

# YEAR-END REPORT 2016

Stockholm February 9, 2017



## Kai Wörn, President and CEO:

“The seasonal operating loss in the fourth quarter was reduced to half, from SEK -212m to SEK -108m, excluding the items affecting comparability prior year. Efficiency improvements offset the slightly lower sales in the seasonally small fourth quarter. In particular there were strong improvements in the Consumer Brands and Construction Divisions.

We are proud of the performance during 2016. Compared to the previous year, operating income has improved quarter by quarter due to the strong focus on efficiency improvements which enabled us to mitigate the negative currency headwind of some SEK 430m for the full year and at the same time step up our investments to support our profitable growth ambitions. Group operating income for 2016 improved by 8% to SEK 3,218m and the corresponding margin rose to 8.9% (8.2), excluding items affecting comparability. As a result of the continuing good earnings trend, the Board of Directors proposes that the dividend for 2016 is increased to SEK 1.95 (1.65) per share.

An example of the strength of our efficiency improvements in 2016 can be seen in the Consumer Brands Division. In a challenging environment with a 10% reduction of sales and currency headwind of some SEK -160m, we reached the milestone of a break-even result. Going forward, in parallel to continuing to focus on cost efficiency, we will pursue new profitable business opportunities.

Our other three Divisions showed a combined net sales growth of over 3% in 2016 and improved operating income. The acquisition of Pullman Ermator, finalized mid-January 2017, is an excellent strategic fit for our Construction Division and brings further growth opportunities in the attractive surface preparation segment. It also reflects our ambition to grow the Construction Division's share of the Husqvarna Group.

Another area where I am proud to see that we are increasing ambitions is in sustainability. We are one of the first Swedish companies to have our specific climate targets approved by the "Science Based Targets Initiative". Our commitment is to reduce carbon emissions in line with the Paris/COP21 conference and contribute with our fair share to keep global warming below 2°Celsius compared to pre-industrial levels.

I expect that we will take another step forward with respect of our financial performance in 2017 and deliver profitable growth.”

## Fourth quarter 2016

- Net sales amounted to SEK 5,768m (5,672), corresponding to -3% adjusted for changes in exchange rates.
- Operating income improved to SEK -108m (-212), excluding items affecting comparability.

## Full-year 2016

- Net sales amounted to SEK 35,982m (36,170).
- Operating margin reached 8.9% (7.8).
- Operating income increased 14% to SEK 3,218m (2,827), despite unfavorable currency impact of approximately SEK 430m.
- Earnings per share after dilution rose to SEK 3.66 (3.28).
- The Board proposes an increase of the dividend to SEK 1.95 per share (1.65).

Group SEKm	Q4		Change, %		Jan-Dec		Change, %	
	2016	2015	As rep.	Adj.* <sup>1</sup>	2016	2015	As rep.	Adj.* <sup>1</sup>
Net sales	5,768	5,672	2	-3	35,982	36,170	-1	0
Items affecting comparability*	-	-153	-	-	-	-153	-	-
Operating income	-108	-365	70	69	3,218	2,827	14	14
Excl. items affecting comparability*	-108	-212	49	45	3,218	2,980	8	8
Operating margin, %	-1.9	-6.4	-	-	8.9	7.8	-	-
Excl. items affecting comparability*, %	-1.9	-3.7	-	-	8.9	8.2	-	-
Income for the period	-121	-239	49	n/a	2,104	1,888	11	n/a
Earnings per share after dilution, SEK	-0.21	-0.42	50	n/a	3.66	3.28	12	n/a
<b>Net sales, Divisions</b>								
Husqvarna	3,030	3,036	0	-5	17,960	17,624	2	2
Gardena	518	495	5	-1	5,033	4,669	8	8
Consumer Brands	1,234	1,242	-1	-5	8,888	9,936	-11	-10
Construction	986	899	10	5	4,101	3,941	4	4
<b>Operating income, Divisions</b>								
Husqvarna	74	14	n/a	n/a	2,317	2,233	4	3
Gardena	-130	-128	-2	2	595	586	2	2
Consumer Brands	-128	-195	35	36	3	-147	n/a	n/a
Construction	145	17	n/a	n/a	568	395	44	44

<sup>1</sup> Adjusted for currency translation effects (i.e. excluding transaction and hedging effects).

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

## FOURTH QUARTER

### Net sales

Net sales for the fourth quarter 2016 amounted to SEK 5,768m (5,672). Adjusted for exchange rate effects, net sales decreased by -3%.

### Operating income

Operating income for the fourth quarter improved to SEK -108m (-365). Operating income for the fourth quarter prior year includes items affecting comparability referring to restructuring costs, amounting to SEK -153m, i.e. operating income improved by SEK 104m excluding these items. The positive effect on operating income from efficiency improvements was partly offset by the negative effect from the lower sales and investments in growth initiatives.

Changes in exchange rates had a total positive impact on operating income of approximately SEK 10m compared to the fourth quarter 2015.

### Financial items net

Financial items net amounted to SEK -84m (-67), impacted by increased interest rates on funding in foreign currencies and negative currency effects.

### Income after financial items

Income after financial items amounted to SEK -192m (-432).

### Taxes

Tax amounted to SEK 71m (193).

### Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK -120m (-238), corresponding to SEK -0.21 (-0.42) per share after dilution.

## JANUARY – DECEMBER

### Net sales

Net sales for the full year 2016 amounted to SEK 35,982m (36,170). Adjusted for exchange rate effects, net sales for the Group were unchanged.

