total solutions for the segment will be strengthened.

The goodwill of SEK 333m arising from the acquisition is attributable to economies of scale from areas such as sourcing and technology. None of the goodwill recognized is expected to be deductible for income tax purposes.

Summary balance sheet as of acquisition date May 2, 2017

SEKm	
Property, plant and equipment	77
Other intangible assets	244
Deferred tax assets	15
Inventories	71
Trade receivables and other current assets [1]	83
Cash and cash equivalents	227
Borrowings	–121
Deferred tax liabilities	–62
Trade payables and other liabilities	–68
Total identifiable net assets	**466**
Goodwill	333
Total net assets	**799**
Less acquired cash, net	–106
Net cash flow - investments	**693**

1) The fair value of trade and other receivables is SEK 83m and includes trade receivables with contractual amount of SEK 65m. No trade receivables is expected to be uncollectible.

Acquisition costs of SEK 4m have been charged to administrative expenses in the consolidated income statement.

Since the acquisition date, the acquisition of HTC Floor Grinding Solutions has had an impact of SEK 257m on consolidated net sales and SEK -16m on net income (incl. restructuring expenses). If the acquisition had been consolidated from January 1, 2017, the expected net sales would have amounted to SEK 393m and net income to SEK –6m (incl. restructuring expenses).

Note 27 Subsequent events

Acquisition of Light Compaction and Concrete Equipment business
Husqvarna Group acquired the Light Compaction and Concrete Equipment business from Atlas Copco on February 1, 2018. Atlas Copco's Light Compaction and Concrete Equipment is a global leader in this segment and had 2017 annual sales of approximately SEK 540m. The acquisition includes product lines, operations and R&D in Bulgaria, and specific sales and service resources that will reinforce Husqvarna Construction's existing organization. The acquired product range complements the Construction Division's offering within concrete surfaces and floors. There are around 200 employees related to the Light Compaction and Concrete Equipment business, predominately located in Bulgaria, but also in other countries.

Husqvarna Group acquired 100% of the shares in Construction Tools EOOD, Bulgaria, and assets in mainly Sweden, to the purchase price of EUR 31m. In addition Husqvarna Group will acquire inventory during a transition period 2018. The purchase price allocation has not yet been finalized, in Q1 a preliminary purchase price allocation will be disclosed.

The acquisition is made gradually and is expected to have a limited effect on the Group's net sales, operating income and net income for 2018.

Acquisition costs of SEK 5m is included in the consolidated income statement for 2017.

Parent Company income statement

SEKm	Note	2017	2016
Net sales	3	15,662	14,231
Cost of goods sold	5	–11,610	–10,288
Gross income		**4,052**	**3,943**
Selling expenses	5, 8	–1,327	–1,139
Administrative expenses	5	–1,016	–927
Other operating income and operating expenses	6	0	1
Operating income	4, 7, 9	**1,709**	**1,878**
Income from financial items			
Income from participation in Group companies	10	808	3,999
Financial income	11	751	75
Financial expenses	11	–374	–1,063
Income after financial items		**2,894**	**4,889**
Appropriations	12	–759	–204
Income before taxes		**2,135**	**4,685**
Income tax	13	–283	–141
Net Income		**1,852**	**4,544**

Parent Company comprehensive income statement

SEKm	2017	2016
Net Income	**1,852**	**4,544**
Other comprehensive income		
Items that may be reclassified to the income statement:		
Cash flow hedges		
Result arising during the period, net of tax	–49	–44
Reclassification adjustments to the income statement, net of tax	18	–28
Other comprehensive income, net of tax	**–31**	**–72**
Total comprehensive income	**1,821**	**4,472**

Parent Company balance sheet

SEKm	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Non-current assets			
Intangible assets	14	1,803	1,683
Property, plant and equipment	15	1,749	1,490
Financial assets			
Shares in subsidiaries	16	29,652	29,128
Derivatives	19	4	0
Other non-current assets	17, 19	67	59
Deferred tax assets	13	68	113
Total non-current assets		**33,343**	**32,473**
Current assets			
Inventories	18	1,676	1,513
Receivables			
Trade receivables	19	467	414
Receivables from Group companies	19	4,646	3,633
Derivatives	19	449	477
Other receivables	19, 20	104	86
Prepaid expenses and accrued income	20	167	165
Cash and cash equivalents	19	265	412
Total current assets		**7,774**	**6,700**
Total assets		**41,117**	**39,173**
Equity and liabilities			
Restricted equity			
Share capital		1,153	1,153
Revaluation reserve		3	4
Statutory reserve		18	18
Reserve related to R&D expenses		591	174
Non-restricted equity			
Share-premium reserve		2,605	2,605
Fair value reserve		–69	–38
Profit or loss brought forward		17,526	14,584
Net Income		1,852	4,544
Total equity		**23,679**	**23,044**
Untaxed reserves	12	**806**	–
Provisions			
Other provisions	23	78	108
Total provisions		**78**	**108**
Non-current liabilities			
Borrowings	19, 27	4,222	4,547
Derivatives	19	28	44
Total non-current liabilities		**4,250**	**4,591**
Current liabilities			
Borrowings	19, 27	2,812	1,353
Liabilities to Group companies	19	6,875	7,481
Trade payables	19	1,242	920
Tax liabilities		248	15
Derivatives	19	533	1,064
Other liabilities	21	594	597
Total current liabilities		**12,304**	**11,430**
Total equity and liabilities		**41,117**	**39,173**

Parent Company cash flow statement

SEKm	Note	2017	2016
Cash flow from operations			
Income after financial items		2,894	4,889
Non cash items			
Depreciation/amortization and impairment	5, 14, 15	607	550
Capital gains and losses		–500	7
Other non cash items		–32	–76
Taxes paid		–5	0
Cash flow from operations, excluding change in operating assets and liabilities		2,964	5,370
Change in operating assets and liabilities			
Change in inventories		–163	–99
Change in trade receivables		–53	–66
Change in inter-company receivables/liabilities		–1,364	–3,740
Change in other current assets		–4	–106
Change in current liabilities and provisions		–242	862
Cash flow from operating assets and liablilities		–1,826	–3,149
Cash flow from operations		1,138	2,221
Investments			
Paid shareholder's contribution	16	–31	–
Investments in intangible assets	14	–566	–463
Investments in property, plant and equipment	15	–431	–293
Sale of property, plant and equipment and intangible assets		10	0
Cash flow from investments		–1,018	–756
Cash flow from operations and investments		120	1,465
Financing			
Proceeds from borrowings	27	2,153	1,625
Repayment of borrowings	27	–1,257	–1,855
Dividend paid to shareholders		–1,114	–944
Group contribution paid/received		–204	–124
Transfer of treasury shares		155	7
Cash flow from financing		–267	–1,291
Total cash flow		–147	174
Cash and cash equivalents at beginning of year		412	238
Cash and cash equivalents at year-end		265	412

Financial statements

Parent Company statement of changes in equity

SEKm	Share capital	Restricted reserves [4]	Reserve related to R&D expenses	Share-premium reserve	Fair value reserve [5]	Profit or loss brought forward	Total
Opening balance, January 1, 2016	**1,153**	**22**	**–**	**2,605**	**34**	**15,749**	**19,563**
Net income	–	–	–	–	–	4,544	4,544
Other comprehensive income	–	–	–	–	–72	–	–72
Total comprehensive income	**–**	**–**	**–**	**–**	**–72**	**4,544**	**4,472**
Share-based payments	–	–	–	–	–	23	23
Transfer of treasury shares [1]	–	–	–	–	–	7	7
Hedge for LTI-program	–	–	–	–	–	–77	–77
Change of Restricted reserves related to capitalized R&D [2]	–	–	174	–	–	–174	–
Dividend SEK 1.65 per share [3]	–	–	–	–	–	–944	–944
Closing balance, December 31, 2016	**1,153**	**22**	**174**	**2,605**	**–38**	**19,128**	**23,044**
Net income	–	–	–	–	–	1,852	1,852
Other comprehensive income	–	–	–	–	–31	–	–31
Total comprehensive income	**–**	**–**	**–**	**–**	**–31**	**1,852**	**1,821**
Reversal of revaluation	–	–1	–	–	–	1	–
Share-based payments	–	–	–	–	–	107	107
Transfer of treasury shares [1]	–	–	–	–	–	155	155
Hedge for LTI-program	–	–	–	–	–	–334	–334
Change of Restricted reserves related to capitalized R&D [2]	–	–	417	–	–	–417	–
Dividend SEK 1.95 per share [3]	–	–	–	–	–	–1,114	–1,114
Closing balance, December 31, 2017	**1,153**	**21**	**591**	**2,605**	**–69**	**19,378**	**23,679**

