

INTERIM REPORT JANUARY – JUNE 2017

Stockholm July 18, 2017



Kai Wärn, President and CEO:

“The Husqvarna Group is continuing to implement its profitable growth strategy following the positive execution of its margin improvement activities in recent years. Sales, operating income and margin as well as cash flow increased in the first half of the year. The three divisions with growth targets had a very positive development, effectively capitalizing on an overall good demand in areas such as robotic mowers, battery-powered products and watering products. Going forward we will continue to invest in strategic growth initiatives to further strengthen our position. The Consumer Brands Division continues to focus on margin improvement where cost and efficiency measures, in parallel to increased product development, remain imperative. However due to the challenging U.S. retail market, the previously anticipated margin improvement is now expected to be slower.

Group net sales in the second quarter was 8% higher adjusted for currency and increased in all divisions. Operating income increased 16% to SEK 2,002m (1,729) due to the higher volume and a positive currency impact which was partially offset by higher costs for our growth initiatives. The operating margin for the Group continued to improve and was 15.3% (15.0) in the quarter and 9.6% (8.6) for the rolling twelve month period.

Sales in the Husqvarna Division increased 5% adjusted for currency, and the operating income rose 15% to SEK 1,186m (1,031). Europe continued as the growth driver largely as a result of good growth in battery-powered products including robotic lawn mowers. The Gardena Division added another quarter of strong performance. Sales increased with 11% adjusted for currency with growth in all product categories, particularly in watering. Operating income rose 26% to 565m (449).

From a sales perspective Consumer Brands also had a favorable development with top-line growth of 9%. Operating income however declined to SEK 80m (147), reflecting a challenging and competitive business environment in the North American retail market, as well as unfavorable product and regional mix. To further improve efficiency in the supply chain footprint, the quarter was impacted by one-time cost items of close to SEK 30m.

The Construction Division delivered another strong quarter, with currency adjusted sales growing 16%, whereof organic growth was 2%. Operating income increased 30% to SEK 233m (179). The acquisition of HTC, the floor grinding solutions market leader was finalized in May, further strengthening our product portfolio and ability to better serve our customers in the prioritized concrete surfaces and floors segment.”

Second quarter 2017

- Net sales increased to SEK 13,069m (11,504), corresponding to a currency adjusted* growth of 8%.
- Operating income increased 16% to SEK 2,002m (1,729), corresponding to a margin of 15.3% (15.0).
- Changes in exchange rates, net of raw material costs, positively impacted operating income by around SEK 110m.
- Operating working capital* as a percentage of net sales for the last twelve months was 26.8% (27.2).
- Earnings per share after dilution increased 11% to SEK 2.43 (2.19).

Group	Q2	Q2	Change,	Jan-Jun	Jan-Jun	Change,		FY
SEKm	2017	2016	%	2017	2016	%	LTM* ¹	2016
Net sales	13,069	11,504	14	25,815	22,865	13	38,932	35,982
Currency adjusted change*, %	8	-4	-	8	1	-	-	0
Operating income	2,002	1,729	16	3,427	2,895	18	3,750	3,218
Operating margin, %	15.3	15.0	-	13.3	12.7	-	9.6	8.9
Income for the period	1,401	1,259	11	2,389	2,020	18	2,473	2,104
Earnings per share after dilution, SEK	2.43	2.19	11	4.15	3.51	18	4.30	3.66
Net sales, Divisions								
Husqvarna	6,314	5,721	10	12,686	11,178	13	19,468	17,960
Gardena	2,326	1,995	17	4,041	3,513	15	5,561	5,033
Consumer Brands	3,087	2,682	15	6,548	6,101	7	9,335	8,888
Construction	1,341	1,106	21	2,538	2,073	22	4,566	4,101
Operating income, Divisions								
Husqvarna	1,186	1,031	15	2,233	1,875	19	2,675	2,317
Gardena	565	449	26	816	675	21	736	595
Consumer Brands	80	147	-45	133	211	-37	-75	3
Construction	233	179	30	374	268	40	674	568

* Alternative Performance Measure, refer to page 18 for definitions and reconciliations. ¹ Last Twelve Months.

SECOND QUARTER

Net sales

Net sales for the second quarter 2017 increased 14% to SEK 13,069m (11,504). The currency adjusted increase was 8%.

Operating income

Operating income for the second quarter improved by 16% to SEK 2,002m (1,729) and the corresponding operating margin increased to 15.3% (15.0). The higher sales volume, a favorable product mix and improved product quality impacted positively, which to some extent was offset by increased costs for growth initiatives.

Changes in exchange rates had a total positive year-on-year impact on operating income of approximately SEK 120m compared to the second quarter previous year.

