

# INTERIM REPORT JANUARY - SEPTEMBER 2012

Stockholm October 26, 2012



## Hans Linnarson, President and CEO:

"Demand in our two largest markets continued to be challenging during the third quarter. In North America, sales were negatively impacted by the worst drought conditions for many years. In Europe, demand was adversely affected by a cautious consumer sentiment and continued unfavorable weather conditions. As expected, preseason demand for seasonal products such as snow throwers was soft.

We were able to deliver a better result in comparison to last year. Group operating income for the third quarter increased to SEK 182m (113), with Americas reporting improved result while sales and income for Europe & Asia/Pacific declined. Construction continued to improve, both in terms of sales and income.

I am also pleased to note the continued positive progress in our cash flow, which is one of our top priorities. Year to date operating cash flow rose to SEK 1,595m (-328), with clear improvements across the Group mainly from working capital improvements.

As we enter the low season, we intensify preparation of the Group for 2013; securing new product launches and enhanced customer service as well as measures to improve efficiency by reducing the fixed cost base and increasing flexibility throughout the Group. More details will be communicated during the fourth quarter 2012.

Looking ahead, we see many of our trade partners managing their inventory levels conservatively, as the global economic uncertainty is expected to continue for 2013."

## Third quarter

- Net sales amounted to SEK 5,841m (6,410). Adjusted for exchange rate effects, net sales declined -8%.
- Operating income increased 61% to SEK 182m (113).
- Operating cash flow improved to SEK 1,503m (894).
- Earnings per share increased to SEK 0.19 (0.10).

## First nine months

- Net sales amounted to SEK 26,358m (25,363). Adjusted for exchange rate effects, net sales increased 1%.
- Operating income increased 25% to SEK 2,233m (1,787).
- Operating cash flow improved to SEK 1,595m (-328).
- Earnings per share increased to SEK 2.65 (2.12).

SEKm	Q3		Change, %		Jan-Sep		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	5 841	6 410	-9	-8	26 358	25 363	4	1	31 352	30 357
Europe & Asia/Pacific	3 096	3 430	-10	-6	13 094	13 723	-5	-4	15 736	16 365
Americas	1 986	2 241	-11	-14	10 959	9 521	15	8	12 631	11 193
Construction	759	739	3	3	2 305	2 119	9	6	2 985	2 799
EBITDA	438	389	12	8	3 036	2 616	16	13	3 091	2 671
EBITDA margin, %	7,5	6,1	-	-	11,5	10,3	-	-	9,9	8,8
Operating income, Group	182	113	61	41	2 233	1 787	25	21	1 997	1 551
Europe & Asia/Pacific	225	291	-23	-24	2 062	2 185	-6	-7	2 154	2 277
Americas	-99	-172	42	47	67	-364	n.a	n.a	-223	-654
Construction	89	50	80	19	213	108	98	18	235	130
Operating margin, %	3,1	1,8	-	-	8,5	7,0	-	-	6,4	5,1
Income after financial items	102	24	n.a	-	1 926	1 510	28	-	1 563	1 147
Income for the period	105	55	91	-	1 522	1 220	25	-	1 299	997
Earnings per share, SEK	0,19	0,10	90	-	2,65	2,12	25	-	2,26	1,73

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

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## THIRD QUARTER

### Net sales

Net sales for the third quarter decreased by -9% to SEK 5,841m (6,410). Adjusted for exchange rate effects, net sales for the Group declined by -8%, for Europe & Asia/Pacific by -6%, for Americas by -14%, while Construction increased by 3%.

### Operating income

Operating income for the third quarter increased by 61% and amounted to SEK 182m (113) and the corresponding operating margin rose to 3.1% (1.8). Operating income increased for Construction and Americas.

Operating income was positively affected mainly by lower costs for materials and lower expenses for selling and administration, while the decline in sales and changes in exchange rates impacted negatively.

Changes in exchange rates had a total negative effect on operating income of approximately SEK -69m, compared with the third quarter 2011, of which transaction effects amounted to SEK -130m (-44), translation effects amounted to SEK 0m (8) and change in value of currency hedging contracts amounted to SEK 43m (18).

In the third quarter 2011, operating income was negatively impacted by SEK -83m, of which SEK -38m referring to costs directly related to production disturbances, SEK -24m referring to costs for the closure of a production facility in Spain and SEK -21m referring to the termination of the former CEO's contract.

