

# INTERIM REPORT JANUARY - JUNE 2012

Stockholm July 19, 2012



## Hans Linnarson, President and CEO:

"Growth in the North American market continued, but the demand for forestry and garden products slowed down towards the end of the quarter. In the European markets, demand was hampered by unfavorable weather as well as weaker market conditions.

Group net sales for the second quarter were on the same level as the corresponding quarter in the previous year, adjusted for currency effects. Sales for Americas grew double digit, supported by improved factory delivery performance and a more favorable business environment, while sales for Europe & Asia/Pacific decreased.

Sales of professional products in the dealer channel in Europe & Asia/Pacific increased in spite of the weak market conditions. In the retail channel, sales of watering products declined. Robotic mowers continued to perform well in both channels.

For Construction, the trend from the first quarter with growth in the North American market continued and the European markets remained challenging.

Group operating income for the second quarter increased by 12%. Operating income was affected positively by the volume growth in the dealer channel and lower production costs. The operating margin for Europe & Asia/Pacific remained on a high level, in spite of the negative impact from unfavorable weather. Additionally, our ongoing focus on working capital has resulted in a positive development of cash flow.

Customer service, delivery reliability and cash flow are some of the Group's top priorities for 2012, and I am pleased to note the significant improvement achieved in the first half year.

Looking ahead, the immediate market development in Europe as well as in North America is difficult to assess."

## Second quarter

- Net sales amounted to SEK 10,706m (10,179). Adjusted for exchange rate effects, net sales were unchanged.
- Operating cash flow improved to SEK 2,535m (1,587).
- Positive sales development and market share gains for Americas and Construction, weather related downturn for Europe & Asia/Pacific.
- Operating income increased 12% to SEK 1,136m (1,012). Higher operating income for Americas and Construction, lower for Europe & Asia/Pacific.
- Earnings per share increased to SEK 1.36 (1.18).

SEKm	Q2		Change, %		Jan-Jun		Change, %		LTM <sup>2</sup>	FY
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj. <sup>1</sup>		
Net sales, Group	10,706	10,179	5	0	20,517	18,953	8	4	31,921	30,357
Europe & Asia/Pacific	5,345	5,752	-7	-8	9,998	10,293	-3	-4	16,070	16,365
Americas	4,553	3,692	23	11	8,973	7,280	23	15	12,886	11,193
Construction	808	735	10	3	1,546	1,380	12	7	2,965	2,799
EBITDA	1,410	1,281	10	8	2,598	2,227	17	14	3,042	2,671
EBITDA margin, %	13.2	12.6	-	-	12.7	11.8	-	-	9.5	8.8
Operating income, Group	1,136	1,012	12	12	2,051	1,674	23	19	1,928	1,551
Europe & Asia/Pacific	1,004	1,079	-7	-8	1,837	1,894	-3	-4	2,220	2,277
Americas	85	-98	n.a	n.a	166	-192	n.a	n.a	-296	-654
Construction	85	75	12	4	124	59	110	17	195	130
Operating margin, %	10.6	9.9	-	-	10.0	8.8	-	-	6.0	5.1
Income after financial items	1,030	897	15	-	1,824	1,486	23	-	1,485	1,147
Income for the period	785	681	15	-	1,417	1,165	22	-	1,249	997
Earnings per share, SEK	1.36	1.18	15	-	2.46	2.02	22	-	2.17	1.73

<sup>1</sup> Adjusted for items affecting comparability (see table on page 11), currency translation effects and acquisitions/divestments. <sup>2</sup> LTM = last 12 months rolling.

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## SECOND QUARTER

### Net sales

Net sales for the second quarter increased by 5% to SEK 10,706m (10,179). Adjusted for exchange rate effects, net sales for the Group were unchanged, Americas increased by 11%, Construction increased by 3% while sales for Europe & Asia/Pacific decreased by -8%.

### Operating income

Operating income for the second quarter increased by 12% and amounted to SEK 1,136m (1,012) and the corresponding operating margin rose to 10.6% (9.9). Operating income increased for Americas and Construction.

Operating income was positively affected mainly by lower production costs, improved pricing, higher sales in North America and in the dealer channel in Europe & Asia/Pacific, while product mix had a negative impact mainly due to weather related lower sales of consumer watering products.

Changes in exchange rates had a total positive effect on operating income of approximately SEK 37m, compared with the second quarter 2011, of which transaction effects amounted to SEK -62m (62), translation effects amounted to SEK 0m (-5) and change in value of currency hedging contracts amounted to SEK 67m (-89).

In the second quarter 2011, operating income was negatively impacted by SEK -180m referring to costs directly related to production disturbances, of which SEK -158m affected Americas and SEK -22m affected Europe & Asia/Pacific.