Financial items net

Financial items net amounted to SEK -123m (-72). The second quarter last year was positively impacted by currency effects whereas this year was unaffected by such effects. The interest costs were slightly higher in the second quarter.

Income after financial items

Income after financial items increased to SEK 1,879m (1,657).

Taxes

Tax amounted to SEK -478m (-398) corresponding to a tax rate of 25% (24).

Earnings per share

Income for the period attributable to equity holders of the Parent Company increased to SEK 1,398m (1,255), corresponding to SEK 2.43 (2.19) per share after dilution.

JANUARY – JUNE

Net sales

Net sales for the period January – June 2017 increased 13% to SEK 25,815m (22,865). The currency adjusted increase was 8%.

Operating income

Operating income for the first six months improved by 18% to SEK 3,427m (2,895) and the corresponding operating margin increased to 13.3% (12.7). The higher sales volume, a favorable product mix and improved product quality impacted positively, which to some extent was offset by increased costs for growth initiatives.

Changes in exchange rates had a total positive year-on-year impact on operating income of approximately SEK 220m compared to January - June previous year.

Financial items net

Financial items net increased to SEK -261m (-214) mainly related to higher interest costs.

Income after financial items

Income after financial items increased to SEK 3,166m (2,681).

Taxes

Tax amounted to SEK -777m (-661) corresponding to a tax rate of 25% (25).

Earnings per share

Income for the period attributable to equity holders of the Parent Company increased to SEK 2,383m (2,014), corresponding to SEK 4.15 (3.51) per share after dilution.

OPERATING CASH FLOW

Operating cash flow* for the first six months increased to SEK 1,497m (707), mainly reflecting the higher income and inventory reductions.

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 pre-season production for the next year.

FINANCIAL POSITION

Group equity as of June 30, 2017, excluding non-controlling interests, increased to SEK 15,491m (13,830), corresponding to SEK 27.0 (24.1) per share after dilution.

Net debt* amounted to SEK 7,602m (7,511). The net pension liability decreased to SEK 1,809m (1,924), other interest-bearing liabilities increased to SEK 8,312m (7,410) and liquid funds and other interest-bearing assets increased to SEK 3,263m (2,453).

The net debt/EBITDA ratio amounted to 1.5 (1.8) and the equity/assets ratio was 41% (41).

*Alternative Performance Measures, see page 18.

PERFORMANCE BY BUSINESS SEGMENT

Husqvarna

	Q2	Q2	Change,	Jan-Jun	Jan-Jun	Change,	LTM *1	Full-year
SEKm	2017	2016	%	2017	2016	%		2016
Net sales	6,314	5,721	10	12,686	11,178	13	19,468	17,960
Currency adjusted change*, %	5	3	-	8	3	-	-	2
Operating income	1,186	1,031	15	2,233	1,875	19	2,675	2,317
Operating margin, %	18.8	18.0	-	17.6	16.8	-	13.7	12.9

*Alternative Performance Measure, refer to page 18. ¹ Last Twelve Months.

Net sales in the Husqvarna Division increased by 10% in the second quarter. Sales were 5% higher adjusted for currency, primarily related to Europe and robotic lawn mowers and battery-powered handheld products.

Operating income for the second quarter increased by 15% to SEK 1,186m (1,031) and the operating margin rose to 18.8% (18.0). Higher sales volumes and product mix improvements contributed to the positive development, partly offset by costs for investments in growth initiatives.

Changes in exchange rates had a total positive year-on-year impact of around SEK 65m on operating income compared to the second quarter previous year.

Gardena

	Q2	Q2	Change,	Jan-Jun	Jan-Jun	Change,	LTM *1	Full-year
SEKm	2017	2016	%	2017	2016	%		2016
Net sales	2,326	1,995	17	4,041	3,513	15	5,561	5,033
Currency adjusted change*, %	11	13	-	10	15	-	-	8
Operating income	565	449	26	816	675	21	736	595
Operating margin, %	24.3	22.5	-	20.2	19.2	-	13.2	11.8

*Alternative Performance Measure, refer to page 18. ¹ Last Twelve Months.

Net sales in the Gardena Division increased by 17% in the second quarter, or 11% adjusted for currency. Sales showed good growth across all product categories, in particular for watering products in Central Europe.

Operating income increased by 26% to SEK 565m (449), positively impacted by the higher sales volume and strong product mix improvement driven by the growth in watering products, partly offset by costs for investments in growth initiatives.

Changes in exchange rates had a total positive year-on-year impact of around SEK 35m on operating income compared to the second quarter previous year.