## FIRST NINE MONTHS

### Net sales

Net sales for the first nine months increased by 4% to SEK 26,358m (25,363). Adjusted for exchange rate effects, net sales for the Group increased by 1%, for Americas by 8%, for Construction by 6%, while sales for Europe & Asia/Pacific decreased by -4%.

### Operating income

Operating income for the first nine months increased by 25% to SEK 2,233m (1,787) and the corresponding operating margin rose to 8.5% (7.0). 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, partly 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 35m, compared with the first nine months of 2011, of which transaction effects amounted to SEK -195m (38), translation effects amounted to SEK 0m (1) and change in value of currency hedging contracts amounted to SEK 135m (-134).

In the first nine months of 2011, operating income was negatively impacted by SEK -368m referring to costs directly related to production disturbances, of which SEK -323m affected Americas and SEK -45m affected Europe & Asia/Pacific, as well as items affecting comparability of SEK -64m referring to Construction, and costs related to the termination of the former CEO's contract of SEK -21m.

## FINANCIAL ITEMS NET

Net financial items for the third quarter amounted to SEK -80m (-89) and for the first nine months to SEK -307m (-277). The average interest rate on borrowings at the end of the third quarter was 4.0% (4.1).

## INCOME AFTER FINANCIAL ITEMS

Income after financial items for the third quarter increased to SEK 102m (24) corresponding to a margin of 1.8% (0.4). For the first nine months, income after financial items increased to SEK 1,926m (1,510) corresponding to a margin of 7.3% (6.0).

## TAXES

Taxes for the first nine months amounted to SEK -404m (-290), corresponding to a tax rate of 21% (19) of income after financial items.

## EARNINGS PER SHARE

Income for the third quarter increased to SEK 105m (55), corresponding to SEK 0.19 (0.10) per share. Income for the first nine months increased to SEK 1,522m (1,220), corresponding to SEK 2.65 (2.12) per share.

## OPERATING CASH FLOW

Due to the seasonality of the Group's operations, operating cash flow is normally negative in the first quarter followed by positive cash flow in the second and third quarters. Operating cash flow for the first nine months improved to SEK 1,595m (-328), 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	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
Cash flow from operations, excluding changes in operating assets and liabilities	252	205	2,296	1,889	1,736
Changes in operating assets and liabilities	1,428	948	-173	-1,568	-1,239
<b>Cash flow from operations</b>	<b>1,680</b>	<b>1,153</b>	<b>2,123</b>	<b>321</b>	<b>497</b>
Cash flow from investments, excluding acquisitions	-177	-259	-528	-649	-969
<b>Operating cash flow</b>	<b>1,503</b>	<b>894</b>	<b>1,595</b>	<b>-328</b>	<b>-472</b>

## FINANCIAL POSITION

Group equity as of September 30, 2012, excluding non-controlling interests, amounted to SEK 11,976m (12,813), corresponding to SEK 20.91 (22.37) per share. Group equity was negatively affected by exchange differences on translating foreign operations to SEK amounting to SEK -911m.

Net debt as of September 30 amounted to SEK 6,355m (6,628) of which liquid funds amounted to SEK 1,285m (1,632) and interest bearing debt amounted to SEK 7,640m (8,260). The major currencies used for debt financing are SEK and USD. In the first nine months, net debt increased by SEK 30m as a result of changes in exchange rates.

The net debt/equity ratio amounted to 0.53 (0.51) and the equity/assets ratio to 44% (44).

Net debt SEKm	30 Sep 2012	30 Sep 2011	31 Dec 2011
Interest-bearing liabilities	7,640	8,260	8,261
Liquid funds	1,285	1,632	1,340
<b>Net debt</b>	<b>6,355</b>	<b>6,628</b>	<b>6,921</b>

On September 30, 2012, long-term loans including financial leases amounted to SEK 5,089m (5,516) and short-term loans including financial leases to SEK 2,306m (2,445). Long-term loans consist of SEK 2,572m (2,723) in issued bonds, and bank loans of SEK 2,497m (2,793). Long term bonds and long term bank loans mature in 2014 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	Q3		Change, %		Jan-Sep		Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	3,096	3,430	-10	-6	13,094	13,723	-5	-4	15,736	16,365
Operating income	225	291	-23	-24	2,062	2,185	-6	-7	2,154	2,277
Operating margin, %	7.3	8.5	-	-	15.7	15.9	-	-	13.7	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 third quarter decreased by -10%. Adjusted for exchange rate effects, net sales decreased by -6%. For the first nine months, sales decreased by -5%. Adjusted for exchange rate effects, the decline was -4%.