1) Options exercised related to 2009 LTI-program amounts to SEK 4m (7) and SEK 151m (–) is related to sale of treasury shares.
2) The reserve related to R&D and IT expenses is only applied in the Parent company. Information about the accounting principle is available in the Parent company's note 1.
3) Total dividend 2017 amounts to SEK 1,121m (946), of which Husqvarna AB received SEK 7m (2) for B-shares in third party share swap agreement.
4) Restricted reserves relates to revaluation reserve together with statutory reserves.
5) Relates to result and reclassification adjustments to the income statement for Cash flow hedges, net of tax, which are recognised in other comprehensive income.

Information regarding the Parent Company's shares, share capital and share-premium reserve is available in the Group's note 18.

Parent Company notes

Note 1 Parent Company's accounting principles

Husqvarna AB's (publ) Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2. The Parent Company follows the International Financial Reporting Standards (IFRS) adopted by EU, to the extent possible within the framework for the Swedish Annual Accounts Act and Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen), and considering the relationship between accounting and taxation. The Parent Company is following the same principles as described in the Group's note 1, with the below exceptions.

Segments

Information is reported in accordance with the Swedish Annual Accounts Act and contains disclosures of net sales divided by geography.

Intangible assets

The Parent Company amortizes all brands on a straight-line basis during the useful life, which according to group policy is estimated at 10 years.

Property, plant and equipment

The Parent Company uses methods for depreciations described in the section "Property, plant and equipment" in the Group's note 1 with some exception, which is described below.

For a certain type of production equipment, the Parent company applies productivity based depreciations where the capacity utilisation of the equipment determines the depreciation cost.

Untaxed reserves

The Parent Company accounts for tax depreciation in accordance with the Swedish tax law as appropriations in the Income statement. These depreciations are reported as untaxed reserves in the Balance sheet.

Shares in subsidiaries

Shares in subsidiaries are reported at cost deducted for impairment. Expenses and potential additional purchase price, related to an acquisition are included in the acquisition value of the investment. Investments are tested annually for impairment or if there is an indication of that the book value of the investment is higher than the recoverable amount. Dividends are reported as income.

Pensions

Husqvarna Group applies IAS 19 Employee Benefits for pension assets and liabilities. The Parent Company applies the Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen).

Group contributions

The Parent Company applies the alternative rule in RFR 2, and accounts for both group contribution received and paid as appropriations in the income statement.

Contingent liabilities

The Parent Company has signed guarantees in favor of subsidiaries which in accordance with IFRS are classified as a financial guarantee. However, the Parent Company applies RFR 2 and recognizes these guarantees as contingent liabilities.

Leasing

The Parent Company applies RFR 2 and recognizes all leasing as operating leases.

Reserve related to R&D expenses

The Parent Company capitalizes R&D and IT development expenses in the balance sheet. A restricted reserve is presented for internally generated R&D and IT development expenses, where an amount equal to this year's capitalization reduced with amortization is transferred from unrestricted reserves to restricted reserves. The restricted reserve is reversed in line with the amortizations.

Note 2 Financial risk management

Husqvarna Group applies common risk management for all units. Group Treasury is part of the Parent Company and the description of financial risk management available in the Group's note 19 is in all material aspects applicable also for the Parent Company.

Note 3 Net sales distribution

Net sales are distributed on the following geographic markets:

Net sales

SEKm	2017	2016
Europe	11,594	10,614
North America	1,804	1,569
Rest of the World	2,264	2,048
Total [1]	**15,662**	**14,231**

[1] Net sales amounted to SEK 15,662m (14,231), of which SEK 12,124m (11,024) referred to sales to Group companies and SEK 3,538m (3,207) to external customers.

Note 4 Employees and employee benefits

Average number of employees

	2017			2016		
	Men	Women	Total	Men	Women	Total
Board of Directors, President and CEO and Group Management	16	5	21	17	6	23
Sweden	1,376	455	1,831	1,340	412	1,752
Total	**1,392**	**460**	**1,852**	**1,357**	**418**	**1,775**

Salary and remuneration

	2017			2016		
SEKm	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses
Board of Directors, President and CEO and Group Management	85 (43)	34	14	80 (40)	32	14
Other employees	1,030	375	90	930	324	81
Total	**1,115**	**409**	**104**	**1,010**	**356**	**95**

For further information regarding remunerations to the Board of Directors, President and CEO and the Group Management together with the Group's long term incentive program see the Group's note 4.

Note 5 Expenses by nature

SEKm	2017	2016
Costs for supplies and raw materials	8,421	7,401
Remuneration to employees	1,628	1,461
Amortization/depreciation and impairment	607	550
Other	3,297	2,942
Total	13,953	12,354

Note 6 Other operating income and operating expenses

SEKm	2017	2016
Other operating income		
Gain on sale of:		
– Property, plant and equipment	0	–
– Operations/subsidiaries	–	1
Total	0	1
Other operating expenses		
Total	–	–

Note 7 Fees to auditors

SEKm	2017	2016
EY		
Audit fees for the annual audit engagement	6	6
Audit fees not included in the annual audit engagement	–	0
Tax advices	1	2
Other services	1	1
Total fees to EY	8	9

Note 8 Exchange rate gains and losses in operating income

SEKm	2017	2016
Exchange rate gains and losses [1]	–59	–2
Total	–59	–2

[1] Included in selling expenses.

Operating income includes SEK –9m (57) of foreign exchange hedging result previously reported in other comprehensive income. Information related o the accounting of fair value in financial instruments is presented in the Group's note 1.

Note 9 Operating leases

There are no material contingent expenses or restrictions among the Parent Company's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 78m (56) in 2017.

Future minimum lease payments are allocated as follows:

SEKm	2017	2016
Within 1 year	50	49
1–5 years	102	132
> 5 years	0	–
Total	152	181

Note 10 Income from participation in Group companies

SEKm	2017	2016
Dividends	308	4,007
Income from liquidation	500	–
Impairment	–	–8
Total	808	3,999

Note 11 Financial income and expenses

SEKm	2017	2016
Financial income		
Interest income		
– from subsidiaries	74	72
– from others	2	3
whereof interest income		
– on deposits	20	17
– on derivatives held for trading	56	58
Exchange rate differences		
– on borrowings	164	–
– on derivatives held for trading [2]	511	–
Total financial income	751	75
Financial expenses		
Interest expense		
– to subsidiaries	–18	–17
– to others	–341	–274
whereof interest expense		
– on borrowings	–133	–130
– on cashflow hedges, interest derivatives	–36	–40
– on derivatives held for trading [1]	–190	–121
Exchange rate differences		
– on borrowings	–	–226
– on derivatives held for trading [2]	–	–524
Other financial expenses	–15	–22
Total financial expenses	–374	–1,063
Financial income and expenses, net	377	–988

[1] Interest expense on derivatives held for trading includes interest expense on derivatives for hedging net investments SEK –128m (–89).
[2] Currency exchange rate difference on derivatives held for trading includes currency exhange rate differences on derivatives for hedging net investments SEK 665m (–775).