Consumer Brands

SEKm	Q2 2017	Q2 2016	Change, %	Jan-Jun 2017	Jan-Jun 2016	Change, %	LTM * ¹	Full-year 2016
Net sales	3,087	2,682	15	6,548	6,101	7	9,335	8,888
Currency adjusted change*, %	9	-24	-	2	-11	-	-	-10
Operating income	80	147	-45	133	211	-37	-75	3
Operating margin, %	2.6	5.5	-	2.0	3.5	-	-0.8	0.0

*Alternative Performance Measure, refer to page 18. ¹ Last Twelve Months.

Net sales in the Consumer Brands Division increased by 15% in the second quarter. Adjusted for currency, sales increased by 9%. Sales increased in North America while Europe decreased.

Operating income decreased to SEK 80m (147). Cost and efficiency measures continued to impact positively, but were not enough to offset the impact from an in general challenging and competitive U.S. retail market, unfavorable product and regional mix, and one-time costs related to further efficiency measures in manufacturing and logistics at the Group's facility in Nashville, Arkansas, of close to SEK 30m.

Changes in exchange rates had a total positive year-on-year impact of SEK 20m on operating income compared to the second quarter previous year.

Construction

SEKm	Q2 2017	Q2 2016	Change, %	Jan-Jun 2017	Jan-Jun 2016	Change, %	LTM * ¹	Full-year 2016
Net sales	1,341	1,106	21	2,538	2,073	22	4,566	4,101
Currency adjusted change*, %	16	4	-	17	5	-	-	4
Operating income	233	179	30	374	268	40	674	568
Operating margin, %	17.4	16.2	-	14.7	12.9	-	14.8	13.9

*Alternative Performance Measure, refer to page 18. ¹ Last Twelve Months.

Net sales in the Construction Division increased by 21% in the second quarter. The currency adjusted increase was 16%, of which acquisitions contributed with 14%. Demand remained on a high level in North America, resulting in good growth. Pullman Ermator, which was acquired in the beginning of the year, and HTC which is included since May 2, contributed with a strong development in both Europe and North America. The stone related business remained weak.

Operating income for the second quarter increased 30% to SEK 233m (179) positively affected by the higher sales, a favorable product mix and the contribution from the acquired Pullman Ermator and HTC. The operating margin increased to 17.4% (16.2).

Changes in exchange rates had a limited year-on-year impact on operating income compared to the second quarter previous year.

ACQUISITION OF HTC FINALIZED

The acquisition of the Floor Grinding Solutions Division of HTC Group AB headquartered in Söderköping, the market leader in floor grinding solutions, was closed and finalized on May 2. Sales in 2016 amounted to approximately SEK 380m. The around 150 employees are mainly located in Sweden and in the fully-owned subsidiaries in France, Germany, UK and the US, which also are the biggest markets in terms of sales. The impact on Husqvarna Group's earnings in 2017 is expected to be limited. The preliminary purchase price allocation and additional details are found on page 16.

ANNUAL GENERAL MEETING 2017

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

The dividend was set at SEK 1.95 per share and to be paid in two installments. SEK 0.65 per share in April, and SEK 1.30 per share in October.

The Nomination Committee's proposal that the Board of Directors shall comprise eight Board members to be elected by the AGM, and no deputies, was adopted. Tom Johnstone, Ulla Litzén, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson and Kai Wärn were re-elected and Christine Robins was elected new Board member. Tom Johnstone was elected Chairman of the Board.

Furthermore, the AGM approved the Board's proposal for a performance based long-term incentive program for 2017, the proposals for principles of remuneration to Husqvarna Group Management, transfer of own shares and authorization for new share issue.

For further information, notice, proposals, minutes and other documents from the Annual General Meeting are found on www.husqvarnagroup.com/agm.

AUTHORIZATION TO SELL OWN SHARES

The Board of Directors has resolved to utilize the authorization given by the Annual General Meeting 2017 on the sale of a maximum of 2,944,409 class B-shares in the company up until the AGM 2018. Transfers will be made on Nasdaq Stockholm exchange for cash payment at a price within the, at each time, registered price interval. The purpose of the authorization is to continuously adapt the number of B-shares held in order to hedge the undertakings within the framework of the Company's incentive programs.

On April 4, 2017, Husqvarna AB owned 2,944,409 re-purchased shares of series B, which all were divested or allocated to long-term incentive programs during the second quarter.

PARENT COMPANY

Net sales for January – June 2017 for the Parent Company, Husqvarna AB, amounted to SEK 10,073m (8,673), of which SEK 7,880m (6,635) referred to sales to Group companies and SEK 2,193m (2,038) to external customers.

