



Husqvarna
Group



Annual Report 2022



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[🔗](#) For more information about Husqvarna Group's sustainability initiatives, please find our [Sustainovate Progress Report 2022](#) at www.husqvarnagroup.com.

Board of Directors' Report

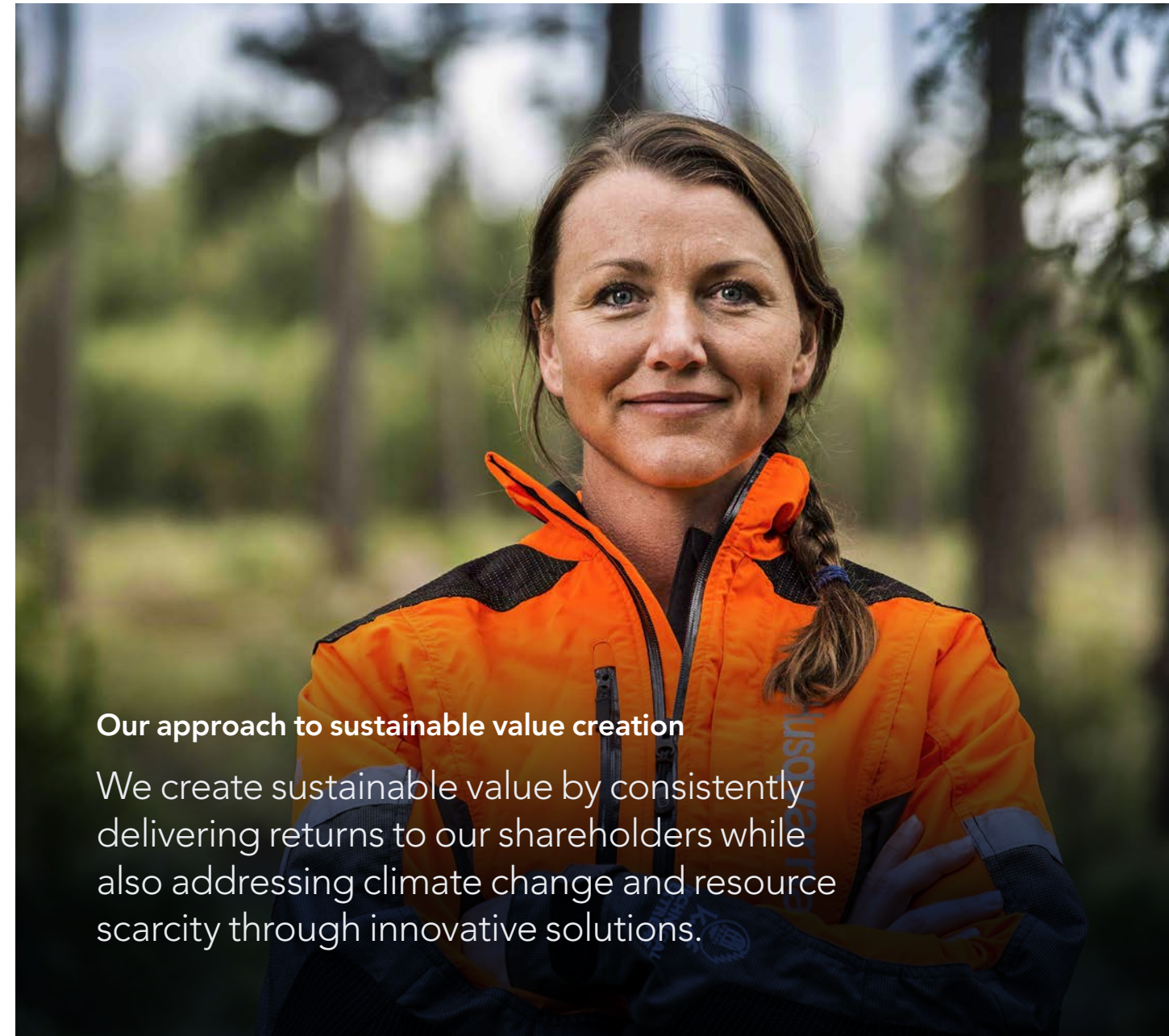
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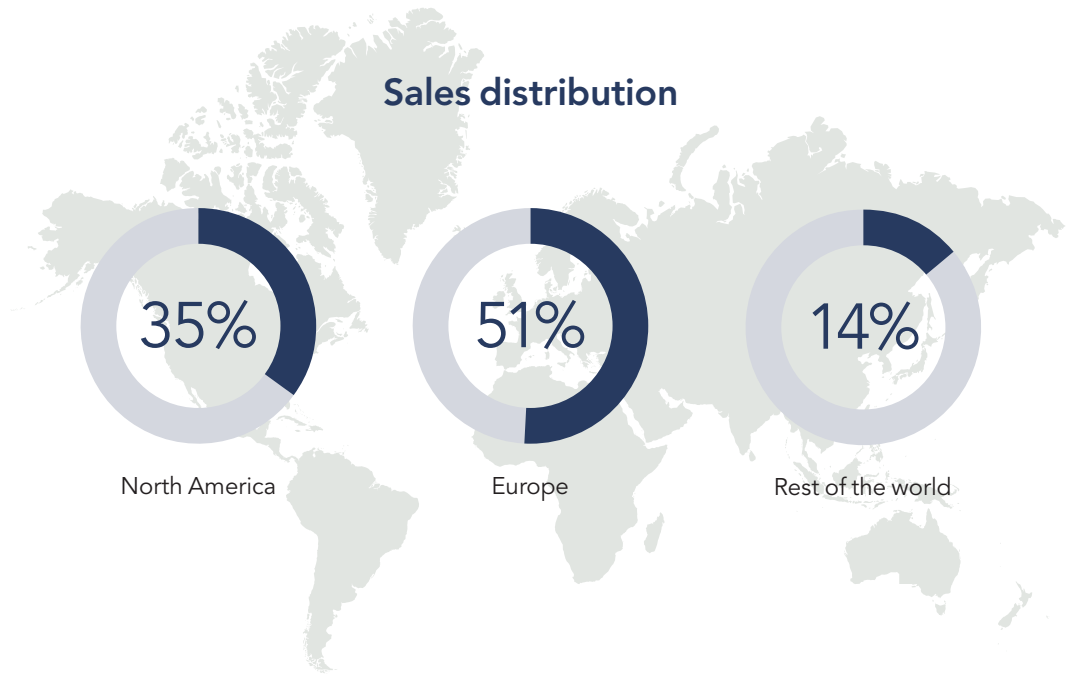



Our approach to sustainable value creation

We create sustainable value by consistently delivering returns to our shareholders while also addressing climate change and resource scarcity through innovative solutions.

About Husqvarna Group

Founded in 1689, Husqvarna Group is a world-leading provider of innovative products and solutions for forest, park and garden care. The range includes robotic mowers, chainsaws, trimmers, ride-on mowers and watering solutions. We are also a leader in equipment and diamond tools for the light construction and natural-stone processing industries. Our products and solutions are mainly sold under the global Husqvarna and Gardena brands.






Husqvarna Forest & Garden Division

A leader in forest and garden products and services for professionals and consumers. The global market leader in robotic mowers.

[Read more](#) →

Share of Group net sales*
59%




Gardena Division

A leader in residential watering products, garden hand tools and smart garden systems for passionate gardeners. Global leader in smart watering solutions.

[Read more](#) →

Share of Group net sales*
25%



Husqvarna Construction Division

A leader in equipment and diamond tools for the light construction and natural-stone processing industries.

[Read more](#) →

Share of Group net sales*
15%

* The divisions' share of Group net sales add up to less than 100 percent due to other Group items.

The year in brief

As a Group, we pay tribute to the memory of our CEO Henric Andersson, who passed away in February 2023. During 2022, he navigated the company through the execution of its sustainable value creation strategy, despite macroeconomic challenges. By focusing on delivering value to our customers, we strengthened our position, especially within robotics, electrification and smart watering.



Important events

- Group net sales grew by 15% and amounted to SEK 54bn. Organic growth was –1%. Operating income* amounted to SEK 4.9bn, representing a margin of 9.0%.
- Delivering on our sustainability targets, we reduced CO₂ emissions by –32% (scope 1, 2 & 3), compared with the 2015 baseline.
- We acquired Heger, strengthening our position for diamond tools in Europe.
- The first Husqvarna CEORA robotic systems, setting out to transform the commercial turf care market, were successfully deployed to customers.
- Our first robotic mower with a virtual boundary for residential areas, Husqvarna Automower® NERA, was introduced.
- The Gardena Division announced a new series of Micro-Drip watering systems and an extension of the EcoLine recycled product range.
- To accelerate transformation, we announced increased investments of SEK 400m in robotic mowers, battery, watering and professional products by 2025, as well as an exit of approximately SEK 2bn in annual sales of low-margin petrol-powered consumer business by 2024.
- Pavel Hajman was appointed acting CEO until a permanent successor is identified.

Financial targets – achievement 2022



Organic growth
Target: 5%

–1%



Operating margin*
Target: 13%

9.0%



Capital efficiency
Target: 20%

30.6%

Sustainability targets – achievement 2022



Carbon

By 2025, reduce absolute CO₂ emissions across the value chain by –35% (scope 1, 2 & 3).

–32%



Circular

By 2025, launch 50 circular innovations.

10



People

By 2025, empower 5 million customers and colleagues to make sustainable choices.

572k

*Excluding items affecting comparability.

Executing a winning strategy to build a stronger Husqvarna Group

“We are constantly re-inventing ourselves, identifying and capturing market opportunities to further future-proof our company.”

We are on a successful journey to build a stronger Husqvarna Group by repositioning our business. We are focusing more on premium and professional segments, while pivoting our offering to become even more sustainable, smart and connected. Over time this has resulted in a better business composition with higher growth and margins.

Our strategy was formed by our dear colleague and CEO, Henric Andersson, who sadly passed away in February 2023. Husqvarna Group has lost a dear friend and a visionary leader whom we had the privilege of working together with for over 25 years. We are all thankful and proud of the results the organization has delivered under Henric's leadership, and he will be deeply missed.

In 2022 we, as a Group, continued our transformational journey, despite external headwinds, such as geopolitical and macroeconomic concerns, as well as significant supply chain challenges.

We are capturing opportunities in a world that is electrifying at a rapid pace and where the use of autonomous, connected and smart products and solutions are increasing rapidly. We are constantly re-inventing ourselves, identifying and capturing market opportunities to further future-proof our company.

During the year, we launched several successful products, significantly strengthening our position. One example is Husqvarna CEORA, a true milestone revolutionizing the professional turf care market. Customer feedback has been excellent, and sales have exceeded initial expectations. Other examples include the Husqvarna Construction Division expanding its proprietary Husqvarna PACE battery system into additional applications and the Gardena Division continuing its acceleration in smart watering.

Solid performance in a challenging environment

I am proud that we continued to deliver on our strategy in a challenging environment. However, two external events impacted the financial performance of Husqvarna Group negatively during the year. A lack of supply of electronic components, such as semi-conductors impacted our sales of robotic mowers and battery-powered products. Secondly, the European watering market experienced unfortunate weather conditions. After a late start to the gardening season, retailers decided to reduce inventory throughout the fall which impacted the industry as well as sales of Gardena products significantly. We do not believe these two factors are market structural and are convinced that the interest in the gardening segment will remain high. From a financial

perspective, we delivered a net sales growth of 15%, of which organic sales growth was –1%.

During the year we have been able to successfully implement price increases to offset increased costs for raw materials and logistics. Operating income, excluding items affecting comparability, was SEK 4,853m (5,684) and the operating margin amounted to 9.0% (12.1). The decrease is mainly a result of the unfavorable product mix and lower volumes. I would like to take the opportunity to thank the entire team for their dedication. They have truly put our customers first by maximizing our ability to meet demand while navigating through the extraordinary challenges we experienced in 2022.

We have a strong financial position, and the Board will propose to the Annual General Meeting an unchanged dividend of SEK 3.00 for the year.

Sustainable value creation

Sustainable value creation describes our ambition to consistently deliver returns to our shareholders, while contributing to a more sustainable society. It serves as our strategy's north star and is about making sure we can deliver innovative products and solutions our customers appreciate over time. This is something we have success-



fully done since 1689. We achieve this by driving the transformation of our business and our industry, seeking to address climate change and resource scarcity. We have made further progress in our Sustainovate program, our strategic approach to sustainability. As of 2022, we have achieved a –32% reduction of our CO₂ footprint since 2015. Our circular innovation efforts have accelerated in 2022, with a growing pipeline and 10 launched innovations so far towards the 2025 target of 50 launched solutions.

“Sustainable value creation describes our ambition to consistently deliver returns to our shareholders, while contributing to a more sustainable society”

2022 is the first year of reporting on the People target to empower five million customers and colleagues to make sustainable choices where we are now at 572 thousand people that have made a more sustainable choice by using our products and solutions. We continue our effort to transform our business towards higher growth and a lower carbon footprint, and continued to make progress on our targets, but more importantly, we demonstrated our Sustainovate ambition by launching highly innovative new solutions.

Accelerating our strategic transformation

To further accelerate our strategic transformation, we will increase our investments into our key sustainable value creation levers: robotic mowers, battery, smart watering and professional solutions. We will add an additional SEK 400m of investments in these areas per year by 2025. We will implement decisive structural changes and savings

in other segments. As a leader in the transformation to more low-carbon and resource-smart solutions, we will exit some SEK 2bn in yearly sales of low margin petrol-powered consumer business in 2024. In total, these measures will result in total annual cost savings of approximately SEK 800m fully effective in 2025 and net SEK 400m after the increased investments into the sustainable value creation levers.

Well positioned for the future

We continue to future-proof our company and our offering. We are well positioned thanks to our winning strategy and through the opportunities we are capturing. Most important in this is our global team of passionate and innovative colleagues. To remain successful, we constantly prioritize development and build on our strong culture to empower our team and colleagues. We are strengthening our learning mindset, nurturing our curiosity and investing in our capabilities to enable us to grow as individuals and as a team. During the year, substantial work has been carried out to ensure we have a common perspective and to continue to develop our Group culture. It is a key strategic enabler for us to realize our strategy and build a company fit for the future.

Through our leading positions, a forward-leaning strategy and a dedicated and strong team, we will continue to create sustainable value for customers, shareholders and society.



Pavel Hajman
Acting CEO

In memoriam Henric Andersson, former CEO of Husqvarna Group



Husqvarna Group was deeply saddened to learn of the death of Henric Andersson, CEO of the Group and member of the Board of Directors from 2020–2023.

I would like to pay tribute to Henric on behalf of the Husqvarna Group. Henric was with our company over 25 years in various roles beginning within the Lawn and Garden arena and then as President of the Husqvarna Construction Division until he was appointed Group CEO in 2020.

Henric loved working within the Group and was truly passionate about the company, its products, its people and its growth and development. He was a visionary leader, very engaged and committed to driving technological change and to delivering sustainable value to our customers. During his career he worked both in Sweden and in USA and had a fantastic network of fellow colleagues throughout the company.

After successfully developing and expanding the Husqvarna Construction business of the Group, we as a Board chose Henric to be our CEO, to lead the Group forward and to build on the strong foundation he inherited from his predecessor. Henric laid out a clear vision and a plan on how we would develop further. We can see elements of that today in the four key priority areas, which we are continually driving – robotics, battery, sustainable watering and the professional market. He was also keen on strengthening and developing long lasting customer experiences, while delivering sustainable value. These priority areas we, as a Board and senior management, will continue to develop in the coming years.

Henric's leadership, his vision and his friendship will be sorely missed by all of us in Husqvarna Group. We extend our sincere condolences to his family.

Tom Johnstone, Chair of the Board

Trends and market

Global trends have a significant impact on our industry and provide excellent opportunities to create value and spur sustainable growth.

- Trends
- Market overview
- Distribution channels and seasonality



Trends strengthening our business



Sustainability

The urgency to address climate change means that solutions with low carbon emissions are increasingly being prioritized by customers, companies and legislators.

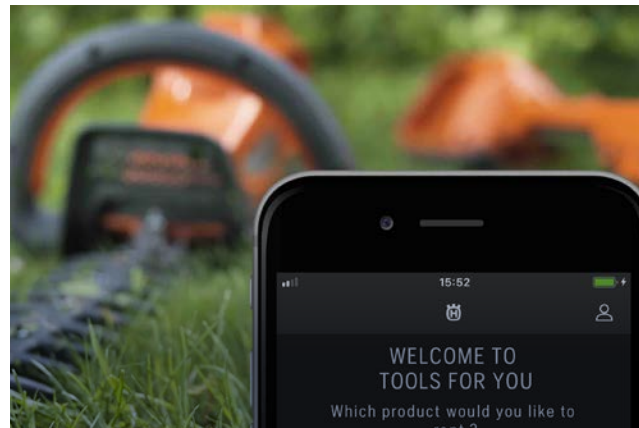
Technological progress is making renewable energy more available and affordable energy storage possible. Scarce resources, such as water, are imposing demands on responsible use and increasing the demand for smart watering solutions. Our ambition is to lead the industry in the shift to a low-carbon, resource-smart economy.



Electrification

Electrification is transforming society and is essential in the transition to a low-carbon economy.

Electrification brings climate benefits through reduced CO₂ emissions from product use, as well as improved customer experiences through lower noise levels, less vibrations and zero direct emissions. The electrification of products for professional users is increasing rapidly, and we continuously launch electrified products in areas with high requirements for performance, endurance and ergonomics.



Servitization and connectivity

Servitization is about expanding into service-based models (as-a-service) providing additional customer value.

Servitization is about shifting from selling products to delivering complete solutions. It creates opportunities to sell add-on services, develop new recurring revenue streams and deepening interactions between us and our customers. Connectivity is vital for creating a more intimate customer relationship. It is also an enabler for automation and is a key strategic area for us.



Autonomous solutions

Autonomous solutions continue to bring significant benefits to both society and customers.

Robotic usage is becoming more effective, convenient, and affordable. For green space professionals, robotics optimize productivity and efficiency, while enabling a substantial reduction of the environmental footprint. We are the undisputed global market leader in robotic mowers.

Attractive markets with favorable growth opportunities

Our Group is active in attractive markets currently valued at approximately SEK 290bn. We see strong growth opportunities in segments such as robotic mowers, battery-powered products and smart watering systems.

Market for the Husqvarna Forest & Garden and Gardena divisions

The forest and garden market, where both the Husqvarna Forest & Garden and Gardena divisions are active, are valued at approximately SEK 245bn. In addition to this, there is a large untapped market potential in converting professional lawn mowing from a manual task to fully automatized, which is not included in the current market value. In 2022 the value of the market has been impacted by lower volumes for the year, but positively affected by price increases and a positive currency effect when translating the value into Swedish kronor. Despite a challenging 2022, the market has grown in recent years mainly related to a growing interest in gardening and general economic growth. The market includes segments with high structural growth, such as robotic mowers, smart watering systems and battery-powered products. Demand is mainly driven by general economic growth, with key indicators being consumer purchasing power, consumer confidence, employment levels and construction activity. In addition, weather in a given year can impact the gardening season and affect demand both positively and negatively. Europe and North America are the largest markets and

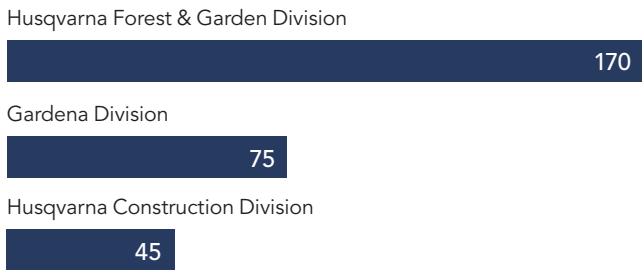
together account for around 85 percent of the global market in terms of value. Consumers in some of the other markets do not have the same opportunities for gardening because of factors such as climate, higher population density, different gardening traditions and lower purchasing power.

Market for the Husqvarna Construction Division

The Husqvarna Construction Division is a global leader in equipment and diamond tools for the light construction and natural-stone processing industries. The market value is estimated at around SEK 45bn. Demand correlates with the development of the light construction industry, which is characterized by cyclical fluctuations. A large and growing share of the market consists of consumables and aftermarket services. Our products and solutions primarily address needs arising during renovation, refurbishment as well as infrastructure projects, and most of our business is thus less cyclical than the wider construction industry that is more exposed to new building. The main markets are Europe and North America, both of which are well developed and established. Demand is also growing in emerging markets, which is creating attractive growth opportunities.

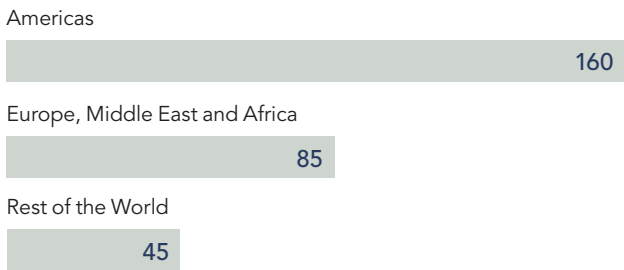
Addressable market by division

Estimated value by division, SEKbn




Addressable market by geography

Estimated value by geography, SEKbn




Our market segments include several attractive sub-segments with potential for long-term double-digit growth, such as robotic mowers, battery-powered products and smart watering systems.



 The market for robotic mowers is today largely concentrated in the consumer segment in Western Europe and is expected to continue to grow significantly in other geographical areas. Robotic mowers address consumer demands to save time and simplify daily routines, while producing superior lawn quality and offering clear sustainability benefits through zero direct emissions and low noise levels. Major geographic growth opportunities exist as the uptake of robotic mowing increases in other markets, such as the UK, Australia and the U.S.

A segment with strong growth potential is robotic mowers for professional use. We estimate the total potential market for professional turf care to be SEK 100bn, where a majority of the value today constitutes cost for labor operating the lawn mowers. We are capitalizing on this opportunity by transforming commercial turf care from a manual to an automated and more sustainable process. We focus on commercial customers, for example, in sports fields and golf courses and other green spaces in commercial and public areas.

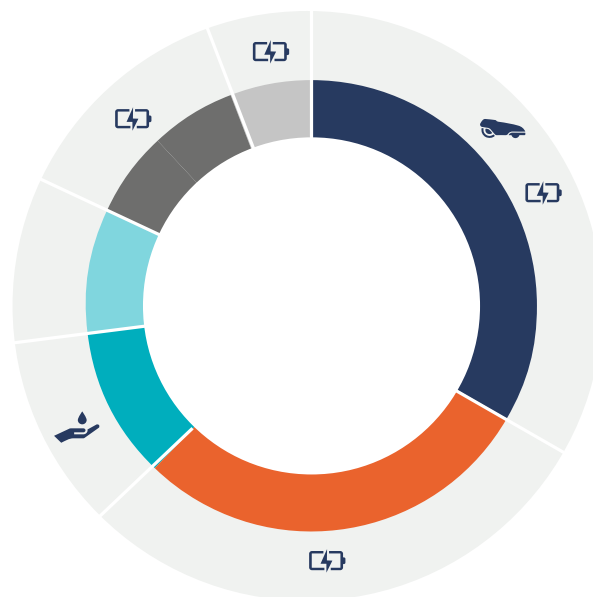








 Sales of battery-powered products are growing rapidly. This is enabled by battery cell development, frequent innovations and customer demand for more sustainable and easier-to-use products. In addition, regulations around fossil-fuel powered products support the growth of electric products. These underlying drivers create substantial growth opportunities in which we are investing significantly. We participate in the Power for All Alliance, enabling consumers to use the same battery for multiple devices. For battery-powered professional products, we develop tailor-made batteries and solutions that meet customers' high demands for performance and durability.



The Gardena Division has built a strong position in the residential watering market. The Gardena brand is the market leader in Europe and the recently acquired Orbit Irrigation, including the B-hyve brand for smart watering, is the leader in consumer watering in North America. Market growth is driven primarily by consumer trends, which are moving toward greater sustainability and convenience. To capitalize on these trends, we have a clear focus on and are increasing our investments in smart, automated irrigation solutions that make life easier for the end-users and lead to a significant reduction in water consumption.

Excluding the potential for professional robotics



Markets	Segments with double-digit growth potential
 Lawn care power equipment	Robotic mowers & battery-powered products
 Handheld outdoor power equipment	Battery-powered products
 Watering	Smart watering
 Garden hand tools	
 Concrete sawing & drilling	Battery-powered products
 Concrete surfaces & floors	Battery-powered products

Distribution channels and seasonality

Customers and distribution

Husqvarna Group sells forest, lawn and garden products to more than 25,000 dealers and leading retailers worldwide, as well as direct to end-users. Of the total market, dealers represent a share by value of around 40 percent. They primarily sell products in the high-performance segments to professional users and pro-grade experts (demanding end-users) and offer product services and support. Retailers, who represent slightly less than half of the market are selling products

in the low to medium price ranges. The online channel, which in addition to pure online resellers is also used by dealers and retailers, is showing strong growth and becoming significant with an estimated 15 percent of the total market. Light construction and stone-industry products are sold directly, or through distribution partners, to rental companies, to contractors, tradesmen and specialists as well as natural-stone processing industries.

Distribution channels per division

<div>Husqvarna Forest & Garden Division</div> <div>Distribution through dealers and online and a small share through retailers</div>	<div>Gardena Division</div> <div>Multichannel distribution</div>	<div>Husqvarna Construction Division</div> <div>Distribution through construction dealers and retailers, rental companies, and direct sales</div>
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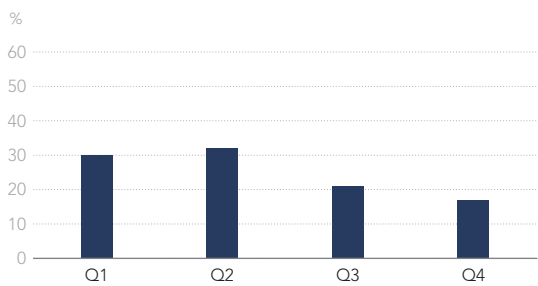
Seasonality

Forest and garden products, which represent around 85 percent of our total sales, are highly seasonal due to end-user buying patterns. The majority of sales occur during the spring and summer period when most lawn care and gardening activities take place. Because the main markets are located in the northern hemisphere, sales are highest toward

the end of the first quarter and in the second quarter. The third quarter generally marks the end of the gardening season, given average weather patterns. Demand for forestry products tends to be somewhat higher during the second half of the year. For construction products, demand is evenly distributed over the year.

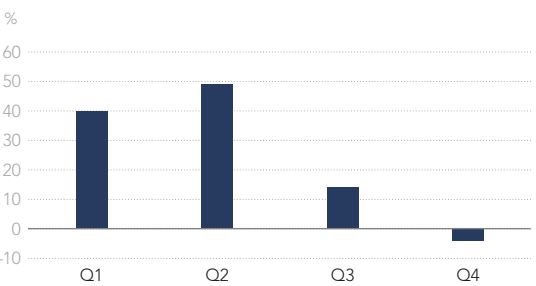
Net sales

Average distribution per quarter 2018–2022



Operating income

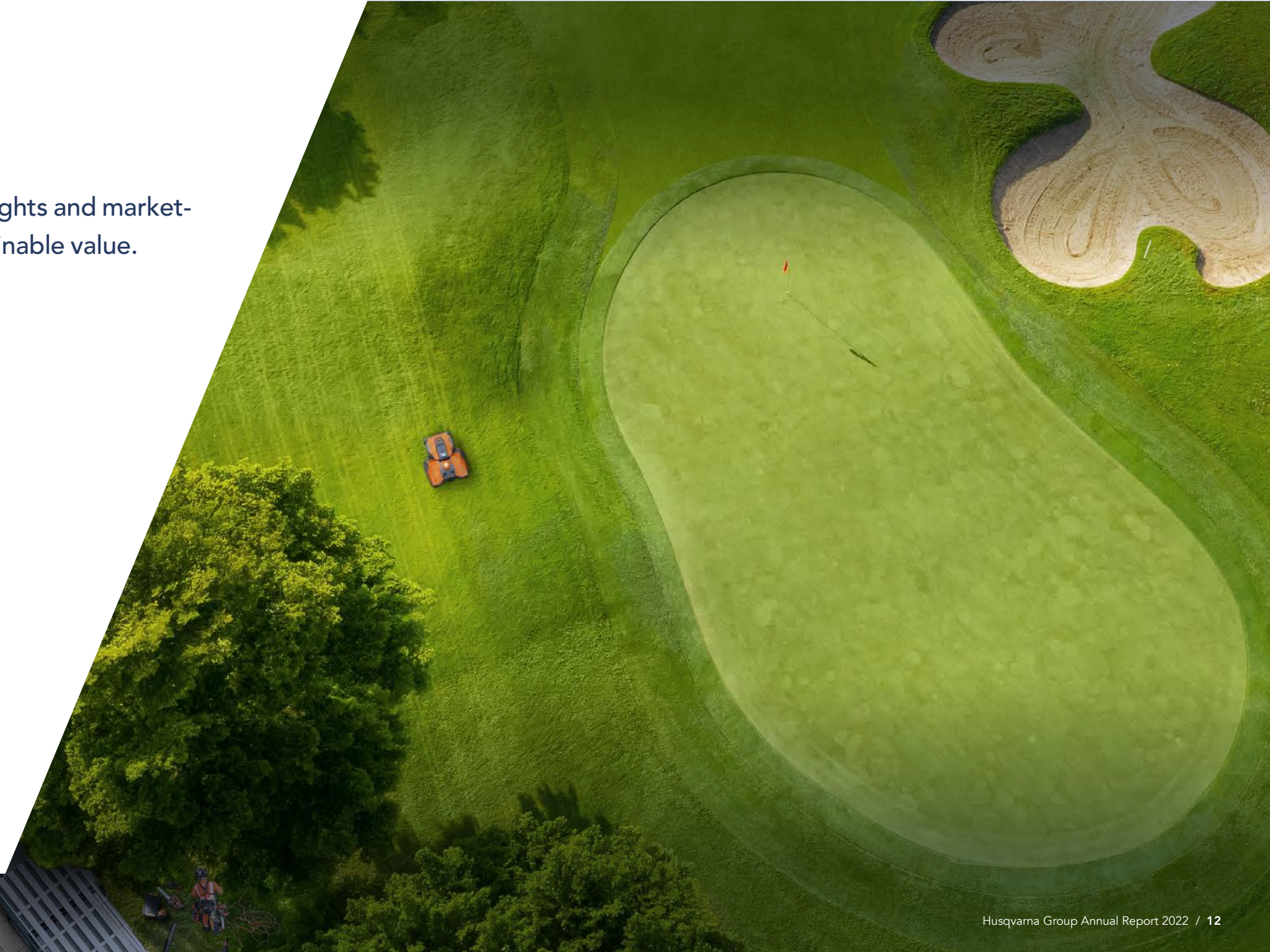
Average distribution per quarter 2018–2022



Strategy

Our strategy leverages trends, customer insights and market-leading innovation to create long-term sustainable value.

- Strategy for sustainable value creation
- Strategy in practice
- People and culture
- Targets and target achievement



Strategy for sustainable value creation

Our strategy is targeted to create long-term shareholder value while contributing to a more sustainable society. Grounded in important prevailing market trends and sustainability, the strategy combines technological leadership with customer insight to drive long-term growth and profitability.



Our direction as defined by the strategy is to generate value by investing in high-growth segments, while expanding the winning core of our business. We do this with constant innovation, a strong focus on shaping great customer experiences and a clear commitment to sustainability.

Building on our successful transformation in recent years, we are continuing to increase our investments in the value-creating growth opportunities with the highest potential, particularly in four areas: robotic mowers, battery-powered products, professional products and smart watering solutions. Complementing our financial targets, we have set operational ambitions for growth and expansion (read more on pages 16–19).

Sustainability is at the core of our strategy and fully integrated in our operations through Sustainovate. We combine our market-leading innovation capability with our commitment to sustainability to realize the transformation to a low-carbon and resource-efficient economy (Read more in our Sustainovate Progress Report 2022 on www.husqvarnagroup.com).

Attracting key talent is crucial for our ability to deliver on the strategy. We have an attractive employee value proposition, and a culture characterized by inclusion, diversity and a pioneering spirit. With all of this as a foundation, we are well-positioned to continue to deliver sustainable value to all stakeholders.

Components of our strategy



Robotics and battery

We are the undisputed global market leader in the fast-growing market for robotic mowers, both for residential and professional use. We continue to grow through a high pace of innovation, technical leadership and continued geographical expansion, and have taken substantial steps towards expanding into the robotic mower market segment for professional users. Robotics and battery-powered products are areas where operating efficiency, ease of use and reduced emissions, low noise and low vibration all work together to create an increasing customer demand. The growth of electrification is indisputable – in the shaping of green spaces as well as in the light construction industry.





A winning core

Continuing to grow our winning core means expanding and strengthening our position in more traditional product segments, such as chainsaws, as well as continued growth in our Gardena and Husqvarna Construction divisions. Our innovative product offering and strong brands are success factors we will continue to build on. The strong brand equity and focus on high-performance products allows us to combine a premium offering, solid profitability and increased investments in product development. Whether these are concrete power cutters, watering solutions or chainsaws, our customers simply expect nothing less than the best. Excelling in these areas creates opportunities to enhance growth and profitability and we set high targets for innovation and commitment to our end users in these categories.





Services and solutions

The transition towards services and solutions provides new opportunities to drive growth and profitability. For instance, this can include lawn care as a service, all-inclusive packages for robotic mowers that you pay for per month or equipment sharing services. It is a logical consequence of our strategy to create an outstanding customer experience beyond the standalone product. By expanding our offering with services and solutions, we aim to move closer to end-users and their experiences. By doing so, we can grow customer loyalty, grow the aftermarket and accessories business, and more quickly adapt to customer needs. We also want to disrupt the status quo by establishing completely new business models, thereby unlocking new market opportunities. Increased connectivity gives us direct access and interaction with customers, which enables deployment of as-a-service offerings.



Customer experience

Our focus is to create outstanding customer experiences. Closer customer relations and delivering excellent customer experiences are crucial factors for growing our business and winning in the markets where we operate. The customer experience encompasses far more than just the products or the services per se; it involves meeting and exceeding expectations on the customers' terms. Everything from the purchase, delivery, use of the product and the service leads to an excellent outcome. All combine to create a great customer experience. Our customers have high expectations and we work relentlessly to deliver value to support their quest for efficiency, convenience, and the outcomes they expect. We are passionate about the customer experience and we innovate to create lasting, sustainable value.



Sustainovate

At the heart of the strategy lies Sustainovate, where we integrate sustainability and innovation deeper into our business and across our value chain. The Sustainovate program is measured in three areas: reducing the climate footprint of our products and operations, increasing circularity and empowering our customers and employees to make sustainable choices. With Sustainovate, we are rethinking how our products can be used more efficiently, producing them with smarter materials and powering them with non-fossil fuel alternatives. We are pioneering solutions that help customers make more sustainable choices every day. We are also scaling our positive impacts by influencing and inspiring others beyond our own operations. Targets to 2025 guide us and show the difference we are making.

Our 2025 Targets



Carbon*
Reduce absolute carbon emissions with –35% across the full value chain (scope 1, 2 & 3)



Circular
Launch 50 circular innovations



People
Inspire 5 million customers and colleagues to make sustainable choices

* Baseline 2015



[Read more in our Sustainovate Progress Report 2022 at
www.husqvarnagroup.com.](#)

Our strategy in practice

Based on our strategy we have defined four operational ambitions that describe our ambition for driving sustainable value creation. This and the following pages provide more information about each ambition, and case stories exemplifying our progress.

OPERATIONAL AMBITION # 1

We aim to double our robotic mower sales in five years



- Drive product development, geographic expansion and market penetration for residential robotic mowers
- Transform professional turf care with expanded go-to-market capabilities and innovation
- Leverage technology leadership to accelerate the transformation to robotic mowers

Progress in 2022: Net sales of robotic mowers amounted to SEK 6.3bn. Sales of residential robotic mowers declined in the first half of the year, due to supply chain constraints, particularly for electrical components, but improved in the second half. Husqvarna CEORA drove significant sales growth in the professional segment. In addition, we decided to increase future investments in robotics to accelerate growth.

Revolutionizing commercial turf care

2022 marked the year when the first Husqvarna CEORA solutions, the innovative robotic mowers for commercial turf care management, were delivered to customers.

The customer installations are an important milestone for the Group in accelerating the transformation of the professional lawn care segment to autonomous and sustainable solutions. With minimal noise and zero direct emissions, Husqvarna CEORA revolutionizes an industry dominated by conventional and fossil-fueled mowers.

We have been the pioneers in helping millions of homeowners make the switch from manual mowers to robotic mowing. Now we take commercial turf care into the next era by offering a large-scale robotic solution that increases the quality of the lawn while, at the same time reducing cost by 30 percent compared to using conventional commercial turf care.

Efficient, precise and easy

Husqvarna CEORA can independently mow an area of up to 75,000 m², by operating day and night, improving the quality of the turf and allowing staff to focus on other tasks.

Husqvarna EPOS, a GPS-based navigation system, is used to map out the work areas and make sure the mower navigates with a precision of 2–3 cm. The satellite-based technology makes it an easy and flexible solution for sports fields, golf courses – and other large green areas. Customers can map out different zones within the work area and set different cutting schedules and heights. All of this is controlled via their smartphones or computers, instead of manually operating the mower.



Excellent for sport pitches

In the U.S., the professional baseball team Louisville Bats was the first team to partner with Husqvarna Group and has already installed Husqvarna CEORA robotic mower. As of

the end of 2022, over 1,000 Husqvarna CEORA systems have been sold and installed for customers in over 10 countries in the world.

OPERATIONAL AMBITION # 2

Continued growth in our winning core, meaning Husqvarna-branded products for professionals and growth for the Gardena and Husqvarna Construction divisions.



- Accelerated growth of professional solutions
- Geographical expansion of watering and hand tools
- Continued expansion in existing as well as into adjacent construction segments

Progress in 2022: Our segments for professional users showed good growth, particularly in categories such as chainsaws, power cutters and other professional solutions. In the Husqvarna Forest & Garden Division we strengthened and expanded our organization for professional solutions.

“Our number one choice. In all situations.”

Kretslopp & vatten, a municipal contractor in the water and drainage sector in Sweden, has used Husqvarna Construction’s award-winning battery power cutter for heavy duty appliances, Husqvarna K 1 PACE, since it was launched. Patrik Carlander, an operator, explains why:

“With Husqvarna K 1 PACE, I get the power and performance of a petrol-powered power cutter, yet the convenience of a battery-powered product.

“The shift from petrol to battery-power has only begun within our industry, as there have been some challenges connected to it: our heavy-duty off-site appliances require a battery system that can provide both high power and long running times,” Patrik says.

“When I was first introduced to the Husqvarna K 1 PACE power cutter, I was skeptical of a battery power cutter being able to provide the running time that we needed. But it has turned into our number one choice, in all situations. As Husqvarna Group has not compromised on the performance of the battery system, nor the cutting abilities, it is strong enough to meet all our needs and the performance is as good as a petrol power cutter, but with the extra benefits of a battery-powered machine.

“Having used the machine daily for a year now, I especially appreciate that we can work without petrol fumes, which is otherwise a huge issue working in trenches,” he adds.

Another key benefit in Patrik’s view is better ergonomics, thanks to less vibrations and the quick start feature. The product also brings improved efficiency and less down-time compared to a petrol engine.

“In our industry, the move towards battery machinery is picking up, both because our municipality has firm targets on lowering carbon emissions, but also as we operators are demanding the benefits and possibilities it provides. It is

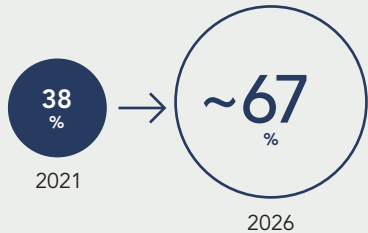


important that Husqvarna Group, as our partner, can continue to support us on this journey,” Patrik concludes. Husqvarna PACE is Husqvarna Construction’s proprietary 94V battery system, designed to meet customers’ high

expectations of power and performance. In 2023, two new powerful machines on the Husqvarna PACE battery system will see the light of the day – the battery core drill DM 1 PACE and the dust extractor DE 120 H PACE.