Due to continued unfavorable weather and economic uncertainty, sales declined in the European markets as trade inventory levels were conservatively managed. Pre-season demand for snow throwers was, as anticipated, soft.

Operating income for the third quarter amounted to SEK 225m (291) and the operating margin amounted to 7.3% (8.5). For the first nine months the operating income amounted to SEK 2,062m (2,185) and the margin remained at a high level, 15.7% (15.9).

Operating income for the third quarter was negatively impacted mainly by the lower sales volume, unfavorable mix and changes in exchange rates.

Changes in exchange rates had a negative year-on-year effect on operating income of SEK -39m in the third quarter and a positive impact of SEK 73m for the first nine months.

### Americas

SEKm	Q3		Change, %		Jan-Sep		Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	1,986	2,241	-11	-14	10,959	9,521	15	8	12,631	11,193
Operating income	-99	-172	42	47	67	-364	n.a	n.a	-223	-654
Operating margin, %	-5.0	-7.7	-	-	0.6	-3.8	-	-	-1.8	-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 third quarter decreased by -11%. Adjusted for exchange rate effects, net sales decreased by -14%. For the first nine months, sales increased by 15%. Adjusted for exchange rate effects, the increase was 8%.

The drought weather conditions in the US had substantial negative effect on industry demand and sales of lawn care equipment declined. Pre-season demand for snow throwers was also soft, partly due to trade inventory left from the previous season.

Operating income for the third quarter improved to SEK -99m (-172) and the corresponding operating margin was -5.0% (-7.7). Operating income was positively impacted mainly by lower costs for materials as well as lower costs for selling and administration, while the lower sales volume had a negative effect.

For the first nine months, operating income increased to SEK 67m (-364) and the corresponding operating margin was 0.6% (-3.8).

Changes in exchange rates had a negative year-on-year effect on operating income of SEK -30m in the third quarter as well as for the first nine months.

## Construction

SEKm	Q3	Q3	Change, %		Jan-Sep	Jan-Sep	Change, %		LTM <sup>2</sup>	Full year
	2012	2011	As rep.	Adj. <sup>1</sup>	2012	2011	As rep.	Adj.		
Net sales	759	739	3	3	2,305	2,119	9	6	2,985	2,799
Operating income	89	50	80	19	213	108	98	18	235	130
Operating margin, %	11.7	6.7	-	-	9.2	5.1	-	-	7.9	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 third quarter increased by 3%. Adjusted for exchange rate effects, the increase was also 3%. For the first nine months, sales increased by 9%. Adjusted for exchange rate effects, the increase was 6%.

The higher sales were primarily driven by the U.S. market where construction activity rose for residential and infrastructure construction, although at a slower pace than previously in the year. Sales were also positively impacted by market share gains.

Construction market conditions across Europe, especially in southern Europe, were difficult as the uncertain economic development continued. Sales decreased, partly due to lower demand from rental operators. Emerging markets had a mixed development.

Operating income for the third quarter increased to SEK 89m (50) and the operating margin improved to 11.7% (6.7), mainly as a result of improved pricing and factory productivity, as well as items affecting comparability of SEK -24m that was charged to operating income in the first quarter 2011.

Operating income for the first nine months increased to SEK 213m (108) and the operating margin increased to 9.2% (5.1). Operating income for the first nine months of 2011 was charged with items affecting comparability of SEK -64m.

Changes in exchange rates had a negative year-on-year impact on operating income in the third quarter of SEK -2m and a negative effect of SEK -11m in the first nine months.

In the third quarter Husqvarna acquired the remaining 20% of Hebei Husqvarna Jikai Diamond Tools Co., Ltd for SEK 46m.

## PARENT COMPANY

Net sales in the first nine months 2012 for the Parent Company, Husqvarna AB, amounted to SEK 8,955m (8,906), of which SEK 6,962m (6,794) referred to sales to Group companies and SEK 1,993m (2,112) to external customers.