Income after financial items amounted to SEK 2,209m (1,228). Income for the period increased to SEK 1,708m (716). Investments in property, plant and equipment and intangible assets amounted to SEK 376m (289). Cash and cash equivalents amounted to SEK 604m (636) at the end of the quarter. Undistributed earnings in the Parent Company amounted to SEK 22,062m (17,966).

RISKS AND UNCERTAINTY FACTORS

A number of factors may affect Husqvarna Group'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 52 - 55 in the Annual Report 2016 which is available at www.husqvarnagroup.com/ir.

ACCOUNTING PRINCIPLES

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

The accounting policies adopted are consistent with those presented in the Annual Report of 2016, which is available at www.husqvarnagroup.com/ir.

FOOTNOTE

*Alternative Performance Measures, see page 18 "Definitions and reconciliations of Alternative Performance Measures".

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

Stockholm, July 17, 2017

Tom Johnstone
Chairman of the
Board

Ulla Litzén
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Christine Robins
Board member

Kai Wärm
President and CEO
and Board member

Soili Johansson
Board member and
employee representative

Annika Ögren
Board member and
employee representative

REVIEW REPORT

Husqvarna AB (publ), corporate identity number 556000-5331

To the Board of Directors of Husqvarna AB (publ)

Introduction

We have reviewed the condensed interim report for Husqvarna AB (publ) as at June 30, 2017 and for the six months period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, July 17, 2017
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Consolidated income statement

SEKm	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Net sales	13,069	11,504	25,815	22,865	35,982
Cost of goods sold	-8,603	-7,567	-17,553	-15,766	-24,886
Gross income	4,466	3,937	8,262	7,099	11,096
<i>Gross margin, %</i>	<i>34.2</i>	<i>34.2</i>	<i>32.0</i>	<i>31.0</i>	<i>30.8</i>
Selling expenses	-2,009	-1,803	-3,893	-3,349	-6,168
Administrative expenses	-458	-404	-947	-855	-1,707
Other operating income/expense	3	-1	5	0	-3
Operating income	2,002	1,729	3,427	2,895	3,218
<i>Operating margin, %</i>	<i>15.3</i>	<i>15.0</i>	<i>13.3</i>	<i>12.7</i>	<i>8.9</i>
Financial items, net	-123	-72	-261	-214	-422
Income after financial items	1,879	1,657	3,166	2,681	2,796
<i>Margin, %</i>	<i>14.4</i>	<i>14.4</i>	<i>12.3</i>	<i>11.7</i>	<i>7.8</i>
Income tax	-478	-398	-777	-661	-692
Income for the period	1,401	1,259	2,389	2,020	2,104
Income for the period attributable to:					
Equity holders of the Parent Company	1,398	1,255	2,383	2,014	2,100
Non-controlling interest	3	4	6	6	4
Earnings per share:					
Before dilution, SEK	2.44	2.20	4.16	3.52	3.67
After dilution, SEK	2.43	2.19	4.15	3.51	3.66
Average number of shares outstanding:					
Before dilution, millions	572.6	571.9	572.3	572.5	572.3
After dilution, millions	574.2	573.4	574.2	573.8	574.1

Key data

<i>Net sales growth, %</i>	<i>14</i>	<i>-6</i>	<i>13</i>	<i>-1</i>	<i>-1</i>
Operating income, SEKm	2,002	1,729	3,427	2,895	3,218
<i>Operating margin, %</i>	<i>15.3</i>	<i>15.0</i>	<i>13.3</i>	<i>12.7</i>	<i>8.9</i>
Average number of employees	13,618	13,139	13,770	13,606	12,704

EBITDA*

SEKm					
Operating income	2,002	1,729	3,427	2,895	3,218
Reversal of depreciation, amortization and impairment	348	275	675	555	1,164
EBITDA*	2,350	2,004	4,102	3,450	4,382
<i>EBITDA margin, %</i>	<i>18.0</i>	<i>17.4</i>	<i>15.9</i>	<i>15.1</i>	<i>12.2</i>

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Consolidated comprehensive income statement

SEKm	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Income for the period	1,401	1,259	2,389	2,020	2,104
Other comprehensive income					
<i>Items that will not be reclassified to the income statement:</i>					
Remeasurements on defined benefit pension plans, net of tax	-54	-258	-54	-368	-249
Total items that will not be reclassified to the income statement, net of tax	-54	-258	-54	-368	-249
<i>Items that may be reclassified to the income statement:</i>					
Currency translation differences	-351	522	-413	412	1,058
Net investment hedge, net of tax	274	-291	383	-151	-605
Cash flow hedges, net of tax	-9	-30	-19	-116	-33
Total items that may be reclassified to the income statement, net of tax	-86	201	-49	145	420
Other comprehensive income, net of tax	-140	-57	-103	-223	171
Total comprehensive income for the period	1,261	1,202	2,286	1,797	2,275
Total comprehensive income attributable to:					
Equity holders of the Parent Company	1,259	1,196	2,281	1,789	2,268
Non-controlling interest	2	6	5	8	7