OPERATIONAL AMBITION # 3

We aim to have 2/3 of our motorized sales electrified in five years*



- Transformation driven by investments from companies in the industry, customer demand and regulatory progress reducing the use of combustion engines
- Cost-effective battery ecosystems in consumer segments, through partners and alliances
- Strong growth prospects for battery-powered robotic mowers
- Tailored solutions in the premium and professional segments, through in-house development

Progress in 2022: The share of electrified products decreased to 34% due to supply chain challenges for electronics and components. In the third quarter we announced that we will accelerate the transformation through increased investments and by exiting low margin fossil-fuel consumer business by 2024. We launched new innovations such as an expansion of products on our Husqvarna PACE battery platform and new solutions for the 18V Power for All Alliance battery system.

* Defined as sales of electrical products as a share of total motorized product sales.

Joining forces to accelerate electrification

In 2022 the Husqvarna Forest & Garden Division joined the Power for All Alliance. Founded by Bosch and the Gardena Division in 2020, it is today one of the world's largest cross-brand battery alliances for residential customers.

Most Husqvarna Group 18V battery-powered products are using the Power for All Alliance battery, a key component in our efforts to be a leader in electrification for products to residential customers.

The alliance enables consumers to use the same battery for multiple devices of different brands in and around their home and garden. It includes around ten well-known manufacturers worldwide of different categories of battery-powered products. The benefits of one battery for several applications are many. It saves space and money and protects the environment, since fewer batteries and chargers will be produced. The alliance is based on a common 18V battery system and has been a success with an installed base of more than 25 million batteries.

We are at the forefront of electrification

Electrification is changing society and is essential in the transition to a low-carbon resource smart economy. As a Group, we are driving the industry shift from fossil-fuel to battery-powered products. With most of our 18V residential battery-powered products now using the battery from the alliance, we also have a strong position in a cost-effective large ecosystem for consumer battery solutions. We develop and manufacture high-performing battery solutions in-house, with the aim of maximizing performance and providing tailored solutions for professionals and discerning consumers.



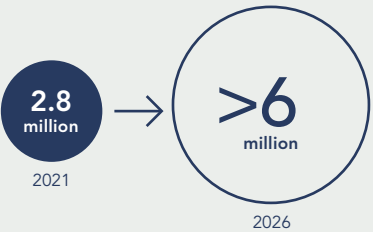
Strong growth potential

With more members joining the Power for All Alliance, it is expected that the installed base of batteries will surpass 30 million in 2023. There are excellent growth prospects for this alliance of companies, united by the common goal of

improving people's quality of life. The vision is one battery for all needs in and around the house, making the transition from indoors to the outdoors easy. An initiative that will also reduce waste and contribute to the circular economy.

OPERATIONAL AMBITION # 4

We aim to double the number of connected devices in five years



- Making more products in our future product portfolio smart and connected
- Investing more in data management and artificial intelligence
- Increasing investments in go-to-market for smart and connected solutions
- Better utilizing the direct connection to our end users and further develop data-driven services

Progress in 2022: We reached 3.6 million connected devices, driven by connected robotic mowers, smart watering solutions as well as other connected devices. We are increasing the share of connected devices in the product portfolio.

Changing the way the world waters

Green spaces can only exist when they are cared for in the right way. Plants need water to grow. Now, thanks to an increased awareness of water scarcity and the fact that consumers are more often experiencing periods of hot and dry weather, gardeners increasingly seek to use their natural water resources more wisely. Every drop counts.

Efficient watering is clever watering

The challenge is to give plants the water they need to thrive while at the same time avoiding the unnecessary waste of fresh water. As we are facing the effects of climate change, demand from homeowners and passionate gardeners for smart solutions is growing rapidly. The Gardena Division has a long history of offering water-efficient solutions like the Micro-Drip-System which delivers water exactly where plants need it most: close to their roots – drop by drop. But it does not stop there. The Gardena Smart System and Orbit B-hyve also allow gardeners to measure, monitor, and control the watering process to increase efficiency and even optimize the watering based on weather forecasts.

Starting with the setup process, built-in expert knowledge guides users to find their right watering strategy, thereby creating an optimized schedule in a few simple steps. By using smart technology, watering cycles no longer need to follow a fixed time schedule. Adding smartness to the system with connected devices makes it more efficient and thus helps conserve water. Today the Group has 3.6 million smart devices connected globally, where a majority relates to smart watering, helping consumers manage and monitor their smart gardens every day.

Connected devices add smartness to the system

Connected soil moisture sensors detect if there is enough moisture after rainfall to allow a scheduled watering cycle to



be skipped. And an integrated weather forecast can determine if it will be raining soon and prevent unnecessary watering cycles. Using adaptive scheduling, the set watering times can also be adapted based on location to follow the changing times of sunrise throughout the year, ensuring an



optimum point of time for watering and conserving even more water. Instead of using fresh tap water, intelligent and energy-efficient pumps also allow the use of collected rainwater.

"We evolve as a company to exceed customer expectations."

"This year, we have carried out extensive work throughout the company to better understand how our culture helps us win."

INTERVIEW WITH LEIGH DAGBERG

Executive Vice President,
People & Organization

How would you summarize the year 2022 from a people perspective?

This year has truly been about our dual responsibility of managing the challenges of the 'here and now' while keeping focus on our long-term priorities for winning in the future. Like most companies, we are building on the pandemic's lessons of remote work and testing a flexible hybrid model with both clear benefits and challenges. We are satisfied that the Group has succeeded in maintaining steady and above-benchmark scores for employee satisfaction despite the challenges and uncertainties of recent times.

Husqvarna Group is going through a transformative phase. How does the people strategy contribute to sustainable value creation?

Building long-term capabilities and employer attractiveness is key for us. While managing the 'new normal' of work, we are also working closely

to support our managers and teams considering the changing geopolitical and economic situation. We need to ensure the right focus to protect our financial results, continue to progress in key strategic areas and find new opportunities. We also need to continue to evolve our company in critical areas to ensure we nurture the right culture, curiosity and performance to continuously exceed our customers' expectations.

Culture is always a focus area for Husqvarna Group. Can you highlight some activities this year?

We have been doing business since 1689 and we are very proud of our Husqvarna Group culture. It has shaped where we are today. This year, we have carried out extensive work throughout the company to better understand how our culture helps us win. We are defining a common view of the culture that all of us have signed up to. It defines who we are, how we do things and who we want to be. This has been an iterative process, involving colleagues from all parts of our business. It has been a privilege and a pleasure to see the energy and passion in this work so far. I am really looking

forward to continuing this journey with our passionate team when we take this work further in 2023.

A Diversity & Inclusion strategy was rolled out in 2021. How is the work within this area progressing?

We see our differences as our strengths. To drive that message home, we have focused on employee engagement through digital activities and inclusive leadership sessions. We have also integrated Diversity & Inclusion into our global people processes and are working with employee attraction. These topics are a part of our daily agenda. We also used the global diversity awareness month to shed light on the positive impact that a diverse workforce and an inclusive culture have on our organization and society.



Culture, talent and learning – people priorities on the transformation journey

Our People & Organization function work to ensure that all employees within Husqvarna Group have the right conditions to grow, innovate and thrive. The function is also crucial in ensuring the organization is positioned to execute the strategy. This year we have framed our priorities in three areas, based on our people needs.



Shaping our winning culture

Having a clearly defined culture is a strategic enabler to realize our strategy and build a company that creates long-term value for all stakeholders. It supports attracting the right people and setting relevant expectations. As a first step in further shaping our winning culture, we have carried out workshops with a variety of employees, to capture strengths we need to nurture areas we need to develop. This has resulted in a common perspective of our culture, which will guide continued efforts across the Group.

Taking talent attraction to the next level

Attracting top talent to the company is key to our future success in a competitive market. To this end, we want to take our work with talent attraction and recruitment to the next level. This year we have rolled out a common global recruitment system, with Diversity & Inclusion measures integrated into our talent attraction processes. We also launched a new Career website, leveraging our Group employer value proposition to give potential employees a compelling view of the opportunities at Husqvarna Group.



Nurturing our curiosity

To stay successful in an ever-changing world, we constantly need to prioritize the development of our people. That is why we have implemented a global learning structure this year, which we call *Curious by nature*. Learning – and strengthening our learning mindset – is how we develop key capabilities to meet future needs and achieve our long-term ambitions. It is crucial both in terms of our development as a company and our attractiveness as an employer.

We are a global team of pioneers, passionate about creating sustainable solutions for the future



“I am excited to be part of our journey.”

The AI Lab explores frontiers for more intelligent and sustainable products, from innovative supply chains and intelligent battery systems to the Husqvarna Green Space Index (HUGSI). I am excited to be part of our journey where, among many things, we explore digital transformation using Artificial Intelligence.

PASCAL ANENE, INTERNAL INNOVATION MANAGER, AI LAB, HUSQVARNA GROUP

“I have worked here for 25 years and am truly passionate about change.”

With everchanging consumer behaviors in a growing multichannel environment we need to constantly develop our go-to-market to be best in class. I have worked here for 25 years and am truly passionate about change and very proud to be a part of driving transformation within the Group.

CARMEN MIADOWITZ, GLOBAL DIRECTOR E-COMMERCE, GARDENA DIVISION



“Caring for the planet and the next generation, by moving more and more towards electrification, is what drives me.”

I am proud to be a part of this company, most importantly for our commitment to sustainability. Caring for the planet and the next generation, by moving more and more towards electrification, is what drives me. Here, as you’re given trust, safety and flexibility, you can be bold and as an individual make a difference.

KHALED ABBARA, TEST ENGINEER HANDHELD TEST & VERIFICATION, HUSQVARNA CONSTRUCTION DIVISION

“The opportunity to make a difference for our customers and support the business is what drives me.”

The opportunity to make a difference for our customers and support the business is what drives me. Working with a diverse team, having a variety of perspectives and seeing different solutions to the challenges we face, gives us the competitive edge we need to find the best solution.

ERIK BENGTTSSON, GLOBAL DIRECTOR OF S&OP, HUSQVARNA FOREST & GARDEN DIVISION






“I am so excited to be part of driving the future of our robotic business.”

I am so excited to be part of driving the future of our robotic business. Our opportunities, as a Group, with innovative technologies, a growing development team and new customer benefits thrills me.

SARA GARD, DIRECTOR RESIDENTIAL EPAC ROBOTIC R&D, HUSQVARNA FOREST & GARDEN DIVISION




Targets and target achievement

Financial

Item	Target	Achievement 2022
Net sales		
 Annual organic sales growth	5%	–1%
Profitability*		
 Operating margin	13%	9.0%
Capital efficiency		
 Operating working capital in relation to net sales	20%	30.6%

* Excluding items affecting comparability

Sustainability

Opportunity	Goal 2025	Achievement as of 2022
Carbon		
 Drive the transition to low-carbon solutions	–35% By 2025, reduce absolute CO ₂ emissions across the value chain by –35% (scope 1,2 & 3)	–32%
Circularity		
 Rethink and redesign for a resource-smart customer experience	50 By 2025, launch 50 circular innovations	10
People		
 Inspire actions that make a lasting difference	5 million By 2025, empower 5 million customers and colleagues to make sustainable choices	572k

Our divisions

Husqvarna Group operates on the principle of having strong customer-centric divisions with all the functions needed to create sustainable value.

- Husqvarna Forest & Garden
- Gardena
- Husqvarna Construction



Three strong customer-centric divisions

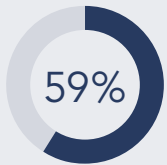


Husqvarna Forest & Garden Division

Market position

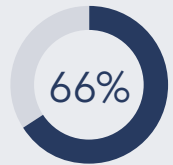
- Global leader in robotic mowers for both consumers and professionals
- Global No. 2 in professional handheld products such as chainsaws, brush cutters, trimmers and leaf blowers
- Strong positions in wheeled products such as front riders and zero-turn mowers

Share of Group
net sales

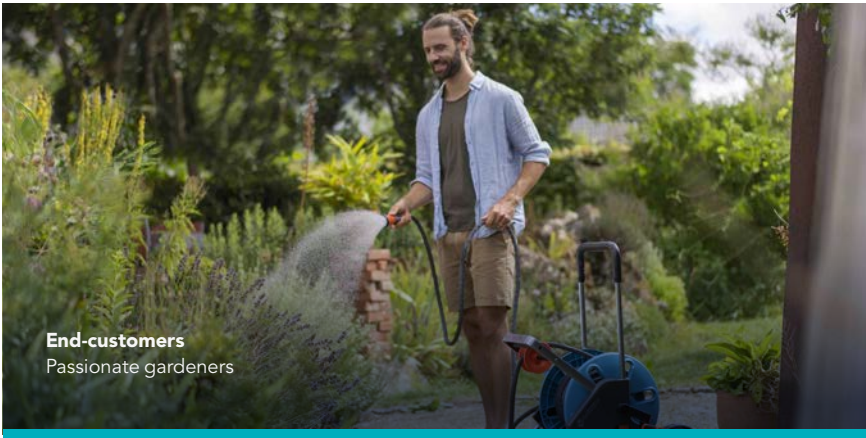


SEK 32,082m

Share of Group
operating income



Operating margin: 10.0%*



Gardena Division

Market position

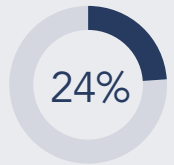
- Global leader in residential watering and smart watering
- Leadership position in gardening tools
- Strong positions in electric powered gardening tools

Share of Group
net sales



SEK 13,606m

Share of Group
operating income



Operating margin: 8.6%*



Husqvarna Construction Division

Market position

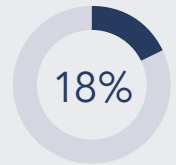
- Leader in power cutters, floor saws, surface preparation equipment, dust and slurry solutions and diamond tools for construction and stone industries
- Strong market positions in light compaction and concrete placement equipment and demolition robots

Share of Group
net sales



SEK 8,232m

Share of Group
operating income



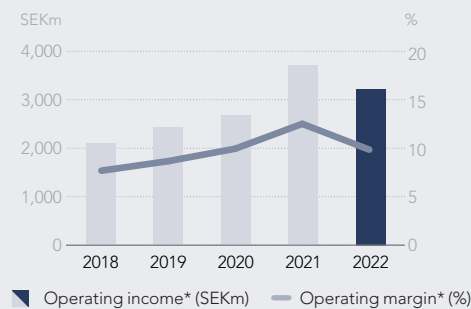
Operating margin: 10.4%*

* Excluding items affecting comparability. The divisions' share of Group sales and operating income adds up to more than 100 percent due to Group-common items.



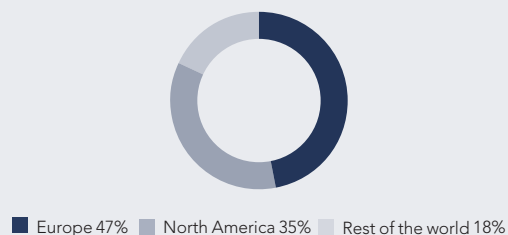
Husqvarna Forest & Garden Division

Operating income and margin



* Excluding items affecting comparability.

Net sales by region, %



Global leader in forest and garden products

The Husqvarna Forest & Garden Division provides products and solutions that enhance efficiency, profitability, and sustainability for professional users, as well as for premium consumer segments, in forestry, tree care, landscaping and other commercial lawn and garden services.

Brands

Husqvarna is a brand with a rich heritage going back 333 years. The Husqvarna brand is one of the most well-known in the garden, tree, and forestry care industry and is strongly connected to core attributes such as premium, quality and sustainability. It is the trusted brand and preferred partner among our different target groups, with innovative products and solutions supported by first-class customer service and technical support. The Husqvarna brand portfolio also consists of the regional brands Zenoah in Japan and Redmax in North America.

Markets and customer segments

The Husqvarna Forest & Garden Division targets three fundamentally different customer segments with distinct needs – Pro-Grade Experts (high-end residential users and suburban customers), Professional Customers (Green Space Professionals and Tree Professionals) and Light Agricultural customers (mainly emerging markets). The Husqvarna brand is primarily sold through independent servicing dealers as well as through online channels, with most sales in Europe and North America.

Products and solutions

Husqvarna is the undisputed global market leader in robotic mowers for both residential and professional customers. Products and solutions for tree care and forestry are part of the brand's core heritage and ingrained in the brand DNA. In addition, we have a strong market position in other handheld products, including trimmers and blowers as well as other lawn mowing equipment. We are an industry leader in high-performance battery-powered products and have an attractive offering in connectivity and digital services that enhance productivity and user experience, such as Husqvarna Fleet Services and Husqvarna Automower® Connect.

Growth opportunities

There are significant growth opportunities in all regions and in multiple customer segments, particularly for robotic mowers, battery-powered solutions, service offerings and professional solutions. Expanding our leading position in residential and professional robotic mowers is a core element of the growth strategy. For the residential segment, it is both about expanding robotic penetration in existing markets as well as expanding into new geographic markets.

For the professional market, we are creating a completely new segment for robotic mowers in commercial turf care. The robotic mower Husqvarna CEORA clearly exemplifies this ambition. It is designed specifically for demanding professional applications, delivering a first-class mowing result for areas up to 75,000 m² in a cost efficient and safe way with low noise and zero direct emissions. Productivity is a key driver for our fast growing Light Agriculture customer segment where we are broadening our product and service offering driving brand awareness and expanding our distribution footprint.

Sustainability

Sustainovate is an essential part of our business model. Electrification is a key component, where we increase our investments year by year. The prioritization of battery technology, which has been strengthened further by recently joining the Power for All Alliance, has significantly contributed to a continued reduction in emissions from product use. In our manufacturing, 90 percent of the consumption of electricity is from renewable sources.

Digitalization continues to create conditions for new business models and increased resource efficiency. Robotics as a service, Tools for You and Second Life refurbishment of and reselling/reusing of products are some examples of innovation projects contributing to our sustainability agenda.



INTERVIEW WITH
GLEN INSTONE
President, Husqvarna
Forest & Garden Division

How would you summarize the year 2022?

Overall, we have executed our strategy with a strengthened focus on robotics, electrification and professional solutions. However, in the first half of the year, we experienced significant supply chain disturbances, mostly concerning key electronic components. This affected sales of our robotic mowers and battery-powered products considerably in our seasonally strong quarters. The situation clearly improved during the second half of the year and thanks to fantastic contributions from the entire organization and our suppliers, we have been able to partly mitigate the impact for the year. Overall, we ended the year with a flat organic sales growth.

How have your markets developed?

Our main markets for the consumer segments experienced a volume contraction due to supply chain constraints and macroeconomic uncertainty. On the other hand, growth for the professional segments, including handheld products and robotic mowers, remained strong. We have increased our sales and marketing efforts towards these segments with great success. Especially with the rollout of Husqvarna CEORA, which we are convinced will change the professional turf care industry. Our Light Agriculture business performed well in the challenging environment and maintained a positive momentum.

What are your strategic priorities?

To support the Group strategy and create value for our customers, we are prioritizing our investments in three distinct areas: robotics, professional solutions, and electrification. To drive the execution on the value creation potentials we are

also investing in our go-to-market capabilities in the digital area, our strong dealer network and pro partners, and our direct sales capabilities.

How important is Husqvarna CEORA from a strategic perspective?

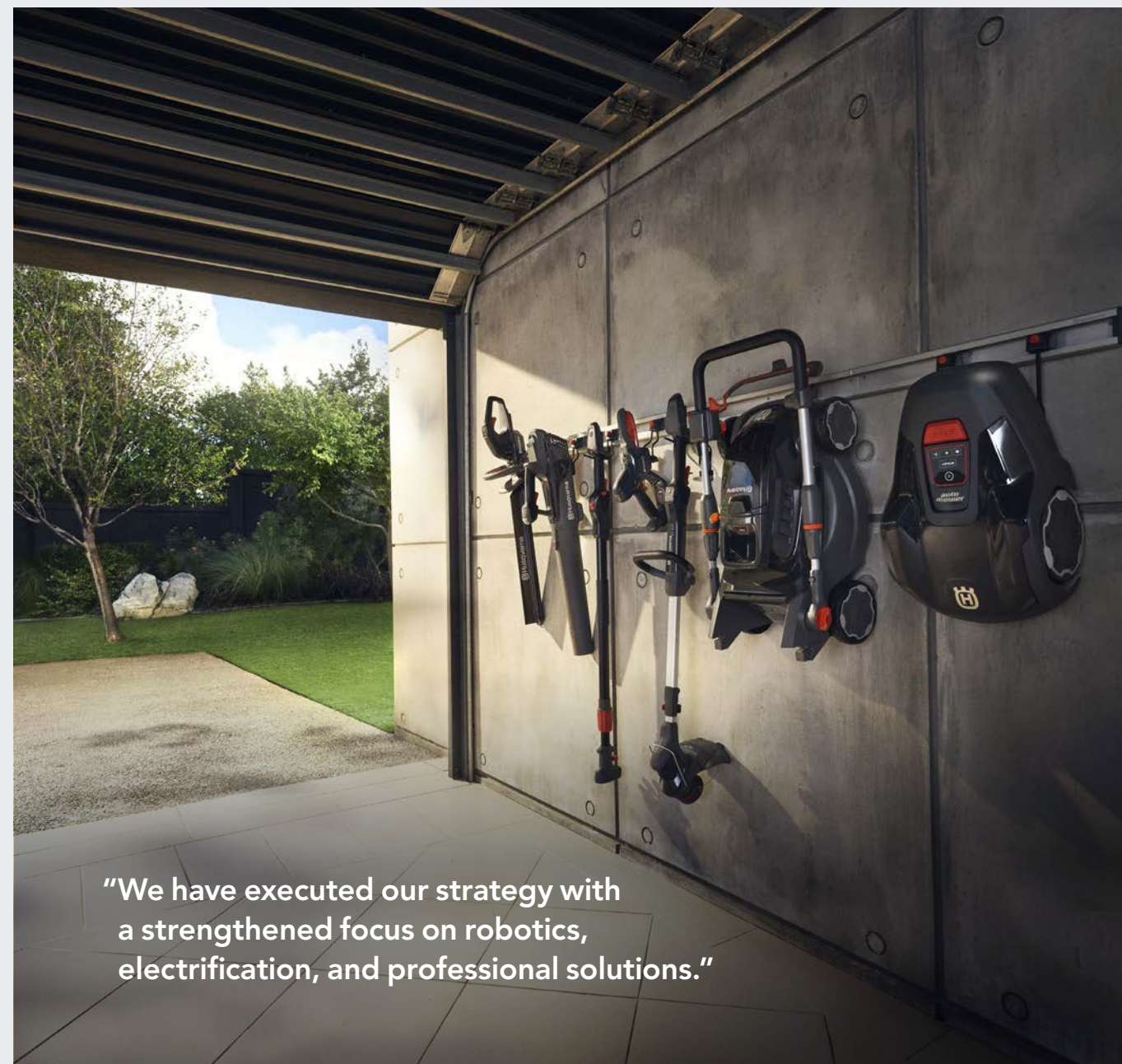
Husqvarna CEORA fits perfectly because it offers such opportunity for growth, and it creates value for multiple stakeholders. It cuts total cost of ownership and improves the experience for our customers, plus contributes to a positive sustainability impact. The market potential is exceptionally large. We estimate the market for professional turf care to be around SEK 100bn. We see a strong reception from the Husqvarna CEORA launch in all segments we approach. In 2022 we made important inroads on prestige projects with Husqvarna CEORA in over ten markets, including the U.S.

What are you doing to deliver on your strategic priorities?

We have worked extensively with digital investments to further develop and drive robotics and servitization. We have set up a new organizational structure with dedicated end to end business units focused on the three target customer segments: residential, professional and Light Agriculture. Our investments continue in R&D and new products. The introduction of our new Husqvarna Automower® NERA range is an example of that. It is our first robotic mower for private gardens with virtual boundaries, that offers a rewarding user experience. An important launch for our electrification strategy is Husqvarna Aspire. A consumer range where all products are powered by a common 18V battery.

What advances have you made in sustainability?

Sustainability is a core area of our strategy. We have ambitious targets for the reduction of CO₂ emissions across the value chain, and we are on the right path. As we expand the business in robotic mowers and other battery-powered products, while we reduce in other areas, we lower the direct CO₂ emissions from the use of our products. In addition, we have increased the focus on circularity and circular innovations.

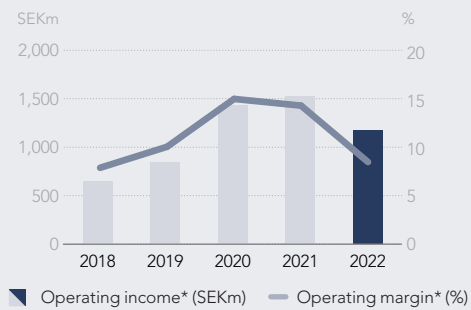


"We have executed our strategy with a strengthened focus on robotics, electrification, and professional solutions."



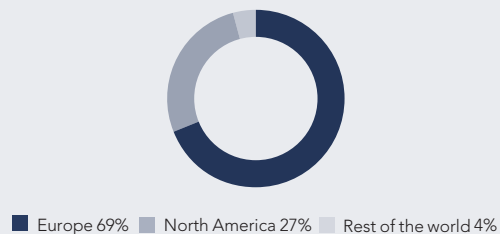
Gardena Division

Operating income and margins



* Excluding items affecting comparability.

Net sales by region, %



The leading brand in the garden

The Gardena Division is the global number one in residential watering and smart garden systems and is also a leader in high-quality hand tools, robotics and electric garden tools.

Brands

The Gardena brand has a strong brand awareness and preference in the market and is associated with high-quality products and market-leading innovations. Gardena is the gardening super brand for millions of home and garden owners thanks to our well-designed and comprehensive product range – from watering, lawn, tree, hedge and court care to digital and connected solutions for planning and automating gardening tasks. We also hold strategic brands for selected markets and segments. Orbit is the leading brand in residential watering on the U.S. market and has over two million connected smart watering devices installed under its B-hyve smart watering brand. Flymo is a beloved UK brand in lawn care. Neta serves the residential watering market in Australia.

Market and consumer segments

Gardena products and services are designed for passionate gardeners. Whether they own a large traditional garden, a smaller suburban garden, or if they like city gardening on their balconies, our target consumers share a passion for greenery. We are a global market leader in watering and con-

nected systems for smart gardens, including robotic mowers, and have leading market positions in many countries in hand tools and electric garden tools.

Products and solutions

The Gardena Division has the market's broadest range of gardening products. Much of our success has come from systems such as the Original Gardena System for simple click-on watering devices and the Gardena Combisystem combining different tools and handles. In the same manner, we have a comprehensive system for smart gardens that combines hardware and software to automate gardening. Scheduled watering is an example that also takes sensor data and local weather forecasts into account, thereby efficiently using this precious resource. Overall, Gardena is number one in smart watering, which is key for sustainable gardening and has significant future growth potential.

Growth opportunities

We are driving a successful growth strategy with significant opportunities to expand within and beyond our core markets in central Europe, for

example in southern and eastern Europe, Asia and the UK. The acquisition of Orbit Irrigation has given us strong go-to-market capabilities and a channel into the North America market that, over time, will enable us to establish Gardena as a premium gardening brand there.

Sustainability

Since sustainability is very close to the heart of every passionate gardener, our brand needs to reflect this in all we do. Therefore, sustainability is at the center of the Gardena strategy and an essential part of our operational model. We ensure that all investment decisions clearly describe their sustainability impact and how they help us advance towards our sustainability targets. For example, all Gardena production sites are powered by 100 percent certified electricity from renewable sources. In the same way, our partners and suppliers are engaged to contribute to our sustainability targets across the value chain – from sourcing, production and transportation to the product offering.

After assuming responsibility for the McCulloch brand in Europe, we have subsequently exited our petrol-powered product segments. To reduce the amount of electronic waste, especially chargers and cables, in the already established segment of battery-powered tools, we founded the Power for All Alliance together with Bosch in 2020.



INTERVIEW WITH
PÄR ÅSTRÖM
President,
Gardena Division

How would you summarize the year 2022?

After several years of strong growth and increased profitability, this was a challenging year for the division. It started off with strong demand for our products. But we were affected by a late start to the gardening season due to cold weather in central Europe. Additionally, the eased pandemic restrictions led to consumers prioritizing spending on travelling and social activities. During the final part of the gardening season, our retail partners focused on destocking their inventories and placed low levels of replenishment orders.

On the positive side, we are winning market share across countries and in many product categories. We have also been able to raise prices to offset cost increases for logistics and raw materials, advance our strategic priorities as well as introduced new innovations to the market. Overall, our great team has performed well in a challenging year.

Could you elaborate on the division's development in the U.S.?

Market demand was better than in Europe but the supply chain was equally challenging. This impacted margins as we have prioritized supply to protect market shares in the first year after the acquisition of Orbit Irrigation.

During the year we have integrated Orbit and started the journey to build our Gardena-branded presence leveraging the Orbit team's market know-how and infrastructure. The acquisition of Orbit will enable us to grow Gardena over time as a premium garden technology brand across North America. Orbit and Gardena are world leaders in smart watering, a position that we are investing significantly in.

Why is smart watering important for Gardena?

Our top priorities to drive long-term value creation are to continue expanding geographically, strengthen our omni-channel approach and to be the innovation leader in our market segments, with a focus on sustainability. Smart watering is a key to success as it leverages cutting edge technology to meet consumer needs in markets globally while addressing an important sustainability area. We're also excited about new launches within Orbit's B-hyve system, where we took the first step into the professional smart watering market at the end of 2022.

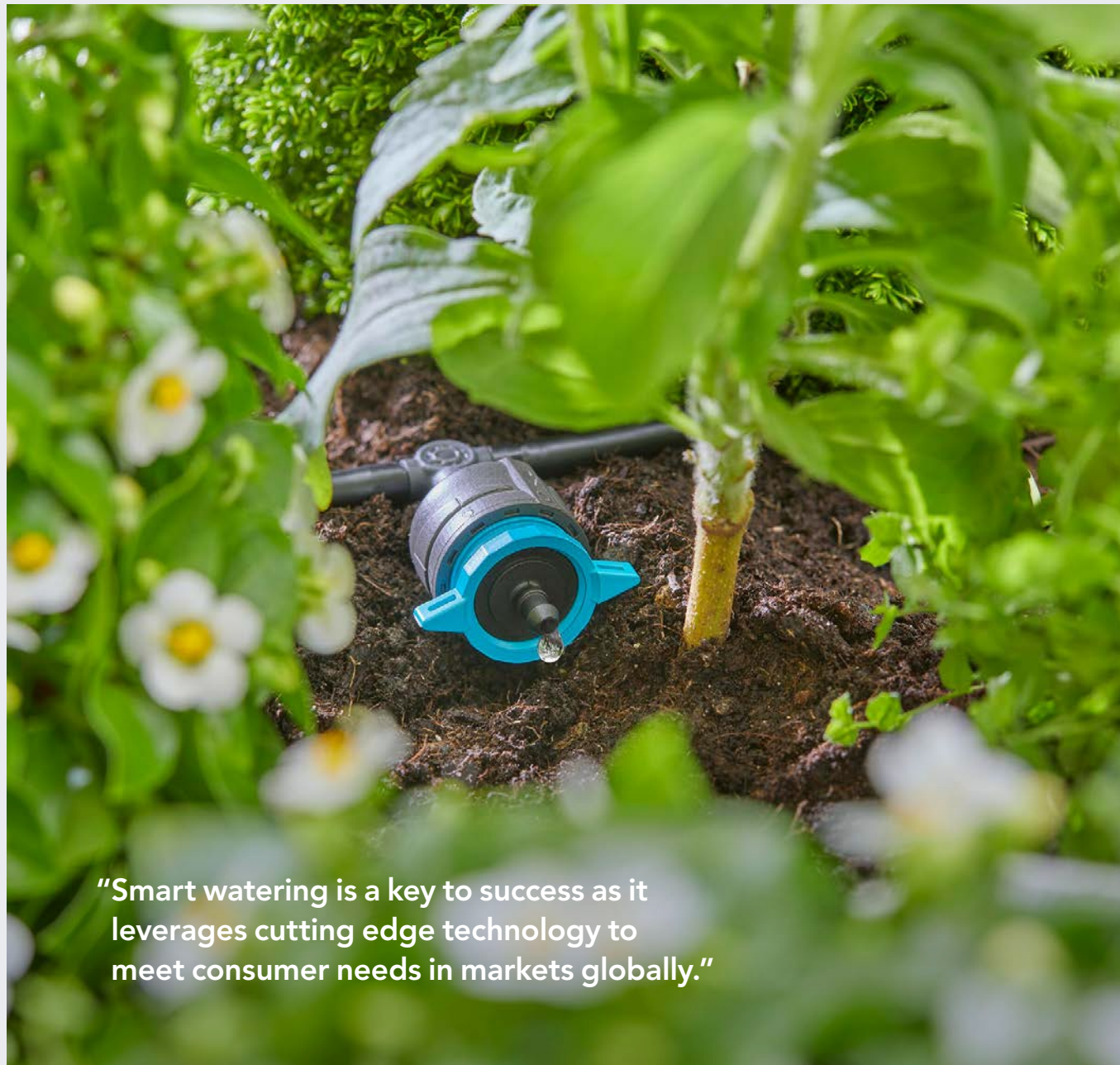
What else are you doing to deliver on your strategic priorities?

We had several important product launches. Gardena LONA, our new mapping and zone control system for robotic mowers, is a game changer, making our robotic mowers more intelligent and providing a better customer experience. Through the Gardena smart system, we can offer a much more integrated experience for our passionate gardeners, letting them control everything from watering to robotic mowing with one app.

What advances have you made in sustainability?

Sustainability is, without a doubt, the most important part of our strategy. Our consumers have high expectations for sustainability. One example is the Gardena EcoLine range of gardening tools, manufactured with a high share of post-consumer recycled plastics and recycled metal. They were a huge success during the year. Gardening is all about circularity, and being able to make high quality gardening tools from old yoghurt packaging, instead of virgin materials is contributing to this. Another good example is how we are changing the way the world waters with more efficiency. Our intelligent Gardena Smart and Orbit B-hyve systems have helped users conserve 150bn liters of water representing over 60,000 Olympic-sized swimming pools.

In sum, we have reduced the division's CO₂ emissions ahead of our targets. Our efforts also contribute to a more circular economy and to reduce the world's water consumption.

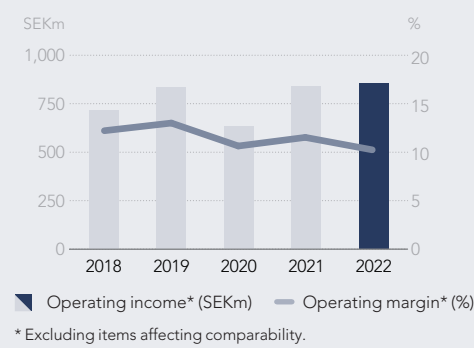


"Smart watering is a key to success as it leverages cutting edge technology to meet consumer needs in markets globally."

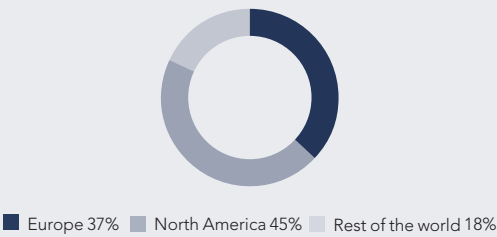


Husqvarna Construction Division

Operating income and margins



Net sales by region, %



A leader in the light construction industry

The Husqvarna Construction Division is a global leader in equipment and diamond tools for the light construction industry and diamond tools for the natural-stone processing industry. We combine our passion for innovation and sustainability to be in the forefront with productive, high-quality products, solutions and services made for professionals.

Brands

Husqvarna is our primary brand. Here we offer market-leading equipment for the construction industry, with equipment, diamond tools and services for concrete sawing and drilling, preparation and finishing of concrete surfaces and floors, as well as remote demolition. We are also a world-leader in diamond tools for a variety of applications in the natural-stone processing industry.

Market and customer segments

We have a strong market presence. We are mainly present in the infrastructure, renovation and refurbishment segments with a high share of recurring revenues from diamond tools, spare parts and accessories. The largest and most well-established markets are in Europe, Australia and North America. Demand in emerging markets is growing and is driven by an expanding building and construction market, which means these markets are becoming increasingly important to us. To meet the needs of our customers, we have developed a customer-centric global network of sales companies, distributors, dealers and service centers along with a global supply chain.

Products and solutions

We have a strong global brand and a broad product portfolio. As a total solutions provider and partner, we offer our customers a wide range of equipment, diamond tools and services. Our product ranges and diamond tools are developed and optimized to work together as a system to deliver high-level performance, reliability and productivity. The offering is divided into four core areas: Concrete Sawing & Drilling, Concrete Surfaces & Floors, Light Demolition and Diamond Tools. We continuously develop our offering of digital services, such as Husqvarna Fleet Services, our digital platform where customers can manage their connected fleet of machines.

Growth opportunities

As a division, we are focused on growing both organically and through targeted complementary acquisitions. Over the past years, we have built a new core in surface preparation, with the latest addition being the complementary surface preparation solutions coming out of the Blastrac acquisition. We can now offer a complete range of solutions for any given surface-preparation task.

During 2022 we strengthened our Concrete Sawing & Drilling business in Central Europe through the acquisition of Heger, a company specialized in professional diamond tools for sawing and drilling contractors. An important part of our strategy is to grow in emerging markets.

Sustainability

Sustainovate is an essential part of our business model. We work actively to continuously reduce our own and our customers' environmental footprint. Since the greatest CO₂ emissions arise during product use our focus is to enable customers to reduce CO₂ emissions through transition to battery and corded equipment, digital solutions, and by improving energy efficiency in our entire product range. One example of how we combine our efforts to deliver sustainable innovation is the new range of electrified H-classed dust-extractors introduced during the year. They provide a healthier working environment and help reduce energy consumption by up to 30 percent. This new product line fits with most solutions that we sell.



INTERVIEW WITH
KARIN FALK
President, Husqvarna
Construction Division

How would you summarize the year 2022?

We experienced supply chain disruptions, increased costs for components and growing macroeconomic uncertainties. Despite this, we have executed on our strategy and delivered a solid financial result, supported by price increases. We achieved good growth in the Concrete Sawing & Drilling business with strong sales of power cutters as well as demolition robots. Our team has done a fantastic job managing the difficulties coming out of the pandemic and the ongoing war in Ukraine.

How have your core markets developed?

In our main markets: Europe, North America and Australia, we achieved a solid performance. Overall, we strengthened or retained a market-leading position in our prioritized core product areas and markets, despite the economic uncertainty and supply chain disruptions that affected us.

What advances have you made in terms of sustainability?

Sustainability is a core area of our strategy, and it has been an integral part of our product development for a long time. We have expanded our battery-powered product portfolio and introduced technology that helps reduce energy consumption, along with patented e-flow technology optimizing airspeed in our new range of dust extractors. To further strengthen our light compaction range, we introduced our first battery-powered compactor. We also expanded our offering of equipment on the Husqvarna PACE battery system with a dust extractor and a core drill.

Why is electrification important for the Husqvarna Construction Division?

Leading in the electrification and transition to battery-powered products in our industry is an opportunity for long-term value creation. With successful product launches and our new 94V Husqvarna PACE battery system, we have shown our ability to support professional customers in the shift to a low carbon, resource-smart economy while meeting their high demands for performance.

What were the other strategic priorities for the division in 2022?

We continued to focus on developing our offering of services and solutions and diamond tools, which are essential for our ability to create sustainable value, both from a financial and customer perspective.

We promoted our upgraded range of Husqvarna's DXR demolition robots. They are electric powered, using the latest technology and functional design, combining high power with low weight and long reach. And our offering to the diamond tools market for construction was extended with an updated Husqvarna Vari-Cut range.