Income after financial items amounted to SEK 1,504m (937). Income for the period was SEK 1,390m (838). Investments in tangible and intangible assets amounted to SEK 235m (237). Cash and cash equivalents amounted to SEK 34m (109) as of September 30, 2012. Undistributed earnings in the Parent Company amounted to SEK 17,915m (17,500).

## CONVERSION OF SHARES

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

In July 2012, 6,036 A-shares were converted to B-shares at the request of shareholders. The total number of registered shares in the company at September 30, 2012 amounted to 576,343,778 shares of which 127,770,610 were A-shares and 448,573,168 were B-shares.

In October 2012, another 71,552 A-shares were converted to B-shares at the request of shareholders. The total number of votes thereafter amounts to 172,563,530.

## ANNUAL GENERAL MEETING 2013

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held in Jönköping, Sweden, on April 11 2013.

Shareholders who wish to have matters dealt with by the AGM should submit their proposals to the Board by email to [board@husqvarnagroup.com](mailto:board@husqvarnagroup.com), or by post to Husqvarna AB, General Counsel, Box 7454, SE-103 92 Stockholm. Proposals must be received by the Company no later than February 18, 2013.

### Nomination committee

In accordance with the decision by Husqvarna's Annual General Meeting on March 28, 2012, the members of the Nomination Committee for the 2013 AGM are to be appointed by the four largest shareholders in terms of voting rights in the company as of August 31, 2012, who have expressed a wish to participate in the nomination committee work. In addition, the Nomination Committee shall also include the Chairman of the Husqvarna Board.

The Nomination Committee has been appointed by Investor AB, L E Lundbergföretagen AB, Alecta and Nordea Investment Funds. Each has appointed one member, as shown below, who will form Husqvarna's Nomination Committee together with the Chairman of the Husqvarna Board.

The Nomination Committee's members are: Petra Hedengran (chairman), Investor AB; Claes Boustedt, L E Lundbergföretagen AB; Ramsay Brufer, Alecta; Thomas Ehlin, Nordea Investment Funds and Lars Westerberg, Chairman of Husqvarna AB.

The Nomination Committee will prepare proposals for the AGM in 2013, including proposals for the Chairman of the AGM, Board members, Chairman of the Board, remuneration for Board members, fees to the auditors, and the tasks and composition of the Nomination Committee for the AGM in 2014.

Shareholders who wish to submit proposals to the Nomination Committee should send an email to [nominationcommittee@husqvarnagroup.com](mailto:nominationcommittee@husqvarnagroup.com) by February 8, 2013.

## 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. There are no new or amended accounting standards, or interpretations issued during 2012 that are effective for the first time for financial years beginning on or after 1 January 2012 that would be expected to have a material impact on the Group's financial statements except those described in the Annual Report 2011.

## AUDITORS' REVIEW REPORT

To the Board of Directors of Husqvarna AB (publ)

We have reviewed the interim report for Husqvarna AB (publ) for the period 1 January 2012 - 30 September 2012. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Stockholm, October 26, 2012  
PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in charge