Consolidated balance sheet

SEKm	Jun. 30, 2017	Jun. 30, 2016	Dec. 31, 2016
Assets			
Property, plant and equipment	5,445	4,759	5,472
Goodwill	6,679	5,825	6,014
Other intangible assets	4,939	4,061	4,176
Derivatives	8	-	-
Other non-current assets	100	167	93
Deferred tax assets	1,333	1,409	1,414
Total non-current assets	18,504	16,221	17,169
Inventories	8,116	7,816	9,225
Trade receivables	7,149	6,845	3,290
Derivatives	644	182	349
Tax receivables	72	24	41
Other current assets	851	706	963
Other short-term investments	0	2	4
Cash and cash equivalents	2,611	2,269	1,937
Total current assets	19,443	17,844	15,809
Total assets	37,947	34,065	32,978
Equity and liabilities			
Equity attributable to equity holders of the Parent Company	15,491	13,830	14,339
Non-controlling interests	32	27	26
Total equity	15,523	13,857	14,365
Borrowings	5,995	6,235	4,953
Derivatives	33	80	44
Deferred tax liabilities	1,838	1,661	1,656
Provisions for pensions and other post-employment benefits	1,841	1,951	1,759
Other provisions	746	931	824
Total non-current liabilities	10,453	10,858	9,236
Trade payables	4,497	3,886	3,752
Tax liabilities	711	332	211
Other liabilities	3,087	2,762	2,512
Dividend payable	744	630	-
Borrowings	2,061	562	1,494
Derivatives	223	533	905
Other provisions	648	645	503
Total current liabilities	11,971	9,350	9,377
Total equity and liabilities	37,947	34,065	32,978

Key data

Operating working capital, SEKm	10,768	10,775	8,763
Return on capital employed, %	15.1	13.0	13.7
<i>Excl. items affecting comparability*</i>	15.1	13.6	13.7
Return on equity, %	16.8	14.8	15.2
<i>Excl. items affecting comparability*</i>	16.8	15.6	15.2
Capital turn-over rate, times	1.7	1.7	1.7
Equity/assets ratio, %	41	41	44
Equity per share after dilution, SEK	27.0	24.1	25.0

Net debt*

SEKm			
Net pension liability	1,809	1,924	1,727
Other interest-bearing liabilities	8,312	7,410	7,396
Dividend payable	744	630	-
Less: Liquid funds and other interest-bearing assets	-3,263	-2,453	-2,290
Net debt*	7,602	7,511	6,833
Net debt/equity ratio	0.49	0.54	0.48

*Alternative Performance Measure, refer to page 8 for definitions and reconciliations.

Consolidated cash flow statement

	Q2	Q2	Jan-Jun	Jan-Jun	Full-year
SEKm	2017	2016	2017	2016	2016
Cash flow from operations					
Operating income	2,002	1,729	3,427	2,895	3,218
Non cash items	393	235	805	632	1,073
<i>Cash items</i>					
Paid restructuring expenses	-2	-7	-3	-24	-45
Net financial items, received/paid	-161	-162	-244	-204	-353
Taxes paid	-138	-35	-312	-120	-280
Cash flow from operations, excluding change in operating assets and liabilities	2,094	1,760	3,673	3,179	3,613
Change in operating assets and liabilities					
Change in inventories	948	770	930	245	-821
Change in trade receivables	1,527	1,175	-3,864	-3,531	56
Change in trade payables	-871	-1,368	801	754	537
Change in other operating assets/liabilities	328	428	693	692	170
Cash flow from operating assets and liabilities	1,932	1,005	-1,440	-1,840	-58
Cash flow from operations	4,026	2,765	2,233	1,339	3,555
Investments					
Acquired and divested assets/subsidiaries	-687	-30	-1,629	52	59
Investments in property, plant and equipment and intangible assets	-392	-321	-736	-632	-1,889
Cash flow from investments	-1,079	-351	-2,365	-580	-1,830
Cash flow from operations and investments	2,947	2,414	-132	759	1,725
Financing					
Dividend paid to shareholders	-372	-315	-372	-315	-944
Dividend paid to non-controlling interests	-1	-1	-1	-1	-1
Other financing activities	-1,963	-1,562	1,191	152	-577
Cash flow from financing	-2,336	-1,878	818	-164	-1,522
Total cash flow	611	536	686	595	203
Cash and cash equivalents at beginning of period	2,021	1,667	1,937	1,622	1,622
Exchange rate differences referring to cash and cash equivalents	-21	66	-12	52	112
Cash and cash equivalents at end of period	2,611	2,269	2,611	2,269	1,937
Operating cash flow*					
SEKm					
Cash flow from operations and investments	2,947	2,414	-132	759	1,725
Acquired and divested assets/subsidiaries	687	30	1,629	-52	-59
Operating cash flow*	3,634	2,444	1,497	707	1,666