In 2022, we focused extensively on consolidating our complete offering under the Husqvarna brand by presenting a fully integrated range of floor grinders, scrapers, etc. previously sold under the Blastrac brand. We also introduced Husqvarna as our brand for diamond tools to the natural-stone processing industry.



"Transition to battery-powered products in our industry is an opportunity for long-term value creation."

Innovations that make a difference – this year's highlights

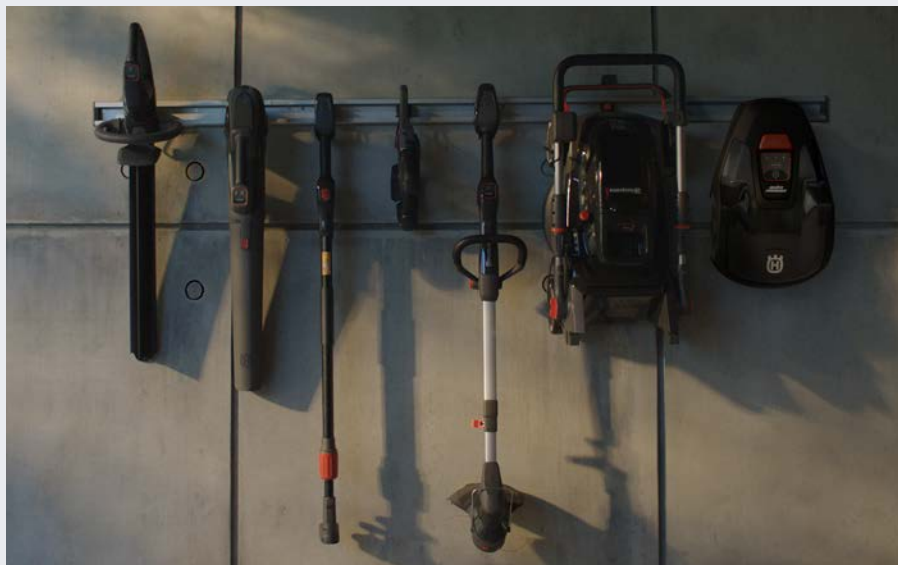


A robotic mower that knows no boundaries

Husqvarna Automower® NERA is our first robotic mower for private gardens that operates with virtual boundaries, with a precision of 2–3 centimeters. Using Husqvarna's satellite navigation system EPOS (Exact Positioning Operating System) to create a virtual boundary, this ground-breaking solution makes it easy to decide where to cut, when and at what height.

Turning waste into high-quality garden tools

Gardena EcoLine is a new range of high-quality hand tools and watering products that, to a large extent, is made of post-consumer recycled materials. For the 2023 season, the range will be expanded to include the new EcoLine hose, which is made of Thermo Plastic Elastomer (TPE) and recycled plastic obtained from household waste such as foils and packaging. The range was rewarded with the German Sustainability Award Design 2022.



One battery to run them all. New tool range makes electric easy

Husqvarna's latest range of residential tools includes leaf blowers, trimmers, cutting tools and both a manual and a new robotic mower – powered by a common 18V battery. With a premium design and high efficiency, Husqvarna Aspire is the latest addition to the portfolio of battery-powered products. The range is based on the Power for All Alliance-battery. As one of the world's largest cross-brand battery alliances, it enables consumers to use the same battery for multiple tools.



Every drop counts

An updated range of Gardenia's smart Micro-Drip-System helps gardeners get beautiful and healthy plants without wasting water. It delivers water drop by drop exactly where the plants need it. Evaporation is kept to a minimum while overwatering is avoided. With fewer, redesigned components, combined with a clear color classification system, users can easily create a water efficient solution to suit their needs. Another benefit is the high content post-consumer recycled material used.



Industrial scale smart watering with new controller

The B-hyve Ag(riculture) Smart Center Pivot Controller allows farmers to remotely control and monitor center pivot irrigation systems from mobile devices and get real time status updates. This helps the customer in optimizing irrigation run times, respond faster to changes in weather, conserving water, labor, and the energy required to physically check on pivots daily.

Setting the PACE for high battery performance in construction

Husqvarna's battery system Husqvarna PACE is designed to meet the heavy-duty needs of construction customers, offering high power and fast charging for greater productivity. The first product launched on the system was the Husqvarna K 1 PACE power cutter – a high-performance product with zero CO₂ emissions during use, lower vibrations and smoother cutting, which won a Red Dot design award in 2022. The Husqvarna PACE system is being continuously expanded.



Board of Directors' Report

Founded in 1689, Husqvarna Group is a world-leading provider of innovative products and solutions for forest, park and garden care. The range includes robotic mowers, chainsaws, trimmers, ride-on mowers and watering solutions. The Group is also a leader in equipment and diamond tools for the light construction and natural stone processing industries. The products and solutions are mainly sold under the global Husqvarna and Gardena brands. The Group has a brand-driven organization and structure with three separate reporting divisions.

The Board of Directors (Board) and the CEO of Husqvarna AB (publ), corporate registration number 556000-5331, with its registered office in Jönköping, Sweden, hereby submit the Annual Report and consolidated financial statements for the 2022 financial year.

- Net sales increased by 15% to SEK 54,037m (47,059). Organic sales growth was –1%, changes in exchange rates contributed with 9% and acquisitions with 7%.
- Operating income was SEK 3,043m (5,746) and the operating margin 5.6% (12.2). Excluding items affecting comparability, operating income was SEK 4,853m (5,684) and the operating margin 9.0% (12.1).
- Items affecting comparability amounted to SEK –1,810m (62) and was mainly related to the acceleration of the strategic transformation announced in October 2022.
- Earnings per share before dilution amounted to SEK 3.39 (7.76) and earnings per share after dilution amounted to SEK 3.38 (7.73).
- Cash flow from operations and investments was SEK –4,009m (–713). Direct operating cash flow was SEK –572m (3,651). The decrease was mainly related to increased net working capital.
- The CO₂ emissions across the value chain has been reduced by 32% (27) compared to the 2015 base line.
- The Board of Directors will propose a dividend for 2022 of SEK 3.00 per share (3.00) to the AGM.

Net sales and income

Net sales

Net sales for the year increased by 15% to SEK 54,037m (47,059). Organic sales growth was –1%, changes in exchange rates contributed with 9% and acquisitions, mainly Orbit Irrigation, with 7%. Sales growth was good for the professional segment such as handheld products, robotic mowers for the professional market and construction products, while sales of residential robotic mowers was lower than last year due to constraints in the supply chain in the first half of the year.

Operating income

Operating income for the year amounted to SEK 3,043m (5,746) and the operating margin was 5.6% (12.2). Excluding items affecting comparability, operating income amounted to SEK 4,853m (5,684) and the operating margin was 9.0% (12.1). Price increases compensated for higher raw material and logistic costs, while lower volumes, especially for residential robotic mowers and watering products, had a negative impact. The acquired Orbit Irrigation had a dilutive effect on the operating margin of 0.3 percentage points, excluding acquisition related amortizations. Acquisition related amortizations amounted to SEK –225m (–108) during the year. Changes in exchange rates had a positive contribution of approximately SEK 320m compared to last year, mainly related to the weakened SEK.

Key figures

SEKm	2022	2021	2020	2019	2018
Net sales	54,037	47,059	41,943	42,277	41,085
Gross margin, %	27.0	33.0	30.0	29.6	25.6
EBITDA*	6,385	7,987	6,206	5,779	4,000
EBITDA margin, %	11.8	17.0	14.8	13.7	9.7
Items affecting comparability* ¹	–1,810	62	–815	–225	–1,171
Operating income	3,043	5,746	3,669	3,690	2,070
Operating income, excl. items affecting comparability*	4,853	5,684	4,484	3,915	3,241
Operating margin, %	5.6	12.2	8.7	8.7	5.0
Operating margin, excl. items affecting comparability*, %	9.0	12.1	10.7	9.3	7.9
Income after financial items	2,581	5,494	3,330	3,122	1,561
Net income for the period	1,932	4,437	2,495	2,528	1,213
Earnings per share after dilution*, SEK	3.38	7.73	4.35	4.42	2.12
Dividend per share, SEK ²	3.00	3.00	2.40	2.25	2.25
Return on capital employed*, % ³	7.3	17.9	13.3	12.9	7.6
Return on equity, %	7.9	22.2	13.5	14.7	7.3
Net debt/equity ratio	0.74	0.44	0.38	0.65	0.62
Operating cash flow*	–4,052	3,140	6,087	2,676	–248
Average number of employees	14,416	13,873	12,374	12,708	13,206

¹ Items affecting comparability* are provided on page 35.

² 2022 as proposed by the Board.

³ The definition of Return on capital employed has been changed and restated. Refer to "Financial definitions".

* Alternative Performance Measure, refer to "Financial definitions".

Financial items net

Financial items net amounted to SEK –461m (–252). The increase was mainly related to higher interest expenses.

Income after financial items

Income after financial items amounted to SEK 2,581m (5,494).

Taxes

Income tax amounted to SEK –649m (–1,057), corresponding to an effective tax rate of 25.1% (19.2). Last year included a positive tax effect of SEK 181m due to a favorable outcome relating to a historical tax dispute.

Earnings per share

Net income for the period attributable to equity holders of the Parent Company amounted to SEK 1,935m (4,437), corresponding to SEK 3.38 (7.73) per share after dilution.

Net sales by region

%	2022	2021
Germany	12.9	15.5
France	5.9	6.1
Sweden	3.9	4.8
Austria	3.0	3.3
Rest of Europe	26.1	26.9
Europe	51.7	56.6
Asia/Pacific	8.9	9.4
Canada	3.7	3.2
US	30.9	25.9
Latin America	4.2	3.6
Rest of the world	0.7	1.2
Total	100.0	100.0

EBITDA*

SEKm	2022	2021
Operating income	3,043	5,746
<i>Reversals</i>		
Depreciation	1,769	1,527
Amortization	821	662
Impairments	753	53
Depreciation, amortization and impairment	3,342	2,241
EBITDA*	6,385	7,987
Excl. items affecting comparability*	7,450	7,922
<i>EBITDA margin, %</i>	<i>11.8</i>	<i>17.0</i>
<i>Excl. items affecting comparability*</i>	<i>13.8</i>	<i>16.8</i>

* Alternative Performance Measure, refer to "Financial definitions".

Items affecting comparability*

SEKm	2022	2021	2020	2019	2018
Restructuring costs	–1,852	–17	–815	–225	–1,171
Non-recurring costs relating to Russia and Ukraine	–137	—	—	—	—
Other	178	79	—	—	—
Total	–1,810	62	–815	–225	–1,171

* Alternative Performance Measure, refer to "Financial definitions".

SEKm	2022	2021
Restructuring costs		
Impairment of non-current assets ¹	–745	–3
Write down of inventory ¹	–249	1
Other restructuring costs ¹	–858	–15
Non-recurring costs relating to Russia and Ukraine		
Write-down of current assets	–59	—
Write-down / reversal of inventory	–11	—
Other restructuring costs	–67	—
Other		
Sale of property	178	—
Sale of business	—	44
Insurance refund	—	35
Total items affecting comparability*	–1,810	62

¹ For 2021 the impairment of non-current assets, write down of inventory and other restructuring costs totaling SEK 13m refer to reversals of previous provisions.

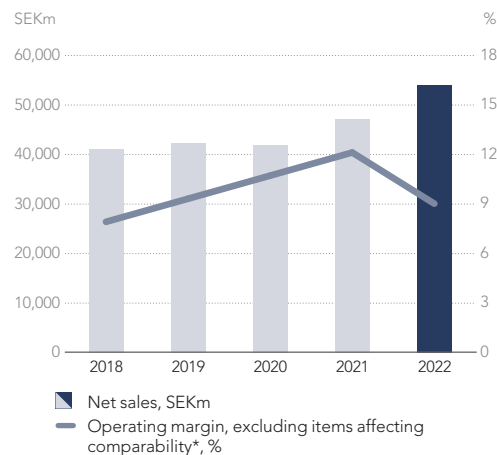
* Alternative Performance Measure, refer to "Financial definitions".

Classification in the income statement

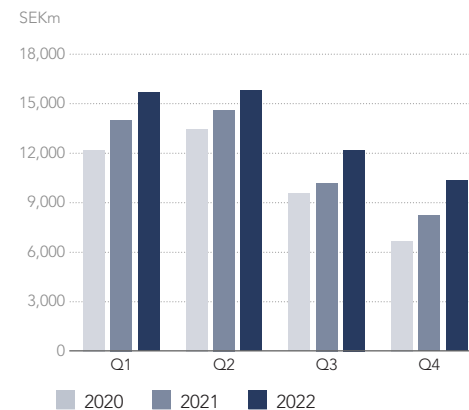
SEKm	2022	2021
Cost of goods sold	–1,610	–18
Selling expenses	–277	—
Administrative expenses	–103	1
Other operating income/expense	178	79
Total items affecting comparability*	–1,810	62

* Alternative Performance Measure, refer to "Financial definitions".

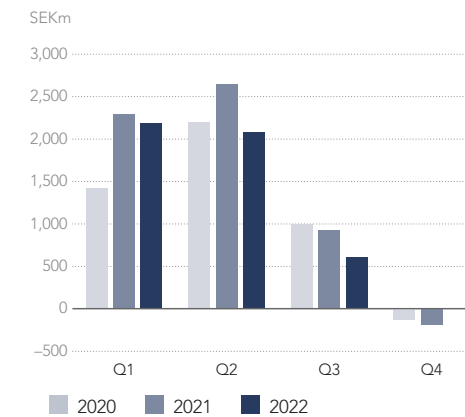
Net sales and operating margin



Net sales by quarter

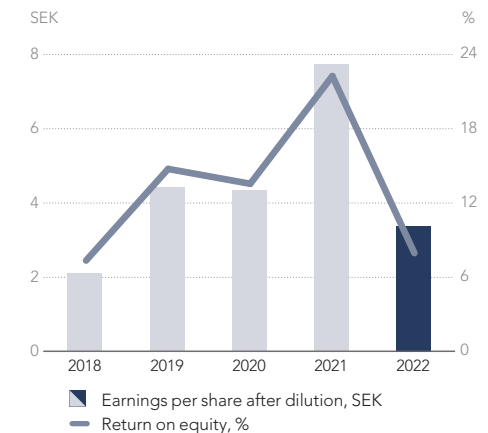


Operating income by quarter¹



¹ Excluding items affecting comparability.

Earnings per share and return on equity



Cash flow

Cash flow from operations and investments for the year amounted to SEK –4,009m (–713). Direct operating cash flow was SEK –572m (3,651). The inventory levels remained high, particularly for components and products in transit. Paid tax was significantly higher compared with last year due to timing effects of tax payments.

Operating cash flow*

SEKm	2022	2021
Cash flow from operations, excluding changes in operating assets and liabilities	4,234	7,487
Cash flow from operating assets and liabilities	–5,943	–1,824
Cash flow from operations	–1,709	5,664
Cash flow from investments, excluding acquisitions, divestments and investments in financial assets	–2,344	–2,524
Operating cash flow*	–4,052	3,140

* Alternative Performance Measure, refer to "Financial definitions".

Capital expenditure and Research & Development (R&D)

Capital expenditure in 2022 amounted to SEK 2,344m (2,524m), corresponding to 4.3% (5.4) of net sales. Invest-

ments in property, plant and equipment amounted to SEK 1,382m (1,813) and investments in intangible assets was SEK 962m (711), of which SEK 602m (471) was related to product development and SEK 360m (240) to IT and software. Approximately 44% (36) of capital expenditure was related to new products, 18% (17) to rationalization and replacement of production equipment, 15% (10) to expansion of capacity, 15% (9) to IT systems and 8% (29) to other capital expenditure. In 2021, a previously leased property was acquired, which was included in other.

R&D expenses, which are included in cost of goods sold, amounted to SEK 2,177m (1,891), of which SEK 425m (373) was amortization of capitalized product development (intangible assets). The total R&D expenses thus corresponded to 4.0% (4.0) of net sales.

Financial position

Operating working capital *

Operating working capital* at year-end amounted to SEK 18,490m (11,350). Inventories increased to SEK 19,334m (14,030), trade receivables increased to SEK 6,267m (4,310) and trade payables increased to SEK 7,111m (6,990).

Change in operating working capital*

SEKm	
December 31, 2021	11,350
Changes in exchange rates	1,276
Changes in working capital	5,864
December 31, 2022	18,490

* Alternative Performance Measure, refer to "Financial definitions".

Equity

Group equity as of December 31, 2022, excluding non-controlling interests, increased to SEK 24,002m (21,633), corresponding to SEK 41.9 (37.7) per share after dilution.

Net debt*

Net debt increased to SEK 17,709m (9,623). The increase was mainly related to increased borrowing. The net pension liability decreased to SEK 1,431m (1,777). Other interest-bearing liabilities increased to SEK 19,897m (10,769) and liquid funds and other interest-bearing assets increased to SEK 3,618m (2,923).

During the year the Group signed sustainability-linked revolving credit facilities amounting to SEK 7bn in total. The

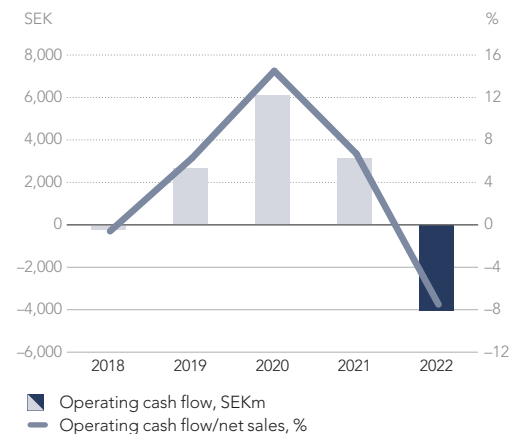
pricing is linked to Husqvarna Group's CO₂ target. In addition, the Group entered into long-term loans of SEK 2.2bn with approximately 2–3 years maturity and has issued a 5 year bond of SEK 2bn. The net debt/EBITDA ratio, excluding items affecting comparability, increased to 1.8 (0.6), due to lower EBITDA and higher borrowings. The equity/assets ratio was 39% (42).

Net debt*

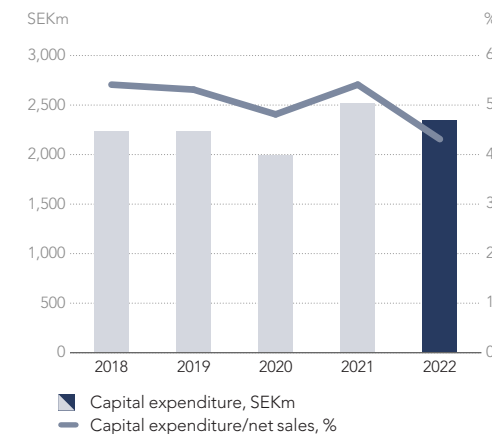
SEKm	2022	2021
Net pension liability	1,431	1,777
Other interest-bearing liabilities	19,897	10,769
Less: Liquid funds and other interest-bearing assets	–3,618	–2,923
Net debt*	17,709	9,623
Net debt/equity ratio, times	0.74	0.44
Equity/assets ratio, %	39	42
Net debt/EBITDA excl. Item affecting comparability	1.8	0.6

* Alternative Performance Measure, refer to "Financial definitions".

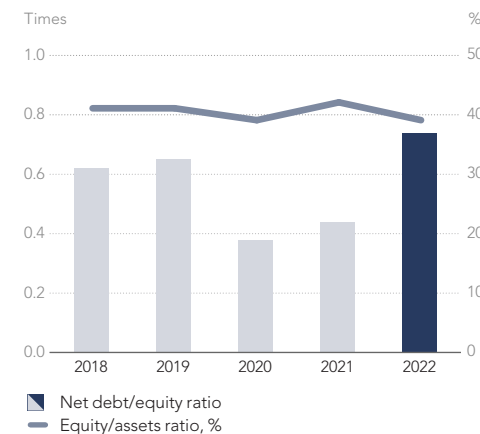
Operating cash flow*



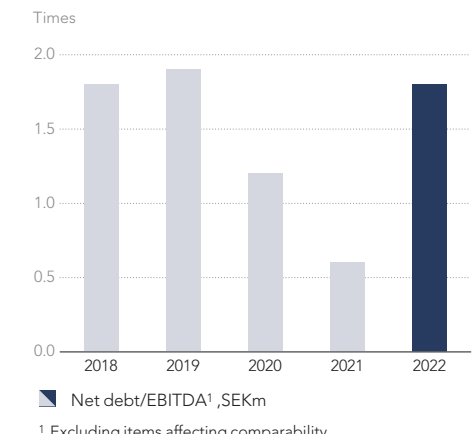
Capital expenditure



Net Debt/Equity and Equity/Assets ratio



Net Debt/EBITDA¹



¹ Excluding items affecting comparability.

* Alternative Performance Measure, refer to "Definitions".

Performance by business segment

Husqvarna Forest & Garden Division

Net sales increased by 10% to SEK 32,082m (29,217). The organic sales growth was flat and currency effects contributed with 10%. Operating income amounted to SEK 1,807m (3,699) and the operating margin was 5.6% (12.7). Excluding items affecting comparability, operating income amounted to SEK 3,224m (3,701) and the operating margin was 10.0% (12.7). Contribution from price increases have offset negative effects from higher raw material and logistics costs. However, the result was impacted by an unfavorable product mix, mainly robotic mowers and lower volumes. Changes in exchange rates had a negative contribution of approximately SEK –50m for the year.

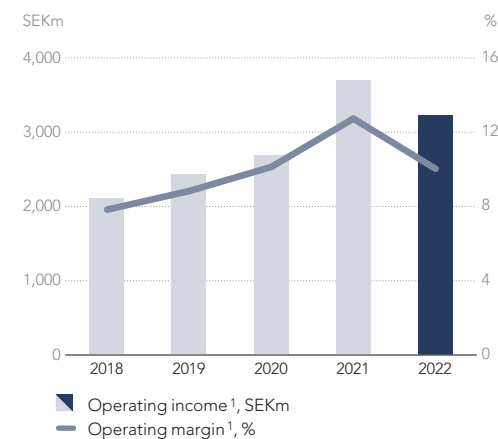
Husqvarna Forest & Garden Division

SEKm	2022	2021	Change, %
Net sales	32,082	29,217	10
Organic growth *, %	0	15	
Operating income	1,807	3,699	–51
Operating margin, %	5.6	12.7	
Operating income excl. items affecting comparability*	3,224	3,701	–13
Operating margin excl. items affecting comparability*, %	10.0	12.7	

Net sales,
Husqvarna Forest & Garden Division



Operating income and margin,
Husqvarna Forest & Garden Division



¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Financial definitions".

Gardena Division

Net sales increased by 29% to SEK 13,606m (10,537). The organic sales growth was –7%, currency effects contributed with 6% and the acquisition of Orbit Irrigation with 31%. Volumes for robotic mowers for residential customers declined due to supply chain constraints. Sales of the new Gardena EcoLine product range was good during the year.

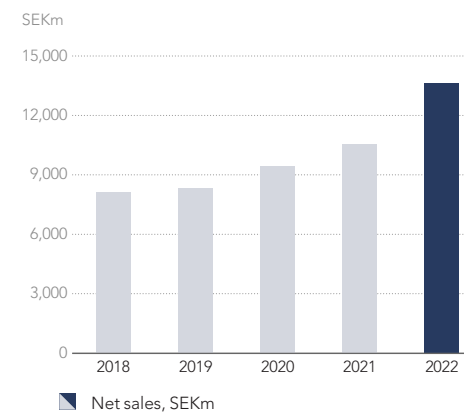
Operating income was SEK 918m (1,552) and the operating margin was 6.8% (14.7). Excluding items affecting comparability, operating income amounted to SEK 1,173m (1,529) and the operating margin was 8.6% (14.5). Contributions from price increases have offset negative effects from higher raw material and logistics costs, while lower volumes had a negative impact on the operating income. The acquired Orbit Irrigation had a dilution effect of 1.4 percentage points on operating income, excluding acquisition

related amortizations, which amounted to SEK –115m. Changes in exchange rates had a positive contribution of approximately SEK 155m for the year.

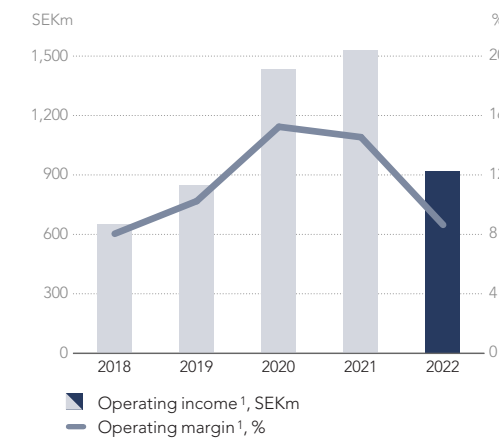
Gardena Division

SEKm	2022	2021	Change, %
Net sales	13,606	10,537	29
Organic growth *, %	–7	14	
Operating income	918	1,552	–41
Operating margin, %	6.8	14.7	
Operating income excl. items affecting comparability*	1,173	1,529	–23
Operating margin excl. items affecting comparability*, %	8.6	14.5	

Net sales, Gardena Division



Operating income and margin, Gardena Division



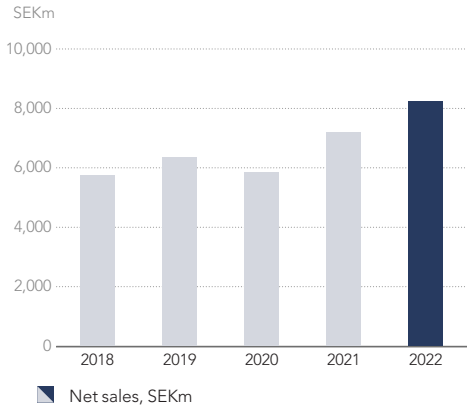
¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Financial definitions".

Husqvarna Construction Division

Net sales increased by 14% to SEK 8,232m (7,210). The organic sales growth was 2% and changes in exchange rates contributed with 11% and acquisitions with 1%. The division achieved growth in most of the key regions and the performance was good for power cutters. Operating income amounted to SEK 713m (840) and the operating margin was 8.7% (11.7). Excluding items affecting comparability, operating income amounted to SEK 854m (840) and the operating margin was 10.4% (11.7). Price increases compensated for higher raw material and logistics costs. However, the result was affected by lower volumes and higher costs related to supply chain disturbances. Acquisition related amortizations was SEK –104m. Changes in exchange rates had a positive contribution of approximately SEK 220m.

Net sales, Husqvarna Construction Division



Heger was acquired during the year, which strengthened the division's business in Europe as the company is specialized in professional diamond tools for European sawing and drilling contractors in wall, floor and road sawing as well as core drilling. Heger has 45 employees and around EUR 9m in annual sales.

Husqvarna Construction Division

SEKm	2022	2021	Change, %
Net sales	8,232	7,210	14
Organic growth*, %	2	18	
Operating income	713	840	–15
Operating margin, %	8.7	11.7	
Operating income excl. items affecting comparability*	854	840	2
Operating margin excl. items affecting comparability*, %	10.4	11.7	

Operating income and margin, Husqvarna Construction Division



Significant events

Husqvarna Group in Ukraine and Russia

The Group is closely monitoring the developing situation in Ukraine and the priority is the security and safety of the employees and their families, and are actively working to support by various means.

The Group has discontinued its sales operations in Russia. During 2022, restructuring costs and write-downs of SEK –137m have been charged related to the situation.

Group Management changes

Glen Instone was appointed President, Husqvarna Forest & Garden Division. The appointment was effective January 1, 2022. Terry Burke was appointed CFO of Husqvarna Group effective as of March 1, 2022. Terry has been within Husqvarna Group since 2010.

Board changes

Stefan Ranstrand notified the Board of his resignation as Director of the Board of Husqvarna AB.

Acquisition of Heger

In April 2022, Husqvarna Group acquired 100% of the shares in Heger. Heger is specialized in professional diamond tools for European sawing and drilling contractors in wall, floor and road sawing as well as core drilling. Heger is a part of the Husqvarna Construction Division and will strengthen and complement the core Concrete Sawing & Drilling business in Central Europe. Heger's headquarters and its manufacturing facility is located in Heitersheim, Germany, and has sales offices in Germany and the Netherlands with 45 employees and MEUR 9 in annual sales. From the acquisition date up until December 2022 the company has contributed to the Group with SEK 62m in net sales and an operating income of SEK 0m.

Investment in Moleaer Inc.

In April 2022, USD 7.5m of venture capital was invested for a minority share in Moleaer, a global leader in nanobubble technology. By investing in Moleaer, Husqvarna Group's Gardena Division will be able to explore the nanobubble technology's potential in addressing water scarcity.

Husqvarna Group accelerates its strategic transformation

To further accelerate its strategic transformation, Husqvarna Group is increasing investments into the company's key sustainable value creation levers: robotic mowers, battery, watering products and professional products. The incremental investments will reach SEK 400m per year by 2025.

As part of this shift, the Group will adjust the value chain for petrol-powered consumer products, including reducing the installed production capacity. Annual sales amounting to approximately SEK 2bn of low margin petrol-powered consumer business will be exited by 2024. Husqvarna Group will also fast-track necessary capability shifts and at the same time increase the organizational efficiency, simplify structures and reduce costs.

These measures will result in total annual cost savings of approximately SEK 800m fully effective in 2025 and net SEK 400m after the increased investments into the sustainable value creation levers. The efficiency measures also entail one-off costs of approximately SEK 2bn (of which SEK 0.9bn has a cash flow impact), where SEK 1.8bn was charged in the fourth quarter of 2022. The workforce will be reduced by approximately 1,000 positions, whereof the vast majority relates to the accelerated petrol-to-battery shift.

Significant events after the period

See note 28.

Other information

Parent Company

Net sales for January – December 2022 for the Parent Company, Husqvarna AB (publ.), amounted to SEK 23,308m (21,335), of which SEK 18,195m (16,269) referred to sales to Group companies and SEK 5,113m (5,066) to external customers. Income after financial items decreased to SEK 1,378m (4,818), mainly due to Group internal transactions. Income for the period decreased to SEK 507m (3,697). Investments in property, plant and equipment and intangible assets amounted to SEK 3,423m (994). Cash and cash equivalents amounted to SEK 410m (561) at the end of the year. Undistributed earnings in the Parent Company amounted to SEK 29,250 m (30,639).

The Husqvarna share

At year-end 2022, the share capital in Husqvarna AB (publ) (the Company) amounted to SEK 1,153m (1,153), comprised of 110,106,194 A-shares (111,088,990) and 466,237,584 B-shares (465,254,788).

For further information on the change in the number of shares during the year, see note 19. Each A-share carries one vote and each B-share carries 1/10th of a vote. All shares enjoy equal rights in terms of the company's assets and earnings. There are no restrictions on the transfer of shares, voting rights or the right to participate in the Annual General Meeting (AGM).

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

As of December 31, 2022, the largest shareholders were Investor AB, with 33.4% (33.2) of the votes, and L E

Lundbergföretagen, with 25.4% (25.3) of the votes. No other shareholder held more than 5% of the votes. Market capitalization amounted to SEK 42bn (83) at the end of 2022. The Company did not own any own shares at the end of 2022. For more information on major shareholders, see section "The share".

Authorization for new share issue and equity swaps of B-Shares

The 2022 AGM resolved to authorize the Board to decide on one or more occasions, until the next AGM, to have the Company enter into one or more share swap agreements with third parties on terms consistent with market practice. The purpose is to secure the Company's obligations due to adopted incentive programs.

The participants in the Group's long-term incentive programs have been granted share awards and when the conditions of the performance period for each program ends, shares are transferred to them in accordance with the conditions of the programs and made without consideration.

The participants in the Husqvarna LTI 2019 program were granted performance share awards in 2019 and then on the vesting day in April 2022, 1,458,597 share awards were exchanged for Husqvarna shares and transferred to the participants.

At year-end 2022, Husqvarna AB (publ) had equity-swap agreements whereby a third-party bank had acquired 5,890,581 B-shares to cover obligations under Husqvarna long-term incentive programs.

In addition, the 2022 AGM authorized the Board to resolve to issue not more than 57.6 million B-shares, representing 10% of the total number of shares in issue, to facilitate acquisitions where the consideration will be paid with own shares. No such issuance was made in 2022.

Legal matters and compliance

The Company and its worldwide subsidiaries (Husqvarna Group) are involved in commercial, product liability, regula-

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

Husqvarna Group is committed to a culture of compliance. Honesty and fairness have always characterized the Group's way of doing business and the highest standards of integrity are expected of every employee in every country where the Group does business.

Husqvarna Group provides regular training to its employees on its Code of Conduct and related policies.

Husqvarna Group requires that all of its suppliers, agents, distributors and other business partners ("Third-Parties") comply with the business and workplace standards as defined in the Code of Conduct and Group policies on Third-Party Due Diligence and Export Controls and Trade Sanctions.

These recommendations (regarding various regulatory and non-regulatory risks) identified in a 2021 Global Risk Assessment continue to be incorporated into the Group's three-year Compliance Program Plan.

Sustainability

In accordance with the Swedish Annual Accounts Act Chapter 6, §11, Husqvarna Group has elected to publish its statutory sustainability report as separate from the Annual Report. The sustainability report – 2022 Sustainovate Progress Report has been submitted to the auditor at

the same time as the Annual Report and is available on www.husqvarnagroup.com.

The sustainability report presents progress on "Sustainovate", which is Husqvarna Group's plan to integrate sustainability deeper into the business. The report is framed around three opportunities that are most relevant to the Group's ability to create economic, social and environmental value for its stakeholders. According to the Swedish Annual Accounts Act, Chapter 6, §12, Husqvarna Group is required to report on specific sustainability and corporate responsibility-related impacts, and these are presented in the 2021 Sustainovate Progress Report. A table describing policies and procedures, sustainability risks, management systems and how we monitor the effectiveness of these processes is available in the report. It covers the Group's most material issues relating to the environment, human rights, social and personnel and anti-corruption.

Task Force on Climate-Related Financial Disclosures (TCFD)

Husqvarna Group supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which are intended to ensure that investors and other stakeholders are informed about medium and long-term climate change risks posed to companies. In line with the TCFD recommendations, this Annual Report presents disclosure on the strategy, governance and risk management of climate-related topics. See the Risk Management section on page 42.

Environmental permits

In 2022, Husqvarna Group operated 32 production facilities, of which 19 were in Europe, five in the U.S., four in China, one in Brazil, Japan, India and Australia. All facilities have the environmental permits required for current operations.

Husqvarna Group included in CSR indexes

Husqvarna Group is a member of the FTSE4Good Index Series and a member of the STOXX Global ESG Leaders

index. These indexes are designed to facilitate investments in companies that meet globally recognized corporate responsibility standards in environmental stewardship, social due diligence and corporate governance.

Employees

The average number of employees (full-time equivalents) in 2022 was 14,416 (13,873), of which 2,476 (2,272) were employed in Sweden. At year-end, the total number of employees was 13,499 (13,704). Of the total average number of employees in 2022, 9,823 (9,484) were men and 4,593 (4,389) were women.

Salaries and remuneration in 2022 amounted to SEK 7,530m (6,572), of which SEK 1,669m (1,682) refers to Sweden. For more information on employees, see note 4.

Annual General Meeting 2023

The AGM of Husqvarna AB (publ) will be held at 4:00 p.m. on April 4, 2023 at the Elmia Congress Centre, Hammar-skjöld Hall, Elmiavägen 15 in Jönköping, Sweden.

Notification and proposals to the AGM

The notification to attend the 2023 AGM has been available on the Group’s website, www.husqvarnagroup.com, since February 28, 2023. The full proposal to the AGM will be published on the Group’s website at the latest by March 14, 2023.

Proposed distribution of earnings

The Board proposes a dividend for 2022 of SEK 3.00 per share (3.00) corresponding to a total dividend payment of SEK 1,711m (1,711) based on the number of outstanding shares at the end of 2022. It is also proposed that the dividend will be paid in two instalments to better match the Group’s cash flow profile, with one payment of SEK 1.00 per share in April and the remaining SEK 2.00 per share in October. The proposed record dates are April 6, 2023, for the first payment and October 6, 2023, for the second payment.

SEKt	
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	26,211,852
Net income for the period	506,731
Total profit available for allocation	29,324,330

SEKt	
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 3.00 per share ¹	1,711,360
To be carried forward	27,612,970
Total	29,324,330

¹ Calculated on the number of outstanding shares as of December 31, 2022.

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

Remuneration guidelines for Group Management and remuneration to the Board 2022

The guidelines were approved by the 2021 AGM and apply until the 2025 AGM unless any changes are proposed. These guidelines do not apply to any remuneration otherwise decided or directly approved by the AGM or other general meeting.

For more information on principles for remuneration to Group Management and remuneration to the Board, refer to note 4.

Fixed cash salary

Fixed salary shall constitute the basis for total remuneration and may amount to not more than 70% of the total remuneration. The salary shall be related to the relevant market and shall reflect the degree of impact, contribution and knowledge involved in the position. The salary levels shall be reviewed regularly (normally annually) in order to ensure continued competitiveness and reward performance.

Variable cash remuneration (Short-term Incentive, “STI”)

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 150% of the fixed salary and not more than 50% of the total remuneration. The Board decides whether the maximum levels shall be utilized or if a lower level shall be used. The level of STI is set by the Board based on the position held, taking into account degree of impact, contribution and knowledge involved in the position but also country of employment.

Variable cash remuneration shall be conditional upon the fulfilment of defined financial criteria – such as operating income, sales growth, operating working capital etc – as well as non-financial criteria, to promote the Group’s business strategy including its sustainability. The Board and the People & Sustainability Committee (formerly “the Remuneration Committee”) shall establish these criteria for the Group and/or for the business unit for which the member of Group Management is responsible and define the minimum/entry level, which must be exceeded for variable remuneration to be paid, and a maximum/stretch level relevant for the upcoming measurement period.

Up to a maximum of 20% of the CEO’s and other Group Management member’s total STI opportunity may be based on financial or non-financial individual key performance indicators (KPIs).

The criteria shall be designed so as to contribute to the Company’s business strategy and long-term interests, including its sustainability. The extent to which the criteria for awarding variable remuneration has been satisfied shall be evaluated/determined when the applicable one-year measurement period has ended. The People & Sustainability Committee is responsible for the evaluation and it shall be based on the latest financial information made public by the Company. Any individual KPIs for the CEO shall be determined and evaluated by the Board and the People & Sustainability Committee while the CEO shall be responsible

for determining and evaluating individual KPIs for other members of Group Management.

Long-term incentive

The Board will annually evaluate whether a long-term incentive program should be offered and be proposed to the AGM. The award level of such long-term incentive program may amount to not more than 120% of the fixed salary when the program is launched.

Pension and other benefits

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment. Pension plans shall be defined contribution plans and the employer contribution, including contributions for disability pension/insurance, may amount to not more than 40% of the fixed cash salary and not more than 30% of the total remuneration.

Other benefits may include, for example, life and health-care insurance, housing allowance and company cars. Costs relating to such benefits may amount to not more than 20% of the fixed cash salary and not more than 15% of the total remuneration. For employments governed by mandatory rules, pension and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Group Management members who are expatriates may receive additional remuneration and benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such remuneration and benefits may not in total exceed 80% of the fixed cash salary.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the Company. Fixed cash salary during the period of notice and severance pay

may together not exceed an amount equivalent to fixed salary for two years. The period of notice may not exceed six months when termination is made by the Group Management member, unless there is a right to severance pay to compensate for a longer notice period. Members of Group Management shall be obliged not to compete with the Company during the notice period. Based on the circumstances in each case, a non-compete obligation with continued severance pay may be applied also after the end of the notice period. Non-compete obligation shall not apply for more than 24 months from the end of the notice period and the severance pay during such non-compete period may not exceed an amount equivalent to the fixed salary.

Additional remuneration may be paid for non-compete undertakings to compensate for loss of income and shall only be paid in so far as the previously employed Group Management member is not entitled to severance pay. The remuneration shall amount to not more than 60% of the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than 24 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the People & Sustainability Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report to be published in accordance with the EU Shareholder Rights Directive.