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

### Operating income

Operating income for the full year 2016 increased by 14% to SEK 3,218m (2,827) and the corresponding operating margin rose to 8.9% (7.8). Operating income for the prior year includes items affecting comparability amounting to SEK -153m.

Excluding items affecting comparability, operating income was positively impacted by a favorable mix and efficiency improvements, which partly were offset by unfavorable currency effects and costs for growth initiatives.

Changes in exchange rates had a total negative impact on operating income of approximately SEK -430m compared to 2015.

### Financial items net

Financial items net amounted to SEK -422m (-344), mainly related to increased interest rates on funding in foreign currencies.

### Income after financial items

Income after financial items increased by 13% to SEK 2,796m (2,483) corresponding to a margin of 7.8% (6.9%).

## Taxes

Tax amounted to SEK -692m (-595), corresponding to a tax rate of 25% (24) of income after financial items.

## Earnings per share

Income for the period attributable to equity holders of the Parent Company increased by 12% to SEK 2,100m (1,883), corresponding to SEK 3.66 (3.28) per share after dilution.

## OPERATING CASH FLOW

Operating cash flow\* for the full-year was largely unchanged at SEK 1,666m (1,732), mainly as a result of higher investments in property, plant and equipment being offset by improved cash flow from changes in operating assets and liabilities.

Operating cash flow\* for the fourth quarter decreased to -364m (163), impacted by a large share of the year's investments in property, plant and equipment executed towards the end of the year before the pre-build for the 2017 year's season accelerates.

Due to the seasonal build-up of working capital, operating cash flow\* is normally negative in the first quarter, followed by positive cash flow in the second and third quarters, while cash flow in the fourth quarter is impacted by the amount of pre-season production for the next year.

## FINANCIAL POSITION

Group equity as of December 31, 2016, excluding non-controlling interests, increased to SEK 14,339m (13,041), corresponding to SEK 25.0 (22.7) per share after dilution.

Net debt\* amounted to SEK 6,833m (6,375). The net pension liability increased to SEK 1,727m (1,395), other interest-bearing liabilities increased to SEK 7,396m (6,952) and liquid funds and other interest-bearing assets increased to SEK 2,290m (1,972).

The net debt/equity ratio improved to 0.48 (0.49) and the equity/assets ratio was 44% (44).

\*Alternative Performance Measures, see page 17.

## PERFORMANCE BY BUSINESS SEGMENT

### Husqvarna

SEKm	Q4	Q4	Change, %		Jan-Dec	Jan-Dec	Change, %	
	2016	2015	As rep.	Adj.* <sup>1</sup>	2016	2015	As rep.	Adj.* <sup>1</sup>
Net sales	3,030	3,036	0	-5	17,960	17,624	2	2
Operating income	74	14	n/a	n/a	2,317	2,233	4	3
<i>Excl. items affecting comparability*</i>	74	65	15	-9	2,317	2,284	1	1
Operating margin, %	2.4	0.5	-	-	12.9	12.7	-	-
<i>Excl. items affecting comparability*</i>	2.4	2.1	-	-	12.9	13.0	-	-

<sup>1</sup> Adjusted for currency translation effects. \*Alternative Performance Measure, refer to page 17.

Net sales in the Husqvarna Division decreased by -5% in the fourth quarter, adjusted for changes in exchange rates. For the full-year, net sales increased by 2%.

The decrease in the fourth quarter was related mainly to lower sales in the U.S. in general and in particular to weak demand for snow products in the U.S. as well as in Europe. The full-year increase in sales was driven by strong performance for robotic lawn mowers and battery powered hand held products in Europe.

Operating income for the seasonally small fourth quarter increased to SEK 74m (14) and the operating margin rose to 2.4% (0.5). The fourth quarter 2015 was charged with items affecting comparability, referring to restructuring costs in the production in Sweden, of SEK -51m. Excluding the items affecting comparability, operating income increased mainly due to improved productivity and efficiency as well as a favorable product mix that offset the negative effect from the lower sales volume and investments in growth activities.

For the full-year, operating income increased to SEK 2,317m (2,233). The year 2015 was negatively affected by items affecting comparability of SEK -51m. The higher sales volume, a favorable product mix development and efficiency improvements impacted positively, whereas changes in exchange rates and investments in growth activities impacted negatively.

Changes in exchange rates had a total positive year-on-year impact of around SEK 20m on operating income in the fourth quarter and a negative impact of around SEK -250m for the full year.

## Gardena

SEKm	Q4	Q4	Change, %		Jan-Dec	Jan-Dec	Change, %	
	2016	2015	As rep.	Adj.* <sup>1</sup>	2016	2015	As rep.	Adj.* <sup>1</sup>
Net sales	518	495	5	-1	5,033	4,669	8	8
Operating income	-130	-128	-2	2	595	586	2	2
<i>Excl. items affecting comparability*</i>	-130	-123	-6	-3	595	591	1	1
Operating margin, %	-25.2	-25.9	-	-	11.8	12.5	-	-
<i>Excl. items affecting comparability*</i>	-25.2	-24.8	-	-	11.8	12.7	-	-

<sup>1</sup> Adjusted for currency translation effects. \*Alternative Performance Measure, refer to page 17.

Net sales in the Gardena Division decreased by -1% in the fourth quarter, adjusted for changes in exchange rates. For the full-year, net sales increased by 8%, supported by good growth for robotic lawn mowers, expanded distribution and new retail listings, as well as the new product introductions such as the Gardena smart system.