Note 12 Appropriations and untaxed reserves

	Appropriations		Untaxed Reserves	
SEKm	2017	2016	2017	2016
Group contribution, received	122	4	–	–
Group contribution, paid	–75	–208	–	–
Accumulated depreciation in excess of plan on:				
Machinery and equipment	–399	–	399	–
Brands and other intangible assets	–407	–	407	–
Total	**–759**	**–204**	**806**	**–**

Note 13 Tax

SEKm	2017	2016
Current tax on income for the period	–237	–1
Deferred tax	–46	–140
Total	**–283**	**–141**

Theoretical and actual tax rate

	2017		2016	
	Tax, %	SEKm	Tax, %	SEKm
Income before taxes	–	2,135	–	4,685
Theoretical tax rate	–22.0	–470	–22.0	–1,031
Non-taxable items	9.1	195	19.0	891
Items not deductible for tax purposes	–0.3	–6	–0.3	–14
Change in valuation of deferred tax	0.0	1	0.3	13
Withholding tax	–0.1	–3	0.0	0
Actual tax rate [1]	**–13.3**	**–283**	**–3.0**	**–141**

1) Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 308m (4,007) and income from liquidation of SEK 500m (–).

Changes in deferred taxes

SEKm	Opening balance, Jan 1, 2017	Recognized in income statement	Recognized in comprehensive income statement	Reclass-ification	Closing balance, Dec 31, 2017	Opening balance, Jan 1, 2016	Recognized in income statement	Recognized in comprehensive income statement	Closing balance, Dec 31, 2016
Non-current assets	–7	2	–	–	–5	–7	–	–	–7
Provision for pensions and similar commitments	35	0	–	–	35	24	11	–	35
Other provisions	24	3	–	–9	18	22	2	–	24
Financial and operating liabilities	10	–	10	–	20	–10	–	20	10
Tax losses carried forward	51	–51	–	–	–	204	–153	–	51
Deferred tax assets and liabilities, net	**113**	**–46**	**10**	**–9**	**68**	**233**	**–140**	**20**	**113**

Tax items recognized in Other comprehensive income amounts to SEK 10m (20) for items related to cash flow hedges.

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
SEKm	2017	2016	2017	2016	2017	2016
Non-current assets	–	–	5	7	–5	–7
Provisions for pensions and similar commitments	35	35	–	–	35	35
Other provisions	18	24	–	–	18	24
Financial and operating liabilities	20	10	–	–	20	10
Tax losses carried forward	–	51	–	–	–	51
Deferred tax assets and liabilities	**73**	**120**	**5**	**7**	**68**	**113**
Set-off of tax	–5	–7	–5	–7	–	–
Deferred tax assets and liabilities, net	**68**	**113**	**–**	**–**	**68**	**113**

Note 14 Intangible assets

SEKm	Product development	Brands	Other	Total
2017				
Opening accumulated acquisition value	1,673	1,742	831	4,246
Investments	359	–	207	566
Sold, scrapped	–	–	–	–
Closing accumulated acquisition value	2,032	1,742	1,038	4,812
Opening accumulated amortization and impairment	1,107	1,152	304	2,563
Amortization [1]	176	118	152	446
Impairment	–	–	–	–
Sold, scrapped	–	–	–	–
Closing accumulated amortization and impairment	1,283	1,270	456	3,009
Closing balance, December 31, 2017	749	472	582	1,803

SEKm	Product development	Brands	Other	Total
2016				
Opening accumulated acquisition value	1,445	1,742	726	3,913
Investments	244	–	219	463
Sold, scrapped	–16	–	–114	–130
Closing accumulated acquisition value	1,673	1,742	831	4,246
Opening accumulated amortization and impairment	956	1,034	290	2,280
Amortization [1]	151	118	125	394
Impairment	16	–	2	18
Sold, scrapped	–16	–	–113	–129
Closing accumulated amortization and impairment	1,107	1,152	304	2,563
Closing balance, December 31, 2016	566	590	527	1,683

1) In the income statement amortization is accounted for within cost of goods sold by SEK 343m (297), within selling expenses by SEK 0m (0) and within administrative expenses by SEK 103m (97).

Note 15 Property, plant and equipment

SEKm	Land and land improvements [2]	Buildings and leasehold improvements	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
2017						
Opening accumulated acquisition value	18	368	1,687	201	355	2,629
Investments	0	7	83	10	331	431
Sold, scrapped	–6	–54	–20	–9	–	–89
Reclassification	–	17	125	14	–156	–
Closing accumulated acquisition value	12	338	1,875	216	530	2,971
Opening accumulated depreciation and impairment	7	198	809	125	–	1,139
Depreciation [1]	0	12	132	17	–	161
Impairment	–	–	–	–	–	–
Sold, scrapped	–2	–49	–20	–7	–	–78
Reclassification	–	–	–1	1	–	–
Closing accumulated depreciation and impairment	5	161	920	136	–	1,222
Closing balance, December 31, 2017	7	177	955	80	530	1,749
2016						
Opening accumulated acquisition value	18	348	1,090	217	727	2,400
Investments	–	7	186	16	84	293
Sold, scrapped	–	–	–58	–6	–	–64
Reclassification	–	13	469	–26	–456	–
Closing accumulated acquisition value	18	368	1,687	201	355	2,629
Opening accumulated depreciation and impairment	6	186	729	144	–	1,065
Depreciation [1]	1	12	107	14	–	134
Impairment	–	–	3	1	–	4
Sold, scrapped	–	–	–58	–6	–	–64
Reclassification	–	–	28	–28	–	–
Closing accumulated depreciation and impairment	7	198	809	125	–	1,139
Closing balance, December 31, 2016	11	170	878	76	355	1,490

1) In the income statement depreciation is accounted for within cost of goods sold by SEK 154m (129), within selling expenses by SEK 1m (1) and within administrative expenses by SEK 6m (4).
2) The net book value for land is SEK 5m (7).

Note 16 Shares in subsidiaries

Country	Subsidiaries	Registration number	Holding,%	Net book value, SEKm 2017	Net book value, SEKm 2016
Belgium	Husqvarna Finance Belgium SA [1]	0899.846.135	–	–	9,322
Belgium	Husqvarna Belgium SA	0400.604.654	100	1,172	1,172
Canada	Husqvarna Canada Corp.	82354277RT0001	100	271	271
Colombia	Husqvarna Colombia S.A.	900.047.189-0	95	1	1
Denmark	Husqvarna Danmark A/S	26205328	100	16	16
Estonia	Husqvarna Eesti Osaühing	11159436	100	0	0
Ireland	Husqvarna Finance Ireland Ltd	611319	100	9,816	–
Latvia	SIA Husqvarna Latvija	40003760065	100	3	3
Slovakia	Husqvarna Slovensko s.r.o.	36437115	100	0	0
South Africa	Husqvarna South Africa (Proprietary) Limited	2005.025971.07	100	19	19
Sweden	Husqvarna Försäkrings AB	516406-0393	100	273	273
Sweden	Husqvarna Intellectual Property Holding AB	556745-5893	100	0	0
Sweden	Husqvarna Holding Aktiebolag	556037-1964	100	12,499	12,499
Sweden	Motorsågen 1 AB	559084-0129	100	0	0
US	Millhouse Insurance Company	20-4233540	100	79	79
US	Husqvarna U.S. Holding, Inc.	34-1946153	100	5,503	5,473
Total				**29,652**	**29,128**

1) Husqvarna Finance Belgium SA has been liquidated as of December 20, 2017.

There is also a number of subsidiaries to the subsidiaries, a detailed specification of Group companies is available on request from Husqvarna AB, Investor Relations.