## FIRST HALF YEAR

### Net sales

Net sales for the first half year January – June increased by 8% to SEK 20,517m (18,953). Adjusted for exchange rate effects, net sales for the Group increased by 4%, for Americas by 15%, for Construction by 7%, while sales for Europe & Asia/Pacific decreased by -4%.

### Operating income

Operating income for the first half year increased by 23% to SEK 2,051m (1,674) and the corresponding operating margin rose to 10,0% (8,8). Operating income increased for Americas and Construction.

Operating income was positively affected mainly by lower production costs and improved pricing, while product mix had a negative impact mainly due to weather related lower sales of consumer watering products.

Changes in exchange rates had a total positive effect on operating income of approximately SEK 104m, compared with the first half year 2011, of which transaction effects amounted to SEK -65m (82), translation effects amounted to SEK 0m (-8) and change in value of currency hedging contracts amounted to SEK 92m (-151).

In the first half year 2011, operating income was negatively impacted by SEK -330m referring to costs directly related to production disturbances, of which SEK -290m affected Americas and SEK -40m affected Europe & Asia/Pacific.

## FINANCIAL ITEMS NET

Net financial items for the second quarter amounted to SEK -106m (-115) and for the first half year to SEK -227m (-188). The average interest rate on borrowings at the end of the second quarter was 3.9% (4.1).

## INCOME AFTER FINANCIAL ITEMS

Income after financial items for the second quarter increased to SEK 1,030m (897) corresponding to a margin of 9.6% (8.8). For the first half year, income after financial items increased to SEK 1,824m (1,486) corresponding to a margin of 8.9% (7.8).

## TAXES

Taxes for the first half year amounted to SEK -407m (-321), corresponding to a tax rate of 22% (22) of income after financial items.

## EARNINGS PER SHARE

Income for the second quarter increased to SEK 785m (681), corresponding to SEK 1.36 (1.18) per share. Income for the first half year increased to SEK 1,417m (1,165), corresponding to SEK 2.46 (2.02) per share.

## OPERATING CASH FLOW

Due to the seasonality of the Group's operations operating cash flow is normally positive in the second quarter, following a negative cash flow in the first quarter. Operating cash flow for the first half year improved to SEK 92m (-1,222). The higher operating cash flow was mainly due to higher income after financial items and a reduction of operating working capital, which was positively impacted by lower inventory and trade receivables.

Operating cash flow SEKm	Q2	Q2	Jan-Jun	Jan-Jun	Full year
	2012	2011	2012	2011	2011
Cash flow from operations, excluding changes in operating assets and liabilities	1,086	935	2,044	1,684	1,736
Changes in operating assets and liabilities	1,646	838	-1,601	-2,516	-1,239
<b>Cash flow from operations</b>	<b>2,732</b>	<b>1,773</b>	<b>443</b>	<b>-832</b>	<b>497</b>
Cash flow from investments, excluding acquisitions	-197	-186	-351	-390	-969
<b>Operating cash flow</b>	<b>2,535</b>	<b>1,587</b>	<b>92</b>	<b>-1,222</b>	<b>-472</b>

## FINANCIAL POSITION

Group equity as of June 30, 2012, excluding non-controlling interests, amounted to SEK 12,716m (12,174), corresponding to SEK 22.2 (21.6) per share.

Net debt as of June 30 amounted to SEK 7,811m (7,632) of which liquid funds amounted to SEK 1,658m (1,615) and interest bearing debt amounted to SEK 9,469m (9,247). The major currencies used for debt financing are SEK and USD. In the first half year, net debt increased by SEK 75m as a result of changes in exchange rates.

The net debt/equity ratio amounted to 0.61 (0.62) and the equity/assets ratio to 40.4% (39.1).

Net debt SEKm	30 Jun 2012	30 Jun 2011	31 Dec 2011
Interest-bearing liabilities	9,469	9,247	8,261
Liquid funds	1,658	1,615	1,340
<b>Net debt</b>	<b>7,811</b>	<b>7,632</b>	<b>6,921</b>

On June 30, 2012, long-term loans including financial leases amounted to SEK 5,211m (5,398) and short-term loans including financial leases to SEK 3,850m (3,593). Long-term loans consist of SEK 2,526m (2,713) in issued bonds, and bank loans of SEK 2,685m (2,685). The issued bonds and the bank loans mature in 2013 and onwards. The Group also has an unutilized SEK 6 bn syndicated revolving credit, with maturity in 2016.