## Consolidated income statement

SEKm	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full-year 2011
Net sales	5,841	6,410	26,358	25,363	30,357
Cost of goods sold	-4,225	-4,658	-19,053	-18,340	-21,948
<b>Gross income</b>	<b>1,616</b>	<b>1,752</b>	<b>7,305</b>	<b>7,023</b>	<b>8,409</b>
<i>Margin, %</i>	27.7	27.3	27.7	27.7	27.7
Selling expense	-1,123	-1,277	-4,008	-4,141	-5,332
Administrative expense	-311	-363	-1,064	-1,102	-1,530
Other operating income/expense	0	1	0	7	4
<b>Operating income<sup>1</sup></b>	<b>182</b>	<b>113</b>	<b>2,233</b>	<b>1,787</b>	<b>1,551</b>
<i>Margin, %</i>	3.1	1.8	8.5	7.0	5.1
Financial items, net	-80	-89	-307	-277	-404
<b>Income after financial items</b>	<b>102</b>	<b>24</b>	<b>1,926</b>	<b>1,510</b>	<b>1,147</b>
<i>Margin, %</i>	1.8	0.4	7.3	6.0	3.8
Income tax	3	31	-404	-290	-150
<b>Income for the period</b>	<b>105</b>	<b>55</b>	<b>1,522</b>	<b>1,220</b>	<b>997</b>
Attributable to:					
<b>Equity holders of the Parent Company</b>	<b>106</b>	<b>55</b>	<b>1,515</b>	<b>1,212</b>	<b>990</b>
Non-controlling interest in income for the period	-1	0	7	8	7
Basic earnings per share, SEK	0.19	0.10	2.65	2.12	1.73
Diluted earnings per share, SEK	0.19	0.10	2.65	2.12	1.73
Basic weighted average number of shares outstanding, millions	572.6	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	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full-year 2011
<b>Income for the period</b>	<b>105</b>	<b>55</b>	<b>1,522</b>	<b>1,220</b>	<b>997</b>
Other comprehensive income, net of tax:					
Exchange differences on translating foreign operations	-813	529	-911	274	-39
Cash flow hedges	-11	57	-78	27	77
<b>Other comprehensive income, net of tax</b>	<b>-824</b>	<b>586</b>	<b>-989</b>	<b>301</b>	<b>38</b>
<b>Total comprehensive income for the period</b>	<b>-719</b>	<b>641</b>	<b>533</b>	<b>1,521</b>	<b>1,035</b>
Attributable to:					
Equity holders of the Parent Company	-717	638	527	1,512	1,027
Non-controlling interest	-2	3	6	9	8
<sup>1</sup> Of which depreciation, amortization and impairment	-256	-276	-803	-829	-1,120

## Consolidated balance sheet

SEKm	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Assets</b>			
Property, plant and equipment	3,514	3,973	3,922
Goodwill	5,731	6,099	6,029
Other intangible assets	3,771	4,031	3,956
Investments in associated companies	4	5	5
Derivatives	0	0	0
Deferred tax assets	1,036	644	1,024
Other financial assets	288	205	272
<b>Total non-current assets</b>	<b>14,344</b>	<b>14,957</b>	<b>15,208</b>
Inventories	6,789	7,080	8,078
Trade receivables	4,156	4,938	3,660
Derivatives	230	398	257
Tax receivables	271	373	217
Other current assets	572	563	600
Other short term investments	327	95	327
Cash and cash equivalents	728	1,139	756
<b>Total current assets</b>	<b>13,073</b>	<b>14,586</b>	<b>13,895</b>
<b>Total assets</b>	<b>27,417</b>	<b>29,543</b>	<b>29,103</b>
<i>Pledged assets</i>	<i>65</i>	<i>67</i>	<i>68</i>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the Parent Company	11,976	12,813	12,332
Non-controlling interests	23	57	56
<b>Total equity</b>	<b>11,999</b>	<b>12,870</b>	<b>12,388</b>
Long-term borrowings	5,089	5,516	6,941
Deferred tax liabilities	1,618	1,769	1,598
Provisions for pensions and other post-employment benefits	912	996	959
Derivatives	98	93	78
Other provisions	715	720	730
<b>Total non-current liabilities</b>	<b>8,432</b>	<b>9,094</b>	<b>10,306</b>
Trade payables	2,137	2,332	2,797
Tax liabilities	397	175	313
Other liabilities	1,747	2,053	1,691
Short-term borrowings	2,306	2,445	968
Derivatives	147	206	274
Other provisions	252	368	366
<b>Total current liabilities</b>	<b>6,986</b>	<b>7,579</b>	<b>6,409</b>
<b>Total equity and liabilities</b>	<b>27,417</b>	<b>29,543</b>	<b>29,103</b>
<i>Contingent liabilities</i>	<i>131</i>	<i>153</i>	<i>154</i>