Note 17 Other non-current assets

SEKm	2017	2016
Receivables Group	35	39
Other long-term receivables	32	20
Total	**67**	**59**

Note 18 Inventories

SEKm	2017	2016
Supplies including raw materials	448	421
Products in progress	10	2
Finished products	1,218	1,089
Advances to suppliers	0	1
Total	**1,676**	**1,513**

Provisions for obsolescence are provided for in the value of the inventory and amount to SEK 68m (70). Provision made during the year amount to SEK 34m (41) and SEK 36m (29) has been reversed.

Inventories valued to net realizable value amounted to SEK 97m (77) referring to finished products and SEK 0m (0) referring to raw materials.

Note 19 Financial assets and liabilities

Financial assets and liabilities per category

SEKm	Financial assets valued at fair value	Financial assets for which hedge accounting is applied	Other financial assets	Total
2017				
Assets				
Derivatives	254	199	–	453
Receivables Group companies [1]	–	–	4,681	4,681
Trade receivables	–	–	467	467
Other receivables	–	–	10	10
Cash and cash equivalents	–	–	265	265
Total	**254**	**199**	**5,423**	**5,876**
2016				
Assets				
Derivatives	256	221	–	477
Receivables Group companies [1]	–	–	3,672	3,672
Trade receivables	–	–	414	414
Other receivables	–	–	9	9
Cash and cash equivalents	–	–	412	412
Total	**256**	**221**	**4,507**	**4,984**

1) For long-term receivables to Group companies, see note 17.

SEKm	Financial liabilities valued at fair value	Financial liabilities for which hedge accounting is applied	Other financial liabilites	Total
2017				
Liabilities				
Borrowings	–	–	7,034	7,034
Liabilities to Group companies	–	–	6,875	6,875
Trade payables	–	–	1,242	1,242
Derivatives	421	140	–	561
Total	**421**	**140**	**15,151**	**15,712**
2016				
Liabilities				
Borrowings	–	–	5,900	5,900
Liabilities to Group companies	–	–	7,481	7,481
Trade payables	–	–	920	920
Derivatives	839	269	–	1,108
Total	**839**	**269**	**14,301**	**15,409**

Future undiscounted cashflows of loans and other financial liabilities as of December 31,2017 [1]

SEKm	2018	2019	2020	2021	2022	>2022	Total
Bonds, bank loans and other loans	–2,903	–1,177	–195	–1,251	–1,123	–674	–7,323
Liabilities to Group Companies	–6,855	–	–	–	–	–	–6,855
Derivative liabilities, interest rate	–27	–16	0	11	5	5	–22
Derivative liabilities, foreign exchange	–533	0	–	–	–	–	–533
Trade payables	–1,243	–	–	–	–	–	–1,243
Total financial liabilities	**–11,561**	**–1,193**	**–195**	**–1,240**	**–1,118**	**–669**	**–15,976**

1) Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

Derivatives
The main part of the Group's derivatives is held by the Parent Company. Disclosures regarding the derivatives are available in the Group's note 19.

Trade receivables
Husqvarna AB's trade receivables amount to SEK 467m (414) as per December 31, 2017. Trade receivables past due but not impaired amount to SEK 18m (31) as of December 31, 2017.

Ageing analysis for past due, but not impaired trade receivables

SEKm	2017	2016
<3 months	13	19
>3 months	5	12
Total past due but not impaired	**18**	**31**

Provision for overdue trade receivables

SEKm	2017	2016
Opening balance, January 1	16	11
New provisions	7	12
Reversed unused provisions	–6	–2
Impairment of trade receivables	–2	–5
Closing balance, December 31	**15**	**16**

The credit risk in financial assets is described in the Group's note 19.

Borrowings
The main part of the borrowings in Husqvarna Group is reported within the Parent Company. For disclosures regarding fair value and interest exposure, see the Group's note 19.

Note 20 Other current assets

SEKm	2017	2016
Value added tax	69	71
Miscellaneous short-term receivables	35	15
Prepaid rents and leases	5	4
Prepaid insurance premiums	1	2
Other prepaid expenses	161	159
Total	**271**	**251**

Note 21 Other liabilities

SEKm	2017	2016
Accrued holiday pay	131	120
Other accrued payroll expenses	258	225
Accrued customer rebates	49	54
Other accrued expenses	97	147
Personnel taxes and other taxes	59	51
Total	**594**	**597**

Note 22 Provisions for pensions

Specification of the net provision for pensions

SEKm	2017	2016
Present value of the funded pension obligations	616	578
Fair value of plan assets	–630	–589
Surplus/deficit of the pension fund	**–14**	**–11**
Surplus of the pension fund, not recognized	14	11
Net provision for pensions	**–**	**–**

Specification of the change in the net provision for pensions

SEKm	2017	2016
Opening balance, January 1	**–**	**–**
Costs for pensions recognized in the income statement	24	24
Benefits paid	–24	–24
Closing balance, December 31	**–**	**–**

Of total net provisions, SEK 0m (0) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

Pension costs recognized in the Income statement

SEKm	2017	2016
Own pensions		
Current service costs	–	–
Benefits paid	24	24
Pension costs	**24**	**24**
Insured pensions		
Insurance premiums	80	73
Total net expenses for pensions	**104**	**97**

Of total net expenses of SEK 104m (97), SEK 56m (52) is recognized in cost of goods sold, SEK 12m (11) in selling expenses and SEK 36m (34) in administration expenses. The expected payments 2018 for own pensions amounts to SEK 24m.

Principal actuarial assumptions at balance sheet date

%	2017	2016
Discount rate	2.4	2.5

The major categories of plan assets as a percentage of total plan assets and the return on these categories

%	2017	Return	2016	Return
Equity instruments	42	16	39	16
Debt instruments	58	2	61	5
Total	**100**	**7**	**100**	**8**

The employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The pension plans are funded which imply that there are assets in a legal entity that exist solely to finance benefits to employees and former employees. White collar employees, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed primarily through a pension fund. Employees born 1979 or later are covered by ITP 1, which is a defined contribution pension plan.

More information about pensions are presented in Group notes 4 and 20.

Note 23 Other provisions

SEKm	Provisions for re-structuring	Warranty commit-ments	Other	Total
Opening balance January 1, 2017	**49**	**41**	**18**	**108**
Provisions made	–	36	17	53
Provisions used	–26	–39	–14	–79
Unused amounts reversed	–4	–	–	–4
Closing balance, December 31, 2017	**19**	**38**	**21**	**78**
Current provisions	15	29	7	51
Non-current provisions	4	9	14	27

Provisions for restructuring
See the Group's note 21 for further information regarding Husqvarna Group's restructuring programmes.

Warranty commitments
Provisions for warranty comprises all potential expenses for repairing or replacing products sold and are normally limited to 24 months.

Note 24 Pledged assets and contingent liabilities

Pledged assets

SEKm	2017	2016
Pension obligation [1]	113	106
Total	**113**	**106**

[1)] Refers to endowment that is pledged in favor of the recipient.

Contingent liabilities

SEKm	2017	2016
On behalf of Group companies		
Pension obligation	421	424
On behalf of external counterparties		
Bank guarantee	86	95
Pension obligation	12	11
Total	**519**	**530**

As described in note 23 to the Group's Financial Statements, Husqvarna Group is exposed to certain contingent liabilities regarding commercial guarantees, commercial litigation and related disputes. Husqvarna AB, as the Parent Company of the Group, may be directly liable for such obligations (for example, if it is directly named in such a lawsuit) and/or may have indirect liability for the same, such as when an intra-company guarantee is in place. Please refer to such Note for more details.

Note 25 Related party transactions

Sales to related parties are carried out on market-based terms. Information about the Board of Directors and Group Managment and compensation to those are reported in Group note 4, Employees and employee benefits. No unusual transactions have occurred between Husqvarna Group and the Board of Directors or Group Management. The value of those business transactions are insignificant.