## PERFORMANCE BY BUSINESS AREA

### Europe & Asia/Pacific

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	5,345	5,752	-7	-8	9,998	10,293	-3	-4	16,070	16,365
Operating income	1,004	1,079	-7	-8	1,837	1,894	-3	-4	2,220	2,277
Operating margin, %	18.8	18.8	-	-	18.4	18.4	-	-	13.8	13.9

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

Net sales for Europe & Asia/Pacific in the second quarter decreased by -7%. Adjusted for exchange rate effects, net sales decreased by -8%, compared to a strong second quarter of 2011. For the first half year, sales decreased by -3%. Adjusted for exchange rate effects, the decline was -4%.

The decline in the second quarter was mainly a result of a weather related drop in sales of watering products in the retail channel. Sales of Husqvarna branded products, including robotic mowers, in the dealer channel increased. In terms of markets, sales declined in most countries in Europe, whereas sales in the Asia/Pacific region were flat.

Operating income for the second quarter amounted to SEK 1,004m (1,079) and the operating margin remained at a high level, 18.8% (18.8). Operating income for the second quarter was positively impacted by the growth in dealer channel sales, while product mix due to the lower watering sales had a negative effect. Operating income for the first half year amounted to SEK 1,837m (1,894) and the operating margin remained at a high level, 18.4% (18.4).

Changes in exchange rates had a positive year-on-year effect on operating income of SEK 40m in the second quarter and SEK 112m in the first half year.

### Americas

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	4,553	3,692	23	11	8,973	7,280	23	15	12,886	11,193
Operating income	85	-98	n.a	n.a	166	-192	n.a	n.a	-296	-654
Operating margin, %	1.9	-2.7	-	-	1.9	-2.6	-	-	-2.3	-5.8

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

Net sales for Americas in the second quarter increased by 23%. Adjusted for exchange rate effects, net sales increased by 11%. For the first half year, sales increased by 23%. Adjusted for exchange rate effects, the increase was 15%.

Sales continued to grow double digit in the U.S. also in the second quarter, resulting in market share gains in some areas. Demand for forest and garden products increased and sales were also supported by better production output. In terms of products, ride-on and walk-behind mowers had the best development. Sales in Canada and Latin America were also higher.

Operating income for the second quarter amounted to SEK 85m (-98) and the corresponding operating margin was 1.9% (-2.7). For the first half year, operating income amounted to SEK 166m (-192) and the corresponding operating margin was 1.9% (-2.6). Operating income for the second quarter as well as for the first half year was positively affected by the higher sales volumes and lower production costs.

Changes in exchange rates had a negative year-on-year effect on operating income of SEK -3m in the second quarter and a neutral effect in the first half year.

## Construction

SEKm	Q2	Q2	Change, %		Jan-Jun	Jan-Jun	Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	808	735	10	3	1,546	1,380	12	7	2,965	2,799
Operating income	85	75	12	4	124	59	110	17	195	130
Operating margin, %	10.5	10.3	-	-	8.0	4.3	-	-	6.6	4.7

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

Net sales for Construction in the second quarter increased by 10%. Adjusted for exchange rate effects, net sales increased by 3%. For the first half year, sales increased by 12%. Adjusted for exchange rate effects, the increase was 7%.

Market demand in the US rose compared with the second quarter in the previous year, as a result of higher construction activity and a continued product replacement need. Market conditions in Europe were difficult, with southern Europe as the weakest area. Demand increased in the rest of the world, but at a slower pace.

The business area's sales in the U.S. market developed positively in all product categories during the second quarter, and market shares are estimated to have increased. In Europe, sales were slightly lower than in the second quarter of the previous year, which was in line with the market trend.

Operating income for the second quarter increased to SEK 85m (75) and the operating margin improved to 10.5% (10.3), mainly as a result of higher sales volumes. Operating income for the first half year increased to SEK 124m (59) and the operating margin increased to 8.0% (4.3), mainly as a result of higher sales volumes. Operating income in Q1 2011 was charged with restructuring costs of SEK -40m.

Changes in exchange rates had a neutral year-on-year impact on operating income in the second quarter and a negative effect of SEK -10 in the first half year.

## PARENT COMPANY

Net sales in the first half year 2012 for the Parent Company, Husqvarna AB, amounted to SEK 6,886m (6,538), of which SEK 5,365m (4,931) referred to sales to Group companies and SEK 1,521m (1,607) to external customers.

Income after financial items amounted to SEK 588m (671). Income for the period was SEK 461m (582). Investments in tangible and intangible assets amounted to SEK 164m (165). Cash and cash equivalents amounted to SEK 25m (280) as of June 30, 2012. Dividends amounting to SEK 17m (283) are included in net financial items for the first half year. Undistributed earnings in the Parent Company amounted to SEK 16,991m (17,179).

## CONVERSION OF SHARES

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

In April 2012, 1,183,434 A-shares were converted to B-shares at the request of shareholders. The total number of registered shares in the company at June 30, 2012 amounted to 576,343,778 shares of which 127,776,646 were A-shares and 448,567,132 were B-shares.