Operating income for the seasonally weak fourth quarter amounted to SEK -130m (-128).

Operating income for the full-year was unchanged. Favorable impact mainly from the higher sales volume and efficiency improvements were offset by costs for investments in growth activities and an unfavorable currency impact.

Changes in exchange rates had a total negative year-on-year impact of around SEK -10m on operating income in the fourth quarter and around SEK -70m for the full year.

## Consumer Brands

SEKm	Q4	Q4	Change, %		Jan-Dec	Jan-Dec	Change, %	
	2016	2015	As rep.	Adj.* <sup>1</sup>	2016	2015	As rep.	Adj.* <sup>1</sup>
Net sales	1,234	1,242	-1	-5	8,888	9,936	-11	-10
Operating income	-128	-195	35	36	3	-147	n/a	n/a
<i>Excl. items affecting comparability*</i>	-128	-168	24	25	3	-120	n/a	n/a
Operating margin, %	-10.3	-15.7	-	-	0.0	-1.5	-	-
<i>Excl. items affecting comparability*</i>	-10.3	-13.6	-	-	0.0	-1.2	-	-

<sup>1</sup> Adjusted for currency translation effects. \*Alternative Performance Measure, refer to page 17.

Net sales in the Consumer Brands Division decreased by -5% in the fourth quarter and by -10% for the full year, adjusted for changes in exchange rates. The declines were affected by a continued pursuit of value before volume strategy.

The seasonal operating loss for the fourth quarter was reduced to SEK -128m (-195), mainly as a result of material cost reductions. Income in the fourth quarter prior year as well as for the full year 2015 was charged with restructuring costs amounting to SEK -27m.

The operating income reached the milestone of break-even for the full year. Efficiency improvement measures such as reductions of manufacturing and direct material cost continued to offset the impact of significantly lower sales volume and a negative currency impact.

Changes in exchange rates had a total negative year-on-year impact of around SEK -15m on operating income in the fourth quarter and around SEK -160m for the full-year.

## Construction

SEKm	Q4	Q4	Change, %		Jan-Dec	Jan-Dec	Change, %	
	2016	2015	As rep.	Adj.* <sup>1</sup>	2016	2015	As rep.	Adj.* <sup>1</sup>
Net sales	986	899	10	5	4,101	3,941	4	4
Operating income	145	17	n/a	n/a	568	395	44	44
<i>Excl. items affecting comparability*</i>	145	87	66	60	568	465	22	22
Operating margin, %	14.7	1.9	-	-	13.9	10.0	-	-
<i>Excl. items affecting comparability*</i>	14.7	9.7	-	-	13.9	11.8	-	-

<sup>1</sup> Adjusted for currency translation effects. \*Alternative Performance Measure, refer to page 17.

Net sales in the Construction Division increased by 5% in the fourth quarter and 4% for the full-year, adjusted for changes in exchange rates.

Sales in North America showed good growth in the fourth quarter as well as on a full-year basis. Sales in Europe increased somewhat, while sales in other regions showed declines primarily as a result of weak demand for stone industry products.

Operating income for the fourth quarter increased to SEK 145m (17) positively affected by the volume improvement and a non-recurring item related to pensions of some SEK 25m. The corresponding operating margin increased to 14.7% (1.9). The fourth quarter 2015, and the full-year 2015, includes restructuring charges of SEK 70m.

Operating income for the full-year increased to SEK 568m (395). Income was positively impacted by the higher sales volume which partly was offset by higher costs for investments in sales and service structure.

Changes in exchange rates had a positive year-on-year impact on operating income of around SEK 20m in the fourth quarter and around SEK 50m for the full-year.

## PARENT COMPANY

Net sales for January – December 2016 for the Parent Company, Husqvarna AB, amounted to SEK 14,231m (12,763), of which SEK 11,024m (9,844) referred to sales to Group companies and SEK 3,207m (2,919) to external customers.

Income after financial items amounted to SEK 4,889m (2,079). Income for the period increased to SEK 4,544m (1,845), mainly due to dividends from subsidiaries. Investments in property, plant and equipment and intangible assets amounted to SEK 756m (865). Cash and cash equivalents amounted to SEK 412m (238) at the end of the year. Undistributed earnings in the Parent Company amounted to SEK 21,695m (18,388).

## 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 the fourth quarter 2016, at the request of shareholders, 300,403 Class A shares was converted to Class B shares. The total number of votes thereafter amounts to 159,688,895.9.

The total number of registered shares in the company amounts to 576,343,778 shares of which 113,393,909 are Class A shares and 462,949,869 are Class B shares.

## ANNUAL GENERAL MEETING 2017

The AGM of Husqvarna AB (publ) will be held in Jönköping, Sweden on April 4, 2017.

### Proposals to the AGM

The notification to the AGM 2017 will be available on the Group's website [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm) as of March 1, 2017. The full proposal to the AGM will be published on the Group's website no later than March 14, 2017.

Shareholders who wish to propose an item for the AGM agenda may do so by email to [board@husqvarnagroup.com](mailto:board@husqvarnagroup.com), or by post to Husqvarna AB, General Counsel, PO Box 7454, SE-103 92 Stockholm, if possible by February 14, 2017.

### Dividend

The Board of Directors proposes a dividend for 2016 of SEK 1.95 (1.65) per share, corresponding to a total dividend payment of SEK 1,116m (946) based on the number of outstanding shares at the end of 2016.