The decision-making process to determine, review and implement the guidelines

The Board has established a People & Sustainability Committee (Committee), which qualifies as a "remuneration committee" within the meaning of the Swedish Code of Corporate Governance. The Committee's tasks include preparing the Board's decision to propose guidelines for Group Management remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Committee shall also monitor and evaluate programs for variable remuneration for Group Management, the application of the guidelines for Group Management remuneration as well as the current remuneration structures and compensation levels in the company.

The members of the Committee are independent of the company and its Group Management. The CEO and other members of Group Management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board may resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines. Any derogation from the guidelines must not cause any of the remuneration elements to exceed two times the maximum level specified in these guidelines.

Remuneration to the Board 2022

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2022 AGM resolved on fees of SEK 7,540,000. No consulting fees were paid to Board members and no Board fees are paid to Board members who are also employed by the Group. For more information concerning remuneration, see note 4.

Risk Management

All business operations involve risk. The goal of risk management is therefore not to eliminate risk, but rather to optimize an organization's risk portfolio to best secure its business goals. Husqvarna Group has therefore implemented controls and governance processes to identify and prioritize all material risks that may affect its operations and to limit, control and proactively manage these risks.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) is a set of recommendations on how companies should improve disclosures relating to risks and opportunities posed by climate change, including disclosures relating to governance, strategy, risk management, metrics and targets. Husqvarna Group has formally endorsed the recommendations of TCFD and works to implement those recommendations in its annual reporting process.

The Group continues to engage both senior management and subject-matter experts to ensure that climate-related risks are identified and managed as an integrated part of the overall risk management efforts. Beyond improving transparency via public disclosures, these efforts have also spurred Group Management to develop plans for addressing risks related to climate change and, where possible, to take advantage of potential business opportunities.

In order to ensure an integrated approach, the Group has decided to make TCFD disclosures part of the overall Risk Management section and, where applicable, elsewhere in this Annual Report. To facilitate ease of reference, the Group has indicated below those specific

disclosures which are particularly relevant to TCFD with the symbol ">".

The Group's primary medium and long-term responses to transitional risks and opportunities are threefold (as announced at our Capital Markets Day 2021): (1) to electrify two thirds of our sales of motorized products to 2026 (this is a doubling of the share compared to 2020 and a leap from 11% in 2015); (2) to reduce CO2 emission by 35% across our value chain to 2025 compared to 2015, and; (3) to commit to net zero emission to 2050 as part of our Science-based target of a 35% reduction of CO2. For more information see the 2022 Sustainovate Progress Report.

At present, the majority of our TCFD-related disclosures are qualitative in nature. As work on these topics matures, the Group aims to provide quantitative disclosures, including potential financial impacts based on future scenarios and, possibly, more specific targets and metrics.

Responsibilities and accountability

The Board is ultimately responsible for ensuring effective risk management. The Board has delegated responsibility, in part, to the CEO, who must act in accordance with the Board's guidelines and instructions. The three Divisional Presidents and the other members of Group Management are responsible for risk management implementation within their respective divisions and areas of responsibility. The Group also has a dedicated risk management function that:

- oversees the Group's overall Enterprise Risk Management program,
- secures appropriate insurance coverage for insurable risks, and

- assesses and facilitates the prioritization of the Group's risks.

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

> *Integration in core business processes* – The process for identifying, assessing, managing and reporting risk (including climate-related risk) is an integral part of our core business processes, including periodic strategy updates, the annual budget process and project management. Risk management is integrated in the annual budget process in order to capture events and circumstances with potential for material financial and operational impact. This means quantifying potential impacts and likelihood for each risk and applying simulations to understand potential exposures to financial targets, thereby contributing to a proactive response. Risk management conducted as a part of periodic strategy updates (both Group and divisional) helps capture events and circumstances that could significantly hinder longer term strategic priorities and goals. Risk management in more day-to-day work is guided by a comprehensive set of Group policies and related procedures. Husqvarna Group has several specialist functions, notably Internal Audit, Compliance & Integrity, Security, Internal Control, and Sustainability – that oversee the effectiveness of risk-management activities within their respective competency areas.

Strategic risks relating to market trends

For more information on global trends with related opportunities and risks affecting strategy execution in the mid-term, see page 7. (Financial and operational risks are addressed separately below.)

Business operational risks

The following sections highlight certain operational risks that are deemed material for the Group within the next five years, unless otherwise indicated.

A. Product and Solutions Development

Time to Market – Husqvarna Group, like any company, is subject to the risk that its competitors can develop and offer alternative products or solutions at a better cost-to-performance ratio. Product life-cycles are becoming shorter, requiring more efficient product-development processes. Certain Group products have relatively long development lead-times, thus requiring a deep understanding of the end-customers' likely needs in the future.

Product compliance – Husqvarna Group is subject to a vast array of laws, regulations and industry standards, which vary from jurisdiction to jurisdiction and frequently change. These laws typically apply to the Group products in terms of design, operation, chemical content, noise, safety and (in the case of petrol products) exhaust emissions. Any failure to comply with such product standards could harm end-customers and result in significant costs, e.g., as a result of "stop sale" orders, product recalls, fines, and damage to the Group's brand and reputation. Product standards are often subject to interpretation and frequently change, typically becoming stricter. When appropriate, the Group supplements its existing governance structures with dedicated cross-divisional project teams to proactively mitigate risks associated with major regulatory challenges and/or legislative changes, with regular reporting to Group Management.

Servitization – Many industries are experiencing a shift in customer preference from buying physical products to purchasing services (e.g., in the form of monthly subscription fees, leases or uptime). This shift, which is sometimes referred to as “Servitization”, adds new risks and regulatory exposures. For example, by offering leasing and other financial solutions, the Group may become subject to banking regulations (e.g., those related to anti-money laundering). Likewise the expansion of online and digital services exposes the Group to increased liability under applicable data and privacy regulations, especially as relates to the handling of customer data. However, the Group is still heavily reliant on traditional business models of selling products to generate revenue and there is a risk that competitors may be able to develop service offerings more quickly or more effectively.

> *Future CO₂ emissions regulation and Bans of Petrol Powered Products* – The Group anticipates more stringent emissions regulations, particularly applicable to our petrol-powered products. Innovation related to low emission technology reduces the Group’s vulnerability to such stricter emissions legislation short term. However, in addition to regulations that impose more stringent standards (i.e., the level of emissions that a petrol engine product may produce), we are also seeing new legislative initiatives that aim to ban entirely the sale of petrol power products in certain market segments. For example, the State of California recently enacted legislation aimed at banning the sale of new petrol powered gardening tools, including mowers and handheld equipment by as soon as 2024. We can expect this trend to continue and accelerate in other jurisdictions. Partly in response to this trend, the Group has proactively discontinued (or planned the discontinuation of) certain petrol products that use outdated emission technology or where an electric product offers similar engine output. For example, in October 2022 the Group announced that it would adjust its value chain for petrol-powered consumer prod-

ucts, including a reduction in installed production capacity and plan to exit approximately SEK 2bn in annual sales of low-margin petrol-powered consumer products by 2024. Planned savings from these changes are then being partially reinvested into the Group’s key sustainable value-creation levers, namely robotic mowers and battery, watering and professional products.

This shift in product portfolio also supports our efforts to reduce CO₂ and related greenhouse gas emissions. In 2020, the Group updated its analysis to better understand required CO₂ reductions from its product portfolio, using a 2035 horizon. This analysis confirmed that the Group is on the right path to transition to a low-carbon economy in line with the latest climate science, and the multilateral ambitions of the Paris Agreement to limit a temperature rise to 1.5 °C. Using this analysis, the Group secured approval of its revised Science-based targets in 2020 and thereby also committed to climate neutrality by 2050.

> *Shift from Petrol to Battery Products* – Many traditional market segments are affected by the “petrol-to-battery” shift. Products historically powered by petrol engines now have battery-driven motor alternatives. This trend has accelerated over recent years as batteries have become more powerful, more reliable and less expensive. As one of four stated strategic priorities the Group has decreased its share of petrol products through robotics and battery-powered products. Today, approximately 37% (33%) of our business of motorized products is represented by battery-powered, robotics and corded products – up from 11% in 2015 and with the ambition to further increase that percentage to 67% within five years. Steps taken to further promote this shift include a significant expansion of internal resources dedicated to robotics and battery products and a significant increase in related R&D spend. The Group has, for the most part, achieved a leading position in battery products within relevant market segments. At the same time, there is increased competition by new entrants, e.g., power hand-

tool players, many of which have significant scale in designing, manufacturing or sourcing battery-powered indoor products such as cordless drills, which, to an extent, can be applied to outdoor products as well. A counterbalance to this risk is the Group’s deep application knowledge of the particular products in question (e.g., chainsaws and trimmers). Our future success in these market segments will thus depend on our continued ability to design the entire end-product (including the battery power-source) better than most competitors.

B. Sourcing

Component supply and quality – A shortfall in deliveries or quality-related issues from a supplier may have negative consequences for production and for deliveries of finished products. This risk is exacerbated where the Group relies on a few (or even single) suppliers to deliver key materials or components. To address these risks, the Group has begun to shift its risk management evaluations (e.g., site visits) from its own production sites, which are often already deemed “highly-protected”, to those of major suppliers. The divisions’ purchasing organizations work closely with suppliers in order to manage deliveries and monitor the suppliers’ financial stability, quality-assurance systems and flexibility of production. The divisions build a safety stock of critical components to reduce impacts of disruption in supply.

> *Electronic Components* – Electronic components, including batteries and related parts, are becoming increasingly important for the Group’s products and services. Worldwide demand for such components – especially battery cells and computer chips – is also increasing dramatically. As with all direct material, the availability of such components is dependent on supplier performance and global demand. Supply interruptions or lack of capacity may have an adverse effect on the Group’s production and deliveries. In the 2020–2022 period the Group, like other manufacturers worldwide, has experienced supply-chain disruptions and increased

pricing of key components due to a combination of increased demand and global supply chain disruptions, initially linked to the Covid-19 pandemic. We expect these issues to continue into the near future. We have taken a number of steps to remediate these risks, including (1) re-engineering products to enable use of a much wider range of electronic components, (2) developing direct relationships with sub-suppliers of certain critical components (e.g., chips and semi-conductors), with whom we previously only had an indirect relationship via our tier 1 suppliers, and (3) where necessary, building additional levels of “safety-stock”.

Supply Chain Compliance – A broad supplier base, especially in less developed countries, potentially increases the risk that products or components are not produced sustainably. The Group and its suppliers must share the same high standards for the environment, labor and human rights as stated in Group policies and procedures and in the Supplier Code of Conduct. The Group is mitigating these risks through supplier audits and supplier self-assessments. This work has been accelerated in 2022, not least of all to ensure that we are able to demonstrate compliance with the German Transparency in Supply Chain Act, and the EU’s pending Corporate Sustainable Due Diligence act (CSDD) legislation.

Prices for materials and components – The Group’s operations and its performance are affected by fluctuations in the price of raw materials and components. The most important raw materials are steel, aluminum and various types of plastic. The cost of these raw materials can fluctuate considerably in the course of a year, due to changes in world prices for raw materials or the ability of suppliers to deliver them. Total consumption is linked to production volume and production mix. The Group does not use financial instruments to hedge prices for raw materials, but endeavors to manage risks through bilateral agreements with suppliers.

In 2022, Husqvarna Group purchased materials, components and finished products amounting to SEK 24,399m (19,938).

Cost structure, Group

	2022		2021	
	% of net sales	SEKm	% of net sales	SEKm
Cost of goods sold:				
Raw materials, components and finished products	45.2	24,399	42.4	19,938
Factory overhead, R&D, tools	13.3	7,171	13.6	6,388
Direct wages	3.3	1,782	3.7	1,734
Restructuring	3.0	1,610	0.0	18
Other	8.3	4,462	7.4	3,467
Total cost of goods sold	73.0	39,425	67.0	31,545
Gross operating income	27.0	14,612	33.0	15,513
Cost of SG&A:				
Selling expense	15.7	8,494	15.2	7,152
Administrative expense	5.4	2,899	5.7	2,705
Restructuring	0.4	200	-0.2	-80
Other	0.0	-23	0.0	-10
Total cost of SG&A	21.4	11,570	20.8	9,767
Operating margin/income	5.6	3,042	12.2	5,745

C. Manufacturing

Footprint and Fixed Costs – The Group maintains a relatively large manufacturing base with corresponding fixed costs and is subject to risks from fluctuations in demand resulting from economical, seasonal and weather variations, as well as the availability and applicable lead times of key components. Handheld products such as chainsaws and trimmers, for which the Group also manufactures engines, contain a higher proportion of specialized components that are produced in-house, as do watering products. Any material decline in overall sales volumes can therefore have a significant negative impact on factory absorption and in turn on profitability.

> *Natural Disasters* – The Group’s and its suppliers’ facilities are subject to disruption for a variety of reasons, including, but not limited to, work stoppages, water scarcity, fire, earthquake, flooding or other natural disasters. Such disruption may interrupt Husqvarna Group’s ability to manufacture certain products. Any significant disruption could negatively impact the Group’s sales and earnings. The Group currently has eighteen manufacturing sites and warehouses that are deemed “exposed to climate risk”, i.e. snow loading, flood due to nearby rivers and hail. The combined insured value for these sites is SEK 33bn. Risk exposure to wildfires was evaluated in 2022 and considered low. The Group works proactively to reduce these exposures by avoiding new operations in high-risk zones, and by proactive maintenance, snow load-capacity analysis for roofs, installation of sprinklers, insurance, and establishing business continuity plans.

Fluctuations in Staffing Demands – In light of seasonal variations in the Group’s operations, the number of temporary employees increases in preparation for the peak production season and decreases at the end of the production season. The production season for most lawn-care products is during the first and second quarters, whereas chainsaws and other forestry products have a production peak in the third quarter. Husqvarna Group relies on temporary labor for seasonal production, which poses risks in terms of awareness of safety and production routines and availability of such temporary labor. Sick leave and issues related to wellness can also negatively impact the productivity of the Group.

D. Transportation

Tariffs and Trade Disputes – The Group’s operation involve the movement of products, components and raw materials across national boundaries. Such goods may be subject to import and export duties or similar tariffs. Normally, the costs of such tariffs are taken into account in product pricing. However, abrupt changes to – or unclarity regarding – such

tariffs expose the Group to risks. In some cases, it may be difficult to pass on such higher product costs or may take a significant period of time to do so. Likewise, competitors may have a different supply-chain structure and be able to produce similar goods that are free from such tariffs. In either case, the Group may be forced to absorb such extra tariff costs, thereby lowering the gross margin on products sold. Whenever and wherever possible the Group strives to adjust its supply chain and manufacturing footprint to minimize the impact from such tariffs.

Logistics disruption – The Group depends on freight forwarders, shipping hubs, ports and transportation companies for delivery of components and finished products. The Group is vulnerable to logistic disruptions and spot freight-rate increases. Contracts are in place to secure volumes and rates for major shipping routes. However, as noted earlier we have seen an increase in costs and disruptions in logistics largely related to knock-on effects of supply disruptions originally associated with the Covid-19 pandemic, and we expect these uncertainties to continue in the near future.

> *CO₂ impact of logistics suppliers* – The Group relies on air, road, rail and ship transport, some of which are carbon intensive. The Group foresees higher costs and levies for fossil-fuel-based transport, especially air freight. Increased local production in North America and Europe helps to reduce transport dependency. Supply chain constraints e.g., lack of containers for ship transports may increase air transports, resulting in increased CO₂ emissions. Accordingly, the Group is developing mitigation plans to minimize these risks.

E. Customer Interaction

Customer Preferences – The Group’s strategy is founded on product innovation, utilization of strong brands and global distribution to create differentiated product and solution offerings for different end-customer segments. Long-term profitability depends on the ability to successfully develop,

manufacture and market new products and solutions that meet customers’ performance needs and price requirements. Digitalization has opened up significant opportunities to improve customer interaction and to customize advice and support. The Group works with digital solution providers to ensure that products are integrated with digital platforms preferred by our customers.

Digitalization increases the risk that traditional business models are disrupted by new market entrants, who may have new product (or service) offerings and/or more effective go-to-market strategies. However, it is also an important enabler to deliver more circular solutions that reduce waste, extend the product life-cycle and reduce our impact on the environment. Accordingly, the development of circular innovations is a key component of our revised Sustainovate strategy.

Retail Channel – Consumer products are sold mainly through large retail chains. This market is highly consolidated in North America and the UK, while in the rest of Europe market consolidation is by-and-large still ongoing. The Group’s retail customers, such as large DIY chains, are becoming larger and fewer in number, which gives them greater bargaining power. Several large retailers also source products that are then marketed under their own brands. Large retailers offer Husqvarna Group the opportunity to display its products in more retail outlets in a wider geographical area. However, this also entails risks. Most obviously, the failure to build or maintain strong supply relationships with DIY retailers can have significant negative effects on volumes and in turn on profitability. Conversely, successfully maintaining such customer relationships can lead to a greater dependence on fewer customers, with higher levels of trade receivables and credit risks related to these customers. The Group is taking a number of measures to reduce sales channel risks, including setting annual credit limits for customers and ensuring that the Group develops its overall “omni-channel” market approach.

Dealer Channel – Professional products are sold mainly through local independent dealers or in some cases directly to end-customers, which means that these customers purchase smaller volumes and are generally not as significant for the Group on an individual basis. The cost to serve dealers is relatively higher than for retail accounts but the level of risk related to receivables and credit is lower.

Omnichannel & Online – Internet commerce is increasing and becoming of increasing importance to the Group, partly as the result of increased online sales activities of trade partners in both the dealer and retail channel but also from growing direct sales with major online resellers and, more recently, the start of “direct-to-consumer” e-commerce channels run by the divisions. This trend has been accelerated in recent years due in part to the Covid-19 pandemic, with end-customers preferring to order products online to avoid personal exposure. This shift to online purchasing brings both opportunities and risks. The challenge is to ensure that relevant products are offered to all customer segments in all relevant purchasing channels. The failure to build or maintain strong supply relationships with key online resellers can have significant negative effects on volumes and profitability.

F. Customer Use

Product Safety – The Group is exposed to product liability in the event that its products are alleged to have caused injury to persons or damage to property. The Group is insured to a large degree against such claims, partly through insurance in its own captive insurance company, and partly through external insurers. However, there is no guarantee that such insurance coverage is in force or sufficient in a specific case or that claims regarding product liability may not have an adverse effect on the Group's earnings and financial position. In addition, such insurances do not cover the costs for warranty repair, recall exposure or any adverse effect on

brand value. External insurance is subject to availability and pricing, which may vary over time. The Group has established a committee on product safety (COPS), the tasks of which include monitoring product safety issues.

> *Weather/climate* – Demand for the Group's products is dependent on weather. Unexpected or unusual weather conditions in core markets can affect sales either adversely or positively. Dry weather can reduce demand for products such as lawn mowers and tractors but can also stimulate demand for watering products. However, excessive dry weather or droughts may result in regulatory actions, such as water-bans, that have a negative effect on the sale of watering products. Demand for chainsaws normally increases after storms and during cold winters. Husqvarna Group strives for a flexible production and supplier structure that can be adjusted at short notice to meet actual demand without the burden of excess safety stock within inventory. Reducing lead times and improving responsiveness heightens the Group's agility and helps get the right products to the market by matching not only the season but current weather conditions.

> *Climate-change impact on gardens* – End-customers will likely reduce the purchase of lawn equipment if the weather is too hot and dry for the grass to grow.

Based on internal and external studies, we believe that, over the next decade, summer and late-summer months in our core markets (e.g., central Europe) are likely to be characterized by slightly lower grass growth than today, due to reduced rainfall. However, reduced growth during summer and early autumn will almost be counterbalanced by an increased growth in late autumn and early spring, which will likely experience warmer weather.

We will continue to make learnings related to longer-term climate-change impact on gardens.

G. End-of-Life Product Recycling

> *Future regulation on product take-back* – The Group participates in recycling schemes for electrical equipment and batteries in markets in North America and Europe under product-stewardship regulations. Regulations on recycling will likely expand to other markets, as the focus on waste and resource efficiency grows. Future regulation on product stewardship may increase costs for premiums for disposal and product redesign for recyclability. The Group has defined a 2025 target to launch 50 circular innovations. This will include opportunities for increasing the use of recycled plastics in products and increasing the recyclability of the products as well as developing solutions for sharing or extending product life-span.

Other risk areas across the value chain

Covid-19 Pandemic

The Group expects that knock-on effects from the Covid-19 pandemic will continue to affect our supply chain in various degrees for the near future. For example, renewed governmental lockdown measures primarily in China may disrupt sales, production and distribution. A dynamic and risk-based protocol has been implemented to support each site to adapt operations based on the current local situation.

Risks related to information systems, personal data and cyber-crime

The Group relies heavily on its IT systems to operate its business. Disruptions or faults in critical IT systems may have a direct impact on operations such as production and logistics. Cyber-security risks are increasing in society in general, especially due to cyber-criminals who can use a variety of means, ranging from sophisticated virus attacks to simple email fraud. Any of these criminal activities, if successful, could have an adverse impact on the Group's operations, financial condition or reputation. The Group works continuously to keep systems protected and is also investing in a

number of “cyber-security” measures to reduce these risks, including enhanced disaster-recovery capabilities, more robust fire-wall and access controls and additional in-house cyber-security expertise, as well as information-security awareness and training. In parallel with such efforts and in connection with the EU's General Data Protection Regulation (GDPR) and the EU's pending Data Act, the Group continuously works to protect individuals' rights in connection with any data (including personal data) processed by the Group.

Integrity and compliance risks

As with similar global enterprises, we face a number of compliance risks, including risks of corruption or fraud, which risks tend to be higher in emerging markets with less developed legal systems. These risks subject Husqvarna Group to both potential financial losses as well as potential negative impacts on its reputation. Accordingly, we take a number of steps to remediate such risks, including (A) continuous and ongoing training on our Code of Conduct, which expresses our zero-tolerance approach to corruption and bribery, (B) a robust and global “whistleblower” platform that provides a number of means for employees to confidentially submit any concerns regarding non-compliant behavior, including, where required, local reporting channels, (C) our Third-Party Due Diligence Policy, which uses an automated system to vet current and potential third-parties, and (D) requiring annual certifications from our Country Officers confirming that they are unaware of any breaches of our Code of Conduct that have not been reported through our whistleblower platform. In response to a Global Risk Assessment conducted in 2021 and subsequent analysis of the organization's risks, the Group Compliance Program continues to enhance our efforts against corruption, bribery and other misconduct. Work continues to ensure that EU country specific requirements are met to satisfy country-specific requirements resulting from the EU Whistleblower Directive.

> *Environmental, health and safety risks and human rights*

Risks related to human rights, health, safety and the environment can arise along the supply chain, both at suppliers' and at the Group's production facilities. These risks can have a reputational impact on well-known brands owned by the Group. New legislation, especially in the EU, also brings with it the possibility that the Group can be held liable (or be subject to fines) for violations of applicable standards that occur throughout the entire value chain, even if not within the direct control of the Group. The Group applies the precautionary principle and takes action to prevent or mitigate injury or harm to human health or the environment.

Risks related to acquisitions, restructurings and organizational changes

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

Certain risks in the Husqvarna Construction Division

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

Developments in Russia and Ukraine

Prior to February 2022, the Husqvarna Group maintained a Sales & Service company in both Russia (with approximately 100 personnel), and Ukraine (with approximately 40 personnel). Together the business in Russia and Ukraine amounted to less than 2% of our global turnover. Following Russia's invasion of Ukraine (and corresponding sanctions imposed on trade with Russia), we stopped all imports to Russia, and wound down the size of our operations there. As of December 31, 2022 we ceased all remaining domestic Russia sales and service operations, although we have retained a skeleton staff, mainly to discharge tax and regulatory obligations which may continue for some time into the future. During 2022, restructuring costs and write-downs of SEK –137m, have been charged related to the situation.

Financial risks

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

General

The Group's financial risks are managed on the basis of the Group's financial and credit policies, which are annually updated and approved by the Board. Management of financial risks is based largely on the use of financial instruments and is mainly centralized within the Group Treasury function, which operates in accordance with specified risk mandates and limits. For more information on accounting principles and financial risk management and risk exposure, see notes 1 and 20. The Group is operating within and closely monitoring the difficult and volatile global macro-economic climate and robustly managing liquidity and potentially higher financial charges.

Financing risks

Financing risks refer to possible delays, increased costs or cancellations related to financing of the Group's capital requirements and refinancing of outstanding debt. Risks are reduced by maintaining an evenly distributed maturity profile of loans, maintaining access to credit facilities and ensuring that short-term borrowings do not exceed current liquidity.

Interest-rate risk

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

Foreign exchange risk

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

Changes in exchange rates also affect Group equity. Assets and liabilities of foreign subsidiaries are affected by changes in exchange rates, generating translation differences that impact equity. In order to limit negative effects on Group results and equity resulting from transaction exposure and translation differences, part of the Group's transaction exposure and net investments in foreign operations is hedged using foreign-exchange derivatives.

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risks are managed on the basis of standardized credit ratings, credit limits, active monitoring of credits and routines for follow-up of trade receivables. The need for reserves for doubtful trade receivables is monitored continuously. Major credit limits are approved annually by the Board. The Group also utilizes credit insurance to reduce credit risk in trade receivables. Given the difficult macro-economic climate, the Group is being extra vigilant

on customer payment performance, build-up of aged debts and the risk of bad debt.

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

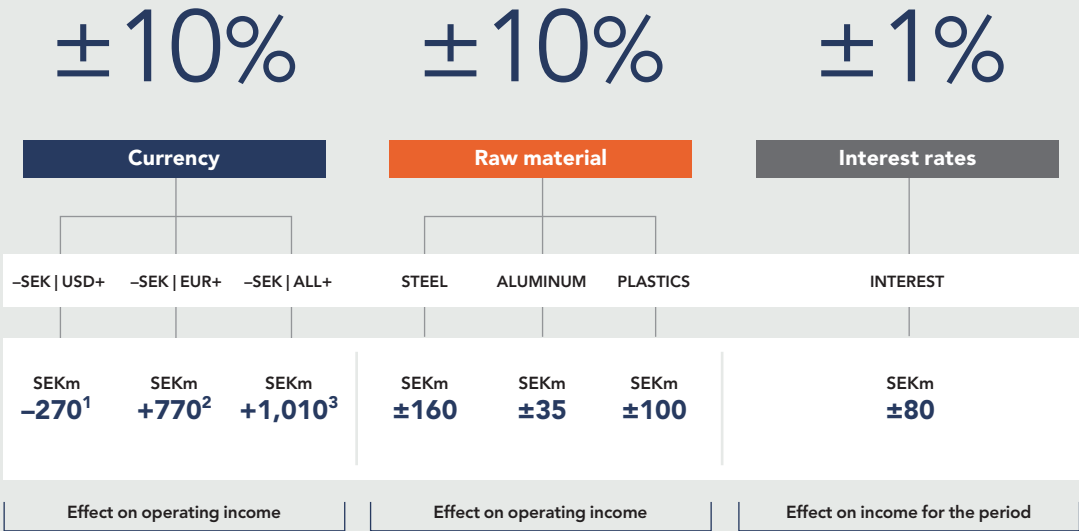
Tax risks

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

Husqvarna Group, like many multinational companies, employs a centralized transfer pricing model based on the Group’s operating model with central Group functions and global divisions. The Group is seeing a change in the regulatory environment in which there is a higher risk that tax authorities may challenge such models, which could result in an increase in tax exposure both historically and going forward.

As in many countries, restrictions on tax deductibility of interest expenses on intra-group loans apply in Sweden. Under the Swedish rules applicable from January 1, 2019, interest is deductible only if the recipient is resident in an EEA (European Economic Area) country or in a country with which Sweden has concluded a tax treaty or provided it is taxed at a level of at least 10%. Nevertheless, if the debt is entirely or almost entirely created with the purpose for the Group to obtain a substantial tax benefit, deduction is denied. At the moment it is not clear how these rules should be interpreted and if these restrictions to deduct interest expenses apply to Husqvarna Group’s internal debt structure. For this reason, the Group has made provisions to reflect a potential exposure related to these restrictions.

Sensitivity analysis



¹ Excluding hedge effects. SEK –300m refer to effect of transactions and SEK 30m to translation effects.
² Excluding hedge effects. SEK 545m refer to effect of transactions and SEK 225m to translation effects.
³ Excluding hedge effects. SEK 705m refer to effect of transactions and SEK 305m to translation effects.
All other refer to the other currencies including USD and EUR.

Corporate Governance Report

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

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

Husqvarna Group has no deviations from the Swedish Code to report for the 2022 financial year. Nor has Husqvarna Group been subject to any rulings by Nasdaq Stockholm’s Disciplinary Committee or decisions on breaches of sound practices in the stock market by the Swedish Securities Council. For more information, go to: www.husqvarnagroup.com.

The highest corporate decision-making body in Husqvarna AB (Company) is the Shareholders’ General Meeting, which is normally held once per year in the form of the Annual General Meeting (AGM), but can also be in the form of an Extraordinary General Meeting under certain circumstances. The 2023 AGM will take place on Tuesday, April 4, 2023. The Company prepares the AGM agenda with input from its shareholders, who have the right to propose matters for consideration at the AGM.

Shareholders

The Company’s shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2022, the share capital amounted to SEK 1,153m, represented by 110,106,194 A-shares and 466,237,584 B-shares, each with a par value of SEK 2. Each A-share carries one vote and each B-share carries one tenth of a vote. As per the Articles of Association, holders of A-shares are entitled to request conversion of A-shares into B-shares on a 1:1 basis. During 2022, 982,796 A-shares were converted to an equivalent number of B-shares.

As of December 31, 2022, the number of shareholders was 81,052, of which foreign shareholders held approximately 41.4% of the outstanding share capital. Investor AB was the single largest shareholder with a holding of 16.8% of the share capital and 33.4% of the votes. L E Lundbergföretagen AB was the second-largest shareholder with a holding of 7.6% of the capital and 25.4% of the votes. For further information on the Company’s shares and shareholders, see section “The share” on page 105.

Nomination Committee

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

- The Chair of the AGM;
- The number of elected Board members;
- The nominees for election to the Board;

- The Chair of the Board;
- Remuneration to Board members, including the Chair and remuneration for Board members’ work on Board committees;
- Election of external auditors (when applicable);
- Remuneration to external auditors; and
- Changes to the process regarding the composition and tasks of the Nomination Committee (if applicable).

The AGM determines the process for establishing the Nomination Committee and its members. At the Company’s 2013 AGM, it was resolved that the following process would apply until a subsequent AGM resolves otherwise:

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

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

The formation of the Nomination Committee for the 2023 AGM was announced on September 14, 2022. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2023 AGM are:

Member	Appointing shareholder
Petra Hedengran (Chair)	Investor AB
Claes Boustedt	L E Lundbergföretagen AB
Fredrik Ahlin	If Skadeförsäkring AB
Henrik Didner	Didner & Gerge Fonder AB
Tom Johnstone ¹	—

¹ Chair of the Board of the Company.

The determination of the four largest shareholders for purposes of nominating representatives to the Nomination Committee was based on known holdings of voting rights as of August 31, 2022. Nomination Committee members do not receive compensation from the Company for their work on the Nomination Committee.

As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board. Normally, the starting point for such recommendations is a survey conducted each year by the Chair of the Board to assess the Board’s work, composition, qualifications, experience and efficiency (see section “The Board of Directors”). The results of this survey are shared and discussed with the Nomination Committee.

Based largely on the information provided by the Chair, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if

there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the objective to achieve a gender balance in the Board.

The Nomination Committee has applied rule 4.1 of the Swedish Code as its diversity policy. In addition, the Nomination Committee takes into consideration the need to ensure that the independence requirements of the Swedish Code are met. These requirements stipulate that at least the majority of Board members must be independent from the Company and its management and that at least two (from such majority) are also independent of the Company's largest shareholders. The Nomination Committee also takes into account any proposals made to the Nomination Committee about the composition of the Board that may have been suggested by other shareholders. Shareholders who wish to submit proposals to the Nomination Committee may do so by sending an email to nominationcommittee@husqvarnagroup.com. While there is no formal deadline for proposals, it was recommended in the September 14, 2022 notice of the formation of the Nomination Committee that such proposals from shareholders should be received by the Company no later than February 7, 2023.

For the 2023 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the Company's website on February 28, 2023. The Nomination Committee will present and elaborate on its work and proposals at the 2023 AGM.

The Annual General Meeting General

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

According to the Company's Articles of Association, the AGM must be held in Jönköping or Stockholm, Sweden. The

Articles of Association also permit the Board to allow the shareholders to participate in the AGM over the internet and/or to allow voting by mail.

Shareholders who are individuals may attend the AGM in person or by proxy. Those Shareholders attending the meeting by proxy, including all corporate shareholders, must submit a valid power of attorney as well as other required documentation in due time before the AGM. This, together with information provided by Euroclear Sweden AB, allows the Company to compile a book of shareholders eligible to vote at the AGM. Following this compilation, voting certificates are sent to all shareholders attending the meeting, or their designated representatives. Voting certificates are proof of voting rights and also serve as an entrance card to the AGM.

The notice of the AGM (specifying its date, location, agenda, etc.) shall be made public at least four weeks and not more than six weeks prior to the AGM. The notice is published in the Swedish daily newspaper Svenska Dagbladet and in the Swedish Official Gazette (*Post- och Inrikes Tidningar*). The notice is also announced in a press release and on the Company's website at www.husqvarnagroup.com.

AGM agenda items and written documentation

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

- Election of Chair of the AGM¹;
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and CEO;
- Disposition of the Company's profit;
- Number of elected Board members¹;
- Remuneration to Board members, committee members and external auditors¹;
- Election of external auditor¹;
- Election of Chair of the Board¹;
- Election of Board members¹;
- Principles of remuneration for Group Management;

- Approval of Remuneration report;
- Adoption of long-term incentive programs (if applicable);
- Repurchase and transfer of the Company's own shares (if applicable);
- Authorization to resolve on the issuance of new shares (if applicable); and
- Such other matters as may be deemed necessary and appropriate by the Board.

¹ Indicates agenda items for which the Nomination Committee makes a proposal.

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

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

Such documentation includes:

- The agenda for the AGM;
- Proposals from the Board and the Nomination Committee;
- The Remuneration report;
- The Nomination Committee's explanatory statement regarding the proposal for appointment of Board members; and

- The Board's report in relation to the proposed dividend and the proposal on the acquisition of the Company's own shares (if applicable).

The AGM is held in Swedish, but simultaneous translation into English is available. The minutes recorded at the AGM are normally published within a few days of the AGM, but not later than two weeks after the AGM. A press release including resolutions passed at the meeting is published immediately after the AGM.

The 2022 AGM

In 2022, due to the Covid-19 pandemic, the AGM was held on April 7, 2022 in accordance with so-called "mail-in voting procedures" pursuant to Section 22 of the temporary act on general meetings (2021:121).

The votes of 993 shareholders, representing 58% of the total number of shares and 78% of the total number of votes were represented at such an AGM. The AGM approved the following resolutions:

- To adopt the income statements and balance sheets for 2021;
- To discharge the Board and the CEO from liability for the financial year 2021;
- To establish the size of the Board at nine (9) elected members (including the CEO);
- To elect Tom Johnstone, Ingrid Bonde, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson, Christine Robins, Stefan Ranstrand and Henric Andersson as Directors of the Board;
- To appoint Tom Johnstone as Chair of the Board;
- To set Board remuneration at SEK 7,540,000 in total, of which SEK 2,175,000 was to be paid to the Chair of the Board and SEK 630,000 to each of the Board members elected by the AGM and not employed by the Company. Furthermore, to pay additional remuneration of SEK 280,000 to the Chair of the Audit Committee and SEK 180,000 to each of the other two members of the

Audit Committee, as well as SEK 145,000 to the Chair of the People & Sustainability Committee and SEK 85,000 to each of the other two members;

- To approve the Nomination Committee's proposal to elect KPMG as the Company's external auditors' and to pay auditor's fees on the basis of approved invoices;
- To approve the Remuneration Report;
- To set principles of remuneration to Husqvarna Group Management, based on fixed salary, variable salary, long-term incentives, pensions and other benefits;
- To establish a performance-based long-term incentive program for 2022, "LTI 2022", to be offered to a maximum of 135 senior managers, whereby, subject to the fulfillment of certain performance targets and other conditions during a three-year vesting period, the participants would have the right to receive certain B-shares;
- To authorize the Board, during the period up until the next AGM, to direct the Company to enter one or more equity swap agreements with a third party (e.g., a bank) for purposes of hedging the obligations of the Company, under the LTI 2022 and any previously resolved programs;
- To authorize the Board to approve the issue of not more than 57,634,377 new B-shares against payment in kind on one or more occasions during the period up to the 2023 AGM;

The 2023 AGM

The 2023 AGM of Husqvarna AB will be held at 4 p.m. on Tuesday, April 4, 2023 at the Elmia Congress Center, Elmiavägen 15 in Jönköping, Sweden. For more information regarding the 2023 AGM, see the section "Annual General Meeting 2023".

The Board of Directors

According to the Company's Articles of Association, the Board shall be comprised of no less than five and no more than ten elected Board members. The Articles of Association

do not contain any specific provisions concerning the appointment and dismissal of directors (or the method by which the Articles of Association may be amended), meaning that the rules otherwise stated in the Swedish Companies Act apply. At the 2022 AGM, nine members were elected to the Board (see section "Board of Directors and auditors"). One of such members subsequently resigned from the Board in 2022. In February 2023 the former Board member and CEO of the Company, Henric Andersson, passed away as a result of which only seven of such elected members remain on the Board as of the date of this report. In addition to the Board members elected by the AGM, Swedish trade unions have the statutory right to appoint two ordinary Board members with voting rights, as well as two deputies for such Board members.

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

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

The Board has adopted the Board's Rules of Procedure for its internal activities, which include rules regarding the number of Board meetings, matters to be handled at regular Board meetings and the duties of the Chair of the Board. These Rules of Procedure are updated and adopted by the Board each year at the "Statutory Board Meeting" which is normally held immediately after the AGM. The Chair shall also ensure that the Board evaluates the CEO on a regular basis, at least once a year, where the CEO is not present.

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

The Chair of the Board ensures that the Board's work and procedures are evaluated and discussed with Board members annually, and are brought to the attention of the Nomination Committee with the aim of developing the Board's working methods and efficiency. In 2022, such evaluation was conducted via an online anonymized questionnaire, together with individual interviews conducted by the Chair with each Board member. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as with the full Board. The Board members elected by the 2022 AGM fulfill the independence criteria set out by the Swedish Code, which require that the majority of such members be independent of the Company and its management, and that at least two (from this majority) be independent of the Company's largest shareholders.

Fees to Board Members

Fees to Board members, including fees for committee work, are set by the shareholders at the AGM. For information on fees to the Board in 2022, see note 4.

Board Meetings

According to the Board's Rules of Procedure, the Board shall hold at least four ordinary meetings and one statutory meeting per calendar year. In 2022, the Board held seventeen meetings, of which twelve were by video conference, two were physical meetings, and three were *per capsulam* (i.e. by unanimous written consent).

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

When relevant, and at least quarterly, Group Management presents forecasts and key performance indicators, providing the Board with an overview of the financial development and expectations of the Company. The Company's budget is reviewed and approved once a year, generally in the fourth quarter. The Board also reviews the Company's significant litigation matters, follows up on the Company's compliance and risk-management work, and monitors the Company's progress regarding its sustainability agenda. The Board maintains an active oversight role in the Group's Enterprise Risk Management program, as more fully described in the "Risk Management" section of this Annual Report. In addition, the Company's external auditors meet with the Board once a year, without the presence of any member of Group Management.

The Audit Committee

In accordance with the Swedish Companies Act, the Board annually appoints an Audit Committee whose primary responsibilities are (a) to monitor the Company's financial reporting, (b) to oversee the effectiveness of the Company's internal control, internal audit, and risk management functions as they relate to financial reporting, (c) to review and supervise the Company's external auditors' impartiality and independence, and (d), when applicable to assist in the

preparation of proposals for the AGM's election of auditors. The Audit Committee may also exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time. The Board has adopted a charter for the Audit Committee, which is periodically updated and approved by the Board.