Note 26 Subsequent events

No significant events have occured subsequent to the balance sheet date that would have a material impact on the Parent Company's financial statements.

Note 27 Changes in financial liabilities

SEKm	Opening balance, January 1, 2017	Cash flows [2]	Reclassi-fication	Foreign exchange movement	Other non-cash movement [1]	Closing balance, December 31, 2017
Current interest-bearing borrowings	1,353	–757	2,312	–96	–	2,812
Non-current interest-bearing borrowings	4,547	1,653	–2,312	–	334	4,222
Total financial liabilities	**5,900**	**896**	**–**	**–96**	**334**	**7,034**

[1] Other non-cash movement include share swaps
[2] Cash flow from financial liabilities is included in the Parent Company's cash flow statement under "Proceeds from borrowings" and "Repayment of borrowings".

Note 28 Proposed distribution of earnings

The Board of Directors proposes a dividend for 2017 of SEK 2.25 per share (1.95) corresponding to a total dividend payment of SEK 1,285m (1,114) based on the number of outstanding shares at the end of 2017. It is also proposed that the dividend will be paid in two instalments to better match the Group's cash flow profile, with one payment of SEK 0.75 per share in April and the remaining SEK 1.50 per share in October.

The proposed record dates are April 12, 2018 for the first payment and October 12, 2018 for the second payment.

SEKt	
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	17,455,888
Net income	1,852,347
Total	**21,913,982**

SEKt	
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 2.25 per share [1]	1,285,074
To be carried forward	20,628,908
Total	**21,913,982**

[1] Calculated on the number of outstanding shares as of December 31, 2017.

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

Declaration by the Board of Directors and the President and CEO

The Board of Directors and the President and CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 6, 2018

Tom Johnstone
Chair of the Board

Ulla Litzén
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Christine Robins
Board member

Kai Wärn
President and CEO
and Board member

Soili Johansson
Board member and
employee representative

Annika Ögren
Board member and
employee representative

Our audit report was issued on March 6, 2018
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Audit report

To the general meeting of the shareholders of Husqvarna AB (publ), corporate identity number 556000-5331

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Husqvarna AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 44-115 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation and existence of inventory

Inventory represents a significant portion of the total assets of the Group. The value of inventory, net of provisions for obsolescence, as of December 31, 2017, was 9.5 billion SEK. The total reserve for obsolescence as of December 31, 2017, amounted to 0.4 billion SEK. We have consequently assessed that valuation and existence of inventory represents a key audit matter. The Group's inventory is carried at the lower of the acquisition value in accordance with the weighted average cost formula and the net realizable value. The net realizable value reflects the estimated write-down for older articles, physically damaged goods, excess inventory and selling expenses. The Group's pronounced seasonality in sales together with weather-dependent products increase the difficulty in estimating the value of inventory. Additional information regarding provisions for obsolescence as well as the portion of inventory which are carried at net realizable value after selling expenses are disclosed in group note 16 ("Inventory").

The existence of inventory is addressed in all entities that hold inventory. We have attended stock counts for all material inventory locations. We have performed audit procedures on the acquisition value of all inventories, from components to finished goods. Our audit to determine that inventory has been carried at the lower of acquisition value and net realizable value is performed by means of reviewing inventory aging as well as inventory turnover for each respective product grouping as well as by means of review of obsolete items. At the group level we have furthermore performed audit procedures related to the reserve for internal profits in inventory.

Impairment tests of goodwill and other assets with indefinite lives

Goodwill and other assets with indefinite useful lives amounted to 9.8 billion SEK as of December 31, 2017. We have consequently assessed that goodwill and other assets with indefinite lives represent a key audit matter.

Management conducts impairment tests annually as well as in cases where impairment indicators have been identified. The recoverable amount for each cash generating unit is determined as the value in use, which is computed under the discounted cash flow method based of forecasted future results. Key assumptions in these computations are expected growth, margin and appropriate discount rates.

The impairment test process is to its nature based on assumptions and judgements, not least due to it being based on estimates of the future developments in the market and other financial factors that are affected by expected future market or economic conditions. The underlying computations are furthermore complex.

As part of our audit we have assessed and audited key parameters, the application of acknowledged valuation theory, the discount rate (referred to as WACC – "Weighted Average Cost of Capital") and other source data that has been applied by the Group. We have for instance compared parameters applied to external data sources, such as expected inflation or assessments of future market growth and have assessed the sensitivity of the Group's valuation model. We have included valuation specialists in our audit team in order to perform this work. Specific emphasis has been placed on the sensitivity of the computations, including performing an independent assessment of whether there is a risk that reasonable likely events could give rise to a situation where the recoverable amount would be lower than the carrying amount. This assessment has also addressed the Group's historical success at prognostication.

We have finally assessed the appropriateness of disclosures in Group note 14 ("Intangible assets"), in particular with regards to the disclosures provided as to key sensitivities when computing the value in use.

Income taxes

The Group conducts its operations in a significant amount of tax jurisdictions, all of which have their own rules and legislation regarding cross-border transactions. Consequently the Group is subject to audits by local tax authorities in each country where they conduct operations. The parent company is the key party in a so called principal structure and thus holds a number of patents, trademarks and similar assets. From time to time entities within the Group are subject to ongoing tax proceedings that may range from tax audits to tax litigation at multiple levels of the court systems. The provisions for income taxes, which to their nature are based on estimation, are material. Income taxes represent a key audit matter in that the underlying issues are complex, they are inherently judgmental and the amounts involved are material.

We have audited the completeness and valuation of the amounts recorded as both current and deferred income taxes, including uncertain tax positions. For such matters we have as part of our audit procedures assessed communication with the tax authorities as well as performing an independent assessment of whether a provision is required or not. With regards to deferred tax assets we have reviewed the Group's assessments as to whether the carrying amount is expected to be realized by means of taxable income in the future, where tax planning opportunities may be considered. We have included tax professionals at both a corporate level and for the cross border level in order to analyze and test the assumptions made upon reaching the Group's tax positions, including – as appropriate – validation of assumptions by obtaining audit evidence. As part of our audit we have used the Group's projections/assessments as well as applying our own understanding of each relevant tax legislation. We have – where relevant – assess the Group's historical ability to prognosticate the outcome of income tax matters. Finally we have assessed the appropriateness of disclosures provided in Group note 2 ("Key estimates and assumptions") as well as Group note 11 ("Tax").

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-43 and 119-127. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Husqvarna AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' statement of rationale and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB with Hamish Mabon as main responsible partner, P.O Box 7850 SE-103 99 Stockholm, was appointed auditor of Husqvarna AB by the general meeting of the shareholders on the April 4, 2017 and has been the company's auditor since the April 10, 2014.

Stockholm March 6, 2018
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Definitions and reconciliations of alternative performance measures

Definitions

Capital employed
Total liabilities and equity less non-interest bearing debt including deferred tax liabilities.

Capital expenditure
Investments in property, plant and equipment and intangible assets.

Capital turnover rate
Net sales divided with average net assets.

Dividend payout ratio
Total dividend in relation to net income excluing non-controlling interest.

Earnings per share after dilution
Net income attributable to owners of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.

Equity/assets ratio
Equity as a percentage of total assets.

Equity per share, after dilution
Equity attributable to owners of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.

Gross margin
Gross income as a percentage of net sales.

Interest bearing liabilities
Long-term and short-term borrowings, net pension liability and fair value derivative liabilities.

Liquid funds
Cash and cash equivalents, short term investments and fair value derivative assets.

Net assets
Total assets exclusive of liquid funds and interest-bearing assets less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Net debt/EBITDA
Average Net Debt in relation to EBITDA.

Net debt/equity ratio
Net debt in relation to total equity.

Net sales growth
Net sales as a percentage of net sales the preceding period.

Operating margin
Operating income as a percentage of net sales.