In July 2012, another 6,036 A-shares was converted to B-shares at the request of shareholders. The total number of votes thereafter amounts to 172,627,926.8.

## RISKS AND UNCERTAINTY FACTORS

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

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

### Operational risks

Operational risks include general economic conditions, as well as trends in consumer and professional spending, particularly in North America and Europe, where the majority of the Group's products are sold. An

economic downturn in these markets may have an adverse effect on Group sales and earnings. Shifts in product technology as well as shifts in distribution structure could also have a negative impact on Group sales and earnings.

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

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

The Group is currently implementing a number of structural changes as well as an adjusted organization. Restructuring and organizational changes always involve the risk of creating higher costs than anticipated and losing key personnel.

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

## Financial risks

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

## Acquisitions

Husqvarna has completed a number of acquisitions. Although the Group has historically demonstrated ability to successfully integrate acquired businesses, such integration always involves certain risks. Net sales can be adversely affected and costs can be higher than anticipated.

## ACCOUNTING PRINCIPLES

Husqvarna's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The financial statement of the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

Husqvarna has in all material aspects presented its interim report in accordance with the accounting and valuation principles presented in the Annual Report which is available at [www.husqvarnagroup.com](http://www.husqvarnagroup.com) under Investor Relations.

A description of new and amended standards and the potential effect on the Group's financial statements can be found in the Annual report for 2011, note 1. Current assessment of the effect from the amended IAS 19 is described on page 60.

## AUDITORS' REVIEW REPORT

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

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

Stockholm, 19 July 2012

*Lars Westerberg*  
Chairman of the Board

*Börje Ekholm*  
Board member

*Magdalena Gerger*  
Board member

*Tom Johnstone*  
Board member

*Ulla Litzén*  
Board member

*Hans Linnarson*  
Board member  
CEO and President

*Ulf Lundahl*  
Board member

*Katarina Martinson*  
Board member

*Anders Moberg*  
Board member

*Johan Ihrman*  
Employee representative  
Board member

*Annika Ögren*  
Employee representative  
Board member

## Consolidated income statement

SEKm	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
Net sales	10,706	10,179	20,517	18,953	30,357
Cost of goods sold	-7,635	-7,238	-14,828	-13,682	-21,948
<b>Gross income</b>	<b>3,071</b>	<b>2,941</b>	<b>5,689</b>	<b>5,271</b>	<b>8,409</b>
Margin, %	28.7	28.9	27.7	27.8	27.7
Selling expense	-1,559	-1,566	-2,885	-2,864	-5,332
Administrative expense	-376	-364	-753	-739	-1,530
Other operating income/expense	0	1	0	6	4
<b>Operating income<sup>1</sup></b>	<b>1,136</b>	<b>1,012</b>	<b>2,051</b>	<b>1,674</b>	<b>1,551</b>
Margin, %	10.6	9.9	10.0	8.8	5.1
Financial items, net	-106	-115	-227	-188	-404
<b>Income after financial items</b>	<b>1,030</b>	<b>897</b>	<b>1,824</b>	<b>1,486</b>	<b>1,147</b>
Margin, %	9.6	8.8	8.9	7.8	3.8
Income tax	-245	-216	-407	-321	-150
<b>Income for the period</b>	<b>785</b>	<b>681</b>	<b>1,417</b>	<b>1,165</b>	<b>997</b>
Attributable to:					
<b>Equity holders of the Parent Company</b>	<b>780</b>	<b>677</b>	<b>1,409</b>	<b>1,157</b>	<b>990</b>
Non-controlling interest in income for the period	5	4	8	8	7
Basic earnings per share, SEK					
	1.36	1.18	2.46	2.02	1.73
Diluted earnings per share, SEK					
	1.36	1.18	2.46	2.02	1.73
Basic weighted average number of shares outstanding, millions					
	572.5	572.5	572.5	572.5	572.5
Diluted weighted average number of shares, millions					
	572.7	572.6	572.7	572.7	572.6

## Consolidated comprehensive income statement

SEKm	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
<b>Income for the period</b>	<b>785</b>	<b>681</b>	<b>1,417</b>	<b>1,165</b>	<b>997</b>
Other comprehensive income, net of tax:					
Exchange differences on translating foreign operations	235	362	-98	-256	-39
Cash flow hedges	6	-30	-67	-30	77
<b>Other comprehensive income, net of tax</b>	<b>241</b>	<b>332</b>	<b>-165</b>	<b>-286</b>	<b>38</b>
<b>Total comprehensive income for the period</b>	<b>1,026</b>	<b>1,013</b>	<b>1,252</b>	<b>879</b>	<b>1,035</b>
Attributable to:					
Equity holders of the Parent Company	1,020	1,009	1,244	873	1,027
Non-controlling interest	6	4	8	6	8
<sup>1</sup> Of which depreciation, amortization and impairment					
	-274	-269	-547	-553	-1,120