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Change in Group equity

SEKm	Attributable to equity holders of the Parent company	Non-controlling interests	Total equity
Opening balance January 1, 2016	13,041	20	13,061
Share-based payment	19	-	19
Transfer of treasury shares ¹	3	-	3
Hedge for LTI-programs	-77	-	-77
Dividend	-945	-1	-946
Total comprehensive income	1,789	8	1,797
Closing balance June 30, 2016	13,830	27	13,857
Opening balance January 1, 2017	14,339	26	14,365
Share-based payment	23	-	23
Transfer of treasury shares ¹	4	-	4
Hedge for LTI-programs	-189	-	-189
Sales of treasury shares	151	-	151
Dividend	-1,116	-1	-1,117
Divestment of non-controlling interest	-2	2	-
Total comprehensive income	2,281	5	2,286
Closing balance June 30, 2017	15,491	32	15,523

¹ Options exercised related to 2009 LTI-program.

Fair value of financial instruments

The Group's financial instruments carried at fair value are derivatives. Derivatives belong to Level 2 in the fair value hierarchy. Future cash flows have been discounted using current quoted market interest rates and exchange rates for similar instruments. Further information about the accounting principles for financial instruments and methods used for estimating the fair value of the financial instruments are described in note 1 and note 19, respectively, in the Annual Report 2016. The carrying value approximates fair value for all financial instruments except for non-current borrowings, which are shown in the table below.

SEKm	Jun. 30, 2017		Jun. 30, 2016		Dec. 31, 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<i>Non-current borrowings</i>						
Financial leases	188	198	194	212	207	221
Loans	5,807	5,939	6,041	6,148	4,746	4,843
Total non-current borrowings	5,995	6,137	6,235	6,360	4,953	5,064

Five-year review, Group

	2016	2015	2014 ¹	2013	2012 ²
Net sales, SEKm	35,982	36,170	32,838	30,307	30,834
Net sales growth, %	-0.5	10.1	8.4	-1.7	1.6
Gross margin, %	30.8	28.1	28.5	26.5	26.9
Operating income, SEKm	3,218	2,827	1,581	1,608	1,675
Excluding items affecting comparability*, SEKm	3,218	2,980	2,348	1,608	1,931
Operating margin, %	8.9	7.8	4.8	5.3	5.4
Excluding items affecting comparability*, %	8.9	8.2	7.2	5.3	6.3
Return on capital employed, %	13.7	12.4	7.6	7.7	7.4
Excluding items affecting comparability*, %	13.7	13.1	11.1	7.7	8.5
Return on equity, %	15.2	14.6	6.7	8.1	8.8
Excluding items affecting comparability*, %	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* ³ , 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

¹ 2014 has been restated due to a correction. ² 2012 has been restated due to the amended IAS 19.

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

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Net sales and income by quarter, Group

SEKm		Q1	Q2	Q3	Q4	Full-year
Net sales	2017	12,746	13,069			
	2016	11,361	11,504	7,349	5,768	35,982
	2015	10,928	12,263	7,307	5,672	36,170
Operating income	2017	1,425	2,002			
	2016	1,166	1,729	431	-108	3,218
	2015	1,112	1,675	405	-365	2,827
Operating margin, %	2017	11.2	15.3			
	2016	10.3	15.0	5.9	-1.9	8.9
	2015	10.2	13.7	5.5	-6.4	7.8
Income for the period	2017	988	1,401			
	2016	761	1,259	205	-121	2,104
	2015	788	1,143	196	-239	1,888
Earnings per share after dilution, SEK	2017	1.72	2.43			
	2016	1.32	2.19	0.36	-0.21	3.66
	2015	1.37	1.98	0.34	-0.42	3.28