It is also proposed that the dividend is to be paid in two installments in order to better match the Group's cash flow profile. The first payment of SEK 0.65 per share in April and the second payment of SEK 1.30 per share in October.

The proposed record dates are April 6, 2017 for the first payment and October 6, 2017, for the second payment.

## **SUBSEQUENT EVENTS**

### **Acquisition of Pullman Ermator AB**

Husqvarna Group acquired Pullman Ermator AB in January 2017. Pullman Ermator, headquartered in Smedjebacken, Sweden, 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 ambitions to grow in the surface preparation market. Sales synergies are expected from distributing the Pullman Ermator range of products in the Construction Divisions distribution network.

The unaudited preliminary sales of Pullman Ermator for 2016 amounted to approximately SEK 300m. The acquisition is expected to have a limited positive effect on the Group's operating income and net income for 2017. Pullman Ermator has around 50 employees, located mainly in Sweden and in the fully-owned subsidiary Ermator Inc. headquartered in Tampa, Florida in the U.S.

### **Husqvarna Group rated BBB by Standard & Poor's**

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

## RISKS AND UNCERTAINTY FACTORS

A number of factors may affect Husqvarna's operations in terms of operational and financial risks.

Operational risks include general economic conditions, as well as trends in consumer and professional spending, particularly in North America and Europe, where the majority of the Group's products are sold. An economic downturn in these markets may have an adverse effect on Group sales and earnings. Shifts in product technology as well as shifts in distribution structure could also have a negative impact, as will fluctuations in prices of sourced raw materials and components.

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

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

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

## ACCOUNTING PRINCIPLES

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

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

## FOOTNOTE

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

## AUDITORS' REVIEW REPORT

This year-end report has not been subject to review by the auditors.

Stockholm, February 9, 2017

*Kai Wärm*  
**President and CEO**

## Consolidated income statement

SEKm	Q4	Q4	Jan-Dec	Jan-Dec
	2016	2015	2016	2015
Net sales	5,768	5,672	35,982	36,170
Cost of goods sold	-4,062	-4,366	-24,886	-25,996
<b>Gross income</b>	<b>1,706</b>	<b>1,306</b>	<b>11,096</b>	<b>10,174</b>
<i>Gross margin, %</i>	29.6	23.0	30.8	28.1
Selling expenses	-1,381	-1,315	-6,168	-5,833
Administrative expenses	-437	-361	-1,707	-1,532
Other operating income/expense	4	5	-3	18
<b>Operating income</b>	<b>-108</b>	<b>-365</b>	<b>3,218</b>	<b>2,827</b>
<i>Operating margin, %</i>	-1.9	-6.4	8.9	7.8
Financial items, net	-84	-67	-422	-344
<b>Income after financial items</b>	<b>-192</b>	<b>-432</b>	<b>2,796</b>	<b>2,483</b>
<i>Margin, %</i>	-3.3	-7.6	7.8	6.9
Income tax	71	193	-692	-595
<b>Income for the period</b>	<b>-121</b>	<b>-239</b>	<b>2,104</b>	<b>1,888</b>
Income for the period attributable to:				
Equity holders of the Parent Company	-120	-238	2,100	1,883
Non-controlling interest	-1	-1	4	5
Earnings per share:				
Before dilution, SEK	-0.21	-0.42	3.67	3.29
After dilution, SEK	-0.21	-0.42	3.66	3.28
Average number of shares outstanding:				
Before dilution, millions	572.1	573.0	572.3	573.0
After dilution, millions	574.1	574.3	574.1	574.2
<b>Key data</b>				
<i>Net sales growth, %</i>	1.7	6.6	-0.5	10.1
Items affecting comparability*, SEKm	-	-153	-	-153
Operating income excl. items affecting comparability*, SEKm	-108	-212	3,218	2,980
<i>Operating margin excl. items affecting comparability*, %</i>	-1.9	-3.7	8.9	8.2
Average number of employees	11,923	12,560	12,704	13,572
<b>EBITDA*</b>				
Operating income, SEKm	-108	-365	3,218	2,827
Reversal of depreciation, amortization and impairment, SEKm	304	330	1,164	1,153
<b>EBITDA*, SEKm</b>	<b>196</b>	<b>-35</b>	<b>4,382</b>	<b>3,980</b>
<i>EBITDA margin, %</i>	3.4	-0.6	12.2	11.0

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



## Consolidated comprehensive income statement

SEKm	Q4 2016	Q4 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Income for the period</b>	<b>-121</b>	<b>-239</b>	<b>2,104</b>	<b>1,888</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to the income statement:</i>				
Remeasurements on defined benefit pension plans, net of tax	175	218	-249	295
<b>Total items that will not be reclassified to the income statement, net of tax</b>	<b>175</b>	<b>218</b>	<b>-249</b>	<b>295</b>
<i>Items that may be reclassified to the income statement:</i>				
Currency translation differences	247	-284	1,058	12
Net investment hedge, net of tax	-288	92	-605	-250
Cash flow hedges, net of tax	96	42	-33	-60
<b>Total items that may be reclassified to the income statement, net of tax</b>	<b>55</b>	<b>-150</b>	<b>420</b>	<b>-298</b>
<b>Other comprehensive income, net of tax</b>	<b>230</b>	<b>68</b>	<b>171</b>	<b>-3</b>
<b>Total comprehensive income for the period</b>	<b>109</b>	<b>-171</b>	<b>2,275</b>	<b>1,885</b>
Total comprehensive income attributable to:				
Equity holders of the Parent Company	109	-169	2,268	1,882
Non-controlling interest	0	-2	7	3