## Consolidated balance sheet

SEKm	30 Jun 2012	30 Jun 2011	31 Dec 2011
<b>Assets</b>			
Property, plant and equipment	3,699	3,851	3,922
Goodwill	6,004	5,867	6,029
Other intangible assets	3,942	3,990	3,956
Investments in associated companies	5	5	5
Derivatives	0	0	0
Deferred tax assets	1,139	677	1,024
Other financial assets	290	183	272
<b>Total non-current assets</b>	<b>15,079</b>	<b>14,573</b>	<b>15,208</b>
Inventories	7,469	7,157	8,078
Trade receivables	6,616	7,039	3,660
Derivatives	341	178	257
Tax receivables	152	325	217
Other current assets	594	584	600
Other short term investments	215	163	327
Cash and cash equivalents	1,102	1,274	756
<b>Total current assets</b>	<b>16,489</b>	<b>16,720</b>	<b>13,895</b>
<b>Total assets</b>	<b>31,568</b>	<b>31,293</b>	<b>29,103</b>
<i>Pledged assets</i>	68	63	68
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the Parent Company	12,716	12,174	12,332
Non-controlling interests	46	54	56
<b>Total equity</b>	<b>12,762</b>	<b>12,228</b>	<b>12,388</b>
Long-term borrowings	5,211	5,398	6,941
Deferred tax liabilities	1,694	1,773	1,598
Provisions for pensions and other post-employment benefits	941	972	959
Derivatives	92	67	78
Other provisions	788	693	730
<b>Total non-current liabilities</b>	<b>8,726</b>	<b>8,903</b>	<b>10,306</b>
Trade payables	3,117	3,464	2,797
Tax liabilities	387	255	313
Other liabilities	2,125	2,355	1,691
Short-term borrowings	3,850	3,593	968
Derivatives	316	189	274
Other provisions	285	306	366
<b>Total current liabilities</b>	<b>10,080</b>	<b>10,162</b>	<b>6,409</b>
<b>Total equity and liabilities</b>	<b>31,568</b>	<b>31,293</b>	<b>29,103</b>
<i>Contingent liabilities</i>	138	105	154

## Consolidated cash flow statement

SEKm	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
<b>Operations</b>					
Income after financial items	1,030	897	1,824	1,486	1,147
Depreciation/amortization and impairment	274	269	547	553	1,120
Restructuring provision*	-21	-24	-34	-70	-123
Capital gain and losses	1	0	1	-5	-6
Change in accrued and prepaid interest	-29	-21	-24	-10	11
Taxes paid	-169	-186	-270	-270	-413
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>1,086</b>	<b>935</b>	<b>2,044</b>	<b>1,684</b>	<b>1,736</b>
<b>Change in operating assets and liabilities</b>					
Change in inventories	1,207	403	609	-341	-1,045
Change in trade receivables	1,463	844	-2,963	-3,527	-99
Change in trade payables	-1,051	-588	308	764	-29
Change in other operating assets/liabilities	27	179	445	588	-66
<b>Cash flow from operating assets and liabilities</b>	<b>1,646</b>	<b>838</b>	<b>-1,601</b>	<b>-2,516</b>	<b>-1,239</b>
<b>Cash flow from operations</b>	<b>2,732</b>	<b>1,773</b>	<b>443</b>	<b>-832</b>	<b>497</b>
<b>Investments</b>					
Capital expenditure in property, plant and equipment	-116	-149	-207	-295	-702
Capitalization of intangible assets	-81	-47	-154	-117	-292
Sale of fixed assets	0	13	10	23	25
Other	0	-3	0	-1	0
<b>Cash flow from investments</b>	<b>-197</b>	<b>-186</b>	<b>-351</b>	<b>-390</b>	<b>-969</b>
<b>Cash flow from operations and investments</b>	<b>2,535</b>	<b>1,587</b>	<b>92</b>	<b>-1,222</b>	<b>-472</b>
<b>Financing</b>					
Change in short-term investments	-17	174	4	-3	39
Change in interest-bearing liabilities	-1,439	-681	1,125	1,919	518
Dividend to shareholders	-859	-859	-859	-859	-859
Dividend to non-controlling interests	-18	-1	-18	-1	-1
<b>Cash flow from financing</b>	<b>-2,333</b>	<b>-1,367</b>	<b>252</b>	<b>1,056</b>	<b>-303</b>
<b>Total cash flow</b>	<b>202</b>	<b>220</b>	<b>344</b>	<b>-166</b>	<b>-775</b>
Cash and cash equivalents at beginning of period	876	1,040	756	1,476	1,476
Exchange rate differences referring to cash and cash equivalents	24	14	2	-36	55
<b>Cash and cash equivalents at end of period</b>	<b>1,102</b>	<b>1,274</b>	<b>1,102</b>	<b>1,274</b>	<b>756</b>

\* Paid restructuring provision previous included in "Change in other operating assets/liabilities".