Net sales and operating income, last twelve months, Group

SEKm		Q1	Q2	Q3	Q4
Net sales	2017	37,367	38,932		
	2016	36,603	35,844	35,886	35,982
	2015	34,081	35,299	35,821	36,170
Operating income	2017	3,477	3,750		
	2016	2,881	2,935	2,961	3,218
<i>Excl. items affecting comparability*</i>	2016	3,034	3,088	3,114	3,218
	2015	1,785	2,087	2,160	2,827
<i>Excl. items affecting comparability*</i>	2015	2,552	2,854	2,927	2,980
Operating margin, %	2017	9.3	9.6		
	2016	7.9	8.2	8.3	8.9
<i>Excl. items affecting comparability*</i>	2016	8.3	8.6	8.7	8.9
	2015	5.2	5.9	6.0	7.8
<i>Excl. items affecting comparability*</i>	2015	7.5	8.1	8.2	8.2

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Items affecting comparability*

SEKm		Q1	Q2	Q3	Q4	Full-year
No items	2017	-	-			
No items	2016	-	-	-	-	-
Restructuring expenses	2015	-	-	-	-153	-153
Impairment of goodwill	2014	-	-	-	-767	-767
No items	2013	-	-	-	-	-
Cost for personnel cut-backs	2012	-	-	-	-256	-256

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Net sales (external) by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2017	6,372	6,314			
	2016	5,457	5,721	3,752	3,030	17,960
	2015	5,342	5,727	3,519	3,036	17,624
Gardena	2017	1,715	2,326			
	2016	1,518	1,995	1,002	518	5,033
	2015	1,319	1,795	1,060	495	4,669
Consumer Brands	2017	3,461	3,087			
	2016	3,419	2,682	1,553	1,234	8,888
	2015	3,343	3,643	1,708	1,242	9,936
Construction	2017	1,197	1,341			
	2016	967	1,106	1,042	986	4,101
	2015	924	1,098	1,020	899	3,941
Group common costs¹	2017	1	1			
	2016	-	-	-	-	-
	2015	-	-	-	-	-
Total Group	2017	12,746	13,069			
	2016	11,361	11,504	7,349	5,768	35,982
	2015	10,928	12,263	7,307	5,672	36,170

¹ Royalty income is included in Group Common Cost as of 2017.

Operating income by segment

SEKm		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2017	1,047	1,186			
	2016	844	1,031	368	74	2,317
	2015	897	1,001	321	14	2,233
<i>Excl. items affecting comparability*</i>	2015	897	1,001	321	65	2,284
Gardena	2017	251	565			
	2016	226	449	50	-130	595
	2015	204	397	113	-128	586
<i>Excl. items affecting comparability*</i>	2015	204	397	113	-123	591
Consumer Brands	2017	53	80			
	2016	64	147	-80	-128	3
	2015	-11	178	-119	-195	-147
<i>Excl. items affecting comparability*</i>	2015	-11	178	-119	-168	-120
Construction	2017	141	233			
	2016	89	179	155	145	568
	2015	74	160	144	17	395
<i>Excl. items affecting comparability*</i>	2015	74	160	144	87	465
Group common costs	2017	-67	-62			
	2016	-57	-77	-62	-69	-265
	2015	-52	-61	-54	-73	-240
Total Group	2017	1,425	2,002			
	2016	1,166	1,729	431	-108	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

*Alternative Performance Measure, refer to page 18 for definitions and reconciliations.

Operating margin by segment

%		Q1	Q2	Q3	Q4	Full-year
Husqvarna	2017	16.4	18.8			
	2016	15.5	18.0	9.8	2.4	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
Gardena	2017	14.6	24.3			
	2016	14.9	22.5	5.0	-25.2	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
Consumer Brands	2017	1.5	2.6			
	2016	1.9	5.5	-5.2	-10.3	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
Construction	2017	11.8	17.4			
	2016	9.2	16.2	14.9	14.7	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
Total Group	2017	11.2	15.3			
	2016	10.3	15.0	5.9	-1.9	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

Net assets by segment

	Assets		Liabilities		Net Assets	
	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2017	Jun. 30, 2016	Jun. 30, 2017	Jun. 30, 2016
SEKm						
Husqvarna	13,664	12,829	4,228	3,894	9,436	8,935
Gardena	7,781	7,355	1,385	1,121	6,396	6,234
Consumer Brands	6,106	6,208	2,087	2,067	4,019	4,141
Construction	5,662	3,710	867	651	4,795	3,059
Other	1,439	1,483	2,960	2,484	-1,521	-1,001
Total	34,652	31,585	11,527	10,217	23,125	21,368

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.