The Board determines the composition of the Audit Committee, which shall have at least two members, none of whom may be employed by the Company, and the majority of whom shall be independent in relation to the Company and its executive management. At least one of the members who is independent in relation to the Company and its executive management shall also be independent in relation to the Company's major shareholders. At least one of the members of the Audit Committee must have auditing or accounting skills. The Board appoints the Committee members annually at the Statutory Board Meeting or when a Committee member needs to be replaced.

The Audit Committee members appointed in April 2022 were Ingrid Bonde (Chair), Daniel Nodhäll and Katarina Martinson. Audit Committee meetings are also attended by the General Counsel (who keeps the minutes of the meetings), the Group CFO, the Group Head of Internal Audit, and the Company's external auditors. Other members of Group Management are invited periodically to report on specific matters, as relevant. The Audit Committee regularly reports on its findings and recommendations to the full Board and makes available to the Board the minutes of its meetings.

In 2022, the Audit Committee held six meetings, which fulfills its own charter rule that it shall meet at least four times per year. The Audit Committee meetings follow an adopted agenda plan, which includes a review of open issues, a treasury and tax update, and an internal audit update. The Audit Committee also reviews the Company's Interim Reports before they are submitted to the Board. The Committee meets frequently with the Company's external auditors who deliver reports on the audit. It also reviews the Company's compliance work and litigation activities on a quarterly basis.

The People & Sustainability Committee

The responsibilities of the People & Sustainability Committee (Committee) are to oversee:

- (a) management remuneration and talent management, and
- (b) the Company's Sustainability efforts.

This Committee is a "remuneration committee", within the meaning of the Swedish Code. The Committee shall consist of as many members as the Board determines, but no fewer than three members. The Board shall appoint the Committee members annually at the Statutory Board Meeting or when a Committee member needs to be replaced. Each Committee member shall satisfy applicable independence and other requirements of law and other regulations applicable to the Company from time to time. The Board shall appoint the Committee's Chair. The Committee's Secretary shall be the Company's Executive Vice President, People & Organization.

The Committee's Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least twice per calendar year. The Committee may, at its discretion, include in its meetings members of the Company's management (normally the CEO), the Company's external or internal auditors, and any other person whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the CEO or any other member of Group Management may not be present during voting or deliberations concerning his or her compensation or assessment. The Committee reports to the full Board of the Company after each of its meetings and as otherwise requested by the Chair of the Board and makes available to the Board the minutes of its meetings.

With respect to remuneration and talent-management matters, the Committee is assigned to perform the following general tasks:

- Preparing the Board's decisions on principles for remuneration and other terms of employment for the CEO and for other members of Group Management, and on remunera-

tion reporting, including such remuneration guidelines and remuneration reports as are required by applicable law (including the EU's Shareholder Rights Directive);

- Monitoring and evaluating programs for variable remuneration of Group Management – both ongoing programs and those that have ended during the year;
- Monitoring and evaluating the application of the remuneration guidelines that the AGM is legally obliged to establish as well as the current remuneration structures and levels in the Company; and
- Evaluating future talents for Group Management positions and monitoring succession-planning.

With respect to sustainability matters, the Committee is assigned to perform the following general tasks:

- Periodically reviewing the Group's overall efforts within the field of sustainability, including without limitation, approving (or recommending to the full Board for approval) any sustainability-related targets or changes to existing targets;
- Actively tracking progress towards the Group's previously established sustainability targets;
- Reviewing and commenting on the Group's annual "Sustainovate Progress Report" prior to submission to the full Board for approval; and
- Otherwise monitoring the Group's overall sustainability efforts, including a review of any material information in the press that may have a positive or negative impact on the public perception of the Group's commitment to sustainability.

The above tasks are supported by the Group's Head of Sustainability, who normally reports to the Committee (or the full Board) at least twice per year. The Committee members appointed in April 2022 were Lars Pettersson (Chair), Tom Johnstone and Bertrand Neuschwander. For more information on remuneration to Group Management, see note 4.

In 2022, the Committee held five meetings, which fulfills the charter criteria that it shall meet at least twice a year.

External Auditors

At the 2022 AGM, in accordance with the proposal of the Nomination Committee, KPMG AB was elected as auditor for the period from the 2022 AGM up until the end of the 2023 AGM. The Auditor-in-Charge is Joakim Thilstedt. The External Auditors attend the Company's Audit Committee meetings and meet with the full Board at least once per year without management being present.

In accordance with the resolutions passed at the 2022 AGM, the auditors' fee until the 2023 AGM shall be paid on the basis of approved invoices. For more information, see note 8.

Group Management Structure

Husqvarna Group has three separate reporting divisions: the Husqvarna Forest & Garden Division, the Gardena Division and the Husqvarna Construction Division. The Company's Group Management comprises of (a) the CEO, (b) the three divisional presidents and (c) the heads of the five Group Functions, in each case as shown in the chart on the next page.

Group Management, together, makes decisions on:

- The Group's strategic and business development;
- Allocation of responsibilities between the Group Functions and the respective divisions;
- Enhancing Group synergies;
- Internal financial and business follow-up;
- External financial reporting for Board approval;
- Group governance;
- Group staffing plans;
- Issue resolution;
- Budgets;
- External affairs;

- Board reporting;
- Progress on sustainability efforts;
- Risk management and mitigation (see section “Risk Management” in this Annual Report); and
- Group policies and guidelines.

Group Management normally meets physically on a quarterly basis, with a video meeting in each month in which there is no physical meeting.

Clear roles and responsibilities apply to each of the Group Functions as well as to the divisions as set forth in a Group Governance Policy. In general, the Group’s governance structure is designed so that decisions are made as close to operations as possible. Clear guidance has been provided to identify the level on which different types of decisions should be made. Changes to the governance structure (including applicable roles and responsibilities) can only be made by the decision of Group Management.

The CEO

The CEO is appointed by the Board and is responsible for the ongoing management of the Company in accordance with the Board’s guidelines and other instructions. This includes responsibility for financial reporting, preparation of information for decisions and ensuring that commitments, agreements and other legal documents comply with applicable laws and the Group’s Code of Conduct. The CEO also ensures compliance with the goals, policies and strategic plans approved by the Board and updates the Board on these when necessary. The CEO appoints (and where necessary dismisses) each member of Group Management, with input from the Board Chair.

The Divisional Presidents

Each of the three divisions has its own President, who in turn reports to the CEO. Each divisional President is responsible for the operational income statement and balance sheet for his/her respective division. However, all decisions made by a division are subject to the Group’s overall strategic goals

and policies. For more information about Husqvarna Group’s divisions, see the section “Divisions”.

The Group Function heads

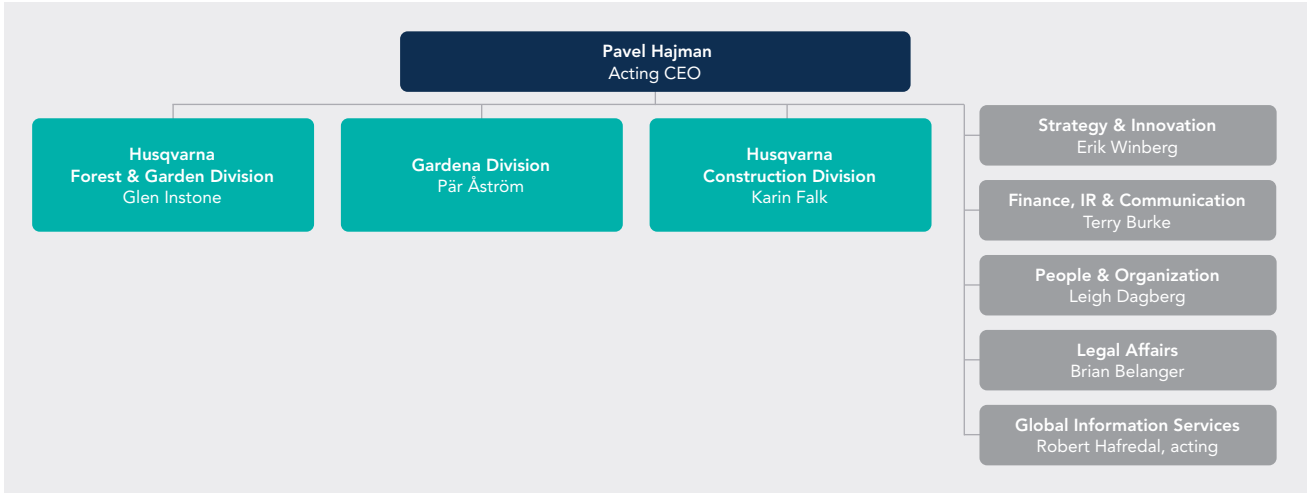
Group Management includes the heads of the five “Group Functions” as described below. These functions are designed to support the divisions with forward-looking initiatives, to continue to capture certain Group synergies where appropriate and otherwise to discharge the corporate governance, compliance and oversight functions required of a listed company.

- 1. Strategy & Innovation.** This function, which is headed by Erik Winberg, has several areas of activity/responsibility, including Group-level Business Development, Technology & Innovation, Brand & Licensing, Sustainability, M&A and venture-capital investments. It also houses the Group’s sustainability efforts to ensure that sustainability is closely incorporated into the Company’s overall Group Strategy.
- 2. Global Information Services (IT).** This function, which is headed by Robert Hafredal, acting as from December 19, 2022, is primarily responsible for overseeing the Group’s Digital & IT strategy, systems & infrastructure and operational support. It provides Digital & IT services and solutions including IT security and also supports and collaborates with the Digital Development personnel in the divisions. The function’s organization comprises three delivery-focused groups aligned with the three divisions, with Digital Business Transformation, and with three governing groups, each with a designated focus area, in Enterprise Architecture, Infrastructure & Security and Common Systems & PMO.
- 3. Finance, IR & Communication.** This function, which is headed by the Group’s CFO, Terry Burke, has primary responsibility for the Group’s financial controlling and reporting. It also coordinates and collaborates with

finance personnel working within the divisions. The function’s organization consists of a number of sub-groups including (a) Business Control, (b) Group Accounting, (c) Tax, (d) Treasury, (e) Internal Control, (f) Global Business Solutions and (g) Real Estate. It also includes the Group’s Investor Relations and Corporate Communication functions. The Internal Audit function sits within the Finance, IR & Communication function from an organizational (Human Resources) point of view, but reports directly to the Audit Committee of the Board in terms of functional oversight.

- 4. People & Organization (HR).** This function, which is headed by Leigh Dagberg, has primary responsibility for overseeing the Group’s HR initiatives within compensation & benefits, international assignments, talent attraction and acquisition, talent management, learning and development and HRIS (people management systems and data). The function is also responsible for providing Group coordination and oversight regarding Employee Health and Safety (EHS). The People & Organization function coordinates on a dotted-line basis with HR personnel located within the divisions.
- 5. Legal Affairs.** This function, which is headed by the Group’s General Counsel, Brian Belanger, is responsible for providing all relevant legal support to the Group and the divisions. Within the divisions, much of the legal support to the division’s business is provided by three “Divisional General Counsels” who sit on the respective division’s management teams, but report directly to the Group’s General Counsel. The Legal Affairs function also includes the Group’s (a) Risk Management, (b) IP Enforcement, (c) Compliance & Integrity and (d) Product Compliance & Safety sub-functions. Together with Group Finance, Group Legal also plays a leading role in maintaining appropriate Group Governance structures and policies, as well as ensuring compliance with applicable stock exchange rules.

Group Management Structure



Note regarding Governance of Climate-Related Risks (TCFD)

Please refer to the “Risk Management” section of this Annual Report for a description of (a) the Board’s oversight of climate-related risks and opportunities, and (b) Group Management’s role in assessing and managing risks and opportunities, as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).

External information

Husqvarna Group employs a series of procedures, controls and systems to ensure that the Group is able to provide the market with timely and accurate information to the extent required by applicable law and good corporate practice, including the disclosure requirements of the EU’s Market Abuse Regulation (MAR) and the Nasdaq Nordic Main Market Rulebook for Issuers of Shares. The Board has delegated to the CEO and an internal Disclosure Committee comprised of the Group’s CFO, General Counsel and Head of People & Organization (HR) the day-to-day responsibility for assessing whether insider information exists (within the

meaning of the MAR), and for ensuring that such information is promptly disclosed or, in exceptional circumstances, to delay such disclosure where necessary to protect the legitimate interests of the Company and otherwise permitted by applicable law.

Financial information is regularly issued in the form of:

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

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

Internal Control Over Financial Reporting

The purpose of this section of the Annual Report is to provide shareholders and other interested parties with an understanding of how internal control is organized within Husqvarna Group. It is limited to internal control over financial reporting.

The description of the Group's internal control activities is based on the COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission). The COSO framework comprises five key components that jointly facilitate achieving the objective of reliable financial reporting.

Control environment

According to the Swedish Companies Act, the Annual Accounts Act and the Swedish Code, the Board is ultimately responsible for establishing an effective internal control system, including that (a) the Company's approved policies for financial reporting and internal controls are applied, (b) the Company's financial reports are produced in accordance with applicable legislation, accounting standards and other requirements for listed companies, and (c) there is an appropriate system for follow-up and control of the Company's financial reporting. The Board of Husqvarna AB has established Rules of Procedure and clear instructions for its work, which also cover the responsibilities and activities of the Audit Committee. The primary responsibility of the Audit Committee is to support the Board's supervision of the audit and reporting processes and to ensure the quality of such processes. The activities performed by the Audit Committee during the year are described on page 50.

Responsibility for maintaining an effective control environment as well as the ongoing work on risk management and internal control over financial reporting is delegated to the CEO by the Board. This responsibility, in turn, is further delegated to Group Management, which sets the tone for influencing control awareness across the Group. Responsibility and authority are defined in instructions to the CEO, as well as within various internal policies, instructions, and guidelines.

Husqvarna Group has a dedicated Internal Control function. The objective of the Internal Control function is to provide support for Group Management and the management of the divisions, enabling them to continuously improve internal control relating to financial reporting. The Audit Committee is regularly informed of the results of the work performed by the Internal Control function.

Risk assessment

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee. An assessment of financial reporting risks is conducted annually. The purpose of the risk assessment is to identify risks that could result in a material misstatement in the financial reporting and to direct internal control activities to manage such risks in a proactive manner.

Control activities

Control activities mitigate the risks identified and ensure accurate and reliable financial reporting as well as process efficiency, and are an integrated part of the processes for accounting and financial reporting. The prerequisite is to ensure that all entities adhere to the accounting principles that are stipulated in the Husqvarna Accounting Manual. For key financial processes, the Group has established internal

control requirements for its reporting units. The Internal Control function is responsible for developing and maintaining the Husqvarna Internal Control Framework and for monitoring the Group's internal controls – with a primary focus on financial controls – to ensure they are maintained at the level required by law and good practice.

Communication

Governing documents such as policies, instructions, guidelines, and manuals are crucial in building a solid internal control environment.

These documents are intended to stipulate the vision and strategy of Husqvarna and point out the important procedures, activities, roles, and responsibilities within Husqvarna Group. One important governing document is the Group Code of Conduct, which highlights the importance of integrity and ethical values in all interactions with employees, business partners and other stakeholders. In addition, the Group's Governance Policy and the Internal Control Policy define the organizational structure, responsibilities, and the overall internal control environment. Guidelines for financial reporting and internal control requirements are communicated to employees through the group-wide intranet. The governance documents related to financial reporting, such as the Husqvarna Accounting Manual, are subject to regular reviews and updates. Changes in accounting procedures are communicated and explained in newsletters from the Group's Accounting Function and at regular meetings.

Monitoring activities

The Group Finance function is responsible for monitoring and follow-up on the reliability of the financial reporting. Furthermore, Country Officers are appointed by Husqvarna Group in each country where the Group has at least one

active subsidiary. The duties of Country Officers include safeguarding reliable financial reporting, compliance with laws and regulations and adherence to Group policies.

Group Management performs monthly reviews of the financial results for the Group and the divisions, as well as updated forecasts, strategic plans and ongoing business activities. Identified internal control deficiencies are communicated in a timely manner to the person responsible for taking corrective action and to the Board, if deemed material. Considerations made in the quarterly closings are reported to the Audit Committee before the financial reports are presented to the financial market.

On behalf of the Board, the Group Internal Audit function supports the development and improvement of internal control over financial reporting and reports directly to the Audit Committee. An annual internal audit plan based on an independent risk assessment is approved by the Board after an initial review by the Audit Committee. Based on this audit plan, Group Internal Audit performs independent and objective audits to evaluate and improve the effectiveness of Husqvarna Group's governance, risk management and internal controls.

Board of Directors and auditors



Tom Johnstone, CBE
Chair of the Board



Ingrid Bonde
Board member



Katarina Martinson
Board member



Bertrand Neuschwander
Board member

Name				
Function				
Born	1955	1959	1981	1962
CV	M. A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, US. Hon. Doc. in Science, Cranfield University, UK. Member of the People & Sustainability Committee.	MBA, Stockholm School of Economics, Sweden. Chair of the Audit Committee.	M. Sc., Stockholm School of Economics, Sweden. Portfolio management for the Lundberg Family. Member of the Audit Committee.	Graduate engineer, Institut National Agronomique de Paris-Grignon, France, with an MBA from INSEAD. Member of the People & Sustainability Committee.
Other major assignments	Board Chair of Collegial AB, Combient AB and Wärtsilä Corporation. Board member of Investor AB, Northvolt AB and Volvo Cars.	Board Chair of Apoteket AB, Alecta and TBD30 AB. Vice Board Chair of Telia Company AB. Board member of Securitas AB.	Board Chair of Indutrade AB. Board member of L E Lundbergföretagen AB, AB Industrivärden, Fastighets AB LE-Lundberg, Förvaltnings AB Lunden, L E Lundberg Kapitalförvaltning AB and Fidelio AB.	Board member of Serge Ferrari Group SA. Chair CPE. Supervisory Committee of IKKS Invest SAS and Scope Holding SAS.
Previous positions	President & CEO of AB SKF 2003–2014. Executive Vice President of AB SKF 1999–2003. President Automotive Division, AB SKF 1995–2003. Senior management positions within AB SKF since 1987.	Chair of Klimatpolitiska Rådet (Swedish Climate Policy Council) 2018–2020. CFO and deputy CEO, Vattenfall AB 2012–2017. CEO and President AMF Pensionsförsäkring 2008–2012. Director General Finansinspektionen 2003–2008.	Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, US 2006–2008, investment research at ISI, International Strategy & Investment Group, New York, US 2005–2006.	Chief Operating Officer, Groupe SEB, France 2014–2019, Senior Executive Vice President for Business Units Brands, Innovation & Strategy, Groupe SEB 2012–2014, Senior Executive Vice President for Business Units Brands & Innovation, Groupe SEB 2010–2012, CEO, Devanlay/Lacoste 2004–2009, Chair and Chief Executive Officer, Aubert Group 2001–2004.
Holdings in Husqvarna on December 31, 2022	990 A-shares, 14,800 B-shares, and 384,024 call options ¹	6,000 B-shares	113,478 A-shares 378,737 B-shares	7,500 B-shares
Nationality/Elected	UK, SE / 2006	SE / 2021	SE / 2012	FR / 2016
Total fees 2022, SEK	2,260,000	910,000	810,000	715,000
Board meeting attendance	17/17	16/17	17/17	17/17
People & Sustainability Committee attendance	5/5	—	—	5/5
Audit Committee attendance	—	6/6	6/6	—
Independent of Husqvarna Group	Yes	Yes	Yes	Yes
Independent of major shareholders	No	Yes	No	Yes

¹ Consisting of (a) 192,012 call options issued by Investor AB entitling to purchase Husqvarna B-shares and (b) 192,012 call options issued by L E Lundbergföretagen AB entitling to purchase Husqvarna B-shares.

Board of Directors and auditors, cont.



Daniel Nodhäll
Board member



Lars Pettersson
Board member



Christine Robins
Board member

Name	Daniel Nodhäll	Lars Pettersson	Christine Robins
Function	Board member	Board member	Board member
Born	1978	1954	1966
CV	M. Sc., Stockholm School of Economics, Sweden. Managing Director, Head of Listed Companies at Investor AB. Member of the Audit Committee.	M. Sc. in Applied Physics, Material Sciences, Uppsala University, Sweden. Hon. Doc. at Uppsala University. Chair of the People & Sustainability Committee.	BBA in Marketing and Finance, University of Wisconsin, Madison, US and an MBA from Marquette University, Milwaukee, US.
Other major assignments	Board member of Electrolux Professional AB (publ) and SAAB AB.	Board member of AB Industrivärden, Indutrade AB and L E Lundbergföretagen AB.	
Previous positions	Analyst focused on the engineering sector at Investor AB since 2002.	President & CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002.	Business Unit CEO at Newell Brands, US 2020–2023. President & CEO of Char-Broil LLC, Columbus, US 2014–2019. President & CEO of BodyMedia, Pittsburgh, US 2009–2014. President & CEO of Philips Oral Healthcare, Seattle, US 2005–2009. Marketing and Finance positions within S.C. Johnson company 1988–2005.
Holdings in Husqvarna on December 31, 2022	10,000 B-shares	5,000 B-shares	American Depositary Receipts (ADR) B 1,866
Nationality/Elected	SE / 2013	SE / 2014	US / 2017
Total fees 2022, SEK	810,000	775,000	630,000
Board meeting attendance	17/17	17/17	15/17
People & Sustainability Committee attendance	—	5/5	—
Audit Committee attendance	6/6	—	—
Independent of Husqvarna Group	Yes	Yes	Yes
Independent of major shareholders	No	No	Yes

Union Appointed Board Members and Deputies



Name
Function

Anders Krantz¹
Employee representative

Born

1973

CV

Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 0 shares.



Anders Köhler
Deputy employee representative

1973

Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 30 A-shares, 1,050 B-shares.



Daniel Tornberg²
Employee representative

1977

Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 245 B-shares.



Dan Byström²
Deputy employee representative

1971

Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 10 B-shares.

¹ Anders Krantz replaced Tina Helmke Hallberg on December 12, 2022.

² Daniel Tornberg was appointed as employee representative and Dan Byström was appointed deputy employee representative on September 12, 2022

Auditors

KPMG AB, Joakim Thilstedt, Authorized Public Accountant. Born 1967.

Other audit assignments include: Addtech, AFRY, Ahlsell, Concentric and Synsam.

Holdings in Husqvarna: 0 shares.

Group Management



Name Function	Pavel Hajman Acting CEO*	Brian Belanger Executive Vice President Legal Affairs, General Counsel and Secretary to the Board	Terry Burke CFO and Executive Vice President Finance, IR & Communication	Leigh Dagberg Executive Vice President, People & Organization	Glen Instone President, Husqvarna Forest & Garden Division and Executive Vice President Husqvarna Group	Karin Falk President, Husqvarna Construction Division and Executive Vice President Husqvarna Group	Erik Winberg Executive Vice President, Strategy & Innovation	Pär Åström President, Gardena Division and Executive Vice President Husqvarna Group
Born	1965	1969	1972	1970	1977	1965	1967	1972
CV	M. Sc. in Industrial Engineering and Management, Linköping Institute of Technology, Sweden. Employed 2014. Member of Group Management since 2014.	J.D./LLM, Duke University School of Law. Employed 2006. Member of Group Management since 2015.	Chartered Certified Accountant (FCCA). Employed 2010. Member of Group Management since 2022.	M. Sc. in Organizational Behaviour, University of London, UK. B.A. in History, University of California, Berkeley, US. Employed 2013. Member of Group Management since 2018.	B.A. (Hons) in Accounting & Finance, University of Tees-side, UK. Chartered Institute of Management Accountants (ACMA). Employed 2002. Member of Group Management since 2018.	B. Sc. Business Administration and Economics, School of Economics and Law, Gothenburg, Sweden. Employed 2020. Member of Group Management since 2020. Board Member of Wärtsilä Corporation.	BSc in Economics at Stockholm School of Economics, Sweden. Employed 2021. Member of Group Management since 2021.	M. Sc. in Industrial Engineering & Management, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2015.
Previous positions	Senior Vice President, Group Operations Development 2018–2020. President, Husqvarna Division 2014–2018. Executive Vice President, Head of Asia/Pacific, Husqvarna Group 2014. President Assa Abloy AHG Greater China 2013–2014. Various positions in Seco Tools, President Asia/Pacific, Senior Vice President Group Business Development, Regional Director CEE, 1990–2013.	Vice President Legal Affairs Husqvarna Asia/Pacific Region 2009–2012, with temporary additional assignments as Acting General Counsel Husqvarna Americas 2013 and acting Head of Asia/Pacific Sales Region 2014. Associate General Counsel, Husqvarna Americas, 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.	Various positions in Husqvarna Group: VP Finance Husqvarna Forest & Garden Division 2017–2022. VP Finance Gardena Division 2014–2016. VP Finance Manufacturing/Supply Chain 2013–2014. Regional Business Controller 2010–2012.	Vice President and Head of People & Organization, Husqvarna Group 2018. Vice President Talent Management, Husqvarna Group 2013–2018. Manager, PwC Consulting 2012–2013. Partner and Consultant, MindShift 2002–2012. Head of Research & Consulting, Manager, Universum 1997–2000. Research Specialist and Product Developer, Information Express 1992–1996.	Various positions in Husqvarna Group; CFO and Executive Vice President Finance, IR & Communication 2018–2022. Vice President Global Sales & Services, Husqvarna Division 2016–2018, VP & CFO Husqvarna Division 2014–2017, VP & CFO EMEA, 2013–2014, VP & CFO Manufacturing, Logistics and Sourcing 2011–2013, VP & CFO Global Supply Chain 2009–2011.	Various positions in Volvo Group; Senior Vice President, Volvo Trucks Services & Customer Quality 2016–2020. Executive Vice President, Corporate Strategy & Brand Portfolio 2012–2016. President, Non-Automotive Purchasing 2008–2012. Volvo Car Corporation, Vice President, Volvo Car Customer Service 2006–2008. Volvo Car Corporation, President, Volvo Car Special Vehicles 2001–2006. Volvo Cars and Volvo Group, various positions 1988–2001.	Partner Normann Partners 2020–2021. Vice President Strategic Planning, Tetra Pak International 2011–2019. Vice President and Partner, Bain & Company Inc. Nordic 1996–2011.	Senior Vice President, Business Development, Husqvarna Group 2013–2018. Principal, Kearney Management Consultants 2007–2013. Kearney and Occam Associates Management Consulting 1998–2007
Holdings in Husqvarna on December 31, 2022	120,698 B-shares	78,350 B-shares	20,409 B-shares	30,360 B-shares	55,914 B-shares	4,080 B-shares	0 shares	100,516 B-shares

* As per December 18, 2022, Pavel Hajman was appointed acting CEO.

Consolidated income statement

SEKm	Note	2022	2021
Net sales	3	54,037	47,059
Cost of goods sold	5, 6	–39,424	–31,546
Gross income		14,613	15,513
Selling expenses	5	–8,770	–7,152
Administrative expenses	5	–3,001	–2,704
Other operating income	5, 7	212	112
Other operating expenses	5, 7	–11	–23
Operating income	3, 4, 8	3,043	5,746
Financial income	9	38	42
Financial expenses	9	–499	–294
Financial items, net		–461	–252
Income after financial items		2,581	5,494
Income tax	10	–649	–1,057
Net income for the period		1,932	4,437
Net income for the period attributable to:			
Equity holders of the Parent Company		1,935	4,437
Non-controlling interests		–2	0
Net income for the period		1,932	4,437
Earnings per share:			
Before dilution, SEK	11	3.39	7.76
After dilution, SEK	11	3.38	7.73
Average number of shares outstanding:			
Before dilution, millions	11	570.4	571.5
After dilution, millions	11	573.0	574.1

Consolidated Comprehensive Income Statement

SEKm	Note	2022	2021
Net income for the period		1,932	4,437
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements on defined benefit pension plans, net of tax		436	674
Total items that will not be reclassified to the income statement, net of tax		436	674
Items that may be reclassified to the income statement:			
Exchange rate differences on translating foreign operations			
Currency translation differences	19	2,728	1,632
Net investment hedge, net of tax	19	–916	–634
Cash flow hedges			
Result arising during the period, net of tax	19	–94	43
Reclassification adjustments to the income statement, net of tax	19	6	–63
Total items that may be reclassified to the income statement, net of tax		1,723	979
Other comprehensive income, net of tax		2,159	1,653
Total comprehensive income		4,091	6,090
Total comprehensive income attributable to:			
Equity holders of the Parent Company		4,094	6,089
Non-controlling interests		–2	0
Total comprehensive income		4,091	6,090

Consolidated Balance Sheet

SEKm	Note	31 Dec 2022	31 Dec 2021
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	7,151	7,309
Right of use assets	13	2,288	1,814
Goodwill	14	10,187	9,305
Other intangible assets	14	8,408	7,680
Investments in associated companies	15	16	36
Derivatives	26	53	5
Other non-current assets	16	913	888
Deferred tax assets	10	1,834	1,534
Total non-current assets		30,849	28,571
<i>Current assets</i>			
Inventories	17	19,334	14,030
Trade receivables	20	6,267	4,310
Derivatives	26	795	324
Current tax receivables		524	194
Other current assets	18	1,538	1,283
Cash and cash equivalents	20	2,328	2,208
Total current assets		30,787	22,349
Total assets		61,636	50,920

SEKm	Note	31 Dec 2022	31 Dec 2021
Equity and liabilities			
<i>Equity attributable to equity holders of the Parent Company</i>			
Share capital	19	1,153	1,153
Other paid-in capital	19	2,605	2,605
Other reserves	19	2,048	325
Retained earnings	19	18,196	17,549
Total equity attributable to equity holders of the Parent Company		24,002	21,633
Non-controlling interests	19	10	14
Total equity		24,011	21,646
<i>Non-current liabilities</i>			
Borrowings	26	8,927	3,772
Lease liabilities	26	1,708	1,362
Derivatives	26	—	19
Deferred tax liabilities	10	2,056	2,237
Provisions for pensions and other post-employment benefits	21	1,681	2,192
Other provisions	22	700	634
Total non-current liabilities		15,072	10,217
<i>Current liabilities</i>			
Trade payables	20	7,111	6,990
Current tax liabilities		667	1,636
Other liabilities	23	4,097	3,936
Borrowings	26	7,700	4,442
Lease liabilities	26	649	487
Derivatives	26	912	686
Other provisions	22	1,416	878
Total current liabilities		22,553	19,056
Total equity and liabilities		61,636	50,920

Consolidated Cash Flow Statement

SEKm	Note	2022	2021
Cash flow from operations			
Operating income		3,043	5,746
Non cash items			
Depreciation/amortization and impairment	5, 12, 13, 14	3,342	2,241
Other non cash items		637	71
Cash items			
Paid restructuring costs		-222	-192
Net financial items, received/paid		-247	-180
Taxes paid		-2,318	-198
Cash flow from operations, excluding change in operating assets and liabilities		4,234	7,487
Change in operating assets and liabilities			
Change in inventories		-3,832	-2,695
Change in trade receivables		-1,511	-528
Change in trade payables		-336	1,476
Change in other operating assets/liabilities		-264	-76
Cash flow from operating assets and liabilities		-5,943	-1,824
Cash flow from operations		-1,709	5,664

SEKm	Note	2022	2021
Investments			
Acquisitions subsidiaries/operations	27	-85	-3,935
Divestments of subsidiaries/operations		—	73
Sale of property, plant and equipment		240	8
Investments in property, plant and equipment and intangible assets	12, 14	-2,344	-2,524
Investments and divestments of financial assets		-112	2
Cash flow from investments		-2,301	-6,376
Cash flow from operations and investments		-4,009	-713
Financing			
Proceeds from borrowings	26	10,796	2,100
Repayment of borrowings	26	-2,543	-3,803
Repayment of lease liabilities	26	-540	-478
Net investment hedge	26	-2,131	63
Change in other interest-bearing net debt excluding liquid funds	26	105	137
Dividend paid to shareholders		-1,711	-1,375
Dividend paid to non-controlling interests		-2	-2
Cash flow from financing		3,975	-3,357
Total cash flow		-35	-4,070
Cash and cash equivalents at the beginning of the year		2,208	6,151
Exchange rate differences referring to cash and cash equivalents		154	126
Cash and cash equivalents at year-end		2,328	2,208

Consolidated Statement of Changes in Equity

SEKm	Attributable to equity holders of the Parent Company					Non-controlling interests (Note 19)	Total equity
	Share capital (Note 19)	Other paid-in capital (Note 19)	Other reserves (Note 19)	Retained earnings (Note 19)	Total		
Opening balance January 1, 2021	1,153	2,605	–654	13,955	17,059	3	17,062
Net income for the period				4,437	4,437	0	4,437
Other comprehensive income			979	674	1,653	—	1,653
Total comprehensive income			979	5,110	6,089	0	6,090
Transactions with owners							
Share-based payment				194	194	—	194
Hedge for LTI-programs				–335	–335	—	–335
Acquisition of non-controlling interest						12	12
Dividend to non-controlling interests						–2	–2
Dividend SEK 3.00 per share				–1,375	–1,375		–1,375
Closing balance December 31, 2021	1,153	2,605	325	17,549	21,633	14	21,646
Net income for the period				1,935	1,935	–2	1,932
Other comprehensive income			1,723	436	2,159	—	2,159
Total comprehensive income			1,723	2,371	4,094	–2	4,091
Transactions with owners							
Share-based payment				78	78	—	78
Hedge for LTI-programs				–92	–92	—	–92
Dividend to non-controlling interests						–2	–2
Dividend SEK 3.00 per share				–1,711	–1,711		–1,711
Closing balance December 31, 2022	1,153	2,605	2,048	18,196	24,002	10	24,011

Note 1 Accounting principles

BASIS OF PREPARATION

Husqvarna AB (publ), Swedish Corporate ID No. 556000-5331, is a limited liability company registered in Sweden. The Company's registered office is in Jönköping at the visiting address Drottninggatan 2, SE-561 31 Huskvarna, Sweden. The Husqvarna AB (publ) share is listed on NASDAQ Stockholm's Large Cap list. The head office visiting address is Regeringsgatan 28, SE-111 53 Stockholm.

The consolidated financial statements of Husqvarna AB (publ.) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Entities within Husqvarna Group apply the same accounting principles. The principles set out below have been consistently applied to all years presented, unless otherwise stated. In addition, the Swedish Annual Accounts Act and RFR 1, Supplementary Rules for Groups, have been applied. The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities carried at fair value through profit or loss (derivative instruments) and financial assets at fair value through 'Other comprehensive income' (trade receivables not sold but part of factoring programmes).

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

The annual report for the Group and for Husqvarna AB (publ.), including financial statements, was approved for issuance on March 10, 2023. The balance sheets and income statements are subject to approval by the Annual General Meeting of the shareholders on April 4, 2023.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

There are no new or amended standards adopted by Husqvarna Group from January 1, 2022 that have had a material impact on the Group.

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

ACCOUNTING AND VALUATION PRINCIPLES

Principles applied for consolidation

Subsidiaries

The financial statements include Husqvarna AB (publ.) and all companies (subsidiaries) which the Parent Company controls. Husqvarna Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and is able to affect those returns through its power over the entity. The Group generally controls a company by a shareholding of more than 50% of the voting rights referring to all shares and participations. Subsidiaries are included in the Consolidated Statements from the date on which control is transferred to the Group. Companies that have been sold are included in the Consolidated Statements up to the time when the control ceases.

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

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

Transactions with non-controlling interests

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

Foreign currency translations

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

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

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

The income statements and balance sheets for all Group companies with functional currency other than the presentation currency of Husqvarna Group are translated to the Group's reporting currency.

Assets and liabilities for each balance sheet presented are translated at the closing rate. Income and expenses for each income statement are translated at average year-to-date rates.

All currency translation differences that occur from the translation are accounted for in other comprehensive income. When a foreign operation is divested, accumulated currency translation differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair-value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

Husqvarna Group's operating segments are reported in a manner consistent with the internal reporting provided to the CEO (Husqvarna Group's chief operating decision maker) as a basis for evaluating the performance and for decisions on how to allocate resources to the segments. Husqvarna Group comprises three segments (divisions): Husqvarna Forest & Garden Division, Gardena Division, and Husqvarna Construction Division. For a more detailed description of the segments, see note 3.

Property, plant and equipment

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

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

Husqvarna Group applies component depreciation, which means that larger tangible assets are broken down into component parts with different useful lives and thus different depreciation periods.

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

Intangible assets

Goodwill

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

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

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

Brands

Brands that have been acquired separately are shown at historical cost. Brands that have been acquired through business combination are recognized at fair value at the acquisition date. All brands with finite useful lives are amortized on a straight-line basis during the useful life, estimated at 10 years. Brands are carried at cost less accumulated amortization and accumulated impairment. The acquired trade names within the Gardena Division are reported as an intangible asset with indefinite useful life.

Product development

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

Customer relationships

Customer relationships are measured at fair value at the time of the acquisition. The values of these customer relationships are amortized over their useful lives of 5–12 years.

Other intangible assets

Other intangible assets include computer software, patents and licenses. Computer software, patents and licenses are recognized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. Computer software has an estimated useful life of 3–6 years and patents and licenses have a useful life of 10–13 years.

Cloud-based arrangements

Husqvarna Group makes use of cloud-based arrangements, also called Software-as-a-Service (SaaS). This means that Husqvarna Group receives access to cloud-based software, where access could for example be reached through the internet but the supplier still has control of the asset. Expenses for receiving access to the software are accounted for over the period during which Husqvarna Group receives access to the software. If expenses occur due to configuration or adapting of the software where the supplier has control, the expenses are recognized when the services are received and if the service is distinct. Development costs could occur in order to make it possible for existing software (where Husqvarna Group has the control) to interact with the cloud-based software (where the supplier has the control). In these cases, development costs on existing software could be capitalized if the criteria for recognizing an intangible asset are fulfilled

Associates

Associates are all companies over which Husqvarna Group has significant influence but not control. The Group generally has significant influence over a company if it holds a shareholding between 20% and 50% of the voting rights. Husqvarna Group applies the equity method to account for investments in associates. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in 'Profit or loss', and the Group's share of movements in other comprehensive income of the investee in 'Other comprehensive income'. Dividends received or receivables from associates are recognized as a reduction in the carrying amount of the investment.

Impairment of non-financial assets

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

Financial instruments

Recognition and measurement of financial instruments

Regular purchases and sales of financial assets are recognized on the trade date, the date on which Husqvarna Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset

at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

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

Offsetting financial instruments

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

Financial assets

Classification and subsequent measurement

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

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

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

Interest-bearing assets

Interest-bearing assets are those financial instruments that meet the definition of a financial liability from the issuer's perspective.

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

Amortized cost

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

Fair value through other comprehensive income (FVOCI)

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

Husqvarna Group reclassifies interest-bearing assets only when its business model for managing those assets changes.

Impairment and expected loss

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

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

Financial liabilities

Classification and subsequent measurement

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

Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Husqvarna Group designates certain derivatives as either hedges of highly probable forecast transactions (cash flow hedges) or hedges of net investments in a foreign operation (net investment hedges).

When hedging net investments in foreign operations and forecasted cash flows from sales and purchases, the hedged risk is defined as the risk of changes in the spot rate.

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

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank deposits and other short-term highly liquid investments.

Inventories

Inventories and work in progress are valued at the lower of cost and net realizable value. The value of inventories is determined by using the weighted average cost formula. Net realizable value is defined as the

estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to execute the sale at market value. Gains and losses previously deferred in equity on hedged forecast transactions are also included in the initial measurement cost of the inventory. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and other related production overheads. Borrowing costs are not included in inventory.

Current and deferred tax

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

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

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

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

Taxes incurred by Husqvarna Group are affected by appropriations and other taxable (or tax-related) transactions in the individual Group companies. They are also affected by the utilization of tax losses carried forward referring to previous years or to acquired companies.

Deferred tax assets on tax losses, temporary differences and tax credits are recognized to the extent it is probable that they will be utilized in the foreseeable future.