## Change in Group equity

SEKm	January - June 2012			January - June 2011		
	Equity holders	Non-controlling interests	Total equity	Equity holders	Non-controlling interests	Total equity
<b>Opening balance</b>	<b>12,332</b>	<b>56</b>	<b>12,388</b>	<b>12,154</b>	<b>49</b>	<b>12,203</b>
Share-based payment	-1	-	-1	6	-	6
Dividend	-859	-18	-877	-859	-1	-860
Total comprehensive income	1,244	8	1,252	873	6	879
<b>Closing balance</b>	<b>12,716</b>	<b>46</b>	<b>12,762</b>	<b>12,174</b>	<b>54</b>	<b>12,228</b>

## Key data, Group

	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
Net sales, SEKm	10,706	10,179	20,517	18,953	30,357
Operating income, SEKm	1,136	1,012	2,051	1,674	1,551
Net sales growth, %	5	-11	8	-8	-6
Gross margin, %	28.7	28.9	27.7	27.8	27.7
Operating margin, %	10.6	9.9	10.0	8.8	5.1
Working capital, SEKm	7,188	7,060	7,188	7,060	5,699
Return on capital employed, %	-	-	9.0	9.3	7.4
Return on equity, %	-	-	10.1	11.7	8.0
Earnings per share, SEK	1.36	1.18	2.46	2.02	1.73
Capital-turnover rate, times	-	-	1.6	1.6	1.6
Operating cash flow, SEKm	2,535	1,587	92	-1,222	-472
Net debt/equity ratio	-	-	0.61	0.62	0.56
Capital expenditure, SEKm	197	196	361	412	994
Average number of employees	17,137	18,588	17,126	17,792	15,698

## Items affecting comparability

SEKm		Q1	Q2	Q3	Q4	Full year
Restructuring charges	<b>2012</b>	-	-			
	2011	-40	-	-24	-	-64
	2010	-	-157	-	-	-157
	2009	-	-	-59	-340	-399
Costs for personnel cut-backs	2009	-35	-18	-	-	-53
Legal settlement cost	2010	-50	-	-	-	-50
Total	<b>2012</b>	-	-			
	2011	-40	-	-24	-	-64
	2010	-50	-157	-	-	-207
	2009	-35	-18	-59	-340	-452

## Net sales and income by quarter, Group

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Net sales</b>	<b>2012</b>	9,811	<b>10,706</b>			
	2011	8,774	10,179	6,410	4,994	30,357
	2010	9,082	11,457	6,907	4,794	32,240
<b>Operating income</b>	<b>2012</b>	915	<b>1,136</b>			
	<b>Margin, %</b>	9.3	<b>10.6</b>			
	2011	662	1,012	113	-236	1,551
	<i>Margin, %</i>	7.5	9.9	1.8	-4.7	5.1
	2010	778	1,319	411	-63	2,445
	<i>Margin, %</i>	8.6	11.5	5.9	-1.3	7.6
<b>Income after financial items</b>	<b>2012</b>	794	<b>1,030</b>			
	<b>Margin, %</b>	8.1	<b>9.6</b>			
	2011	589	897	24	-363	1,147
	<i>Margin, %</i>	6.7	8.8	0.4	-7.3	3.8
	2010	690	1,250	310	-199	2,051
	<i>Margin, %</i>	7.6	10.9	4.5	-4.2	6.4
<b>Income for the period</b>	<b>2012</b>	632	<b>785</b>			
	2011	484	681	55	-223	997
	2010	535	936	402	-124	1,749
<b>Earnings per share, SEK</b>	<b>2012</b>	1.10	<b>1.36</b>			
	2011	0.84	1.18	0.10	-0.39	1.73
	2010	0.92	1.62	0.70	-0.21	3.03

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

SEKm		Q1	Q2	Q3	Q4
<b>Net sales</b>	<b>2012</b>	31,394	<b>31,921</b>		
	2011	31,932	30,654	30,157	30,357
	2010	32,004	31,980	32,178	32,240
<b>Operating income</b>	<b>2012</b>	1,804	<b>1,928</b>		
	<b>Margin, %</b>	5.7	<b>6.0</b>		
	2011	2,329	2,022	1,724	1,551
	<i>Margin, %</i>	7.3	6.6	5.7	5.1
	2010	1,552	1,755	1,993	2,445
	<i>Margin, %</i>	4.8	5.5	6.2	7.6