## Consolidated balance sheet

SEKm	Dec. 31, 2016	Dec. 31, 2015
<b>Assets</b>		
Property, plant and equipment	5,472	4,620
Goodwill	6,014	5,613
Other intangible assets	4,176	3,926
Derivatives	0	4
Other non-current assets	93	165
Deferred tax assets	1,414	1,421
<b>Total non-current assets</b>	<b>17,169</b>	<b>15,749</b>
Inventories	9,225	7,874
Trade receivables	3,290	3,126
Derivatives	349	342
Tax receivables	41	70
Other current assets	963	882
Other short-term investments	4	4
Cash and cash equivalents	1,937	1,622
<b>Total current assets</b>	<b>15,809</b>	<b>13,920</b>
<b>Total assets</b>	<b>32,978</b>	<b>29,669</b>
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the Parent Company	14,339	13,041
Non-controlling interests	26	20
<b>Total equity</b>	<b>14,365</b>	<b>13,061</b>
Borrowings	4,953	4,580
Derivatives	44	10
Deferred tax liabilities	1,656	1,554
Provisions for pensions and other post-employment benefits	1,759	1,425
Other provisions	824	860
<b>Total non-current liabilities</b>	<b>9,236</b>	<b>8,429</b>
Trade payables	3,752	3,077
Tax liabilities	211	121
Other liabilities	2,512	2,080
Borrowings	1,494	2,016
Derivatives	905	346
Other provisions	503	539
<b>Total current liabilities</b>	<b>9,377</b>	<b>8,179</b>
<b>Total equity and liabilities</b>	<b>32,978</b>	<b>29,669</b>
<b>Key data</b>		
Operating working capital, SEKm	8,763	7,923
Return on capital employed, %	13.7	12.4
<i>Excl. items affecting comparability*</i>	13.7	13.1
Return on equity, %	15.2	14.6
<i>Excl. items affecting comparability*</i>	15.2	15.5
Capital turn-over rate, times	1.7	1.7
Equity/assets ratio, %	44	44
Equity per share after dilution, SEK	25.0	22.7
<b>Net debt*</b>		
Net pension liability, SEKm	1,727	1,395
Other interest-bearing liabilities, SEKm	7,396	6,952
Less: Liquid funds and other interest-bearing assets, SEKm	-2,290	-1,972
<b>Net debt*, SEKm</b>	<b>6,833</b>	<b>6,375</b>
Net debt/equity ratio	0.48	0.49

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

## Consolidated cash flow statement

SEKm	Q4 2016	Q4 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Cash flow from operations</b>				
Operating income	-108	-365	3,218	2,827
Non cash items	165	729	1,073	1,406
<i>Cash items</i>				
Paid restructuring expenses	-10	-3	-45	-27
Net financial items, received/paid	-58	-25 <sup>1</sup>	-353	-251 <sup>1</sup>
Taxes paid	-41	-18	-280	-252
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>-52</b>	<b>318</b>	<b>3,613</b>	<b>3,703</b>
<b>Change in operating assets and liabilities</b>				
Change in inventories	-1,334	-738	-821	-89
Change in trade receivables	1,187	954	56	-287
Change in trade payables	928	412	537	-175
Change in other operating assets/liabilities	-255	-342	170	-32
<b>Cash flow from operating assets and liabilities</b>	<b>526</b>	<b>286</b>	<b>-58</b>	<b>-583</b>
<b>Cash flow from operations</b>	<b>474</b>	<b>604</b>	<b>3,555</b>	<b>3,120</b>
<b>Investments</b>				
Acquired and divested assets/subsidiaries	4	63	59	63
Investments in property, plant and equipment and intangible assets	-838	-441	-1,889	-1,388
<b>Cash flow from investments</b>	<b>-834</b>	<b>-378</b>	<b>-1,830</b>	<b>-1,325</b>
<b>Cash flow from operations and investments</b>	<b>-360</b>	<b>226</b>	<b>1,725</b>	<b>1,795</b>
<b>Financing</b>				
Dividend paid to shareholders	-629	-630	-944	-945
Dividend paid to non-controlling interests	-	-2	-1	-3
Other financing activities	-324	129 <sup>1</sup>	-577	-829 <sup>1</sup>
<b>Cash flow from financing</b>	<b>-953</b>	<b>-503</b>	<b>-1,522</b>	<b>-1,777</b>
<b>Total cash flow</b>	<b>-1,313</b>	<b>-277</b>	<b>203</b>	<b>18</b>
Cash and cash equivalents at beginning of period	3,223	1,920	1,622	1,579
Exchange rate differences referring to cash and cash equivalents	27	-21	112	25
<b>Cash and cash equivalents at end of period</b>	<b>1,937</b>	<b>1,622</b>	<b>1,937</b>	<b>1,622</b>
<b>Operating cash flow*</b>				
Cash flow from operations and investments, SEKm	-360	226 <sup>1</sup>	1,725	1,795 <sup>1</sup>
Acquired and divested assets/subsidiaries, SEKm	-4	-63	-59	-63
<b>Operating cash flow*, SEKm</b>	<b>-364</b>	<b>163<sup>1</sup></b>	<b>1,666</b>	<b>1,732<sup>1</sup></b>

<sup>1</sup> Cash flows related to hedging of financing have been moved from operations to financing activities (SEK 156m for the fourth quarter 2015 and SEK -64m for full-year 2015). The equivalent amount has affected the operating cash flow.