Business combinations

Husqvarna Group acquired 100 % of Floor Grinding Solutions Division of HTC Group AB on May 2, 2017. HTC Floor Grinding solutions, part of HTC Group AB, is the global market leader in floor grinding solutions. HTC brings extensive floor grinding product and application expertise which combined with Husqvarna's global reach and scale gives a stronger position to grow the polished flooring market and help the customers to achieve beautiful and easily maintained floors at lower environmental impact. Through the acquisition the ability to develop and offer customers the best total solutions for the segment will be strengthened.

The goodwill of SEK 333m arising from the acquisition is attributable to economies of scale from areas such as sourcing and technology. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

Recognized amounts of identifiable assets acquired and liabilities assumed

SEKm	
Property, plant and equipment	77
Other intangible assets	244
Deferred tax assets	15
Inventories	71
Trade receivables and other asset	83
Cash and cash equivalents	227
Borrowings	-121
Deferred tax liabilities	-62
Trade payables and other liabilities	-68
Total identifiable net assets	466
Goodwill	333
Total net assets	799
Less acquired cash, net	-106
Net cash flow - investments	693

The acquisition analysis is preliminary.

Acquisition-related costs of SEK 4m have been charged to administrative expenses in the consolidated income statement. The fair value of trade and other receivables is SEK 83m and includes trade receivables with contractual amount of SEK 65m. No trade receivables is expected to be uncollectible.

The net sales included in the consolidated statement of comprehensive income since the acquisition date contributed by HTC Group AB was SEK 70m. HTC Group AB also contributed with a positive operating income during this period. No transactions recognized before the acquisition date.

PARENT COMPANY

Income statement

SEKm	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full-year 2016
Net sales	5,008	4,467	10,073	8,673	14,231
Cost of goods sold	-3,500	-2,730	-6,981	-5,828	-10,288
Gross income	1,508	1,737	3,092	2,845	3,943
Selling expense	-397	-493	-718	-869	-1,139
Administrative expense	-264	-228	-515	-445	-927
Other operating income/expense	0	0	0	0	1
Operating income	847	1,016	1,859	1,531	1,878
Financial items, net	283	-432	350	-303	3,011
Income after financial items	1,130	584	2,209	1,228	4,889
Appropriations	-12	-289	-28	-309	-204
Income before taxes	1,118	295	2,181	919	4,685
Tax on profit for the year	-243	-64	-473	-203	-141
Income for the period	875	231	1,708	716	4,544

Balance sheet

SEKm	Jun. 30, 2017	Jun. 30, 2016	31 Dec. 2016
Non-current assets	32,502	32,338	32,473
Current assets	9,385	7,510	6,700
Total assets	41,887	39,848	39,173
Equity	23,625	19,141	23,044
Untaxed reserves	-	290	-
Provisions	128	162	108
Non-current liabilities	5,540	5,908	4,591
Current liabilities	12,594	14,347	11,430
Total equity and liabilities	41,887	39,848	39,173

Number of shares

	Outstanding A-shares	Outstanding B-shares	Re-purchased B-shares ²	Total
Number of shares as of December 31, 2016	113,393,909	458,686,636	4,263,233	576,343,778
<i>Conversion of A-shares into B-shares</i>	-900	900	-	-
<i>Options exercised related to 2009 LTI-program</i>	-	91,606	-91,606	-
<i>Shares allocated to 2014 LTI-program</i>	-	1,197,117	-1,197,117	-
<i>Hedge for LTI-programs</i>	-	-2,100,000	2,100,000	-
<i>Sales of treasury shares</i>	-	1,674,510	-1,674,510	-
Number of shares as of June 30, 2017¹	113,393,009	459,550,769	3,400,000	576,343,778

¹In July 2017, 89,376 A-shares were converted.

²The 3,400,000 B-shares are entirely in a third party share swap agreement.

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.

Currency adjusted change

Net sales adjusted for currency translation effects. Net sales are disclosed adjusted for currency translation effects as Husqvarna Group is a global company generating significant transactions in other currencies than the reporting currency (SEK) and the currency rates have proven to be volatile.

EBITDA

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

Items affecting comparability

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

Last twelve months (LTM)

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

Operating working capital

Operating working capital measured as the average of the last four quarters.

For additional definitions refer to page 113 of the Group's Annual Report 2016.

TELEPHONE CONFERENCE

A combined press and telephone conference, hosted by Kai Wärm, President and CEO, and Jan Ytterberg, CFO, will be held at Husqvarna Group's office, Regeringsgatan 28, Stockholm at 10:00 CET on July 18, 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. A replay will be available later the same day.

DATES FOR FINANCIAL REPORTS 2017

October 20	Interim report for January-September
February 2	Year-End Report 2017

CONTACTS

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This press release contains insider information that Husqvarna AB is required to disclose under the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact person set out above, at 08.00 CET on July 18, 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.