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

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

Pensions and other post-employment benefits

Pension obligations

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

Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal obligation to pay further con-

tributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

Termination benefits

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

Share-based compensation

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

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

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

Provisions

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

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

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

Revenue recognition

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

Sale of finished products including spare parts and accessories

Husqvarna Group manufactures and sells finished products, spare parts and accessories mainly to dealers and retailers but also directly to consumers. In customer contracts accompanying the sale of finished products there are generally two performance obligations: products and shipping services. Revenue recognition will occur at a point in time when control of the asset is transferred to the customer, which depends mainly on the terms of delivery (incoterms) used. Husqvarna Group is the principal for both the sale of the goods and the shipping service, hence the 'gross' amount paid by the customer for the shipping service is recognized as revenue and the corresponding expense is recognized in cost of goods sold.

The products are sometimes sold with volume-related discounts based on the aggregated sales over a specific time period, normally 1 year. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts using either the expected-value method or an assessment of the most likely amount. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for any expected volume discount payable to customers in relation to sales made up to the end of the reporting period. The estimated volume discount is revised at each reporting date.

A right of return is sometimes granted in the retail and consumer industry. A right of return can follow from legislation, statutory requirements or business practice, or be stated in the contract with the customer. Revenue is not recognized for goods expected to be returned – instead, a refund liability (included in 'Other current liabilities') and a right to the returned goods (included in 'Other current assets') are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale (the 'Expected value' method). The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

Services

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

Husqvarna Group sells some extended warranties that are separately priced. The revenue is recognized during the warranty period, which usually starts after the standard warranty period. The revenue is recognized on a linear basis over the contract period, unless there is evidence that some other method better measures progress toward satisfying the performance obligation. Warranty during the standard warranty terms is recognized as a provision.

License agreements

Husqvarna Group licenses brand names to other companies. The license provides the licensee with a right to access intellectual property throughout the license period. The most common license types for Husqvarna Group are sales- or usage-based royalties where the revenue is recognized when the underlying sales or usage occur.

Interest income

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

Dividend income

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

Government grants

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

Leasing

Husqvarna Group mainly leases assets within the categories "Land and buildings" (warehouses, office space and factories), "Forklifts and machinery", and "Cars and other vehicles". The lease contracts contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Group's lease contracts for buildings typically range from a 3 to 10 years' non-cancellable lease term at inception, depending on the type of property. Forklift leases within the Group usually have a non-cancellable lease term of 5 years at inception, and cars 3 years. Extension and termination options are included in some of the lease contracts. These terms are used to maximize operational flexibility in terms of managing contracts. Most of the extension and termination options held are exercisable only by the Group and not by the lessor. Extension and termination

options are included in the lease term only if they are reasonably certain to be utilized. Extension/termination options for some of these assets may sometimes be used at a later date.

Leases are recognized as right-of-use assets (tangible assets), with a corresponding lease liability at the date at which the leased asset is available for use by the Group. Lease liabilities due within 12 months are classified as short-term liabilities, while those due after 12 months are classified as long-term liabilities. Each lease payment is allocated between amortization of the lease liability and interest. The interest component is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis either over the period of the asset's useful life or the lease term, whichever is the shorter.

Assets and liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less lease incentives receivable
- Variable lease payments based on an index or a rate
- Amounts expected to be payable by the Group under residual-value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that termination option.

The lease payments are discounted using the incremental borrowing rate as the interest rate implicit in the lease contracts cannot be readily determined. The incremental borrowing rate is calculated per country and for different durations.

Right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs, and
- Restoration cost.

Payments associated with short-term leases and leases of low value are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a value of SEK 50,000 or less when in new condition. Service payments are included as part of the lease liability for “Forklifts and machinery” and “Cars and other vehicles”, and excluded for “Land and buildings”.

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

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

Items affecting comparability
Under Items affecting comparability, Husqvarna Group includes items that have the character of being non-recurring, such as restructuring costs, and are relevant when comparing earnings for one period with those of another.

Note 2 Important accounting estimates and assessments

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

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

Inventory
Husqvarna Group's inventory is accounted for to the lower of the acquisition value in accordance with the weighted average cost formula, and the net realizable value. The net realizable value is adjusted for the estimated write-down for older articles, physically damaged goods, excess inventory and sales costs. The Group's large seasonality in stockpiling and sales together with weather-dependent products increases the difficulty of estimating the value of inventory. To minimize these difficulties, Husqvarna Group is constantly working to streamline the production chain, keep the inventory levels on a reasonably low level, and focus on the inventory valuation to ensure that it is accurate in accordance with the circumstances on the closing date.

Provisions for pensions and other post-employment benefits
The present value of the Group's net pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used to calculate the net pension liability include discount rate, inflation, mortality, future salary increases etc. Any changes in these assumptions will impact the carrying amount of the net pension liability. A sensitivity analysis of the effect of a change in the main assumptions, and potential risks affecting the liabilities, are included in note 21.

Note 3 Segment information

Husqvarna Group has a brand-driven organization and structure with three separate reporting divisions. The Husqvarna Forest & Garden Division offers products and solutions for professional users in forestry, tree care, landscaping and other commercial lawn and garden services as well as for premium consumer segments. The Gardena Division is the global number one in residential watering and 'smart garden' and a leader in high-quality hand tools, robotics and electric garden tools. The Husqvarna Construction Division is a global leader in machinery for the construction industry and in diamond tools for the construction and natural-stone-processing industries. The divisions form the basis for the Group's internal reporting reviewed by the CEO (the Group's chief operating decision maker) in order to assess performance and make decisions on resource allocation.

The divisions are responsible for their operating income (excluding items affecting comparability), direct operating cashflow and net assets, which are the financial measures used when the CEO evaluates the performance of the segments. Net financial income/expense, tax, net debt and equity are unallocated items that are not reported by division.

The divisions consist of both separate legal companies and companies divided between divisions. For companies that are part of more than one division, costs and net assets are allocated between the divisions concerned. Operating costs not included in the divisional figures are shown under 'Group common' costs, which mainly include costs for corporate functions. No sales of finished products are made between the divisions.

The segment reporting is based on the same accounting principles as for the Group. The divisions are responsible for the management of operational assets and their performance is measured at this level. Group Treasury is responsible for financing at Group and country level. Consequently, liquid funds, interest-bearing receivables and liabilities, equity and tax items are not allocated to the divisions.

All divisions include production, development, logistics, marketing and sales. The Husqvarna Forest & Garden Division and Gardena Division are divided into six product categories: wheeled, robotics, handheld, watering, digital solutions and accessories. 'Group common' Income includes royalty income from licensing of intellectual property such as brands to customers.

Note 3 – Segment information, cont.

SEKm	Husqvarna Forest & Garden Division		Gardena Division		Husqvarna Construction Division		Group common		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales ¹	32,082	29,217	13,606	10,537	8,232	7,210	117	94	54,037	47,059
Reported growth	9.8%	9.8%	29.1%	11.8%	14.2%	23.4%	—	—	14.8%	12.2%
Organic growth	0.3%	15.4%	–7.2%	13.8%	2.1%	17.6%	—	—	–1.0%	15.4%
Operating income	1,807	3,699	918	1,552	713	840	–396	–345	3,043	5,746
Operating margin, %	5.6%	12.7%	6.8%	14.7%	8.7%	11.7%	—	—	5.6%	12.2%
Financial items, net	—	—	—	—	—	—	—	—	–461	–252
Income tax	—	—	—	—	—	—	—	—	–649	–1,057
Net income for the period	—	—	—	—	—	—	—	—	1,932	4,437
Items affecting comparability ²	–1,417	–2	–254	23	–140	0	1	41	–1,810	62
Operating income excl. items affecting comparability	3,224	3,701	1,173	1,529	854	840	–397	–386	4,853	5,684
Operating margin excl. items affecting comparability	10.0%	12.7%	8.6%	14.5%	10.4%	11.7%	—	—	9.0%	12.1%
Depreciation, amortization and impairments	–1,441	–1,381	–645	–440	–487	–408	–24	–9	–2,597	–2,238
EBITDA ³ excl. items affecting comparability	4,665	5,082	1,818	1,969	1,340	1,248	–373	–377	7,450	7,922
Change in inventories	–2,843	–954	–600	–1,344	–389	–397	—	—	–3,832	–2,695
Change in trade receivables	–1,313	–478	–165	168	–33	–201	0	–17	–1,511	–528
Change in trade payables	454	680	–711	532	–79	262	–1	2	–336	1,476
Investments	–1,355	–1,150	–525	–1,026	–387	–317	–77	–31	–2,344	–2,524
Direct operating cash flow³	–392	3,180	–183	299	453	595	–450	–424	–572	3,651
Inventories	10,976	7,387	5,709	4,601	2,649	2,042	—	—	19,334	14,030
Trade receivables	4,007	2,456	1,022	763	1,238	1,089	1	1	6,267	4,310
Trade payables	–4,560	–3,872	–1,587	–2,126	–960	–988	–3	–3	–7,111	–6,990
Operating working capital³	10,422	5,971	5,144	3,238	2,926	2,143	–3	–3	18,490	11,350
Operating working capital / net sales ³ , %	28.6%	21.2%	33.5%	18.8%	34.2%	29.2%	—	—	30.6%	21.8%
Net assets	18,187	13,657	16,798	13,740	7,334	6,281	–599	–2,408	41,720	31,270
Whereof assets	26,228	20,422	20,010	17,395	9,058	7,994	2,471	1,771	57,767	47,581
Whereof liabilities	–8,041	–6,765	–3,213	–3,655	–1,724	–1,713	–3,070	–4,179	–16,047	–16,312
Net debt	—	—	—	—	—	—	—	—	17,709	9,623
Equity	—	—	—	—	—	—	—	—	24,011	21,646

¹ The majority of net sales are recognized at a point in time.

² Regarding items affecting comparability, see page 35 in the Board of Directors' Report.

³ Alternative Performance Measure, refer to "Financial Definitions".

Geographic information

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

SEKm	External sales		Non-current assets ¹	
	2022	2021	2022	2021
Germany	6,987	7,292	8,808	7,700
France	3,162	2,865	53	79
Sweden	2,086	2,253	5,707	6,195
Austria	1,627	1,569	30	32
Rest of Europe	14,095	12,643	2,239	2,088
Asia/Pacific	4,790	4,443	1,332	1,345
Canada	2,005	1,515	227	196
US	16,682	12,190	9,577	8,435
Latin America	2,243	1,704	50	33
Rest of the World	359	587	11	5
Total	54,037	47,059	28,034	26,108

¹ Non-current assets include property, plant and equipment, goodwill, other intangible assets and right-of-use assets.

Information on major customers

Husqvarna Group has no individual customer that accounts for 10% or more of the Group's total net sales.

Net sales per product category

SEKm	2022	2021
Forest, park and garden products	45,687	39,754
Construction products	8,232	7,210
Other	117	94
Total	54,037	47,059

Note 4 Employees and employee benefits

Average number of employees (full-time equivalents)	2022			2021		
	Men	Women	Total	Men	Women	Total
Sweden	1,840	636	2,476	1,710	561	2,272
Germany	1,530	807	2,337	1,380	739	2,119
Czechia	498	566	1,063	600	727	1,326
UK	319	109	428	301	93	394
Poland	408	239	647	270	204	474
Rest of Europe	1,325	519	1,844	1,381	489	1,870
Total Europe	5,918	2,876	8,795	5,642	2,813	8,455
China	616	311	926	642	301	943
Japan	246	39	285	265	42	306
Rest of Asia/Pacific	294	106	400	279	84	364
Total Asia/Pacific	1,156	455	1,611	1,186	427	1,613
US	2,384	1,079	3,463	2,309	987	3,295
Canada	79	50	129	89	45	134
Total North America	2,463	1,129	3,592	2,397	1,032	3,429
Brazil	177	78	255	158	67	226
Rest of Latin America	67	29	96	59	24	83
Total Latin America	244	107	351	217	91	309
Other markets	42	25	67	42	26	67
Total	9,823	4,593	14,416	9,484	4,389	13,873
Gender distribution, %:						
Board members	83	17		90	10	
Presidents and other senior managers	89	11		89	11	

Salary and remuneration

SEKm	2022	2021
Salary expenses	7,530	6,572
Social expenses	1,506	1,153
Pension expenses – defined-benefit obligations	209	235
Pension expenses – defined-contribution plans	243	196
Total	9,488	8,156
Whereof remuneration to Board, Presidents and other senior managers ¹		
Salary expenses	138	151
(whereof variable salary expenses)	(70)	(90)
Social expenses	36	46
Pension expenses	17	14

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

SEKt	2022					
	Fixed salary ¹	Variable salary	Pension costs	Cost of long term incentive programmes ²	Other benefits ³	Severance pay etc.
CEO	11,155	—	4,400	8,000	29	—
Acting CEO	277	—	0	0	0	—
Other members of Group Management ⁴	33,443	1,180	8,219	19,076	566	—
Total	44,875	1,180	12,619	27,076	595	—

¹ Including holiday pay.

² The cost is calculated based on the principal in IFRS 2 and allocated over the vesting period. The cost is related to LTI 2020, LTI 2021 and LTI 2022.

³ Refers to housing, travel, car, insurance and relocation benefits.

⁴ Other members of Group Management comprise of seven individuals at year-end. One individual has joined Group Management during the year.

SEKt	2021					
	Fixed salary ¹	Variable salary	Pension costs	Cost of long term incentive programmes ²	Other benefits ³	Severance pay etc.
CEO	10,115	9,405	3,960	9,845	24	—
Other members of Group Management ⁴	28,084	18,720	8,455	27,868	3,805	—
Total	38,199	28,125	12,415	37,713	3,829	—

¹ Including holiday pay.

² The cost is calculated based on the principal in IFRS 2 and allocated over the vesting period. The cost is related to LTI 2019, LTI 2020 and LTI 2021.

³ Refers to housing, travel, car, insurance and relocation benefits.

⁴ 'Other members of Group Management' comprised eight individuals at year-end. Two individuals have joined and four individuals have left Group Management during the year.

Remuneration to Group Management

For the CEO and other members of Group Management, the guidelines for remuneration approved by the 2021 AGM apply. The guidelines apply to contracts of employment entered into after the 2021 AGM and also to amendments made thereafter to contracts of employment that are in force. Remuneration to Group Management is determined by the Board of Directors based on proposals from the Board of Directors' People & Sustainability Committee. Under special circumstances, the Board of Directors may deviate from these guidelines. In the case of such deviation, the next AGM shall be informed of the reasons.

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

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

An agreement about severance payment was made in February 2023 with the CEO, Henric Andersson. Severance payment, including pension premium, is a total amount of SEK 14,6m. This cost is not included in the table above but will be disclosed in the Annual Report for 2023.

Terms of employment for the CEO

The remuneration to the CEO comprises fixed salary, variable salary based on annual targets, long-term incentive programs, and pension and insurance benefits. The annual fixed salary to the CEO amounts to SEK 11,000,000, effective January 1, 2022. The variable salary amounts to a maximum of 100% of the fixed salary (50% at Target level). The CEO participates in the Group's long-term incentive programs for 2020, 2021 and 2022 (LTI 2020, LTI 2021 and LTI 2022). For information on these programs, see "Long-term incentive programs (LTI)" below.

Terms of employment for the acting CEO

The remuneration to the acting CEO comprises fixed salary, variable salary based on annual targets, long-term incentive programs, and pension and insurance benefits. The annual fixed salary to the acting CEO amounts to SEK 7,768, effective December 19, 2022. The variable salary amounts to a maximum of 100% of the fixed salary (50% at Target level). The acting CEO participates in the Group's long-term incentive programs for 2020, 2021 and 2022 (LTI 2020, LTI 2021 and LTI 2022). For information on these programs, see "Long-term incentive programs (LTI)" below.

Pension terms for the CEO and acting CEO

The retirement age for the CEO is 65. The CEO is covered by the collectively agreed ITP plan, the alternative rule of the plan, and the Husqvarna Executive Pension Plan. The Husqvarna Executive Pension Plan is a defined-contribution plan. The employer contribution to the plan is equivalent to 40% of the fixed salary which also includes the contributions for the benefits of the ITP plan, alternative ITP and any supplementary disability and survivor's pension.

Note 4 – Employees and employee benefits, cont.

Terms of employment for other members of Group Management

As with the President and CEO, other members of Group Management receive a remuneration package consisting of fixed salary, variable salary based on annual targets, long-term incentive programs, and pension and insurance benefits. The variable salary amounts to a maximum of 80% of the fixed salary, with the exception of one person where a maximum of 110% applies. Members of Group Management participate in the Group’s long-term incentive programs. For information on these programs, see 'long-term incentive programs (LTI)' below.

Pension terms for other members of Group Management

The members of Group Management employed in Sweden (7 out of 8), with the exception of one person, are covered by the collectively agreed ITP plan, the alternative rule of the plan. These individuals are also covered by the Husqvarna Executive Pension Plan, which is a defined-contribution plan. The employer’s contribution to the plan is equivalent to 35% of the fixed salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor’s pension. However, two of the plan members have a fixed contribution of SEKt 120 per year and the difference between 35% of the fixed salary and SEK 120,000 is instead paid as a cash compensation. The pension age is 65 for the members of Group Management who are employed in Sweden. One of the members of Group Management who is employed in Sweden but resides outside Sweden and is covered by a defined contribution pension plan in the country of residence, Switzerland, with an annual contribution of approx. CHFt 30. The member of Group Management who is not employed in Sweden is covered by the Group’s company retirement plan in the country of employment (Germany) and with an annual contribution of 7% of the fixed salary.

Fees to the Board of Directors

The 2022 Annual General Meeting authorized fees to the Board of Directors amounting to SEK 7,540 thousand (6,615 in total, of which SEK 2,175 thousand (2,075) was paid to the Chairman and SEK 630 thousand (600) to each of the other Board members not employed by the company, plus an additional total of SEK 955 thousand (940) as fees for Board Committee work. No consulting fees were paid to Board members and no Board fees are paid to Board members who are also employed by the Group.

SEK (thousand)	2022			2021
	Fee	committee work	Total fee	Total fee
Tom Johnstone	2,175	85	2,260	2,160
Katarina Martinson	630	180	810	775
Bertrand Neuschwander	630	85	715	685
Daniel Nodhäll	630	180	810	775
Lars Pettersson	630	145	775	745
Christine Robins	630	—	630	600
Ingrid Bonde	630	280	910	875
Stefan Ranstrand ¹	158	—	158	—
Henric Andersson	—	—	—	—
Anders Krantz ²	—	—	—	—
Tina Helmke Hallberg ³	—	—	—	—
Dan Byström ⁴	—	—	—	—
Anders Köhler ⁵	—	—	—	—
Daniel Tornberg ⁶	—	—	—	—
Total	6,113	955	7,068	6,615

¹ Elected at the 2022 AGM but resigned 13 June 2022.

² Appointed as employee representative 12 December 2022.

³ Resigned 1 November 2022.

⁴ Ordinary employee representative but appointed to be deputy 12 September 2022.

⁵ Deputy.

⁶ Deputy but appointed to be ordinary employee representative 12 September 2022.

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

Long-term incentive programmes (LTI)

The purpose of the long-term incentive programmes is to influence and reward performance long term, align shareholders’ and management’s interest, attract and retain key employees, and to some extent provide variable remuneration instead of a fixed salary. The Board of Directors will evaluate each year whether a long-term incentive program (e.g. share-based or share-price based) should be proposed to the AGM. There are three ongoing programmes that are under vest: LTI 2020, LTI 2021 and LTI 2022.

LTI 2020, LTI 2021 and LTI 2022

The Annual General Meetings of 2020, 2021 and 2022 authorized the implementation of the incentive programs LTI 2020, LTI 2021 and LTI 2022, which comprise a maximum of 100 participants, but maximum 135 participants regarding LTI 2022. The vesting period for the programs is three years, and the programs consist of performance share awards.

The number of granted performance-based share awards is based on the participant’s annual target salary (fixed salary plus variable salary at target level). In order to receive performance-based shares, the employee must stay employed for three years after the grant date.

The number of performance-based share awards that vest and give right to Husqvarna Class B-shares further depends on the fulfilment of certain targets, determined by the Board of Directors, for value creation in the company during the calendar years 2020–2022 for LTI 2020, during the calendar years 2021–2023 for LTI 2021 and during the calendar years 2022–2024 for LTI 2022 apply. The LTI 2020 and LTI 2021 programs have a weight of 100% on value creation while the LTI 2022 program has a weight of 90% on value creation and 10% on Carbon dioxide (CO₂) emission reduction. There are three performance levels set for each performance measure, with a linear progression of the number of performance-based share awards from Entry to Stretch/maximum level for each program. The Entry level must have been reached in order for the performance-based share awards to vest. The performance levels correspond to the following number of B-shares:

Performance level	LTI 2020, LTI 2021 and LTI 2022
Entry	10% of target salary / share price ¹
Target	33% of target salary/ share price ¹
Stretch	66% of target salary/ share price ¹

¹ SEK 74.66 for LTI 2020, 104.48 for LTI 2021 and SEK 131.20 for LTI 2022 correspond to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the months of December 2019 to February 2020, during the months of December 2020 to February 2021 for LTI 2021 and during the months of December 2021 to February 2022 for LTI 2022.

The value of the programs is calculated based on the fair value of the share on the grant date, which was SEK 74.00 for LTI 2020, SEK 113.50 for LTI 2021 and SEK 81.80 for LTI 2022, adjusted for expected dividend.

Each program comprises a maximum of the following number of shares: 1,457,483 in LTI 2021 and 1,579,015 in LTI 2022.

LTI 2020 result

The performance period for LTI 2020 ended on December 31, 2022. The following table shows the targets determined by the Board of Directors and the actual result.

Performance measure	Weight	Target level Entry	Target level Target	Target level Stretch	Result
Value Creation, SEKm	100%	2,400	3,200	4,000	6,056
Total result in relation to number of shares at the maximum level, ‘Stretch’					100%

The following table shows the number of performance-based share awards that vest on July 10, 2023 and will then be exchanged for Husqvarna class B-shares to be awarded to participants, based on the result reported above and provided that the participant is still employed at that time.

Participants	Share awards LTI 2020
	Number of shares
CEO	119,337
Other members of Group Management	268,012
Other participants	1,343,933
Total	1,731,282

Outstanding share awards

The table below outlines the number of granted share awards and of forfeited, exercised and outstanding share awards:

Share awards	2022			2020		
	LTI 2022	LTI 2021	LTI 2020	LTI 2021	LTI 2020	LTI 2019
At Jan 1	—	1,502,217	1,812,477	—	2,138,215	1,719,136
Granted	1,629,901	21,919	—	1,534,542	—	—
Forfeited	–50,886	–66,653	–81,195	–32,325	–325,738	–260,539
Exercised	—	—	—	—	—	—
At Dec 31	1,579,015	1,457,483	1,731,282	1,502,217	1,812,477	1,458,597

The LTI programs are expensed during the three years vesting period in line with the expected target fulfilment. During 2022, SEK –111m (–246) has been charged to the income statement, whereof SEK 10m (–64) refers to cost for employer social contributions.

Note 5 Expenses by nature

SEKm	2022	2021
Costs for supplies and raw materials	24,283	19,938
Salaries and remuneration	9,279	8,156
Amortization/depreciation and impairment	3,342	2,241
Other external expenses	14,090	10,978
Total	50,994	41,313

Of the above costs, SEK 2,177m (1,891) refers to research and development. Amortization/depreciation and impairment are specified in the table below.

SEKm	Property, plant and equipment		Intangible assets		Right-of-use assets	
	2022	2021	2022	2021	2022	2021
Cost of goods sold	1,837	987	700	594	127	100
Selling expenses	81	80	—	—	348	299
Administrative expenses	65	34	127	97	56	49
Total	1,984	1,101	827	691	531	448

Impairment for property, plant and equipment was recognized within 'Cost of goods sold' by SEK 747m (22) and within 'Administrative expenses' by SEK 1m (1).

Impairment for intangible assets is recognized within 'Cost of goods sold' by SEK 6m (27) and within 'Administrative expenses' by SEK 0m (2).

Note 6 Exchange-rate gains and losses in cost of goods sold

SEKm	2022	2021
Exchange rate gains and losses in 'Cost of goods sold'	136	68
Total	136	68

'Cost of goods sold' includes SEK –6m (80) of foreign-exchange hedging result previously reported in 'Other comprehensive income'.

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

Note 7 Other operating income and operating expenses

SEKm	2022	2021
Other operating income		
Gain on divestment/liquidation of:		
Property, plant and equipment	34	33
Operations/subsidiaries	178	44
Insurance refund	—	35
Total	212	112
Other operating expenses		
Loss on divestment/liquidation of:		
Property, plant and equipment	–2	–4
Operations/Subsidiaries	–1	–19
Share of profit in associated companies	–8	—
Total	–11	–23

Note 8 Fees to auditors

SEKm	2022	2021
KPMG		
Audit fees for the annual audit engagement	32	21
Audit fees not included in the annual audit engagement	2	2
Tax advice	1	0
Other services	—	0
Total fees to KPMG	34	23
Audit fees to other auditors	2	3
Total fees to auditors	36	27

Note 9 Financial income and expenses

SEKm	2022	2021
Financial income		
Interest income on deposits measured at amortized cost	21	25
<i>Exchange-rate differences</i>		
– on borrowings	329	–462
– on derivatives held for trading	–312	478
Other financial income	0	1
Total financial income	38	42
Financial expenses		
<i>Interest expenses</i>		
– on borrowings	–183	–85
– on cashflow hedges, interest-rate derivatives	5	–19
– on derivatives held for trading	–211	–74
– on lease liabilities	–29	–41
– net on pension assets/liabilities	–19	–22
<i>Exchange-rate differences</i>		
– on borrowings	—	—
– on derivatives held for trading	—	—
Other financial expenses	–64	–54
Total financial expenses	–499	–294
Financial income and expenses, net	–461	–252

Note 10 Tax

SEKm	2022	2021
Current tax on income for the period	–1,018	–693
Deferred tax	369	–364
Total	–649	–1,057

Theoretical and actual tax rate

	2022		2021	
	Tax, %	Result	Tax, %	Result
Income before taxes	—	2,581	—	5,494
Theoretical tax rate	–22.0	–569	–22.1	–1,216
Non-taxable items	2.5	64	1.5	82
Items not deductible for tax purposes	–1.8	–47	–0.7	–39
Change in valuation of current tax	–0.2	–5	–1.0	–54
Utilization of previously unrecognized tax losses	–0.1	–4	–0.1	–6
Effect of tax rate change	0.2	5	–1.0	–57
Withholding tax	–0.3	–7	–0.2	–10
Other*	–3.4	–86	4.4	243
Actual tax rate	–25.1	–649	–19.2	–1,057

* During 2021 'Other' includes a tax effect of SEK 181m due to a favourable outcome in a tax dispute.

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

Tax-loss carry-forwards

As of December 31, 2021, the Group has tax -loss carry-forwards of SEK 502m (795), of which SEK 242m (136) has not been included in computation of deferred tax assets. The tax-loss carry-forwards will expire as follows (gross amounts):

SEKm	2022	2021
Within a year	—	—
1–5 years	17	3
> 5 years	133	44
Without time limit	352	748
Total	502	795

Changes in deferred taxes

SEKm	Opening balance, Jan 1, 2022	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets / subsidiaries	Closing balance, Dec 31, 2022
Non-current assets	–2,566	663	—	71	129	–1,703
Inventories	267	250	—	–17	—	500
Current receivables	32	88	—	–15	—	105
Provision for pensions and similar commitments	466	–139	–143	–12	—	172
Other provisions	251	–46	—	–9	—	196
Financial and xoperating liabilities	293	–142	238	–32	—	357
Other items	310	–139	—	–44	—	127
Tax losses carried forward	244	–171	—	–2	–48	23
Deferred tax assets and liabilities, net	–703	364	95	–59	81	–223

SEKm	Opening balance, Jan 1, 2021	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets / subsidiaries	Closing balance, Dec 31, 2021
Non-current assets	–1,573	–395	—	–41	–557	–2,566
Inventories	281	–14	—	—	—	267
Current receivables	12	22	—	–2	—	32
Provision for pensions and similar commitments	547	87	–176	8	—	466
Other provisions	282	–37	—	6	—	251
Financial and operating liabilities	212	–93	168	6	—	293
Other items	192	108	—	10	—	310
Tax losses carried forward	126	–42	—	17	143	244
Deferred tax assets and liabilities, net	79	–364	–8	4	–414	–703

Tax items recognized in 'Other comprehensive income' total SEK –143 (–176) for items related to remeasurements on defined-benefit pension plans, SEK 25m (–11) for cash-flow hedges and SEK 236m (179) for net investment hedge.

Note 10 – Tax, cont.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Non-current assets	459	113	2,162	2,679	–1,703	–2,566
Inventories	500	308	—	41	500	267
Current receivables	130	34	25	2	105	32
Provisions for pensions and similar commitments	216	466	44	—	172	466
Other provisions	371	322	368	71	3	251
Financial and operating liabilities	357	296	—	3	357	293
Other items	359	335	39	25	320	310
Tax losses carried forward	23	244	—	—	23	244
Deferred tax assets and liabilities	2,416	2,118	2,638	2,821	–223	–703
Set-off of tax	–582	–584	–582	–584	—	—
Deferred tax assets and liabilities, net ¹	1,834	1,534	2,056	2,237	–223	–703

¹ Deferred tax assets amounted to SEK 1,833 m (1,534), of which SEK 329 m (242) is expected to be utilized within 12 months. Deferred tax liabilities amounted to SEK 2,056m (2,237), of which SEK 25 m (25) are due within 12 months.

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

Note 11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held in a third-party swap agreement.

Basic	2022	2021
Profit attributable to equity holders of the Parent Company (SEKm)	1,935	4,437
Weighted average numbers of ordinary shares outstanding (millions)	570.4	571.5
Earnings per share before dilution (SEK)	3.39	7.76

Diluted

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

Diluted	2022	2021
Profit attributable to equity holders of the Parent Company (SEKm)	1,935	4,437
Weighted average numbers of ordinary shares outstanding (millions)	570.4	571.5
Adjusted for:		
– share savings program (millions)	2.5	2.6
Diluted weighted average numbers of ordinary shares outstanding (millions)	573.0	574.1
Earnings per share after dilution (SEK)	3.38	7.73

Note 12 Property, plant and equipment

SEKm	Land and land improvements		Buildings and leasehold improvements		Machinery and technical installations		Other equipment		Construction in progress and advances		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening accumulated acquisition value	506	398	4,099	3,404	13,444	12,254	1,893	1,713	1,139	1,062	21,080	18,831
Acquired companies	—	—	—	48	16	85	4	10	—	29	20	173
Investments	1	100	105	488	419	439	177	108	679	678	1,382	1,813
Sold, scrapped	–1	—	–98	–84	–437	–480	–90	–130	–23	0	–649	–694
Reclassification	–6	–10	47	115	632	473	72	126	–743	–670	3	34
Exchange-rate differences	52	17	367	129	1,121	673	132	65	64	39	1,736	924
Closing accumulated acquisition value	551	506	4,522	4,099	15,196	13,444	2,189	1,893	1,116	1,139	23,573	21,080
Opening accumulated depreciation and impairment	137	121	2,133	1,924	10,043	9,117	1,457	1,343	2	2	13,771	12,507
Acquired companies	—	—	—	21	7	30	3	2	—	—	10	54
Depreciation ¹	11	9	145	132	922	798	160	138	—	—	1,237	1,078
Impairment ¹	—	—	—	18	747	5	—	—	—	0	747	23
Sold, scrapped	–1	—	–103	–82	–423	–459	–76	–123	—	—	–603	–664
Reclassification	8	0	1	0	11	–2	3	35	–1	—	23	34
Exchange-rate differences	16	7	193	119	926	553	102	61	0	0	1,237	740
Closing accumulated depreciation and impairment	171	137	2,368	2,133	12,233	10,043	1,649	1,457	1	2	16,422	13,771
Closing balance, December 31	380	368	2,153	1,966	2,963	3,401	540	437	1,115	1,137	7,151	7,309

¹ For information about where in the income statement the depreciation and impairment are reported, see note 5.

Note 13 Right-of-use assets

SEKm	Land and buildings		Forklifts and machinery		Cars and other vehicles		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening accumulated acquisition value	1,588	965	52	70	162	164	12	13	1,814	1,212
New leases	371	678	16	9	122	95	12	2	521	784
Modifications and Remeasurements	303	245	2	–5	14	0	9	0	329	240
Depreciation	–400	–318	–26	–27	–103	–102	–2	–2	–531	–448
Impairment	—	—	—	–1	0	—	—	—	0	–1
Reclassification	0	0	—	2	0	–2	–2	—	–2	0
Exchange-rate difference	136	18	4	3	15	7	2	–1	157	26
Closing balance, December 31	1,998	1,588	49	52	210	162	31	12	2,288	1,814

¹ For information about where in the income statement the depreciation and impairment are reported, see note 5.

The total cash outflow for leases in 2022 was SEK 540m (478). In addition to the costs presented in the table above, Husqvarna Group has reported SEK 301m (168) regarding costs for short-term leases, low-value assets and variable lease expenses. During 2019 the Group had a net gain arising from a sale and leaseback transaction of SEK 195m. The total cash flow effect from the transaction was SEK 282m and the leaseback agreement extends over the coming 1.75 years.

Note 14 Intangible assets

SEKm	Goodwill		Brands		Product development		Customer relationships		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening accumulated acquisition value	10,169	7,739	4,757	3,741	4,736	4,322	1,514	557	2,451	2,115	23,626	18,474
Acquired companies	-57	1,991	10	833	—	—	13	915	17	122	-17	3,861
Investments	—	—	—	—	602	471	—	—	360	240	962	711
Sold, scrapped	—	—	-166	—	-75	-120	—	—	-6	-17	-247	-136
Reclassifications	-11	—	38	24	—	—	—	—	-5	-20	22	4
Exchange-rate differences	1,038	438	346	160	97	62	131	42	75	10	1,688	712
Closing accumulated acquisition value	11,140	10,169	4,985	4,757	5,359	4,736	1,658	1,514	2,892	2,451	26,034	23,626
Opening accumulated amortization and impairment	864	835	440	417	3,477	3,098	288	217	1,573	1,364	6,640	5,930
Acquired companies	—	19	—	—	—	—	—	—	1	5	1	24
Amortization	—	—	13	12	433	373	152	71	223	206	821	662
Impairment	—	—	—	—	—	26	—	—	6	4	6	29
Sold, scrapped	—	—	-166	—	-70	-83	—	—	-11	-17	-247	-99
Reclassifications	—	—	—	—	—	0	—	—	—	0	—	0
Exchange-rate differences	90	10	-2	11	97	62	4	1	29	12	218	94
Closing accumulated amortizations and impairment	953	864	285	440	3,937	3,477	444	288	1,820	1,573	7,438	6,640
Closing balance, December 31	10,187	9,305	4,700	4,317	1,423	1,259	1,214	1,226	1,072	878	18,595	16,986

¹ For information about where in the income statement the depreciation and impairment are reported, see note 5.

The values of intangible assets with indefinite life are tested for impairment annually, or more frequently if impairment indicators are identified. The recoverable amount of a cash-generating unit is determined based on estimates of value in use. Value in use is measured as expected future discounted cash flow before tax. Future discounted cash flows before tax are based on five-year forecasts for each cash generating unit approved by Group Management. Key assumptions for forecasting are the expected growth, margins and discount rates. Cash flows beyond the five-year forecast have been extrapolated using an estimated growth rate of 2% (2) for all cash-generating units.

Forecasted margin is partly based on previous results and partly on the expected market development. The pre-tax discount rate is based on the risk-free interest, market premium, beta value, capital structure and tax rate. External sources have been used as much as possible when determining these parameters, but the discount rate is still largely dependent on management's own assumptions. A common discount rate is used for all cash-generating units since Group Treasury is centrally responsible for the handling of financing and capital structure. A pre-tax discount rate of 11% (10) has been used for 2022.

During 2022, value in use has exceeded the net book value for all cash generating units, and accordingly, no impairment has been recognized.

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

SEKm	2022	2021
Husqvarna Forest & Garden Division	3,896	3,576
Gardena Division ¹	8,282	7,551
Husqvarna Construction Division	2,598	2,216
Total	14,776	13,343

¹ SEK 4,589 m (4,178) of the total relates to the net book value of the brands, to which Husqvarna Group has assigned indefinite useful life. This is because the brand has a strong position among consumers and Husqvarna Group intends to maintain and further develop the brands.

Sensitivity analysis have been carried out regarding the calculation of the value in use, where impairment tests have been performed, applying a higher discount rate, reduced gross margin and reduced sales growth. No reasonable change in any single mentioned factor generates any need for impairment.

Note 15 Investments in associated companies

The Group’s interests in individually immaterial associates amounts to SEK 16m (36). Due to the dilution effect, the ownership share in one of the investments fell below 20% and has been reclassified to other investments. This reduces the total holding by 12m. Through share in earnings of associated companies, the holding has been affected by SEK –8m (0).

Note 16 Other non-current assets

SEKm	2022	2021
Long-term holdings in securities	605	396
Net pension assets	250	415
Other long-term receivables	58	77
Total	913	888

Pension assets refer to pension plans with a net surplus of SEK 250m (415).
For further information refer to note 21.

Note 17 Inventories

SEKm	2022	2021
Finished products	12,703	8,909
Supplies including raw materials	5,906	4,533
Work in progress	725	588
Total	19,334	14,030

The cost of inventories recognized as expenses and included in the cost of goods sold amounted to SEK 29,433m (25,623).
Write-down of inventories expensed during the year amounts to SEK 338m (77), which is included in ‘Cost of goods sold’. Write-down reversed during the year amounts to SEK 104m (157).
Inventories valued to net realizable value amounted to SEK 750m (724).

Note 18 Other current assets

SEKm	2022	2021
Value added tax	421	504
Miscellaneous short-term receivables	465	267
Prepaid rents and leases	31	25
Prepaid insurance premiums	41	43
Prepaid supplies	148	74
Other prepaid expenses	432	370
Total	1,538	1,283

Note 19 Equity

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

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

Other reserves
The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented (SEK). The translation reserve also includes net investments hedges.
The hedging reserve includes the effective portion of the accumulated net change in the fair value, related to the hedged risk, of cash-flow hedging instruments attributable to hedged items that have not yet occurred.

Retained earnings
Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans recognized in ‘Total other comprehensive income’. Regarding changes in actuarial assumptions, see also note 21. The proposed dividend for 2022 is SEK 3.00 (3.00).

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

Share capital	
SEKm	
On December 31, 2022, the share capital comprised:	
110,106,194 Class A-shares, par value SEK 2	220
466,237,584 Class B-shares, par value SEK 2	932
Total	1,153

On December 31, 2021, the share capital comprised:	
111,088,990 Class A-shares, par value SEK 2	222
465,254,788 Class B-shares, par value SEK 2	929
Total	1,153

Number of shares	Treasury shares	Outstanding shares	Total
Shares, December 31, 2021			
Class A-shares	—	111,088,990	111,088,990
Class B-shares	5,921,329	459,333,459	465,254,788
Long-term incentive program 2019			
Class A-shares	—	—	—
Class B-shares	–1,002,638	1,002,638	—
Conversion of shares			
Class A-shares	—	–982,796	–982,796
Class B-shares	—	982,796	982,796
Hedge for LTI-programs			
Class A-shares	—	—	—
Class B-shares	971,890	–971,890	—
Shares, December 31, 2022			
Class A-shares	—	110,106,194	110,106,194
Class B-shares	5,890,581	460,347,003	466,237,584

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, Jan 1, 2022	–6	1,377	–1,046	325
Result arising during the year	–119	—	–1,154	–1,273
Tax on result arising during the year	25	—	238	262
Reclassification adjustments to the income statement	7	—	—	7
Tax on reclassification adjustments to the income statement	–1	—	—	–1
Currency translation difference	—	2,728	—	2,728
Closing balance, December 31, 2022	–95	4,105	–1,962	2,048

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, Jan 1, 2021	13	–255	–412	–654
Result arising during the year	54	—	–799	–745
Tax on result arising during the year	–11	—	165	154
Reclassification adjustments to the income statement	–79	—	—	–79
Tax on reclassification adjustments to the income statement	17	—	—	17
Currency translation difference	—	1,632	—	1,632
Closing balance, December 31, 2021	–6	1,377	–1,046	325

Note 20 Financial risk management and financial instruments

FINANCIAL RISK MANAGEMENT

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

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

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

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

FINANCING RISK

Financing risk refers to the risk that the financing of the Group’s capital requirements and the refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturities are evenly distributed over time, and that total short-term borrowings do not exceed available liquidity. Disregarding seasonal variations, net debt shall be long-term, according to the Financial Policy. The Group’s goals for long-term borrowings include an average time to maturity of at least two years, and an even distribution of maturities. A maximum of SEK 3.0bn in borrowings, originally long-term, is normally allowed to mature in the next 12-month period. When Husqvarna Group assesses its refinancing risk, the maturity profile is adjusted for available unutilized committed credit facilities.