## Net sales by business area

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2012</b>	4,653	<b>5,345</b>			
	2011	4,541	5,752	3,430	2,642	16,365
	2010	4,459	5,845	3,708	2,609	16,621
<b>Americas</b>	<b>2012</b>	4,420	<b>4,553</b>			
	2011	3,588	3,692	2,241	1,672	11,193
	2010	4,028	4,863	2,482	1,571	12,944
<b>Construction</b>	<b>2012</b>	738	<b>808</b>			
	2011	645	735	739	680	2,799
	2010	595	749	717	614	2,675
<b>Total Group</b>	<b>2012</b>	9,811	<b>10,706</b>			
	2011	8,774	10,179	6,410	4,994	30,357
	2010	9,082	11,457	6,907	4,794	32,240

## Operating income by business area

SEKm		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2012</b>	833	<b>1,004</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	833	<b>1,004</b>			
	2011	815	1,079	291	92	2,277
<i>Excl. items affecting comparability</i>	2011	815	1,079	291	92	2,277
	2010	732	1,145	511	-5	2,383
<i>Excl. items affecting comparability</i>	2010	732	1,145	511	-5	2,383
<b>Americas</b>	<b>2012</b>	81	<b>85</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	81	<b>85</b>			
	2011	-94	-98	-172	-290	-654
<i>Excl. items affecting comparability</i>	2011	-94	-98	-172	-290	-654
	2010	81	202	-92	-39	152
<i>Excl. items affecting comparability</i>	2010	131	312	-92	-39	312
<b>Construction</b>	<b>2012</b>	39	<b>85</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	39	<b>85</b>			
	2011	-17	75	50	22	130
<i>Excl. items affecting comparability</i>	2011	23	75	74	22	194
	2010	1	11	42	28	82
<i>Excl. items affecting comparability</i>	2010	1	58	42	28	129
<b>Group common costs</b>	<b>2012</b>	-38	<b>-38</b>			
	2011	-42	-44	-56	-60	-202
	2010	-36	-39	-50	-47	-172
<b>Total Group</b>	<b>2012</b>	915	<b>1,136</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	915	<b>1,136</b>			
	2011	662	1,012	113	-236	1,551
<i>Excl. items affecting comparability</i>	2011	702	1,012	137	-236	1,615
	2010	778	1,319	411	-63	2,445
<i>Excl. items affecting comparability</i>	2010	828	1,476	411	-63	2,652

## Operating margin by business area

%		Q1	Q2	Q3	Q4	Full year
<b>Europe &amp; Asia/Pacific</b>	<b>2012</b>	17.9	<b>18.8</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	17.9	<b>18.8</b>			
	2011	17.9	18.8	8.5	3.5	13.9
<i>Excl. items affecting comparability</i>	2011	17.9	18.8	8.5	3.5	13.9
	2010	16.4	19.6	13.8	-0.2	14.3
<i>Excl. items affecting comparability</i>	2010	16.4	19.6	13.8	-0.2	14.3
<b>Americas</b>	<b>2012</b>	1.8	<b>1.9</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	1.8	<b>1.9</b>			
	2011	-2.6	-2.7	-7.7	-17.3	-5.8
<i>Excl. items affecting comparability</i>	2011	-2.6	-2.7	-7.7	-17.3	-5.8
	2010	2.0	4.2	-3.7	-2.5	1.2
<i>Excl. items affecting comparability</i>	2010	3.3	6.4	-3.7	-2.5	2.4
<b>Construction</b>	<b>2012</b>	5.3	<b>10.5</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	5.3	<b>10.5</b>			
	2011	-2.6	10.3	6.7	3.3	4.7
<i>Excl. items affecting comparability</i>	2011	3.6	10.3	9.9	3.3	6.9
	2010	0.1	1.5	5.9	4.6	3.1
<i>Excl. items affecting comparability</i>	2010	0.1	7.8	5.9	4.6	4.8
<b>Total Group</b>	<b>2012</b>	9.3	<b>10.6</b>			
<i>Excl. items affecting comparability</i>	<b>2012</b>	9.3	<b>10.6</b>			
	2011	7.5	9.9	1.8	-4.7	5.1
<i>Excl. items affecting comparability</i>	2011	8.0	9.9	2.1	-4.7	5.3
	2010	8.6	11.5	5.9	-1.3	7.6
<i>Excl. items affecting comparability</i>	2010	9.1	12.9	5.9	-1.3	8.2