## Consolidated cash flow statement

SEKm	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full-year 2011
<b>Operations</b>					
Income after financial items	102	24	1,926	1,510	1,147
Depreciation/amortization and impairment	256	276	803	829	1,120
Restructuring provision*	-16	-26	-50	-96	-123
Capital gain and losses	-5	-1	-4	-6	-6
Change in accrued and prepaid interest	2	0	-22	-10	11
Taxes paid	-87	-68	-357	-338	-413
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>252</b>	<b>205</b>	<b>2,296</b>	<b>1,889</b>	<b>1,736</b>
<b>Change in operating assets and liabilities</b>					
Change in inventories	390	256	999	-85	-1,045
Change in trade receivables	2,279	2,197	-684	-1,330	-99
Change in trade payables	-876	-1,247	-568	-483	-29
Change in other operating assets/liabilities	-365	-258	80	330	-66
<b>Cash flow from operating assets and liabilities</b>	<b>1,428</b>	<b>948</b>	<b>-173</b>	<b>-1,568</b>	<b>-1,239</b>
<b>Cash flow from operations</b>	<b>1,680</b>	<b>1,153</b>	<b>2,123</b>	<b>321</b>	<b>497</b>
<b>Investments</b>					
Acquisition of shares in subsidiaries	-46	-	-46	-	-
Capital expenditure in property, plant and equipment	-134	-203	-341	-498	-702
Capitalization of intangible assets	-53	-59	-207	-176	-292
Sale of fixed assets	0	2	10	25	25
Other	10	1	10	0	0
<b>Cash flow from investments</b>	<b>-223</b>	<b>-259</b>	<b>-574</b>	<b>-649</b>	<b>-969</b>
<b>Cash flow from operations and investments</b>	<b>1,457</b>	<b>894</b>	<b>1,549</b>	<b>-328</b>	<b>-472</b>
<b>Financing</b>					
Change in short-term investments	-19	95	-15	92	39
Change in interest-bearing liabilities	-1,779	-1,270	-654	649	518
Dividend to shareholders	-	-	-859	-859	-859
Dividend to non-controlling interests	-	-	-18	-1	-1
<b>Cash flow from financing</b>	<b>-1,798</b>	<b>-1,175</b>	<b>-1,546</b>	<b>-119</b>	<b>-303</b>
<b>Total cash flow</b>	<b>-341</b>	<b>-281</b>	<b>3</b>	<b>-447</b>	<b>-775</b>
Cash and cash equivalents at beginning of period	1,102	1,274	756	1,476	1,476
Exchange rate differences referring to cash and cash equivalents	-33	146	-31	110	55
<b>Cash and cash equivalents at end of period</b>	<b>728</b>	<b>1,139</b>	<b>728</b>	<b>1,139</b>	<b>756</b>

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

## Change in Group equity

SEKm	January - September 2012			January - September 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
Acquisition of Non-controlling interests	-25	-21	-46	-	-	-
Total comprehensive income	527	6	533	1,512	9	1,521
<b>Closing balance</b>	<b>11,976</b>	<b>23</b>	<b>11,999</b>	<b>12,813</b>	<b>57</b>	<b>12,870</b>