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

The average adjusted time to maturity for the Group’s financing was 3.2 years (1.9) at the end of 2022.

Capital structure

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

SEKm	2022	2021
Net pension liabilities	1,431	1,777
Other interest-bearing liabilities ¹	19,897	10,769
Less: liquid funds and other interest-bearing assets	–3,618	–2,923
Net debt	17,709	9,623
Net debt, excluding net pension liabilities	16,279	7,846
EBITDA	6,385	7,987
Net debt/EBITDA ²	1.8	0.6
Total equity	24,011	21,646
Total assets	61,636	50,920
Equity/assets ratio	39%	42%

¹ Lease liabilities of SEK 2,358 m (1,849) are included within other interest-bearing liabilities.
² Alternative Performance Measure, refer to chapter "Financial definitions" for further information.

Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits. Husqvarna Group’s goal is that the level of liquid funds, including unutilized committed credit facilities, shall equal at least 2.5% of rolling 12-month sales. At year-end, this ratio was 18.8% (16.0). In addition, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

Borrowings

The financing of Husqvarna Group is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various derivatives are used to convert the funds to the required currency. Financing is also undertaken locally, mostly in countries in which there are legal restrictions preventing financing through Group companies. The major part of the Group’s financing is currently conducted through a Swedish Medium Term Note (MTN) program and bilateral loan agreements. In addition, the Group has unutilized SEK 7bn committed revolving credit facilities. During 2022 the Group entered into a new revolving credit facility of 5bn SEK maturing in 2027 with two one year extension options, replacing revolving credit facilities originally maturing in 2023. Furthermore the Group entered into a 2bn SEK bilateral revolving credit facility maturing 2025. These facilities are unutilized as of December 31, 2022. The Group also entered into new long-term bilateral loans of approximately 4,6bn SEK maturing between 2024 and 2026. In addition the Group issued two bonds under the MTN program of SEK 2bn with maturity in 2027. During 2022 the Group has bought back bonds totalling SEK 480m with original maturity in 2023. Due to the nature of its business, the Group has seasonal variations in its funding needs. These variations are normally managed by utilizing the Group’s commercial paper (CP) program and short-term bank loans. At year-end 2022, the Group’s total interest-bearing liabilities, excluding pension liability, amounted to SEK 19,897m (10,769), of which SEK 8,927m (3,772) referred to long-term financing. Husqvarna Group has not breached any conditions in external loan agreements during the year.

Future undiscounted cashflows of loans and other financial liabilities at December 31, 2022¹

SEKm	2023	2024	2025	2026	2027	>2028	Total
Lease liabilities	–643	–522	–411	–273	–147	–366	–2,392
Bonds, bank loans and other loans	–7,929	–4,688	–342	–2,412	–2,200	—	–17,571
Derivative liabilities, interest rate ²	—	—	—	—	—	—	—
Derivative liabilities, foreign exchange ²	–955	—	—	—	—	—	–955
Trade payables	–7,111	—	—	—	—	—	–7,111
Total financial liabilities	–16,638	–5,209	–784	–2,685	–2,347	–366	–28,030

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

Borrowings

SEKm	2022		2021	
	Total borrowings	Facility amount	Total borrowings	Facility amount
Medium Term Note Program	3,649	8,000	3,148	8,000
Other bond loans	104	—	91	—
Committed revolving credit facility	—	7,000	—	5,000
Committed credit facility	—	—	—	—
Long-term bank loans	5,173	—	534	—
Leasing liabilities	2,358	—	1,849	—
Commercial papers	6,357	7,000	2,100	7,000
Other short-term loans ¹	1,343	—	2,342	—
Derivative liabilities	912	—	706	—
Total	19,897	22,000	10,769	20,000

¹ Other short-term loans’ include bond loans within the Medium Term Note Program of SEK 1,056m.

Net debt per currency

SEKm	2022		2021	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
USD	86	7,803	392	6,269
EUR	3,656	7,508	1,410	4,902
JPY	184	542	175	430
GBP	–245	402	–423	628
PLN	–94	316	–26	–26
SEK	14,880	–282	8,352	–3,443
CNY	–512	–166	–447	–129
AUD	–79	156	–69	116
RUB	–117	–117	–79	–79
Other	–50	1,547	338	954
Total	17,709	17,709	9,623	9,623

Note 20 – Financial risk management and financial instruments, cont.

Market programs

Husqvarna Group has an MTN program, denominated in SEK, to issue long-term debt in the domestic capital market. The total amount of the program is SEK 8.0bn. In addition, Husqvarna Group has a Swedish CP program. The total amount of the program is SEK 7.0bn. The table Borrowings shows outstanding amounts under these two programs.

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

INTEREST-RATE RISK

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

Interest-rate risk in liquid funds

The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The fixed interest term for these current investments was 18 days (13) at the end of 2022. A downward shift in the yield curve of one percentage point would reduce the Group’s interest income by approximately SEK 23m (22) and the Group’s equity by SEK 18m (17).

Interest-rate risk in borrowings

The Financial Policy states that the benchmark for the long-term loan portfolio is an average fixed interest term of 6 months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed interest term is 3 years. Derivatives, such as interest rate swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice versa. The average fixed interest term for the non-seasonal debt was 0.6 (0.9) years at year-end. On the basis of volumes and interest fixings at the end of 2022, a one-percentage point shift in interest rates would impact the Group’s interest expenses by approximately SEK +/-82m (30) before tax. Interest rates with different maturities and different currencies may not change uniformly. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. The Group has seasonal debt for which the interest risk is not calculated due to its short-term nature. As per December 31, 2022 the average interest rate in the total loan portfolio was 4.8% (1.9). At year-end, Husqvarna Group had outstanding interest rate derivatives with a nominal amount of SEK 1,950m (2,800) hedging the interest rate risk.

FOREIGN-EXCHANGE RISK

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

Transaction exposure from commercial flows

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

The table below shows the forecasted transaction flows (imports and exports) for 2023, hedges at year-end 2022 and comparative amounts for the previous year.

Commercial flows

Currency SEKm	2022		2021	
	Forecasted flows	Total hedge amount	Forecasted flows	Total hedge amount
EUR	5,450	–3,650	4,446	–3,246
AUD	1,166	–874	958	–713
CAD	852	–625	911	–666
DKK	708	–525	737	–533
NOK	704	–527	825	–588
CHF	663	–445	673	–571
Other	2,293	–1,285	703	–89
CNY	–1,784	1,280	–865	569
USD	–3,005	1,909	–3,057	2,047
SEK	–7,047	4,742	–7,059	4,879

The hedging effect on operating income amounted to SEK 55m (–6) during 2022. At year-end, the unrealized exchange-rate result on forward contracts, all maturing in 2023, amounted to SEK –187m (–6).

Translation exposure on consolidation of entities outside Sweden

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

Exposure from net investments in foreign operations

The net assets and liabilities in foreign subsidiaries constitute a net investment in foreign operations, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, part of the Group’s net investments in foreign operations is hedged with foreign-exchange derivatives. A decline in value of a net investment is offset by exchange-rate gains on foreign-exchange derivative contracts. The relationship between the net investment and derivatives is reviewed and adjusted monthly.

Foreign exchange sensitivity from transaction and translation exposure

Husqvarna Group is particularly exposed to changes in the exchange rates of EUR and USD. Furthermore, the Group has exposures against a number of other currencies. Using a static calculation and disregarding any effects from hedges, a 10% increase or decrease in the value of all currencies against SEK would affect the Group’s result before financial items and tax by approximately SEK +/- 1 010m (1 020) for one year. A 10% increase of USD against SEK would affect the Group’s result with SEK –270m (–265) and a corresponding increase of EUR with SEK 770m (645). This assumes the same distribution of earnings and costs as in 2022 and does not include any dynamic effects, such as changes in competitiveness or consumer behaviour arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna Group’s sales, these flows and results are not distributed evenly throughout the calendar year. For more information on risks related to currency exposure, see the Risk Management section.

HEDGE ACCOUNTING

Husqvarna Group applies hedge accounting for hedging of interest-rate risk, forecasted commercial cash flows and, when applicable, hedging of net investments in foreign operations. The hedge relationships are expected to be highly effective and no material sources of hedge ineffectiveness are expected to occur.

Hedge accounting of interest rate risk

The total market value for hedges of interest rate risk amounted to SEK 54m as of December 31, 2022 of which SEK 55m is reported in the hedge reserve. Assuming an unchanged market interest rate, the effects on income after financial items for 2023 would be SEK 6m for Q1, SEK 9m for Q2, SEK 11m for Q3 and SEK 11m for Q4. During the year no ineffectiveness has occurred in the hedging of interest rate risk.

The table “Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2022” shows the future cashflows of the interest-rate hedges. The cashflows during 2023, assuming unchanged market interest rates, would be SEK 5m for Q1, SEK 9m for Q2, SEK 11m for Q3 and SEK 12m for Q4.

Hedge accounting of foreign exchange risk

The total market value for hedges of commercial flows amounted to SEK –198m at December 31, 2022 of which SEK –175m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2023 would be SEK –83m for Q1, SEK –51m for Q2, SEK –41m for Q3 and SEK 0m for Q4.

At December 31 2022, net investments in foreign operations were hedged with SEK 14,576m. The total market value of derivatives for net investment hedging amounted to SEK 484m, of which SEK 574m is reported in the hedge reserve. During the year no ineffectiveness has occurred in the hedging of currency risk.

Derivatives designated as hedging instruments

2022 SEKm	Nominal amount	Maturity	Average hedge rate
Net investment hedges			
Derivatives in net investment hedges of foreign operations	14,576	2023	n/a
– of which USD exposure against SEK	14,065	2023	10.76
– of which EUR exposure against SEK	364	2023	11.28
Cash-flow hedges			
Derivatives in cash-flow hedge of foreign-currency risk	17,348	2023	n/a
– of which USD exposure against SEK	2,646	2023	10.23
– of which EUR exposure against SEK	5,360	2023	10.42
Derivatives in cash-flow hedge of interest-rate risk	1,950	2023–2024	0.37

Note 20 – Financial risk management and financial instruments, cont.

Impact of hedging instruments on the financial statement

2022 SEKm	Nominal amount	Carrying amount	Line item in the financial statement	Change in fair value used for measuring ineffective- ness for the period	Cash flow hedge reserve
Foreign exchange forward contracts	10,860	136	Current assets	–21	138
Foreign exchange forward contracts	6,489	316	Current liabilities	–148	–313
Interest-rate swap agreements	1,150	53	Non Current assets	55	54
Interest-rate swap agreements	800	2	Current assets	2	2
Forecasted cash flows from sales/purchases	17,348	n.a	n.a	n.a	n.a
Forecasted interest cash flows from floating-rate borrowings	54	n.a	n.a	n.a	n.a

COMMODITY PRICE RISK

Commodity price risk is the risk of increase in the cost of direct and indirect materials if underlying commodity prices rise on the global markets. Husqvarna Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw-material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposure, and indirect commodity exposure, which is defined as exposure arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A 10% rise or fall in the price of steel used in Husqvarna Group’s products will affect the Group’s results before financial items and tax by approximately SEK +/- 160m (165), everything else being equal. The same effect on the price of aluminium would impact the results by SEK +/- 35m (35), and a 10% change in the price of plastics would affect the results by SEK +/- 100m (135).

CREDIT RISK

A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written off when there is no reasonable expectation of recovery. Husqvarna Group identifies credit risk in trade receivables, financial activities and non-current assets.

Credit risk in trade receivables

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

SEKm	2022	2021
Low to moderate risk	3,783	2,848
Medium risk to elevated risk	2,221	1,237
High risk	262	224
Total	6,267	4,310

At December 31 2022, net trade receivables, after provisions for bad debt, amounted to SEK 6,267m (4,310), which represents [*12] the maximum exposure to losses in trade receivables. Hence

the book value equals the fair market value of the receivables. However, the size of the credit portfolio is directly dependent upon the seasonal pattern of Husqvarna Group’s sales. This means that credit exposure is significantly higher during the first six months of each calendar year. A provision for bad debt, based on a probability of default, is recorded at inception of the trade receivables and adjusted during the lifetime of the receivable. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Provisions for bad debt at the end of the financial year 2022 amounted to SEK 260m (202).

Trade receivables past due

Trade receivables that were past due but not yet impaired amounted to SEK 824m (465) at December 31, 2022.

Aging analyses for past due trade receivables

Past due but not impaired, SEKm	2022	2021
Up to 1 month	257	133
1 to 3 months	208	130
>3 months	360	202
Total	824	465

Provisions for trade receivables

SEKm	2022	2021
Opening balance, January 1	203	180
New provisions	75	36
Reversed unused provisions	–28	–5
Impairment of trade receivables	–19	–14
Currency exchange-rate differences	29	6
Closing balance, December 31	260	203

The situation regarding past-due receivables has deteriorated somewhat since previous-year end, taking the total volume of outstanding trade receivables into account. The fair value of collateral held for trade receivables due for payment was SEK 228m (124). A global credit insurance program is in place in a number of countries. At December 31 2022 total coverage amounts to SEK 13,496m.

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

Concentration of credit risk in trade receivables

Concentration of credit risk	2022		2021	
	Number of customers	% of total portfolio	Number of customers	% of total portfolio
Exposure <SEK 15m	Not available	77%	Not available	76%
Exposure SEK 15–100m	12	12%	14	14%
Exposure >SEK 100m	1	11%	1	10%

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

Credit risk in financial activities

Exposure to credit risk arises from the investment of liquid funds and through counterparty risks related to derivatives. In order to limit exposure to credit risk, a counterparty list has been created specifying the maximum approved exposure for each counterparty. Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term credit rating of at least A–, as defined by Standard & Poor’s or similar institutions. The average time to maturity for the liquid funds was 18 days (13) at the end of 2022. A substantial part of the exposure arises from transactions in derivatives.

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

Maturity, SEKm	2022		2021	
	2023	2024–	2022	2023–
Amount sold	47,868	0	43,155	482
Amount purchased	–47,993	0	–43,541	–485
Net settled derivatives (NDF)	–88	0	–1	–60
Net	–213	0	–386	–63

Note 20 – Financial risk management and financial instruments, cont.

Credit risk in other non-current assets

Husqvarna Group's long-term holdings in securities consist of US government bonds. The credit risk is recognized as immaterial due to the high creditworthiness of the issuer.

FAIR-VALUE ESTIMATION

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

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

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

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

SEKm	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	122	122	161	161
– of which currency derivatives where hedge accounting for cash flow hedges is applied	136	136	154	154
– of which interest derivatives where hedge accounting for cash flow hedges is applied	54	54	5	5
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	535	535	9	9
Financial assets at fair value through other comprehensive income				
Trade receivables ¹	717	717	616	616
Financial assets measured at amortized cost				
Other non-current assets	680	680	477	477
Trade receivables	5,550	5,550	3,693	3,693
Other receivables	463	463	267	267
Cash and cash equivalents	2,328	2,328	2,208	2,208
Total financial assets	10,584	10,584	7,591	7,591

¹ Trade receivables not sold but part of factoring programmes.

SEKm	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	545	545	135	135
– of which currency derivatives where hedge accounting for cash flow hedges is applied	316	316	162	162
– of which interest derivatives where hedge accounting for cash flow hedges is applied	0	0	14	14
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	51	51	395	395
Financial liabilities measured at amortized cost				
Trade payables	7,111	7,111	6,990	6,990
Other liabilities	389	389	306	306
Borrowings	16,627	16,592	8,215	8,249
Total financial liabilities	25,040	25,004	16,216	16,250

Note 21 Provisions for pensions and other post-employment benefits

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

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

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

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

SEKm	2022						
	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	929	1,406	468	208	925	324	4,260
Fair value of plan assets	-1,179	-825	-338	-145	-96	-247	-2,829
Surplus/Deficit	-250	581	130	63	829	77	1,431
Funding level (%)	127	59	72	69	2	76	66
Duration	14	19	9	9	9	18	14
Actuarial assumptions (%)							
Discount rate	4.8	4.0	5.4/5.3	1.8	3.7	2.3	4.1
Inflation	3.1	2.0	n/a	n/a	2.0	2.0	2.3
Sensitivity analysis (%)							
Discount rate (-0.5%)	7.1	9.9	4.3	4.2	4.0	9.4	6.9
Discount rate (+0.5%)	-6.4	-8.7	-4.0	-4.0	-3.7	-6.1	-6.1
Inflation (+0.5%)	4.0	7.0	—	—	0.5	0.7	3.8

SEKm	2021						
	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,403	1,963	491	189	987	334	5,367
Fair value of plan assets	-1,818	-1,050	-383	-151	—	-188	-3,590
Surplus/Deficit	-415	913	108	38	987	146	1,777
Funding level (%)	130	53	78	80	—	56	67
Duration	18	22	13	9	12	20	18
Actuarial assumptions (%)							
Discount rate	2.0	1.8	2.8/2.6	0,7	1.0	1.8	1.7
Inflation	3.2	1.8	n/a	n/a	1.7	0.5	2.2
Sensitivity analysis (%)							
Discount rate (-0.5%)	9.6	11.7	6.0	4,4	5.4	9.5	9.0
Discount rate (+0.5%)	-8.6	-10.2	-5.5	-4.2	-4,9	-6.2	-7.9
Inflation (+0.5%)	5.1	8.1	—	—	0,6	—	4.4

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

SEKm	2022	2021
Present value of obligations for unfunded plans	807	1,165
Present value of obligations for funded plans	3,371	4,202
Fair value of plan assets	-2,747	-3,590
Net provisions for defined-benefit plans	1,431	1,777

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

The schedules include reconciliations of the opening and closing balances of the present value of the defined-benefit obligation, as well as opening and closing balances of the fair value of plan assets and of the changes in net provisions during the year. In a few countries, the Group provides mandatory lump-sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are included in the present value of the defined-benefit obligation and amount at year-end to SEK 40m (45). Husqvarna Group has no post-employment medical plans. Further information regarding pension cost is available in note 4.

Note 21 – Provisions for pensions and other post-employment benefits, cont.

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

SEKm	2022			2021		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance, January 1	5,367	–3,590	1,777	5,550	–3,067	2,483
Current service cost	209	9	217	235	9	244
Past service costs and gains/losses on settlements	—	—	—	—	—	—
Interest expenses	91	–70	22	64	–43	21
	5,667	–3,651	2,016	5,849	–3,101	2,748
Remeasurements:						
Return on plan assets	—	1,004	1,004	—	–330	–330
Actuarial gains and losses due to changes in demographic assumptions	–21	—	–21	–10	—	–10
Experience assumptions	228	—	228	–24	—	–24
Actuarial gains and losses due to changes in financial assumptions	–1,799	—	–1,799	–486	—	–486
	–1,592	1,004	–588	–520	–330	–850
Exchange rate differences on foreign plans	269	–141	128	229	–202	27
Divestments and transfers	—	—	—	2	—	2
Contributions:						
– Employers	–89	–36	–125	–88	–62	–150
– Plan participants	8	–8	—	7	–7	—
Payments from plans:						
– Benefit payments	–85	85	—	–112	112	—
Closing balance, December 31	4,178	–2,747	1,431	5,367	–3,590	1,777

Plan assets comprise the following¹:

SEKm	2022		2021	
	SEKm	%	SEKm	%
Equity instruments				
– Equities	861	31.4	1,447	40.3
Interest-bearing securities				
– Government bonds	34	1.2	16	0.4
– Corporate bonds	411	15.0	528	14.7
– Index-linked bonds	184	6.7	265	7.4
– Interest rate funds	687	25.0	835	23.3
Properties	64	2.3	48	1.3
Liquid funds	247	9.0	158	4.4
Assets held by insurance company	259	9.4	293	8.2
Total	2,724	100.0	3,590	100.0

¹ Approximately 98% (98) of total plan assets refer to listed assets.

None of the assets above refers to shares in the Parent Company or real estate occupied by the Group.

For the funded defined-benefit pension plans (Sweden, UK and US represent around 83% of total pension assets) the Group's strategy is a combination of matching the assets with the liabilities and trying to achieve as high return as possible within the investment guidelines. This is partly done by investing in longer-duration bonds designed to match the development of the debt and also by investing in corporate bonds, index-linked bonds and shares, with the purpose of achieving a high return in various market conditions in the long term. As the maturity of the pension commitments decreases and/or the value of the assets reaches a satisfactory level in relation to the debt, the Group will gradually reduce the investment risk by shifting into assets with lower volatility.

Through its defined-benefit obligations Husqvarna Group is exposed to a number of risks, of which the following have the greatest impact on the Group's pension liability:

Discount rate

The discount rate reflects the estimated timing of benefit payments and is used for measuring the present value of the obligation. A fluctuation in the discount rate will have a material effect on the pension obligation but will also impact the interest income and expense reported in the finance

net. To determine the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied in most countries. When valuing Swedish pension liabilities Husqvarna Group uses mortgage bonds when determining discount rate.

Inflation risk

Most of the obligations are linked to inflation and an increase in inflation leads to higher debt. The return on the majority of the plan assets has a low correlation with inflation, while the holdings of index-linked bonds are protected against a rise in inflation and thus compensate for the increase in the deficit that would occur otherwise.

Longevity risk

Since most of the pension obligations mean that those covered by the plan will receive benefits for life, higher life-expectancy assumptions have a significant impact on the pension liabilities. Expected mortality is based on local conditions in each country.

The company expects to make contributions of approximately SEK 149m (154) to the plans during 2023.

The weighted average duration of the defined-benefit obligation 14 years (18).

Note 22 Other provisions

SEKm	Restruct- uring	Warranty commit- ments	Claims	Other	Total
Opening balance, January 1, 2022	323	435	262	491	1,511
Provisions made	972	485	54	272	1,784
Provisions used	-322	-509	—	-403	-1,234
Unused amounts reversed	0	-40	—	-3	-43
Exchange-rate differences	5	47	40	8	99
Closing balance, December 31, 2022	978	418	356	365	2,116
Current provisions	976	298	—	142	1,416
Non-current provisions	2	119	356	223	700

Restructuring

Provisions for restructuring include the payments that are expected to occur in the coming years as a result of the Group's decision to close certain production facilities, rationalize production and reduce the number of employees. The amounts are based on the Group's best estimates and are adjusted when changes to these estimates occur. Provision for reduction of personnel is calculated on individual basis except foremost Blue Collar workers where negotiations are made collectively and are based on management's best estimate of the amount expected to be paid out.

Warranty commitments

Provisions for warranty comprise potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to 24 months. The provision is estimated for each group of products and based on historical information and management's best estimate.

Claims

Provisions for claims refer to claim reserves in the Group's insurance companies mainly due to product liabilities but also to property damage and business interruptions. The provisions are estimated based on actuarial calculations.

Other

In all material aspects, 'Other provisions' refers to payroll-related provisions.

Note 23 Other liabilities

SEKm	2022	2021
Accrued holiday pay	344	337
Other accrued payroll expenses	775	1,115
Accrued customer rebates	1,170	1,069
Other accrued expenses	1,156	903
Value added tax	118	69
Personnel taxes and other taxes	145	137
Other operating liabilities	389	306
Total	4,097	3,936

Note 24 Pledged assets and contingent liabilities

Pledged assets

SEKm	2022	2021
Pension obligations ¹	161	163
Real estate mortgages	25	23
Total	186	186

¹ Refers to endowment that is pledged in favour of the recipient.

Contingent liabilities

SEKm	2022	2021
On behalf of external counterparties		
Guarantees and other commitments	137	114
Total	137	114

In addition to the above contingent liabilities, guarantees for fulfilment of contractual undertakings are provided as part of Husqvarna Group's normal course of business. There was no indication at year-end that any payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealers' bankruptcy, to buy back repossessed Husqvarna Group products from certain dealers financing their floor planning with an external financing company. During 2022 goods amounting to a value of SEK 1m (3) were bought back in connection with floor planning activities.

Husqvarna Group is involved in commercial, product liability and other disputes in the ordinary course of business. Such disputes involve claims for compensatory damages, property damages or personal injury compensation and occasionally also punitive damages. The company is self-insured to a certain extent, and is also insured against excessive liability losses for certain claims. Husqvarna Group continuously monitors and evaluates pending claims and disputes and takes action when deemed necessary. The Company believes that these activities help to minimize the risk. Due to the complexity of these disputes, it is difficult to predict a favourable outcome for each claim, and an adverse outcome affecting the consolidated financial position and result could occur.

Note 25 Transactions with related parties

Sales to related parties are carried out on market-based terms. See the Parent Company's directly owned subsidiaries in the Parent Company's note 16, 'Shares in subsidiaries'. Information about the Board of Directors and Group Management and compensation to those are reported in note 4, 'Employees and employee benefits'. No unusual transactions of any significance have occurred between Husqvarna Group and the Board of Directors or Group Management.

Note 26 Changes in financial liabilities

SEKm	January 1, 2022	Cash flows from financing ¹	Cash flow within operating income	Reclassification	Foreign exchange movement	Changes in Fair value	Other non-cash movement in financing	December 31, 2022
Current interest-bearing borrowings (excl. lease liabilities)	4,442	2,124	—	1,122	12	—	—	7,700
Current lease liabilities	487	–493	—	354	33	—	268	649
Non-current interest-bearing borrowings (excl. lease liabilities)	3,772	6,129	—	–1,122	57	—	92	8,927
Non-current lease liabilities	1,362	–47	—	–354	84	—	663	1,708
Derivatives, net	377	–2,026	–15	—	—	1,729	—	65
Total financial liabilities incl. net derivatives	10,440	5,687	–15	—	186	1,729	1,023	19,050

SEKm	January 1, 2021	Cash flows from financing ¹	Cash flow within operating income	Reclassification	Foreign exchange movement	Changes in Fair value	Other non-cash movement in financing	December 31, 2021
Current interest-bearing borrowings (excl. lease liabilities)	2,853	–694	—	2,236	47	—	—	4,442
Current lease liabilities	376	–464	—	313	15	—	246	487
Non-current interest-bearing borrowings (excl. lease liabilities)	6,683	–1,009	—	–2,236	–2	—	336	3,772
Non-current lease liabilities	991	–14	—	–313	31	—	668	1,362
Derivatives, net	–396	201	129	—	—	442	—	377
Total financial liabilities incl. net derivatives	10,507	–1,980	129	—	91	442	1,250	10,440

¹ Cash flow from financial liabilities is included in the Group's consolidated cash flow statement under "Proceeds from borrowings", "Repayment of borrowings", "Repayment of lease liabilities", "Net investment hedge" and "Change in other interest-bearing net debt excluding liquid funds".

Note 27 Acquisitions

Acquisitions 2022

Acquisition of Orbit

At the end of 2022, a revaluation was made of the initial acquisition values for deferred tax assets in Orbit and these were revalued from SEK 143m to SEK 220m. The main reasons for the change are a reassessment of the tax losses carryforwards and temporary differences on fixed assets. The change results in a reduction of goodwill from the acquisition from SEK 1,907m to SEK 1,830m.

Purchase price allocation

SEKm	
Acquisition, paid amount	4,233
Acquired net assets	
Deferred tax asset	220
Property, plants and equipment	77
Other non-current assets	12
Inventories	930
Trade receivables	341
Other current assets	11
Trade payables	–439
Other current liabilities	–64
Net acquired assets, total	1,088
Acquired surplus values	
Customer relationships	874
Trade names	840
Technology	134
Net deferred tax liability	–533
Goodwill	1,830
Surplus values, total	3,145

Acquisition of Heger

In April 2022, Husqvarna Group acquired 100% of the shares in Heger. Heger is specialized in professional diamond tools for European sawing and drilling contractors in wall, floor and road sawing as well as core drilling. Heger is a part of the Husqvarna Construction Division and strengthens and complements the core Concrete Sawing & Drilling business in Central Europe. Heger’s head-quarters and its manufacturing facility is located in Heitersheim, Germany, and has sales offices in Germany and the Netherlands with 45 employees and MEUR 9 in annual sales. From the acquisition date up until December 2022 the company has contributed to the Group with SEK 63m in net sales and an operating income of SEK –5m.

Investment in Moleaer Inc.

In April 2022, USD 7.5m of venture capital was invested for a minority share in Moleaer, a global leader in nanobubble technology. By investing in Moleaer, Husqvarna Group's Gardena Division will be able to explore nanobubble technology's potential in addressing water scarcity.

Acquisitions 2021

Acquisition of Orbit

In November 2021, Husqvarna Group acquired 100% of the shares in Orbit Irrigation in the US, a leading provider of residential watering solutions in North America. Orbit now forms a part of Gardena Division, establishing a global leader in residential watering and creating growth opportunities for both brands. The acquisition provides an excellent position and the scale to continue to lead and transform the market towards smart, sustainable gardening solutions.

The purchase price corresponds to an enterprise value of USD 480m on a cash and debt-free basis. Orbit’s net sales for 2021 amounted to USD 324m, and operating income, adjusted for items affecting comparability, amounted to USD 28m. The items affecting comparability were mainly related to divestment expenses. Orbit contributed with net sales of SEK 184m and operating income of SEK –3m to Husqvarna Group’s consolidated financial statements for 2021. The goodwill of SEK 1,907m, generated in connection with the acquisition, refers to future customers, market position and workforce.

Orbit, based in Salt Lake City, Utah, has approximately 300 employees and generates over 95% of its revenues in North America. The Orbit product offering includes watering equipment sold through retail, garden centres, e-commerce and professional channels. In addition, the company's B-hyve suite of smart products, with 1.4 million connected devices, helps consumers conserve water, promote plant health and save money.

Note 28 Subsequent events

Henric Andersson passed away February 2023

Henric Andersson, our dear colleague and Husqvarna Group's CEO for the last three years, passed away in February 2023. Husqvarna Group has lost a dear friend and a visionary leader whom we had the privilege of working together with for over 25 years. Henric has truly made a difference in many ways and will be deeply missed. Pavel Hajman has been appointed acting CEO and the Board has initiated a process to identify a potential permanent successor.

Bosch

Bosch issued a press release stating that they have agreed to acquire shares in Husqvarna AB (publ), subject to an approval. Their shareholding would then amount to roughly 12 percent. No new shares in Husqvarna AB (publ) have been issued.

Parent Company income statement

SEKm	Note	2022	2021
Net sales	3	23,308	21,335
Cost of goods sold	5	–17,250	–14,623
Gross income		6,057	6,712
Selling expenses	5, 6	–1,911	–1,702
Administrative expenses	5	–1,849	–1,744
Other operating income and operating expenses	7	0	1
Operating income	4, 8, 9	2,298	3,267
Income from financial items			
Income from participation in Group companies	10	459	2,518
Financial income	11	301	31
Financial expenses	11	–1,680	–997
Income after financial items		1,378	4,819
Appropriations	12	–858	–842
Income before taxes		521	3,977
Income tax	13	–14	–280
Net Income for the period		507	3,697

Parent Company comprehensive income statement

SEKm	2022	2021
Net Income for the period	507	3,697
Other comprehensive income		
<i>Items that may be reclassified to the income statement:</i>		
Cash flow hedges		
Result arising during the period, net of tax	–74	21
Reclassification adjustments to the income statement, net of tax	28	–95
Other comprehensive income, net of tax	–46	–75
Total comprehensive income	461	3,622

Parent Company balance sheet

SEKm	Note	Dec 31, 2022	Dec 31, 2021
Assets			
<i>Non-current assets</i>			
Intangible assets	14	4,023	1,789
Property, plant and equipment	15	2,349	2,297
Financial assets			
Shares in subsidiaries	16	34,991	34,616
Derivatives	19	53	5
Other non-current assets	17, 19	63	280
Deferred tax assets	13	86	93
Total non-current assets		41,563	39,079
<i>Current assets</i>			
Inventories	18	4,163	2,266
Receivables			
Trade receivables	19	802	568
Receivables from Group companies	19	12,592	13,245
Derivatives	19	1,277	408
Other receivables	19, 20	126	145
Current tax receivables		180	0
Prepaid expenses and accrued income	20	210	168
Cash and cash equivalents	19	410	561
Total current assets		19,759	17,361
Total assets		61,322	56,441

SEKm	Note	Dec 31, 2022	Dec 31, 2021
Equity and liabilities			
<i>Restricted equity</i>			
Share capital		1,153	1,153
Revaluation reserve		14	14
Statutory reserves		19	19
Reserve related to R&D expenses		1,619	1,493
<i>Non-restricted equity</i>			
Share-premium reserve		2,606	2,606
Fair value reserve		-75	-29
Profit or loss brought forward		26,212	24,365
Net Income for the period		507	3,697
Total equity		32,055	33,318
Untaxed reserves	12	1,400	1,275
<i>Provisions</i>			
Provisions for pensions and other post-employment benefits	22	308	0
Other provisions	23	100	139
Total provisions		408	139
<i>Non-current liabilities</i>			
Borrowings	19, 27	8,749	3,608
Derivatives	19	—	19
Total non-current liabilities		8,749	3,627
<i>Current liabilities</i>			
Borrowings	19, 27	7,534	4,340
Liabilities to Group companies	19	6,718	8,712
Trade payables	19	2,455	2,160
Current tax liabilities		—	954
Derivatives	19	1,067	903
Other liabilities	21	937	1,012
Total current liabilities		18,710	18,082
Total equity and liabilities		61,322	56,441

Parent Company cash flow statement

SEKm	Note	2022	2021
Cash flow from operations			
Income after financial items		1,378	4,819
Non cash items			
Depreciation/amortization and impairment	5, 14, 15	1,116	1,142
Capital gains and losses		0	0
Other non cash items		-8	27
Taxes paid		-1,128	24
Cash flow from operations, excluding change in operating assets and liabilities		1,358	6,013
Change in operating assets and liabilities			
Change in inventories		-1,898	-227
Change in trade receivables		-234	-103
Change in inter-company receivables/liabilities		-1,468	-6,198
Change in other current assets		-891	671
Change in current liabilities and provisions		653	1,185
Cash flow from operating assets and liabilities		-3,838	-4,674
Cash flow from operations		-2,480	1,339

SEKm	Note	2022	2021
Investments			
Investments of shares in group companies	16	-402	—
Paid shareholder's contribution	16, 17	—	-852
Investments in intangible assets	14	-2,965	-654
Investments in property, plant and equipment	15	-450	-344
Sale of property, plant and equipment and intangible assets		19	26
Cash flow from investments		-3,798	-1,824
Cash flow from operations and investments		-6,278	-485
Financing			
New borrowings	27	12,490	2,135
Repayment of borrowings	27	-4,291	-3,804
Dividend paid to shareholders		-1,711	-1,375
Group contribution paid		-361	-506
Cash flow from financing		6,127	-3,550
Total cash flow		-151	-4,035
Cash and cash equivalents at beginning of year		561	4,596
Cash and cash equivalents at year-end		410	561

Parent Company statement of changes in equity

SEKm	Share capital	Restricted reserves ³	Reserve related to R&D expenses	Share premium reserve	Fair value reserve ⁴	Profit or loss brought forward incl. profit of the year	Total
Opening balance January 1, 2021	1,153	33	1,399	2,606	46	25,975	31,211
Net income for the period	—	—	—	—	—	3,697	3,697
Other comprehensive income	—	—	—	—	–75	—	–75
Total comprehensive income	—	—	—	—	–75	3,697	3,622
Share-based payments	—	—	—	—	—	194	194
Hedge for LTI-programs	—	—	—	—	—	–335	–335
Revaluation	—	—	—	—	—	—	—
Change of Restricted reserves related to capitalized R&D ¹	—	—	94	—	—	–94	—
Dividend SEK 2.40 per share ²	—	—	—	—	—	–1,375	–1,375
Closing balance December 31, 2021	1,153	33	1,493	2,606	–29	28,062	33,318
Net income for the period	—	—	—	—	—	507	507
Other comprehensive income	—	—	—	—	–46	—	–46
Total comprehensive income	—	—	—	—	–46	507	461
Share-based payments	—	—	—	—	—	78	78
Hedge for LTI-programs	—	—	—	—	—	–92	–92
Change of Restricted reserves related to capitalized R&D ¹	—	—	126	—	—	–126	—
Dividend SEK 3.00 per share ²	—	—	—	—	—	–1,711	–1,711
Closing balance December 31, 2022	1,153	33	1,619	2,606	–75	26,718	32,055

¹ The reserve related to R&D and IT expenses is only applied in the Parent Company. Information about the accounting principle is available in the Parent Company's note 1.

² Total dividend 2022 amounts to SEK 1,729m (1,383), of which Husqvarna AB (publ) received SEK 18m (8) for B-shares in third party share swap agreement.

³ Restricted reserves relates to revaluation reserve together with statutory reserves.

⁴ Relates to result and reclassification adjustments to the income statement for Cash flow hedges, net of tax, which are recognized in other comprehensive income.

Information regarding the Parent Company's shares, share capital and share premium reserve is available in the Group's note 19.

Note 1 Parent Company’s Accounting principles

Husqvarna AB’s (publ) Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board’s standard RFR 2. The Parent Company follows the International Financial Reporting Standards (IFRS) adopted by EU, to the extent possible within the framework for the Swedish Annual Accounts Act and Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen), and considering the relationship between accounting and taxation. The Parent Company is following the same principles as described in the Group note 1, with the below exceptions.

Segments

Information is reported in accordance with the Swedish Annual Accounts Act and contains disclosures of net sales divided by geography and per product category.

Intangible assets

The Parent company amortize all brands on a straight-line basis during the useful life, which according to group policy is estimated at 10 years.

Property, plant and equipment

The Parent Company uses methods for depreciations described in the section “Property, plant and equipment” in the Group’s note 1 with some exception, which is described below.

The Parent Company accounts for tax depreciation in accordance with the Swedish tax law as appropriations in the Income statement. These depreciations are accounted for in addition to the depreciation described in the section “Property, plant and equipment” in the Group’s note 1 and are reported as untaxed reserves in the Balance sheet.

Shares in subsidiaries

Shares in subsidiaries are reported at cost deducted for impairment. Expenses and potential additional purchase price, related to an acquisition are included in the acquisition value of the investment. Investments are tested annually for impairment or if there is an indication of that the book value of the investment is higher than the recoverable amount. Dividends are reported as income.

Pensions

Husqvarna Group applies IAS 19 Employee Benefits for pension assets and liabilities. The Parent Company applies the Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen).

Group contributions

Husqvarna AB (publ) applies the alternative rule in RFR 2, and accounts for both group contribution received and paid as appropriations in the income statement.

Contingent liabilities

The Parent Company has signed guarantees in favour of subsidiaries which in accordance with IFRS are classified as a financial guarantee. However, the Parent Company applies RFR 2 and recognizes these guarantees as contingent liabilities.

Leasing

The Parent Company applies RFR 2 and recognizes all leasing as a linear cost over the lease period.

Reserve related to R&D expenses

The parent company capitalizes R&D and IT in the balance sheet. From 2016 and forward, a restricted reserve is presented for internally generated R&D and IT, where an amount equal to this year’s capitalization reduced with amortization is transferred from free reserves to restricted reserves. The restricted reserve dissolves in line with the amortizations.

Note 2 Financial risk management

Husqvarna Group applies common risk management for all units through the Group Treasury functions in Sweden and Ireland. The description of financial risk management available in the Group’s note 20 is in all material aspects applicable also for the Parent Company.