Operating working capital
Inventories and trade receivables less trade payables.

Operating working capital/net sales
Operating working capital, measured as the average of the closing balances for the last five quarters, in relation to net sales.

Return on capital employed
Operating income plus financial income as a percentage of average capital employed.

Return on equity
Net income attributable to owners of the Parent Company as a percentage of average equity, excluding non-controlling interests.

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.

Currency adjusted change
Net sales adjusted for currency translation effects. Net sales 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 pages 48-49 of this report for currency 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 45.

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 45. 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.

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 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 47.

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 of subsidiaries/operations, divestments of property plant and equipment and investments/divestments of financial assets. For a reconciliation of operating cash flow refer to page 46.

Five-Year Review

Income and key ratios, SEKm	2017	2016	2015	2014 [1]	2013 [2]
Net sales	39,394	35,982	36,170	32,838	30,307
Husqvarna	19,733	17,960	17,624	15,449	–
Gardena	5,630	5,033	4,669	4,212	–
Consumer Brands	9,009	8,888	9,936	9,838	–
Construction	5,015	4,101	3,941	3,339	–
Gross income	**12,438**	**11,096**	**10,174**	**9,350**	**8,019**
Gross margin, %	*31.6*	*30.8*	*28.1*	*28.5*	*26.5*
EBITDA*	5,105	4,382	3,980	3,315	2,586
EBITDA margin, %	*13.0*	*12.2*	*11.0*	*10.1*	*8.5*
Operating income	**3,790**	**3,218**	**2,827**	**1,581**	**1,608**
*Operating income excl. items affecting comparability**	*3,790*	*3,218*	*2,980*	*2,348*	*1,608*
Operating margin, %	*9.6*	*8.9*	*7.8*	*4.8*	*5.3*
*Operating margin excl. items affecting comparability, %**	*9.6*	*8.9*	*8.2*	*7.2*	*5.3*
*Husqvarna excl. items affecting comparability, %**	*13.9*	*12.9*	*13.0*	*13.0*	–
*Gardena excl. items affecting comparability, %**	*12.5*	*11.8*	*12.7*	*9.1*	–
*Consumer Brands excl. items affecting comparability, %**	*–0.7*	*0.0*	*–1.2*	*–1.6*	–
*Construction excl. items affecting comparability, %**	*12.9*	*13.9*	*11.8*	*10.6*	–
Income after financial items	**3,290**	**2,796**	**2,483**	**1,256**	**1,180**
Net Income	**2,660**	**2,104**	**1,888**	**824**	**916**
Of which depreciation, amortization and impairment	–1,315	–1,164	–1,153	–1,734	–978

Financial position and key ratios, SEKm	2017	2016	2015	2014 [1]	2013 [2]
Total assets	35,418	32,978	29,669	29,176	26,762
Net assets	22,866	21,198	19,436	19,322	18,049
Husqvarna	9,027	8,675	7,896	7,083	–
Gardena	6,396	6,144	5,699	5,810	–
Consumer Brands	4,171	4,256	3,744	3,922	–
Construction	4,596	2,967	2,718	2,677	–
Operating working capital	8,831	8,763	7,923	7,453	7,065
Total equity	15,667	14,365	13,061	12,088	11,390
Net debt*	7,199	6,833	6,375	7,234	6,659
Return on capital employed, %	*14.7*	*13.7*	*12.4*	*7.6*	*7.7*
Return on equity, %	*17.4*	*15.2*	*14.6*	*6.7*	*8.1*
Capital turn-over rate, times	1.7	1.7	1.7	1.7	1.6
Net debt/equity ratio	0.46	0.48	0.49	0.60	0.58
Equity/assets ratio, %	*44*	*44*	*44*	*41*	*43*

Cash flow, SEKm	2017	2016	2015	2014 [1]	2013 [2]
Operating cash flow [4]*	1,847	1,666	1,732	1,274	1,411
Capital expenditure	1,892	1,889	1,388	1,386	1,078

Other key ratios	2017	2016	2015	2014 [1]	2013 [2]
Earnings per share after dilution, SEK	4.62	3.66	3.28	1.43	1.60
Equity per share after dilution, SEK	27.3	25.0	22.7	21.1	19.9
Average number of shares after dilution, millions	574.2	574.1	574.2	573.1	572.8
Dividend per share, SEK [3]	2.25	1.95	1.65	1.65	1.50
Dividend payout ratio, %	*48*	*53*	*50*	*115*	*94*
Salaries and remunerations, SEKm	5,121	4,680	4,508	4,157	3,758
Average number of employees	13,252	12,704	13,572	14,337	14,156

1) 2014 has been restated due to a correction.
2) Husqvarna Group has a brand-driven organisazation, which was fully effective as of January 1, 2015. 2014 has been restated accordingly, there is no comparative information per division before then.
3) As proposed by the Board.
4) Hedge effects related to financing have been moved from operations to financing activities (SEK –64m for 2015, SEK 151m for 2014 and SEK 402m for 2013). The equivalent amount has affected the operating cash flow.
* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

Quarterly Data

Income, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net sales	2017	12,746	13,069	7,449	6,130	39,394
	2016	11,361	11,504	7,349	5,768	35,982
	2015	10,928	12,263	7,307	5,672	36,170
Operating income	2017	1,425	2,002	433	–70	3,790
	2016	1,166	1,729	431	–108	3,218
	2015	1,112	1,675	405	–365	2,827
Operating income excl. items affecting comparability*	2017	1,425	2,002	433	–70	3,790
	2016	1,166	1,729	431	–108	3,218
	2015	1,112	1,675	405	–212	2,980
Operating margin excl. items affecting comparability, %*	2017	11.2	15.3	5.8	–1.1	9.6
	2016	10.3	15.0	5.9	–1.9	8.9
	2015	10.2	13.7	5.5	–3.7	8.2
Income for the period	2017	988	1,401	210	61	2,660
	2016	761	1,259	205	–121	2,104
	2015	788	1,143	196	–239	1,888
Earnings per share after dilution, SEK	2017	1.72	2.43	0.37	0.10	4.62
	2016	1.32	2.19	0.36	–0.21	3.66
	2015	1.37	1.98	0.34	–0.42	3.28
Financial position, SEKm	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**
Net debt*	2017	9,800	7,602	6,440	7,199	7,199
	2016	8,254	7,511	6,454	6,833	6,833
	2015	10,172	8,146	6,666	6,375	6,375
Operating working capital	2017	12,561	10,768	9,215	8,831	8,831
	2016	10,987	10,775	9,363	8,763	8,763
	2015	11,511	10,459	8,634	7,923	7,923
Net sales by division, SEKm	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**
Husqvarna	2017	6,372	6,314	3,734	3,313	19,733
	2016	5,457	5,721	3,752	3,030	17,960
	2015	5,342	5,727	3,519	3,036	17,624
Gardena	2017	1,715	2,326	1,033	556	5,630
	2016	1,518	1,995	1,002	518	5,033
	2015	1,319	1,795	1,060	495	4,669
Consumer Brands	2017	3,461	3,087	1,419	1,042	9,009
	2016	3,419	2,682	1,553	1,234	8,888
	2015	3,343	3,643	1,708	1,242	9,936
Construction	2017	1,197	1,341	1,260	1,217	5,015
	2016	967	1,106	1,042	986	4,101
	2015	924	1,098	1,020	899	3,941
Operating margin by division, %	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**
Husqvarna	2017	16.4	18.8	10.3	3.7	13.9
	2016	15.5	18.0	9.8	2.4	12.9
	2015	16.8	17.5	9.1	0.5	12.7
Gardena	2017	14.6	24.3	6.0	–30.9	12.5
	2016	14.9	22.5	5.0	–25.2	11.8
	2015	15.5	22.1	10.7	–25.9	12.5
Consumer Brands	2017	1.5	2.6	–6.6	–10.0	–0.7
	2016	1.9	5.5	–5.2	–10.3	0.0
	2015	–0.3	4.9	–7.0	–15.7	–1.5
Construction	2017	11.8	17.4	11.4	10.9	12.9
	2016	9.2	16.2	14.9	14.7	13.9
	2015	8.0	14.6	14.1	1.9	10.0

* Alternative Performance Measure, refer to page 119 for definitions and reconciliations.