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

## Change in Group equity

SEKm	Attributable to equity holders of the Parent company	Non-controlling interests	Total equity
<b>Opening balance January 1, 2015</b>	<b>12,068</b>	<b>20</b>	<b>12,088</b>
Share-based payment	31	-	31
Transfer of treasury shares <sup>1</sup>	5	-	5
Dividend	-945	-3	-948
Total comprehensive income	1,882	3	1,885
<b>Closing balance December 31, 2015</b>	<b>13,041</b>	<b>20</b>	<b>13,061</b>
<b>Opening balance January 1, 2016</b>	<b>13,041</b>	<b>20</b>	<b>13,061</b>
Share-based payment	44	-	44
Transfer of treasury shares <sup>1</sup>	7	-	7
Hedge for LTI-programs	-77	-	-77
Dividend <sup>2</sup>	-944	-1	-945
Total comprehensive income	2,268	7	2,275
<b>Closing balance December 31, 2016</b>	<b>14,339</b>	<b>26</b>	<b>14,365</b>

<sup>1</sup> Options exercised related to 2009 LTI-program.

<sup>2</sup> Total dividend 2016 amounts to SEK 946m, of which Husqvarna Group received SEK 2m for B-shares in third party share swap agreement.

## Fair value of financial instruments

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

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

SEKm	Dec. 31, 2016		Dec. 31, 2015	
	Book value	Fair value	Book value	Fair value
<i>Non-current borrowings</i>				
Financial leases	207	221	214	225
Loans	4,746	4,843	4,366	4,466
<b>Total non-current borrowings</b>	<b>4,953</b>	<b>5,064</b>	<b>4,580</b>	<b>4,691</b>

## Five-year review, Group

	2016	2015	2014 <sup>1</sup>	2013	2012 <sup>2</sup>
Net sales, SEKm	35,982	36,170	32,838	30,307	30,834
<i>Net sales growth, %</i>	-0.5	10.1	8.4	-1.7	1.6
<i>Gross margin, %</i>	30.8	28.1	28.5	26.5	26.9
Operating income, SEKm	3,218	2,827	1,581	1,608	1,675
<i>Excluding items affecting comparability*, SEKm</i>	<i>3,218</i>	<i>2,980</i>	<i>2,348</i>	<i>1,608</i>	<i>1,931</i>
<i>Operating margin, %</i>	8.9	7.8	4.8	5.3	5.4
<i>Excluding items affecting comparability*, %</i>	8.9	8.2	7.2	5.3	6.3
<i>Return on capital employed, %</i>	13.7	12.4	7.6	7.7	7.4
<i>Excluding items affecting comparability*, %</i>	13.7	13.1	11.1	7.7	8.5
<i>Return on equity, %</i>	15.2	14.6	6.7	8.1	8.8
<i>Excluding items affecting comparability*, %</i>	15.2	15.5	12.9	8.1	10.5
Capital turn-over rate, times	1.7	1.7	1.7	1.6	1.5
Operating cash flow <sup>3</sup> , SEKm	1,666	1,732	1,274	1,411	1,499
Capital expenditure, SEKm	1,889	1,388	1,386	1,078	776
Average number of employees	12,704	13,572	14,337	14,156	15,429

<sup>1</sup> 2014 has been restated due to a correction.

<sup>2</sup> 2012 has been restated due to the amended IAS 19.

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

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

Net sales and income by quarter, Group<sup>1</sup>

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Net sales</b>	<b>2016</b>	11,361	11,504	7,349	<b>5,768</b>	35,982
	2015	10,928	12,263	7,307	5,672	36,170
	2014	9,685	11,045	6,785	5,323	32,838
<b>Operating income</b>	<b>2016</b>	1,166	1,729	431	<b>-108</b>	3,218
	2015	1,112	1,675	405	-365	2,827
	2014	908	1,373	332	-1,032	1,581
<b>Operating margin, %</b>	<b>2016</b>	10.3	15.0	5.9	<b>-1.9</b>	8.9
	2015	10.2	13.7	5.5	-6.4	7.8
	2014	9.4	12.4	4.9	-19.4	4.8
<b>Income for the period</b>	<b>2016</b>	761	1,259	205	<b>-121</b>	2,104
	2015	788	1,143	196	-239	1,888
	2014	620	967	199	-962	824
<b>Earnings per share after dilution, SEK</b>	<b>2016</b>	1.32	2.19	0.36	<b>-0.21</b>	3.66
	2015	1.37	1.98	0.34	-0.42	3.28
	2014	1.08	1.68	0.35	-1.68	1.43

<sup>1</sup>Including items affecting comparability.