## Net assets by business area

SEKm	Assets		Liabilities		Net Assets	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
Europe & Asia/Pacific	17,948	18,263	4,667	4,883	13,281	13,380
Americas	7,365	7,380	1,456	1,815	5,909	5,565
Construction	3,331	3,263	685	672	2,646	2,591
Other	1,266	772	2,529	2,448	-1,263	-1,676
<b>Total</b>	<b>29,910</b>	<b>29,678</b>	<b>9,337</b>	<b>9,818</b>	<b>20,573</b>	<b>19,860</b>

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

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

## Five-year review, Group

	2011	2010	2009	2008	2007
Net sales, SEKm	30,357	32,240	34,074	32,342	33,284
Operating income, SEKm	1,551	2,445	1,560	2,361	3,564
Net sales growth, %	-6	-5	5	-3	13
Gross margin, %	27.7	28.5	25.4	29.0	29.4
Operating margin, %	5.1	7.6	4.6	7.3	10.7
Return on capital employed, %	7.4	11.0	6.6	10.7	17.6
Return on equity, %	8.0	13.9	7.5	15.8	28.6
Capital turn-over rate, times	1.6	1.7	1.6	1.5	1.8
Operating cash flow, SEKm	-472	962	3,737	2,013	1,843
Capital expenditure, SEKm	994	1,302	914	1,163	857
Average number of employees	15,698	14,954	15,030	15,720	16,093

## PARENT COMPANY

### Income statement

SEKm	Q2 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011	Full-year 2011
<b>Net sales</b>	<b>3,444</b>	<b>3,397</b>	<b>6,886</b>	<b>6,538</b>	<b>11,121</b>
Cost of goods sold	-2,587	-2,565	-5,264	-5,076	-8,537
<b>Gross operating income</b>	<b>857</b>	<b>832</b>	<b>1,622</b>	<b>1,462</b>	<b>2,584</b>
Selling expense	-264	-292	-449	-512	-981
Administrative expense	-116	-153	-242	-281	-553
Other operating income/expense	0	1	0	2	2
<b>Operating income</b>	<b>477</b>	<b>388</b>	<b>931</b>	<b>671</b>	<b>1,052</b>
Financial items, net <sup>1</sup>	-167	131	-343	0	-606
<b>Income after financial items</b>	<b>310</b>	<b>519</b>	<b>588</b>	<b>671</b>	<b>446</b>
Appropriations	10	12	17	22	307
<b>Income before taxes</b>	<b>320</b>	<b>531</b>	<b>605</b>	<b>693</b>	<b>753</b>
Taxes	-81	-66	-144	-111	-16
<b>Income for the period</b>	<b>239</b>	<b>465</b>	<b>461</b>	<b>582</b>	<b>737</b>

<sup>1</sup> Group contributions are accounted for in Financial items, net.  
Comparative period 2011 has been restated.

### Balance sheet

SEKm	30 Jun 2012	30 Jun 2011	31 Dec 2011
Non-current assets	30,372	30,255	30,413
Current assets	9,348	7,444	7,454
<b>Total assets</b>	<b>39,720</b>	<b>37,699</b>	<b>37,867</b>
Equity	18,165	18,354	18,624
Untaxed reserves	686	988	703
Provisions	123	105	146
Interest-bearing liabilities	17,810	15,413	15,118
Current liabilities	2,936	2,839	3,276
<b>Total equity and liabilities</b>	<b>39,720</b>	<b>37,699</b>	<b>37,867</b>

### Number of shares

	Outstanding A- shares	Outstanding B- shares	Re-purchased B-shares	Total
<b>Number of shares as of 31 December 2011</b>	<b>129,460,339</b>	<b>443,060,066</b>	<b>3,823,373</b>	<b>576,343,778</b>
Conversion of A-shares into B-shares	-1,683,693	1,683,693		
LTI 2009		59,344	-59,344	
<b>Number of shares as of 30 June 2012 <sup>1</sup></b>	<b>127,776,646</b>	<b>444,803,103</b>	<b>3,764,029</b>	<b>576,343,778</b>

<sup>1)</sup> After June 30, 2012, another 6,036 A-shares have been converted to B-shares.

## DEFINITIONS

### Capital indicators

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

### Other definitions

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



## TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Hans Linnarson, President and CEO, and Ulf Liljedahl, CFO, will be held at the Anglais Hotel in Stockholm at 11:00 CET on July 19, 2012. To participate, please Dial +46 (0) 8 5052 0110 (Sweden) or +44 (0)20 7162 0077 (UK) ten minutes prior to the start of the conference. The conference call will also be audio cast live on [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). A replay will be available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir) later the same day.

## DATES FOR FINANCIAL REPORTS

October 26, 2012: Interim report for January-September 2012

## CONTACTS

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*This interim report comprises information which Husqvarna is required to disclose under the Securities Markets Act and/or the Financial Instruments Trading Act. It was released for publication at 08:00 CET on July 19, 2012.*

### Factors affecting forward-looking statements

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