The share

Listing and trading volume

The Husqvarna shares have been listed on Nasdaq Stockholm since June 2006.

A total of 337 million shares (329) were traded in 2017, with a total value of SEK 27.2bn (21.0), corresponding to an average daily trading volume of 1.3 million shares (1.3) or SEK 108m (83).

The turnover velocity for the Husqvarna B-share was 72 percent (68) in 2017. During 2017, the price of the A-share and the B-share increased 10 percent to SEK 78.

According to the EU Markets in Financial Instruments Directive (MiFID), a share can also be traded on a "Multilateral Trading Facility" (MTF), i.e. on markets other than the stock exchange where it is listed. The Husqvarna share is traded on several MTFs including BATS Chi-X and Turquoise. However, the Nasdaq Stockholm exchange accounts for the majority of trading.

Dividend and dividend policy

The Board of Directors has proposed a dividend of SEK 2.25 per share (1.95) for 2017, divided into two payments. SEK 0.75 to be paid in April, 2018 and SEK 1.50 to be paid in October, 2018. The dividend represents 48 percent (53) of income for the year. The policy is that the dividend normally shall exceed 40 percent of income for the year.

Repurchase of shares

At year-end, the total number of repurchased and swapped shares amounted to 5,200,000 B-shares (4,263,233) corresponding to 0.90 percent (0.74) of the total number of outstanding shares. The purpose of the repurchased or swapped shares is to hedge obligations under the Company's long-term incentive programs.

Conversion of shares

Shareholders who hold A-shares are entitled to convert their A-shares into B-shares. 880,908 A-shares were converted to B-shares in 2017.

Analyst coverage

There are currently around 10 analysts who analyze and follow Husqvarna Group and give recommendations on the share.

ADR

Husqvarna Group sponsors a Level 1 American Depositary Receipt (ADR) program in the US. The ADRs, which each represent two ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a USD denominated security, and the associated dividends are paid to investors in USD. Citibank is ADR depositary bank.

More information on www.citi.com/dr

Key facts

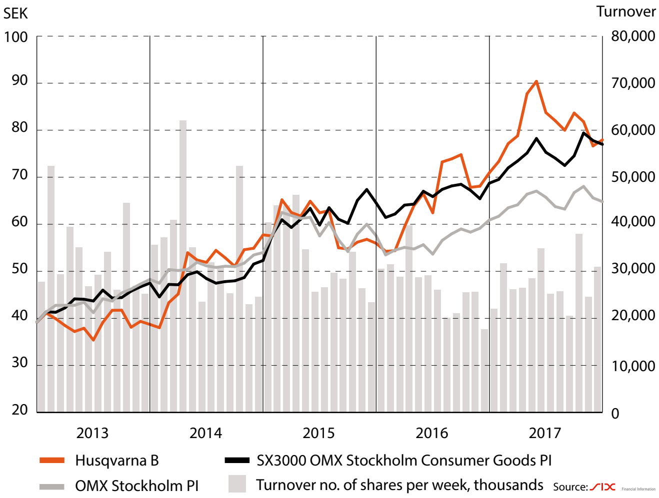
Husqvarna shares

Listing:	Nasdaq Stockholm
Number of shares:	576,343,778
Market capitalization at year-end 2017:	SEK 45bn
Ticker codes:	Bloomberg: HUSQA SS, HUSQB SS Thomson Reuters: HUSQa.ST, HUSQb.ST Nasdaq Stockholm: HUSQ A, HUSQ B
ISIN codes:	A-share SE0001662222 B-share SE0001662230

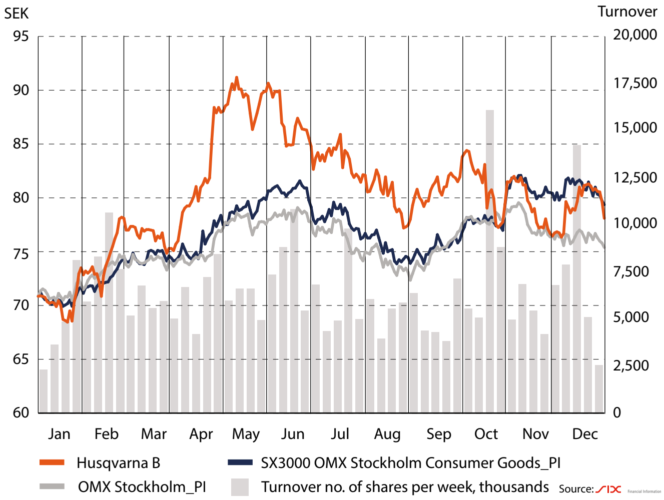
Husqvarna ADR

Ticker code:	HSQVY
ISIN code:	US4481031015
Ratio:	Two ordinary B-shares equal one ADR

Husqvarna B, price development



2017



Share capital and number of shares

	Share capital, SEK	Quotient value, SEK	Number of A-shares	Number of B-shares	Total number of shares
Husqvarna before listing 2006	495,000,000	100			4,950,000
2006: stock-split and bonus issue	592,518,306	2	9,502,275	286,756,878	296,259,153
2007: bonus issue	770,273,790	2	98,380,020	286,756,875	385,136,895
2008: no transactions	770,273,790	2	98,380,020	286,756,875	385,136,895
2009: rights issue	1,152,687,556	2	147,570,030	428,773,748	576,343,778
2010: conversion from A-shares to B-shares	1,152,687,556	2	134,755,087	441,588,691	576,343,778
2011: conversion from A-shares to B-shares	1,152,687,556	2	129,460,339	446,883,439	576,343,778
2012: conversion from A-shares to B-shares	1,152,687,556	2	127,699,058	448,644,720	576,343,778
2013: conversion from A-shares to B-shares	1,152,687,556	2	126,593,868	449,749,910	576,343,778
2014: conversion from A-shares to B-shares	1,152,687,556	2	122,425,469	453,918,309	576,343,778
2015: conversion from A-shares to B-shares	1,152,687,556	2	113,694,826	462,648,952	576,343,778
2016: conversion from A-shares to B-shares	1,152,687,556	2	113,393,909	462,949,869	576,343,778
2017: conversion from A-shares to B-shares	1,152,687,556	2	112,513,001	463,830,777	576,343,778

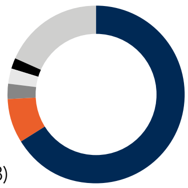
Largest shareholders in Husqvarna AB

			Change during the year	
	Capital, %	Votes, %	Capital, %	Votes, %
Investor	16.8	33.0	0.0	0.1
Lundbergföretagen AB	7.5	25.0	0.0	0.0
Didner & Gerge Funds	6.5	3.4	1.8	0.7
Swedbank Robur Funds	3.2	1.2	0.2	0.1
Lannebo Funds	2.6	1.8	0.0	0.0
Second Swedish National Pension Fund	2.5	0.9	0.8	0.3
Norges Bank	1.8	1.5	0.0	0.0
BlackRock	1.8	0.6	0.4	0.1
Handelsbanken Funds	1.6	0.6	–0.1	0.0
Vanguard	1.6	0.6	0.1	0.1
Total for the 10 largest shareholders	**45.9**	**68.6**	–	–

Shareholding by size in Husqvarna AB

Size of holding	Votes, %	No. of shareholders	% of shareholders
1–1,000	2.3	45,767	80.9
1,001–10,000	4.1	9,811	17.3
10,001–100,000	2.4	836	1.5
100,001–1,000,000	3.7	131	0.2
1,000,001–	87.5	56	0.1
Total	**100.0**	**56,601**	**100.0**