## Net sales and operating income, last twelve months, Group

SEKm		Q1	Q2	Q3	Q4	
<b>Net sales</b>	<b>2016</b>	36,603	35,844	35,886	<b>35,982</b>	
	2015	34,081	35,299	35,821	36,170	
	2014	30,968	31,786	32,222	32,838	
<b>Operating income</b>	<b>2016</b>	2,881	2,935	2,961	<b>3,218</b>	
<i>Excl. items affecting comparability*</i>	<b>2016</b>	3,034	3,088	3,114	<b>3,218</b>	
	2015	1,785	2,087	2,160	2,827	
<i>Excl. items affecting comparability*</i>	2015	2,552	2,854	2,927	2,980	
	2014	1,828	2,179	2,305	1,581	
<i>Excl. items affecting comparability*</i>	2014	1,828	2,179	2,305	2,348	
<b>Operating margin, %</b>	<b>2016</b>	7.9	8.2	8.3	<b>8.9</b>	
<i>Excl. items affecting comparability*</i>	<b>2016</b>	8.3	8.6	8.7	<b>8.9</b>	
	2015	5.2	5.9	6.0	7.8	
<i>Excl. items affecting comparability*</i>	2015	7.5	8.1	8.2	8.2	
	2014	5.9	6.9	7.2	4.8	
<i>Excl. items affecting comparability*</i>	2014	5.9	6.9	7.2	7.2	

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

## Items affecting comparability\*

SEKm		Q1	Q2	Q3	Q4	Full-year
No items	<b>2016</b>	-	-	-	-	-
Restructuring expenses	2015	-	-	-	-153	-153
Impairment of goodwill	2014	-	-	-	-767	-767
No items	2013	-	-	-	-	-
Cost for personnel cut-backs	2012	-	-	-	-256	-256
Restructuring expenses	2011	-40	-	-24	-	-64

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

## Net sales (external) by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2016</b>	5,457	5,721	3,752	<b>3,030</b>	17,960
	2015	5,342	5,727	3,519	3,036	17,624
	2014	4,358	5,038	3,264	2,789	15,449
<b>Gardena</b>	<b>2016</b>	1,518	1,995	1,002	<b>518</b>	5,033
	2015	1,319	1,795	1,060	495	4,669
	2014	1,152	1,712	879	469	4,212
<b>Consumer Brands</b>	<b>2016</b>	3,419	2,682	1,553	<b>1,234</b>	8,888
	2015	3,343	3,643	1,708	1,242	9,936
	2014	3,393	3,410	1,776	1,259	9,838
<b>Construction</b>	<b>2016</b>	967	1,106	1,042	<b>986</b>	4,101
	2015	924	1,098	1,020	899	3,941
	2014	782	885	866	806	3,339
<b>Total Group</b>	<b>2016</b>	11,361	11,504	7,349	<b>5,768</b>	35,982
	2015	10,928	12,263	7,307	5,672	36,170
	2014	9,685	11,045	6,785	5,323	32,838

## Operating income by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2016</b>	844	1,031	368	<b>74</b>	2,317
	2015	897	1,001	321	14	2,233
<i>Excl. items affecting comparability*</i>	2015	897	1,001	321	65	2,284
	2014	667	818	432	91	2,008
<b>Gardena</b>	<b>2016</b>	226	449	50	<b>-130</b>	595
	2015	204	397	113	-128	586
<i>Excl. items affecting comparability*</i>	2015	204	397	113	-123	591
	2014	177	399	-7	-186	383
<b>Consumer Brands</b>	<b>2016</b>	64	147	-80	<b>-128</b>	3
	2015	-11	178	-119	-195	-147
<i>Excl. items affecting comparability*</i>	2015	-11	178	-119	-168	-120
	2014	44	97	-138	-158	-155
<b>Construction</b>	<b>2016</b>	89	179	155	<b>145</b>	568
	2015	74	160	144	17	395
<i>Excl. items affecting comparability*</i>	2015	74	160	144	87	465
	2014	81	117	107	49	354
<b>Group common costs</b>	<b>2016</b>	-57	-77	-62	<b>-69</b>	-265
	2015	-52	-61	-54	-73	-240
	2014	-61	-58	-62	-828	-1,009
<i>Excl. items affecting comparability*</i>	2014	-61	-58	-62	-61	-242
<b>Total Group</b>	<b>2016</b>	1,166	1,729	431	<b>-108</b>	3,218
	2015	1,112	1,675	405	-365	2,827
<i>Excl. items affecting comparability*</i>	2015	1,112	1,675	405	-212	2,980
	2014	908	1,373	332	-1,032	1,581
<i>Excl. items affecting comparability*</i>	2014	908	1,373	332	-265	2,348

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

## Operating margin by segment

%		Q1	Q2	Q3	Q4	Full-year
<b>Husqvarna</b>	<b>2016</b>	15.5	18.0	9.8	<b>2.4</b>	12.9
	2015	16.8	17.5	9.1	0.5	12.7
<i>Excl. items affecting comparability*</i>	2015	16.8	17.5	9.1	2.1	13.0
	2014	15.3	16.2	13.2	3.3	13.0
<b>Gardena</b>	<b>2016</b>	14.9	22.5	5.0	<b>-25.2</b>	11.8
	2015	15.5	22.1	10.7	-25.9	12.5
<i>Excl. items affecting comparability*</i>	2015	15.5	22.1	10.7	-24.8	12.7
	2014	15.4	23.3	-0.8	-39.7	9.1
<b>Consumer Brands</b>	<b>2016</b>	1.9	5.5	-5.2	<b>-10.3</b>	0.0
	2015	-0.3	4.9	-7.0	-15.7	-1.5
<i>Excl. items affecting comparability*</i>	2015	-0.3	4.9	-7.0	-13.6	-1.2
	2014	1.3	2.8	-7.8	-12.5	-1.6
<b>Construction</b>	<b>2016</b>	9.2	16.2	14.9	<b>14.7</b>	13.9
	2015	8.0	14.6	14.1	1.9	10.0
<i>Excl. items affecting comparability*</i>	2015	8.0	14.6	14.1	9.7	11.8
	2014	10.4	13.2	12.4	6.0	10.6
<b>Total Group</b>	<b>2016</b>	10.3	15.0	5.9	<b>-1.9</b>	8.9
	2015	10.2	13.7	5.5	-6.4	7.8
<i>Excl. items affecting comparability*</i>	2015	10.2	13.7	5.5	-3.7	8.2
	2014	9.4	12.4	4.9	-19.4	4.8
<i>Excl. items affecting comparability*</i>	2014	9.4	12.4	4.9	-5.0	7.2