## Key data, Group

	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full-year 2011
Net sales, SEKm	5,841	6,410	26,358	25,363	30,357
Operating income, SEKm	182	113	2,233	1,787	1,551
Net sales growth, %	-9	-7	4	-8	-6
Gross margin, %	27.7	27.3	27.7	27.7	27.7
Operating margin, %	3.1	1.8	8.5	7.0	5.1
Working capital, SEKm	5,628	6,310	5,628	6,310	5,699
Return on capital employed, %	-	-	9.5	8.0	7.4
Return on equity, %	-	-	10.5	8.9	8.0
Earnings per share, SEK	0.19	0.10	2.65	2.12	1.73
Capital-turnover rate, times	-	-	1.6	1.6	1.6
Operating cash flow, SEKm	1,503	894	1,595	-328	-472
Net debt/equity ratio	-	-	0.53	0.51	0.56
Capital expenditure, SEKm	187	262	548	674	994
Average number of employees	13,383	15,562	15,861	16,948	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	10,706	<b>5,841</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	1,136	<b>182</b>		
	<b>Margin, %</b>	9.3	10.6	<b>3.1</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	1,030	<b>102</b>		
	<b>Margin, %</b>	8.1	9.6	<b>1.8</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	785	<b>105</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	1.36	<b>0.19</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	31,921	<b>31,352</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	1,928	<b>1,997</b>	
	<b>Margin, %</b>	5.7	6.0	<b>6.4</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	5,345	<b>3,096</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	4,553	<b>1,986</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	808	<b>759</b>		
	2011	645	735	739	680	2,799
	2010	595	749	717	614	2,675
<b>Total Group</b>	<b>2012</b>	9,811	10,706	<b>5,841</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	1,004	<b>225</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	833	1,004	<b>225</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	85	<b>-99</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	81	85	<b>-99</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	85	<b>89</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	39	85	<b>89</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	-38	<b>-33</b>		
	2011	-42	-44	-56	-60	-202
	2010	-36	-39	-50	-47	-172
<b>Total Group</b>	<b>2012</b>	915	1,136	<b>182</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	915	1,136	<b>182</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	18.8	<b>7.3</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	17.9	18.8	<b>7.3</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	1.9	<b>-5.0</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	1.8	1.9	<b>-5.0</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	10.5	<b>11.7</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	5.3	10.5	<b>11.7</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	10.6	<b>3.1</b>		
<i>Excl. items affecting comparability</i>	<b>2012</b>	9.3	10.6	<b>3.1</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 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
Europe & Asia/Pacific	15,906	16,890	3,625	3,972	12,281	12,918
Americas	5,973	6,928	1,072	1,358	4,901	5,570
Construction	3,069	3,348	629	715	2,440	2,633
Other	1,184	745	2,452	2,368	-1,268	-1,623
<b>Total</b>	<b>26,132</b>	<b>27,911</b>	<b>7,778</b>	<b>8,413</b>	<b>18,354</b>	<b>19,498</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	Q3 2012	Q3 2011	Jan-Sep 2012	Jan-Sep 2011	Full-year 2011
<b>Net sales</b>	<b>2,069</b>	<b>2,368</b>	<b>8,955</b>	<b>8,906</b>	<b>11,121</b>
Cost of goods sold	-1,641	-1,786	-6,905	-6,862	-8,537
<b>Gross operating income</b>	<b>428</b>	<b>582</b>	<b>2,050</b>	<b>2,044</b>	<b>2,584</b>
Selling expense	-196	-236	-645	-748	-981
Administrative expense	-118	-128	-360	-409	-553
Other operating income/expense	-2	1	-2	3	2
<b>Operating income</b>	<b>112</b>	<b>219</b>	<b>1,043</b>	<b>890</b>	<b>1,052</b>
Financial items, net <sup>1</sup>	804	47	461	47	-606
<b>Income after financial items</b>	<b>916</b>	<b>266</b>	<b>1,504</b>	<b>937</b>	<b>446</b>
Appropriations	-7	5	10	27	307
<b>Income before taxes</b>	<b>909</b>	<b>271</b>	<b>1,514</b>	<b>964</b>	<b>753</b>
Taxes	20	-15	-124	-126	-16
<b>Income for the period</b>	<b>929</b>	<b>256</b>	<b>1,390</b>	<b>838</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 Sep 2012	30 Sep 2011	31 Dec 2011
Non-current assets	30,239	30,166	30,413
Current assets	7,337	6,710	7,454
<b>Total assets</b>	<b>37,576</b>	<b>36,876</b>	<b>37,867</b>
Equity	19,090	18,674	18,624
Untaxed reserves	694	982	703
Provisions	184	166	146
Interest-bearing liabilities	15,418	14,786	15,118
Current liabilities	2,190	2,268	3,276
<b>Total equity and liabilities</b>	<b>37,576</b>	<b>36,876</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>
<i>Conversion of A-shares into B-shares</i>	-1,689,729	1,689,729		
<i>LTI 2009</i>		59,344	-59,344	
<b>Number of shares as of 30 September 2012 <sup>1</sup></b>	<b>127,770,610</b>	<b>444,809,139</b>	<b>3,764,029</b>	<b>576,343,778</b>

<sup>1</sup> After September 30, 2012, another 71,552 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 Husqvarna's office on Regeringsgatan 28 in Stockholm at 10:00 CET on October 26, 2012. To participate by phone, please Dial +46 (0) 8 5052 0110 (Sweden) or +44 (0)20 7162 0077 (UK) ten minutes prior to the start of the conference. The conference call will also be audio cast live on [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). A replay will be available at [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir) later the same day.

## DATES FOR FINANCIAL REPORTS

February 13	Year-end report for 2012
April 24	Interim report for January-March
July 19	Interim report for January-June
October 24	Interim report for January-September

A Capital Markets Day will be held in Stockholm on February 14.

The AGM will be held in Jönköping on April 11.

## 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 October 26, 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.