Distribution of shareholders by country



Share data

	2017	2016	2015
Earnings per share, SEK	4.64	3.67	3.29
Earnings per share after dilution, SEK	4.62	3.66	3.28
Cash flow per share, operating, SEK	3.23	2.91	3.02
Cash flow per share, operating, after dilution, SEK	3.22	2.90	3.02
Equity per share, SEK	27.3	25.0	22.7
Dividend per share, SEK [1]	2.25	1.95	1.65
Yield, % [2]	2.9	2.7	2.9
Dividend payout ratio, %	48	53	50
Year-end price, A-share, SEK	78	71	56
Highest price, A-share, SEK	91	76	68
Lowest price, A-share, SEK	68	49	51
Year-end price, B-share, SEK	78	71	56
Highest price, B-share, SEK	92	76	68
Lowest price, B-share, SEK	68	49	51
Number of shareholders	56,601	53,239	54,494
Market capitalization, SEKm	44,984	40,806	32,241

1) Dividend 2017 as proposed by the Board.
2) Dividend/year-end share price.

Source: Holdings/Euroclear as of December 31, 2017.

Further information concerning the share

The following information, and more, is available on www.husqvarnagroup.com/en/ir

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital

Heritage

Turning technology into opportunity

For more than 325 years, curiosity and passion for innovation have led to a long line of successful products and solutions in very different areas – from weapons, sewing machines and motorcycles to market-leading outdoor power products for customers around the globe. Husqvarna Group constantly looks for better ways to push the industry forward and make a difference to those who shape green spaces and urban environments through leadership in sustainable, user-centered solutions.

1689–1989	1872–1997	1874–1978	1903–1987	1995
Weapons factory	Sewing machine	Kitchen equipment	Motorcycles	Robotic lawn mower

1689–1989
Weapons factory
When Swedish weapons production takes off in the late 17th century, hydropower is needed to handle certain mechanical operations. The drill works at the waterfalls in Huskvarna in southern Sweden is the first production facility. The last shotgun is produced in 1989.

1872–1997
Sewing machines
The machinery for producing rifles turns out to be well suited for manufacturing sewing machines. The operation is divested in 1997.

1874–1978
Kitchen equipment
Production expands to kitchen equipment in cast iron such as meat grinders and later, stoves and ovens. Husqvarna's meat grinders are a huge export success with over 12 million sold worldwide.

1896–1962
Bicycles
Husqvarna bicycles become very popular and many patents are registered. The last Husqvarna bicycle is produced in 1962.

1903–1987
Motorcycles
Lightweight yet powerful engines give Husqvarna a reputation worldwide as the producer of the most successful track racing and motocross bikes. The operation is divested in 1987.

1918
Lawn mowers
When Norrahammars Ironworks in Sweden is acquired, the product range expands to include heating boilers and lawn mowers. Husqvarna's first motorized lawn mower for commercial use is manufactured in 1947.

1959
Chainsaws
As demand for bicycles, mopeds and motorcycles declines, Husqvarna's expertise in engines leads to new product areas. 1959 marks the start of the production of chainsaws.

1968
Construction products
Husqvarna's first power cutter is a redesigned chainsaw.

1969
Anti-vibration
Launch of the world's first chainsaw with an integrated anti-vibration system that decreases the risk for forestry workers of getting "vibration white fingers." Ergonomics has been an important part of Husqvarna's design ever since.

1973
Automatic chain brake
The world's first automatic chain brake followed by the Trio Brake™ (1999) decreases the risk of injury for forestry workers.

1978
Outdoor products in focus
Electrolux acquires Husqvarna and outdoor product operations continue to expand through acquisitions such as AB Partner and Jonsereds AB.

2007
Watering equipment

2009
Demolition robot

2012
Powerful battery products

2016
Chainsaw chain and Gardena Smart System

2017
New generation chainsaws

1980s
Strengthened position in US
Organic growth and the acquisitions of Poulan/WeedEater and Roper Corp expand the Group's operations in the US.

1995
Robotic lawn mower
Husqvarna pioneers the world's first commercialized solar-powered robotic mower.

2002
Diamond tools
The construction business doubles in size through the acquisition of Diamant Boart.

2005
X-Torq®
New engine technology for two-stroke engines increases gear ratio while reducing fuel consumption and emissions.

2006
Stocklisted
Husqvarna is listed on Nasdaq Stockholm.

2007
Watering equipment and expansion in Japan
The acquisitions of Gardena, Zenoah and Klippo bring strong brands, complementary products and geographic expansion.

2008
Expanded presence in China
Production in China is increased through the acquisition of Jenn Feng and a new production facility.

2009
Demolition robot
Husqvarna's first remote-controlled demolition robot is launched.

2009
AutoTune™
AutoTune™ is a technological and environmental breakthrough in professional chainsaws. It regulates the flow of fuel, optimizing performance and minimizing emissions.

2012
Powerful battery products
Husqvarna's battery products demonstrate similar performance as petrol-powered machines, but without the noise and direct emissions.

2016
Chainsaw chain
Husqvarna's first proprietary saw chain, X-CUT, was launched. Its excellent cutting performance optimizes the chainsaw experience.

2016
Gardena Smart System
The market's first connected and automated system that integrate garden watering and robotic lawnmowing, is launched.

2017
New generation professional chainsaws
The launch of a new generation of chainsaws designed for the most demanding, professional users begins with the Husqvarna 572 XP®.

Annual General Meeting 2018

The Annual General Meeting ("AGM") of Husqvarna AB (publl) will be held at 4:00 p.m. on Tuesday, April 10, 2018 at the Elmia Congress Center, Hammarskjöld Hall, Elmiavägen 15, Jönköping, Sweden.

Participation
Shareholders who intend to participate in the AGM must:

- Be registered in the register of shareholders maintained by Euroclear Sweden AB as of Wednesday, April 4, 2018.
- Notify the Company of their intention to attend stating the number of assistants attending (maximum two) no later than Wednesday, April 4, 2018.

Notice of participation
Notice of intent to participate can be given:

- By post to Husqvarna AB, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden.
- By telephone at +46 36 14 70 10 between 9:00 a.m. and 4:00 p.m. weekdays.
- At www.husqvarnagroup.com/agm.

Notice should include the shareholder's name, social security number or company registration number if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the AGM 2018. Shareholders may vote by proxy, in which case a power of attorney must be submitted to Husqvarna prior to the AGM.

Shares registered by nominees
To participate in the AGM, shareholders whose shares are nominee-registered must have their shares temporarily registered in their own name on Wednesday, April 4, 2018. To ensure that such registration is made prior to Wednesday, April 4, 2018, shareholders must inform the nominee well in advance of this date.

Dividend
The Board of Directors has proposed a dividend for financial year 2017 of SEK 2.25 per share to be paid in two installments, firstly SEK 0.75 per share with Thursday, April 12, 2018 as the first record day, secondly SEK 1.50 per share with Friday, October 12, 2018 as the second record day. Assuming the AGM resolves in accordance with the Board of Directors' proposal, the estimated date for payment of the dividend from Euroclear Sweden AB is Tuesday, April 17, 2018 for the first part of the dividend and Wednesday, October 17, 2018 for the second part.

The last day for trading in Husqvarna shares with a right to the first part of the dividend is Tuesday, April 10, 2018. The last day for trading in Husqvarna shares with a right to the second part of the dividend is Wednesday, October 10, 2018.

Financial calendar 2018

April 10	Annual General Meeting
April 24	Interim Report January–March
July 17	Interim Report January–June
October 19	Interim Report January–September

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Market data, statistics and market shares are estimates made by Husqvarna Group.

Factors affecting forward-looking statements

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

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