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

## Net assets by segment

	Assets		Liabilities		Net Assets	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
<b>SEKm</b>						
Husqvarna	12,317	10,917	3,642	3,021	8,675	7,896
Gardena	6,952	6,434	808	735	6,144	5,699
Consumer Brands	6,259	5,443	2,003	1,699	4,256	3,744
Construction	3,627	3,342	660	624	2,967	2,718
Other	1,501	1,531	2,345	2,152	-844	-621
<b>Total</b>	<b>30,656</b>	<b>27,667</b>	<b>9,458</b>	<b>8,231</b>	<b>21,198</b>	<b>19,436</b>

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

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

## PARENT COMPANY

### Income statement

SEKm	Q4 2016	Q4 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	2,896	2,328	14,231	12,763
Cost of goods sold	-2,681	-1,327	-10,288	-9,376
<b>Gross income</b>	<b>215</b>	<b>1,001</b>	<b>3,943</b>	<b>3,387</b>
Selling expense	143	-316	-1,139	-1,385
Administrative expense	-254	-225	-927	-814
Other operating income/expense	0	-1	1	-1
<b>Operating income</b>	<b>104</b>	<b>459</b>	<b>1,878</b>	<b>1,187</b>
Financial items, net	-412	131	3,011	892
<b>Income after financial items</b>	<b>-308</b>	<b>590</b>	<b>4,889</b>	<b>2,079</b>
Appropriations	101	11	-204	-99
<b>Income before taxes</b>	<b>-207</b>	<b>601</b>	<b>4,685</b>	<b>1,980</b>
Tax on profit for the year	60	-122	-141	-135
<b>Income for the period</b>	<b>-147</b>	<b>479</b>	<b>4,544</b>	<b>1,845</b>

### Balance sheet

SEKm	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	32,473	32,387
Current assets	6,700	5,243
<b>Total assets</b>	<b>39,173</b>	<b>37,630</b>
Equity	23,044	19,563
Provisions	108	127
Non-current liabilities	4,591	4,205
Current liabilities	11,430	13,735
<b>Total equity and liabilities</b>	<b>39,173</b>	<b>37,630</b>

### Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares	Total
<b>Number of shares as of 31 December 2015</b>	<b>113,694,826</b>	<b>459,305,937</b>	<b>3,343,015</b>	<b>576,343,778</b>
<i>Conversion of A-shares into B-shares</i>	-300,917	300,917	-	-
<i>Options exercised related to 2009 LTI-program</i>	-	142,843	-142,843	-
<i>Shares allocated to 2013 LTI-program</i>	-	236,939	-236,939	-
<i>Hedge for LTI-programs</i>	-	-1,300,000	1,300,000	-
<b>Number of shares as of 31 December 2016</b>	<b>113,393,909</b>	<b>458,686,636</b>	<b>4,263,233</b>	<b>576,343,778</b>



## DEFINITIONS AND RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

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

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

### Adjusted

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

### EBITDA

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

### Items affecting comparability

To assist in understanding Husqvarna Group's operations, we believe that it is useful to consider certain measures and ratios exclusive of items affecting comparability. Items affecting comparability includes items that are non-recurring, have a significant impact and are considered to be important for understanding the operating performance when comparing results between periods. The items affecting comparability are disclosed on page 12. All measures and ratios in this report have been disclosed including items affecting comparability first and then excluding items affecting comparability as a second measure when deemed appropriate.

### Last twelve months (LTM)

Last twelve months rolling have been included to assist investors in their analysis of the seasonality that the Husqvarna Group's business is exposed to, refer to page 13.

### Net debt

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

### Operating cash flow

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

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

## TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Kai Wärm, President and CEO, and Jan Ytterberg, CFO, will be held at Husqvarna Group's office, Regeringsgatan 28, Stockholm at 10:00 CET on February 9, 2017. To participate, please dial +46 (0) 8 5033 6434 (Sweden) or +44 (0) 8444933800 (UK) ten minutes prior to the start of the conference. The conference call will also be audio cast live on [www.husqvarnagroup.com/ir](http://www.husqvarnagroup.com/ir). A replay will be available later the same day.

## DATES FOR FINANCIAL REPORTS 2017

April 21	Interim report for January-March
July 18	Interim report for January-June
October 20	Interim report for January-September

The Group's Annual Report 2016 will be available on [www.husqvarnagroup.com](http://www.husqvarnagroup.com) as of week 11.

The Annual General Meeting 2017 will be held April 4, 2017, in Jönköping, Sweden.

## CONTACTS

- Jan Ytterberg, CFO, +46 8 738 90 77
- Tobias Norrby, Investor Relations Manager, +46 8 738 93 35

*This press release contains insider information that Husqvarna AB is required to disclose under the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 08.00 CET on February 9, 2017.*

### 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.