Note 3 Net sales distribution

Net sales are distributed on the following geographic markets

SEKm	2022	2021
Europe	15,001	15,562
North America	3,590	2,421
Rest of the World	4,716	3,352
Total	23,308	21,335

Net sales amounted to SEK 23,308m (21,335), of which SEK 18,195m (16,268) referred to sales to Group companies and SEK 5,113m (5,067) to external customers.

Net sales distribution per product category

SEKm	2022	2021
Forest-, park- and garden products	19,024	17,731
Construction products	4,164	3,521
Other	120	83
Total	23,308	21,335

Note 4 Employees and employees benefits

Average number of employees

	2022			2021		
	Men	Women	Total	Men	Women	Total
Board, CEO and Group Management	14	5	19	13	6	19
Sweden	1,780	618	2,398	1,693	557	2,250
Total	1,794	623	2,417	1,706	563	2,269

Salary and remuneration

SEKm	2022			2021		
	Salaries and remuneration (whereof bonuses)	Social expenses	Pension expenses	Salaries and remuneration (whereof bonuses)	Social expenses	Pension expenses
Board, CEO and Group Management	72 (25)	24	10	101 (57)	36	10
Other employees	1,600	575	468	1,558	548	146
Total	1,672	599	478	1,659	584	156

For further information regarding remunerations to the Board of Directors, CEO and the Group Management together with the Group’s long term incentive program see the Group’s note 4.

Note 5 Expenses by nature

SEKm	2022	2021
Costs for supplies and raw materials	11,364	10,112
Salary and remuneration	2,749	2,399
Amortization/depreciation and impairment	1,117	1,142
Other	5,780	4,416
Total	21,010	18,069

Note 6 Exchange rate gains and losses in operating income

SEKm	2022	2021
Exchange rate gains and losses in operating income ¹	–67	58
Total	–67	58

¹ Included in selling expenses within operating income.

Operating income includes SEK –34m (121) of foreign exchange hedging result previously reported in other comprehensive income. Information related to the accounting of fair value in financial instruments is presented in the Group's note 1.

Note 7 Other operating income and operating expenses

SEKm	2022	2021
Other operating income		
Gain on sale of:		
– Property, plant and equipment	0	1
– Operations and shares	—	—
Total	0	1
Other operating expenses		
Loss on sale of:		
– Property, plant and equipment	—	—
Total	—	—

Note 8 Fees to auditors

SEKm	2022	2021
KPMG		
Audit fees for the annual audit engagement	5	5
Audit fees not included in the annual audit engagement	1	1
Tax advices	—	—
Other services	—	—
Total fees to KPMG	6	6

SEKm	2022	2021
EY		
Audit fees for the annual audit engagement	—	—
Audit fees not included in the annual audit engagement	—	—
Tax advices	—	0
Other services	—	0
Total fees to EY	—	0

Note 9 Operating leases

There are no material contingent expenses or restrictions among the Parent Company's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 111m (97) in 2022.

Future minimum lease payments are allocated as follows:

SEKm	2022	2021
Within 1 year	117	95
1–5 years	186	186
> 5 years	81	0
Total	384	281

Note 10 Income from participation in Group companies

SEKm	2022	2021
Dividends	459	2,518
Total	459	2,518

Note 11 Financial income and expense

SEKm	2022	2021
Financial income		
Interest income		
– from subsidiaries	300	29
– from others	1	2
<i>whereof Interest income</i>		
– on deposits	301	31
– on derivatives held for trading	0	0
Exchange rate differences		
– on borrowings	0	0
– on derivatives held for trading ²	0	0
Total financial income	301	31
Financial expenses		
Interest expense		
– to subsidiaries	–202	–5
– to others	–366	–183
<i>whereof Interest expense</i>		
– on borrowings	–192	–85
– on cashflow hedges, interest derivatives	5	–3
– on derivatives held for trading ¹	–381	–96
Exchange rate differences		
– on borrowings	770	–163
– on derivatives held for trading ²	–1,865	–630
Other financial expenses	–17	–17
Total financial expenses	–1,680	–997
Financial income and expenses, net	–1,379	–966

¹ Interest expense on derivatives held for trading includes interest expense on derivatives for hedging net investments SEK –141m (–28).

² Currency exchange rate difference on derivatives held for trading includes currency exchange rate differences on derivatives for hedging net investments SEK –1,154m (–799).

Note 12 Appropriations and untaxed reserves

SEKm	Appropriations		Untaxed Reserves	
	2022	2021	2022	2021
Group contribution, received	—	—	—	—
Group contribution, paid	–733	–361	—	—
Accumulated depreciation in excess of plan on	–125	29	—	—
Tax allocation reserve	—	–510	—	—
Fixed asset	—	—	890	765
Other untaxed reserves 2021	—	—	510	510
Total	–858	–842	1,400	1,275

Note 13 Tax

SEKm	2022	2021
Current tax on income for the period	–5	–320
Income tax generated from previous years	10	—
Deferred tax income/expense	–19	41
Total	–14	–280

Theoretical and actual tax rate

	2022		2021	
	Tax, %	SEKm	Tax, %	SEKm
Profit before tax	—	521	—	3,976
Theoretical tax rate	–20.6	–107	–20.6	–819
Non-taxable income statements items	22.8	118	13.2	525
Non-deductible income statement items	–3.1	–16	–0.0	–2
Change in valuation of deferred tax	–3.6	–19	0.3	11
Income tax generated from previous years	1.9	10	—	—
Effect of tax rate change	—	—	—	—
Withholding tax	—	0	–0.1	–3
Other	—	—	0.2	9
Actual tax rate¹	–2.6	–14	–7.3	–280

¹ Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 459m (2,518)

Changes in deferred taxes

SEKm	Balance, 1 Jan, 2022	Recognized in income statement	Recognized in compre- hensive income statement	Reclassifi- cation	Balance, Dec 31, 2022
Non-current assets	3	–7	—	—	–4
Provision for pensions and similar commitments	40	–1	—	—	39
Other provisions	43	–11	—	—	32
Financial and operating liabilities	7	—	12	—	19
Tax losses carried forward	—	—	—	—	—
Deferred tax assets and liabilities, net	93	–19	12	—	86

SEKm	Balance, 1 Jan, 2021	Recognized in income statement	Recognized in compre- hensive income statement	Reclassifi- cation	Balance, Dec 31, 2021
Non-current assets	–4	7	—	—	3
Provision for pensions and similar commitments	33	7	—	—	40
Other provisions	15	28	—	—	43
Financial and operating liabilities	–12	—	19	—	7
Tax losses carried forward	0	—	—	—	—
Deferred tax assets and liabilities, net	32	41	19	—	93

Tax items recognized in Other comprehensive income amounts to SEK 12m (19) for items related to cash flow hedges.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Non-current assets	—	3	4	—	–4	3
Provisions for pensions and similar commitments	38	40	—	—	38	7
Other provisions	32	43	—	—	32	28
Financial and operating liabilities	19	7	—	—	19	19
Tax losses carried forward	—	—	—	—	—	—
Deferred tax assets and liabilities	89	93	4	—	86	93
Set-off of tax	—	—	—	—	—	—
Deferred tax assets and liabilities, net	89	93	4	—	86	93

Note 14 Intangible assets

SEKm	Product development		Brands		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening accumulated acquisition value	3,932	3,503	1,544	1,544	1,754	1,583	7,231	6,631
Investments	602	471	1,949	—	415	183	2,965	654
Sold, scrapped	–2	–42	—	—	–1	–12	–3	–54
Closing accumulated acquisition value	4,532	3,932	3,493	1,544	2,168	1,754	10,193	7,231
Opening accumulated amortization and impairment	2,719	2,329	1,530	1,425	1,192	976	5,441	4,730
Amortization ¹	418	370	126	105	182	219	726	695
Impairment	6	71	—	—	—	—	6	71
Sold, scrapped	–2	–51	—	—	–1	–3	–4	–54
Closing accumulated amortization and impairment	3,141	2,719	1,657	1,530	1,372	1,192	6,170	5,442
Closing balance, December 31	1,392	1,213	1,835	14	796	562	4,023	1,789

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 444m (391), within selling expenses by SEK 19m (14) and within administrative expenses by SEK 263m (290).

Note 15 Property, plant and equipment

SEKm	Land and land improvements ²		Buildings and leasehold improvements		Machinery and technical installations		Other equipment		Construction in progress and advances		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Opening accumulated acquisition value	11	11	449	413	3,163	2,944	272	262	459	565	4,356	4,195
Investments	—	—	10	5	76	174	11	10	352	155	450	344
Sold, scrapped	—	—	—	–4	–110	–126	–12	–7	—	—	–122	–137
Reclassification	—	—	33	35	170	171	15	7	–264	–261	–45	–46
Closing accumulated acquisition value	11	11	492	449	3,299	3,163	288	272	547	459	4,638	4,356
Opening accumulated depreciation and impairment	5	5	214	195	1,633	1,450	206	191	—	—	2,059	1,840
Depreciation ¹	—	—	29	22	332	314	20	21	—	—	381	358
Impairment	—	—	—	—	3	18	—	—	—	—	3	18
Sold, scrapped	—	—	—	–3	–142	–148	–12	–7	—	—	–154	–158
Reclassification	—	—	—	—	—	—	—	1	—	—	—	1
Closing accumulated depreciation and impairment	5	5	243	214	1,827	1,633	214	206	—	—	2,289	2,059
Closing balance, December 31	6	6	249	235	1,472	1,530	74	68	547	459	2,349	2,297

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 371m (348), within selling expenses by SEK 4m (3) and within administrative expenses by SEK 7m (7).

² The net book value for land is SEK 5m (5).

Note 16 Shares in subsidiaries

Country	Subsidiaries	Registration number	Holding, %	Net book value, SEKm	Net book value, SEKm
				2022	2021
Austria	Husqvarna Commercial Solutions Austria GmbH	580249	100	1	—
Belgium	Husqvarna Belgium SA	0400.604.654	100	486	486
Canada	Husqvarna Canada Corp.	82354277RT0001	100	271	271
Colombia	Husqvarna Colombia S.A.	900.047.189-0	95	1	1
Denmark	Husqvarna Commercial Solutions Danmark A/S	41829184	100	1	1
Denmark	Husqvarna Danmark A/S	26205328	100	16	16
Estonia	Husqvarna Eesti Osaühing	11159436	100	0	0
Finland	Oy Husqvarna Commercial Solutions Finland Ab	3175257-1	100	0	0
Germany	Husqvarna Commercial Solutions Germany GmbH	HRB 741377	100	0	0
Germany	Husqvarna Real Estate Germany GmbH	HRB 742955	100	0	0
India	Husqvarna (India) Products Private Limited	U74999TN2007FTC112630	0,01	0	0
Ireland	Husqvarna Finance Ireland Ltd	611319	100	9,816	9,816
Kenya	Outdoor Power Products Husqvarna Kenya Ltd	PVT-DLU8KXM	100	0	0
Latvia	SIA Husqvarna Latvija	40003760065	100	3	3
Norway	Husqvarna Commercial Solutions Norge AS	925918261	100	0	0
Poland	Husqvarna Poland Sp.Z.o.o.	247636	100	374	—
South Africa	Husqvarna South Africa (Proprietary) Limited	2005.025971.07	100	19	19
Sweden	Husqvarna Commercial Solutions AB	556745-5893	100	0	0
Sweden	Husqvarna Business Support AB	556037-1964	100	12,499	12,499
Sweden	McCulloch Trademark Holding AB	559169-3451	100	0	0
Sweden	Husqvarna Direct AB	559170-2609	100	0	0
Sweden	Gardena Flymo AB	559170-2617	100	0	0
Sweden	Mariehov 5:38 AB	559288-5379	100	9	9
U.S.	Millhouse Insurance Company	20-4233540	100	79	79
U.S.	Husqvarna U.S. Holding, Inc.	34-1946153	100	11,415	11,415
Total				34,991	34,616

During 2022, Husqvarna Poland Sp.Z.o.o. was acquired through dividend, instead of as cash, from Husqvarna Business Support AB. During 2022 the subsidiary Husqvarna Commercial Solutions Austria GmbH was acquired. During 2021 a capital injection was made to Husqvarna U.S. Holding, Inc. with SEK 834m. There is also a number of subsidiaries to the subsidiaries, a detailed specification of Group companies is available on request from Husqvarna AB (publ), Investor Relations.

Note 17 Other non-current assets

SEKm	2022	2021
Receivables Group	—	244
Other long-term receivables	63	36
Total	63	280

Note 18 Inventories

SEKm	2022	2021
Supplies including raw materials	810	573
Products in progress	12	12
Finished products	3,163	1,673
Advances to suppliers	178	8
Total	4,163	2,266

Provisions for obsolescence are included in the value of the inventory and amounts to SEK 140m (114). Provision made during the year amount to SEK 83m (137) and SEK 56m (130) has been reversed. Inventories valued to net realizable value amounted to SEK 101m (97) referring to finished products.

Note 19 Financial assets and liabilities

Financial assets and liabilities per category

SEKm	Financial assets valued at fair value	Financial assets for which hedge accounting is applied	Other financial assets	Total
2022				
Assets				
Derivatives	1,118	212	—	1,330
Receivables Group companies ¹	—	—	12,592	12,592
Trade receivables	—	—	802	802
Other receivables	—	—	110	110
Cash and cash equivalents	—	—	410	410
Total	1,118	212	13,914	15,244
2021				
Assets				
Derivatives	268	145	—	413
Receivables Group companies ¹	—	—	13,489	13,489
Trade receivables	—	—	568	568
Other receivables	—	—	130	130
Cash and cash equivalents	—	—	561	561
Total	268	145	14,748	15,161

¹ For long-term receivables to Group companies, see note 17.

Financial assets and liabilities per category, cont.

SEKm	Financial liabilities valued at fair value	Financial liabilities for which hedge accounting is applied	Other financial liabilities	Total
2022				
Liabilities				
Borrowings	—	—	16,283	16,283
Liabilities to Group companies	—	—	6,718	6,718
Trade payables	—	—	2,455	2,455
Derivatives	761	306	—	1,067
Other liabilities	—	—	120	120
Total	761	306	25,576	26,643
2021				
Liabilities				
Borrowings	—	—	7,948	7,948
Liabilities to Group companies	—	—	8,712	8,712
Trade payables	—	—	2,160	2,160
Derivatives	742	181	—	923
Other liabilities	—	—	88	88
Total	742	181	18,908	19,831

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2022¹

SEKm	2023	2024	2025	2026	2027	>2028	Total
Bonds, bank loans and other loans	–7,933	–4,691	–340	–2,346	–2,096	—	–17,404
Liabilities to Group Companies	–6,718	—	—	—	—	—	–6,718
Derivative liabilities, interest rate	—	—	—	—	—	—	—
Derivative liabilities, foreign exchange	–1,067	—	—	—	—	—	–1,067
Trade payables	–2,455	—	—	—	—	—	–2,455
Total financial liabilities	–18,172	–4,691	–340	–2,346	–2,096	—	–27,643

¹ The table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

Derivatives

The main part of the Group's derivatives is held by the Parent Company. Disclosures regarding the derivatives are available in the Group's note 20.

Trade receivables

Husqvarna AB's trade receivables amount to SEK 813m (568) as per December 31, 2022.

Trade receivables past due but not impaired amount to SEK 30m (4) as of December 31, 2022.

Aging analysis for past due, but not impaired trade receivables

SEKm	2022	2021
<3 months	9	1
>3 months	21	3
Total past due but not impaired	30	4

Provision for overdue accounts receivables

SEKm	2022	2021
Opening balance, January 1	18	18
New provisions	5	4
Reversed unused provisions	12	–3
Write off accounts receivables	–23	–1
Closing balance, December 31	12	18

The credit risk in financial assets is described in the Group's note 20.

Borrowings

The main part of the borrowings in Husqvarna Group is reported within the Parent Company. For disclosures regarding fair value and interest exposure, see the Group's note 20.

Note 20 Other current assets

SEKm	2022	2021
Value added tax	95	118
Miscellaneous short-term receivables	31	27
Prepaid rents and leases	17	14
Prepaid insurance premiums	9	7
Other prepaid expenses	184	147
Total	336	313

Note 21 Other liabilities

SEKm	2022	2021
Accrued holiday pay	220	198
Other accrued payroll expenses	282	435
Accrued customer rebates	98	90
Other accrued expenses	217	201
Personnel taxes and other taxes	120	88
Total	937	1,012

Note 22 Provisions for pensions

Specification of the net provision for pensions

SEKm	2022	2021
Present value of the funded pension obligations	1,113	870
Fair value of plan assets	–825	–1,056
Surplus/deficit of the pension fund	308	–186
Surplus of the pension fund, not recognized	—	186
Net provision for pensions	—	0

Specification of the change in the net provision for pensions

SEKm	2022	2021
Opening balance, January 1	0	0
Costs for pensions recognized in the income statement	336	27
Benefits paid	–28	–27
Closing balance, December 31	308	0

Of total net provisions, SEK 0m (0) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

Pension costs recognized in the income statement

SEKm	2022	2021
Own pensions		
Pension costs	336	27
Insured pensions		
Insurance premiums	141	128
Total net expenses for pensions	477	155

Of total net expenses of SEK 477m (155), SEK 225m (74) is recognized in cost of goods sold, SEK 101m (28) in selling expenses and SEK 151m (53) in administration expenses. The expected payments 2022 for own pensions amounts to SEK 32m.

Principal actuarial assumptions at balance sheet date

%	2022	2021
Discount rate	3	4

The major categories of plan assets as a percentage of total plan assets and the return on these categories

%	2022	Return	2021	Return
Equity instruments	39	–33	46	57
Debt instruments	61	–11	54	–1
Total	100	–22	100	23

The employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The pension plans are funded which imply that there are assets in a legal entity that exist solely to finance benefits to employees and former employees. White collar employees, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed primarily through a pension fund. Employees born 1979 or later are covered by ITP 1, which is a defined contribution pension plan. More information about pensions are presented in Group notes 4 and 21.

Note 23 Other provisions

SEKm	Provisions for re-structuring	Warranty commitments	Other	Total
Opening balance January 1, 2022	23	47	69	139
Provisions made	9	32	7	48
Provisions used	–21	–27	–39	–87
Closing balance, December 31, 2022	11	52	37	100
Current provisions	11	42	22	75
Non-current provisions	—	10	15	25

Provisions for restructuring

See the Group's note 22 for further information regarding Husqvarna Group's restructuring programmes.

Warranty commitments

Provisions for warranty comprises all potential expenses for repairing or replacing products sold and are normally limited to 24 months.

Note 24 Pledged assets and contingent liabilities

Pledged assets

SEKm	2022	2021
Pension obligation ¹	150	155
Total	150	155

¹ Refers to endowment that is pledged in favor of the recipient.

Contingent liabilities

SEKm	2022	2021
On behalf of Group companies		
Pension obligation	477	465
On behalf of external counterparties		
Bank guarantee	111	97
Pension obligation	22	17
Total	610	579

As described in note 24 to the Group's Financial Statements, the Group is exposed to certain contingent liabilities regarding commercial guaranties, commercial litigation, and related disputes. Husqvarna AB (publ), as the parent company of the Group, may be directly liable for such obligations (for example, if it is directly named in such a lawsuit) and/or may have indirect liability for the same, such as when an intra-company guarantee is in place. Please refer to the Groups note 24 for more details.

Note 25 Related party transactions

Sales to related parties are carried out on market-based terms. Information about the Board of Directors and Group Management and compensation to those are reported in Group note 4, Employees and employee benefits. No unusual transactions have occurred between Husqvarna Group and the Board of Directors or Group Management. The value of those business transactions are insignificant.

Note 26 Subsequent events

No significant events have occured subsequent to the balance sheet date that would have a material impact on the Parent Company's financial statements.
See the Group's note 28.

Note 27 Changes in financial liabilities

SEKm	Opening balance, January 1, 2022	Cash flows ¹	Reclassification	Foreign exchange movement	Other non-cash movement	Closing balance, December 31, 2022
Current interest-bearing borrowings	4,340	2,070	1,122	—	2	7,534
Non-current interest-bearing borrowings	3,608	6,129	–1,122	42	92	8,749
Total financial liabilities	7,948	8,199	0	42	94	16,283

SEKm	Opening balance, January 1, 2021	Cash flows ¹	Reclassification	Foreign exchange movement	Other non-cash movement	Closing balance, December 31, 2021
Current interest-bearing borrowings	2,760	–656	2,236	—	—	4,340
Non-current interest-bearing borrowings	6,521	–1,014	–2,235	—	336	3,608
Total financial liabilities	9,281	–1,669	0	—	336	7,948

¹ Cash flow from financial liabilities is included in the Parent Company's cash flow statement under "Proceeds from borrowings" and "Repayment of borrowings".
² Other non-cash movement includes share swap agreements

Note 28 Proposed distribution of earnings

The Board of Directors proposes a dividend for 2022 of SEK 3 per share (3.00) corresponding to a total dividend payment of SEK 1,711m (1,711) based on the number of outstanding shares at the end of 2022. It is also proposed that the dividend will be paid in two instalments to better match the Group's cash flow profile, with one payment of SEK 1 per share in April and the remaining SEK 2 per share in October.

The proposed record dates are April 6, 2023 for the first payment and October 6, 2023 for the second payment.

SEKt	2022
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	26,211,852
Net income for the period	506,731
Total	29,324,330

SEKt	2022
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 3.00 per share ¹	1,711,360
To be carried forward	27,612,970
Total	29,324,330

¹ Calculated on the number of outstanding shares as per December 31, 2022.

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

Declaration by the Board of Directors and the CEO

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of

the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 10, 2023

Tom Johnstone
Chair of the Board

Ingrid Bonde
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Christine Robins
Board member

Pavel Hajman
Acting CEO

Anders Krantz
Board member and
employee representative

Daniel Tornberg
Board member and
employee representative

Our audit report was issued on March 10, 2023
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Husqvarna AB (publ), corp. id 556000-5331

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Husqvarna AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 34–97 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill, trademarks and customer relations and parent company's shares in subsidiaries

See disclosure 14 to the consolidated accounts and disclosure 16 to the parent company accounts and accounting principles on pages 63–64 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The book value of goodwill, trademarks and customer relations amount to SEK 16,101 million as of 31 December 2022, representing 26% of total assets. Goodwill and trademarks with an indefinite useful life should be subject to an annual impairment test.

Other intangible assets are tested when impairment indicators are identified.

Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, churn-rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.

The parent company's interests in group companies amount to SEK 34,991 million as of 31 December 2022. If the book value of the interests exceeds the equity in the respective group company, an impairment test is performed following the same methodology and using the same assumptions as for the tests in the consolidated accounts.

Response in the audit

We have obtained and assessed the group's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.

Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome.

An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis.

We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–33 and 101–108. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Husqvarna AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Husqvarna AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the Esef report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Husqvarna AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Husqvarna AB (publ) by the general meeting of the shareholders on the 7 April 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm March 10, 2023
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Financial definitions

This report includes financial measures as required by the financial reporting framework applicable to Husqvarna Group, which is based on IFRS. In addition, there are other measures (alternative performance measures) used by management and other stakeholders to analyze trends and performance of the Group’s operations that cannot be directly read or derived from the financial statements. Husqvarna stakeholders should not consider these as substitutes, but rather as additions, to the financial reporting measures prepared in accordance with IFRS. Please note that the alternative performance measures as defined, may not be comparable to similarly titled measures used by other companies. Refer below for a list of definitions of all measures and indicators used, referred to and presented in this report.

Computation of average amounts	The computation of key ratios are based on averages of capital balances the last 12 months.
Roundings	All items are stated in SEKm and, accordingly, rounding differences can occur
Last twelve months (LTM)	An average of the last twelve months has been used to assist stakeholders in their analysis of seasonal variation in the market Husqvarna Group operates in.
Alternative performance measures	Description and reason for use
Profitability measures	
Organic growth	Organic growth is the change in net sales compared to the same period of the previous year excluding acquisitions and divestments and adjusted for currency translation effects. The measure is important in order to understand the underlying performance of the operations and increases the comparability between periods.
Gross margin	Gross income as a percentage of net sales.
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.
EBITDA margin	EBITDA as a percentage of net sales.
Operating margin	Operating income as a percentage of net sales The operating margin is a key profitability measure.

Capital indicators	Description and reason for use
Capital employed	Total equity and liabilities less non-interest-bearing debt including deferred tax liabilities. This measure shows the amount of capital that is used in the operations and is an important component for measuring the return from operations.
Capital expenditure	Investments in property, plant and equipment, right of use assets and intangible assets.
Capital turnover rate	Net sales during the last twelve months divided with average net assets. Shows how effectively capital is managed and is a key measure for monitoring value creation.
Equity / assets ratio	Equity attributable to equity holders of the Parent Company as a percentage of total assets. A measure for showing financial risk, expressing the percentage of total assets that is financed by the owners.
Liquid funds	Cash and cash equivalents, short-term investments and fair value derivative assets. Shows the ability to repay short term commitments.
Net assets	Total assets excluding liquid funds and interest-bearing assets less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.
Net debt	Net debt is defined as total interest-bearing liabilities plus dividend payable, less liquid funds and interest-bearing assets. The key performance indicator shows the Group’s indebtedness
Net debt / EBITDA excluding Items affecting comparability	Average net debt in relation to EBITDA last twelve months, excluding items affecting comparability. A financial measure that shows the company’s capacity to repay its debt, adjusted for the impact of items affecting comparability.

Capital indicators <i>(cont.)</i>	Description and reason for use
Net debt /equity ratio	<p>Net debt in relation to total equity</p> <p>Shows financial risk and is a useful measure to monitor the level of the company’s indebtedness.</p>
Operating working capital	<p>Inventories and trade receivables less trade payables</p> <p>This measure shows how much working capital is tied up in the operations and can be put in relation to sales to understand how efficient working capital is managed.</p>
Operating working capital /net sales	<p>Average operating working capital as a percentage of net sales last twelve months.</p> <p>This measure is an important indicator for how efficient working capital is managed.</p>
Return on capital employed (ROCE)	<p>Operating income during the last twelve months as a percentage of average capital employed.</p> <p>A central ratio for measuring return on capital tied up in operations.</p>
Return on equity (ROE)	<p>Net income attributable to equity holders of the Parent Company last twelve months as a percentage of average equity attributable to equity holders of the Parent Company.</p> <p>The indicator shows how shareholders’ capital yields interest during the period.</p>

Share-based measures	Description and reason for use
Earnings per share, after dilution	<p>Earnings per share is expressed as net income attributable to equity holders of the parent company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.</p> <p>Earnings per share is a good measure of the company’s profitability and is used to determine the value of the company’s outstanding shares.</p>
Equity per share, after dilution	<p>Equity attributable to equity holders of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.</p> <p>A measure of the amount of equity that exists per outstanding share and is used for measuring the share against the share price.</p>

Other measures	Description and reason for use
Direct operating cash flow	<p>EBITDA, excluding items affecting comparability, adjusted for change in trade payables, inventory and trade receivables and investments in property, plant and equipment and intangible assets.</p> <p>Direct operating cash flow provides a measure of the cash generated by the Groups operating business.</p>
Items affecting comparability	<p>Under Items affecting comparability, Husqvarna includes items that have the character of being non-recurring, such as restructuring costs, and are relevant when comparing earnings for one period with those of another.</p> <p>Separate reporting of items affecting comparability between periods provides a better understanding of the company’s underlying operating activities.</p>
Operating cash flow	<p>Operating cash flow is defined as cash flow from operations and investments, excluding acquisitions and divestments of subsidiaries/operations, divestments of property plant and equipment and invest-ments/divestments of financial assets.</p> <p>Operating cash flow is a measure of the amount of cash generated by the Group’s ordinary business operations that the units have control over themselves.</p>

Five-Year Review

Income and key ratios, SEKm	2022	2021	2020	2019	2018 ¹
Net sales	54,037	47,059	41,943	42,277	41,085
Husqvarna Forest & Garden Division	32,082	29,217	26,607	27,506	27,156
Gardena Division	13,606	10,537	9,427	8,343	8,118
Husqvarna Construction Division	8,232	7,210	5,844	6,340	5,762
Gross income	14,613	15,513	12,576	12,529	10,502
Gross margin, %	27.0	33.0	30.0	29.6	25.6
EBITDA *	6,385	7,987	6,206	5,779	4,000
EBITDA margin, %	11.8	17.0	14.8	13.7	9.7
Operating income	3,043	5,746	3,669	3,690	2,070
Operating income excl. items affecting comparability *	4,853	5,684	4,484	3,915	3,241
Operating margin, %	5.6	12.2	8.7	8.7	5.0
Operating margin excl. items affecting comparability, % *	9.0	12.1	10.7	9.3	7.9
Husqvarna excl. items affecting comparability, % *	10.0	12.7	10.1	8.8	7.8
Gardena excl. items affecting comparability, % *	8.6	14.5	15.2	10.2	8.0
Construction excl. items affecting comparability, % *	10.4	11.7	10.8	13.2	12.4
Income after financial items	2,581	5,494	3,330	3,122	1,561
Net Income for the period	1,932	4,437	2,495	2,528	1,213
Of which depreciation, amortization and impairment	-3,342	-2,241	-2,537	-2,089	-1,930

Financial position and key ratios, SEKm	2022	2021	2020	2019	2018 ¹
Total assets	61,636	50,920	43,517	41,981	38,607
Net assets	41,720	31,270	23,555	28,565	25,883
Husqvarna Forest & Garden Division	18,187	13,657	12,427	15,371	10,547
Gardena Division	16,798	13,740	6,650	7,733	6,965
Husqvarna Construction Division	7,334	6,281	5,608	5,833	5,366
Operating working capital	18,490	11,350	8,179	10,379	10,058
Total equity	24,011	21,646	17,062	17,283	16,009
Net debt*	17,709	9,623	6,493	11,315	9,875
Return on capital employed*, % ²	7.3	17.9	10.9	11.7	7.3
Return on equity, %	7.9	22.2	13.5	14.7	7.3
Capital turn-over rate, times	1.4	1.9	1.6	1.5	1.6
Net debt/equity ratio	0.74	0.44	0.38	0.65	0.62
Equity/assets ratio, %	39	42	39	41	41

Cash flow, SEKm	2022	2021	2020	2019	2018 ¹
Operating cash flow*	-4,052	3,140	6,087	2,676	-248
Capital expenditure	2,344	2,524	1,994	2,232	2,235

Other key ratios	2022	2021	2020	2019	2018 ¹
Earnings per share after dilution, SEK	3.38	7.73	4.35	4.42	2.12
Equity per share after dilution, SEK	41.9	37.7	29.8	30.2	28.0
Average number of shares after dilution, millions	573.0	574.1	572.9	572.4	572.3
Dividend per share, SEK ³	3.00	3.00	2.40	2.25	2.25
Dividend pay-out ratio, % ⁴	89	39	55	51	106
Salaries and remunerations, SEKm	7,530	6,572	5,803	5,833	5,712
Average number of employees	14,416	13,873	12,374	12,708	13,206

¹ Restatement of divisions due to allocation of the Consumer Brands Division.

² The definition of Return on capital employed has been changed and restated. Refer to "Financial definitions".

³ As proposed by the Board.

⁴ Dividend pay-out ratio is defined as total dividend in relation to the net income excluding non-controlling interest.

* Alternative Performance Measure, refer to section "Financial definitions" for further information.

Quarterly Data

Income, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net sales	2022	15,685	15,792	12,206	10,353	54,037
	2021	14,030	14,614	10,180	8,234	47,059
	2020	12,208	13,482	9,570	6,683	41,943
Operating income	2022	2,159	2,065	555	–1,737	3,043
	2021	2,293	2,659	926	–132	5,746
	2020	1,424	2,191	997	–944	3,669
Operating income excl. items affecting comparability *	2022	2,190	2,075	601	–13	4,853
	2021	2,293	2,645	926	–180	5,684
	2020	1,424	2,191	997	–129	4,484
Operating margin excl. items affecting comparability, % *	2022	14.0	13.1	4.9	–0.1	9.0
	2021	16.3	18.1	9.1	–2.2	12.1
	2020	11.7	16.3	10.4	–1.9	10.7
Net income for the period	2022	1,638	1,417	269	–1,392	1,932
	2021	1,659	2,001	631	146	4,437
	2020	992	1,567	653	–718	2,495
Earnings per share after dilution, SEK	2022	2.86	2.47	0.47	–2.43	3.38
	2021	2.89	3.48	1.10	0.26	7.73
	2020	1.73	2.74	1.14	–1.26	4.35
Financial position, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net debt *	2022	11,188	12,501	13,835	17,709	17,709
	2021	5,323	3,365	2,615	9,623	9,623
	2020	11,629	7,737	4,457	6,493	6,493
Operating working capital	2022	15,490	16,741	17,665	18,490	18,490
	2021	10,802	10,577	9,966	11,350	11,350
	2020	12,324	11,652	8,667	8,179	8,179

Net sales by division, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna Forest & Garden Division	2022	8,701	8,826	7,761	6,793	32,082
	2021	8,820	8,836	6,331	5,231	29,217
	2020	8,001	8,042	6,069	4,496	26,607
Gardena Division	2022	4,960	4,775	2,400	1,470	13,606
	2021	3,506	3,851	2,031	1,148	10,537
	2020	2,708	4,011	1,948	761	9,427
Husqvarna Construction Division	2022	1,981	2,157	2,024	2,071	8,232
	2021	1,680	1,904	1,795	1,830	7,210
	2020	1,487	1,413	1,541	1,403	5,844
Operating margin by division, %	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna Forest & Garden Division	2022	16.0	12.5	7.2	–18.4	5.6
	2021	17.4	17.4	8.8	1.3	12.7
	2020	12.2	13.4	8.9	–13.6	7.4
Gardena Division	2022	14.2	16.2	–3.9	–31.8	6.8
	2021	18.7	25.4	9.6	–24.1	14.7
	2020	14.7	26.3	14.1	–38.7	15.2
Husqvarna Construction Division	2022	7.7	13.9	9.0	3.9	8.7
	2021	12.2	13.7	12.9	7.9	11.7
	2020	8.9	9.9	15.3	2.3	9.3

* Alternative Performance Measure, refer to section "Financial definitions" for further information.

The Share

Listing and trading volume

The Husqvarna AB shares have been listed on Nasdaq Stockholm since June 2006. A total of 398 million shares (314) were traded in 2022, with a total value of SEK 37bn (38), corresponding to an average daily trading volume of 1.6 million shares (1.2) or SEK 145m (151). The turnover velocity for the B-share was 82 percent (65) in 2022. During 2022, the price of the B-share decreased 50 percent to SEK 73.12 (144.85). According to the EU Markets in Financial Instruments Directive (MiFID), a share can also be traded on a "Multilateral Trading Facility" (MTF), i.e. on markets other than the stock exchange where it is listed. The Husqvarna AB share is traded on several MTFs including BATS Chi-X and Turquoise. However, the Nasdaq Stockholm exchange accounts for the majority of trading.

Dividend and dividend policy

The Board has proposed a dividend of SEK 3.00 per share (3.00) for 2022, divided into two payments. SEK 1.00 to be paid in April, 2023 and SEK 2.00 to be paid in October, 2023.

Share swap agreement

At year-end, the total number of Husqvarna AB shares held by a third party as a share swap agreement amounted to 5,890,581 B-shares (5,921,329) corresponding to 1.0 percent (1.0) of the total number of outstanding shares. The purpose of the share swap agreement is to hedge obligations under the Group's long-term incentive programs.

Conversion of shares

Shareholders who hold A-shares are entitled to convert their A-shares into B-shares. 982,796 A-shares were converted to B-shares in 2022.

Analyst coverage

There are currently around 10 analysts who analyze and follow Husqvarna Group and give recommendations on the share.

ADR

Husqvarna Group sponsors a Level 1 American Depositary Receipt (ADR) program in the US. The ADRs, which each represent two ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a USD denominated security and the associated dividends are paid to investors in USD. Citibank is ADR depositary bank.

Key facts

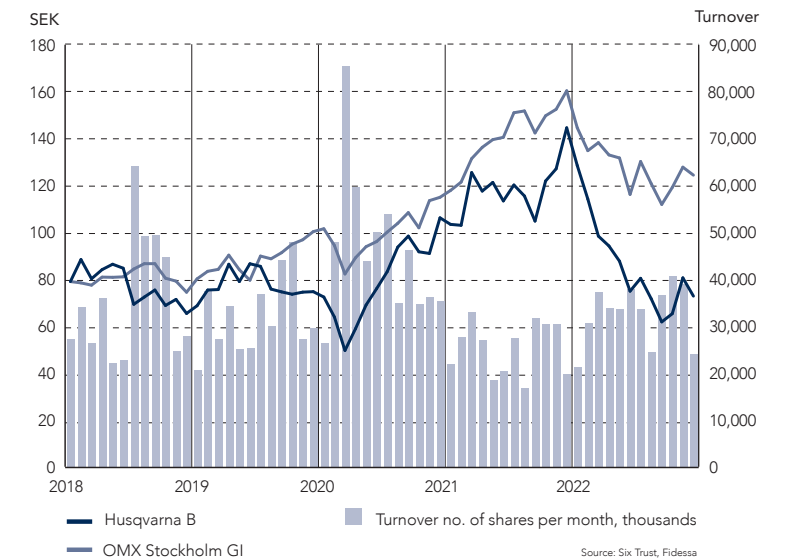
Husqvarna AB shares

Listing:	Nasdaq Stockholm
Number of shares:	576,343,778
Market capitalization at year-end 2022:	SEK 42bn
Ticker codes:	Bloomberg: HUSQA SS, HUSQB SS Thomson Reuters: HUSQa.ST, HUSQb.ST Nasdaq Stockholm: HUSQ A, HUSQ B
ISIN codes:	A-share SE0001662222 B-share SE0001662230

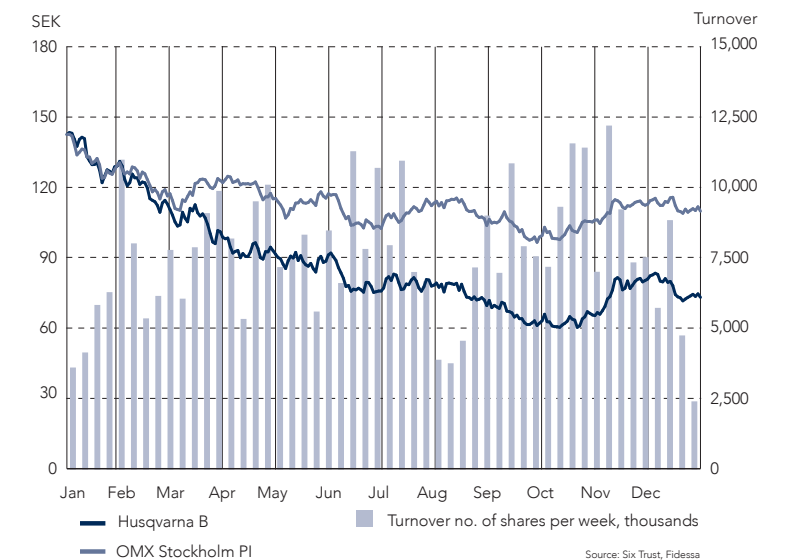
Husqvarna ADR

Ticker code:	HSQVY
ISIN code:	US4481031015
Ratio:	Two ordinary B-shares equal one ADR

Husqvarna B, price development 2018–2022



Husqvarna B, price development 2022



Share capital and number of shares

		Share capital, SEK	Quotient value, SEK	Number of A-shares	Number of B-shares	Total number of shares
Husqvarna before listing 2006		495,000,000	100			4,950,000
2006:	stock-split and bonus issue	592,518,306	2	9,502,275	286,756,878	296,259,153
2007:	bonus issue	770,273,790	2	98,380,020	286,756,875	385,136,895
2008:	no transactions	770,273,790	2	98,380,020	286,756,875	385,136,895
2009:	rights issue	1,152,687,556	2	147,570,030	428,773,748	576,343,778
2010:	conversion from A-shares to B-shares	1,152,687,556	2	134,755,087	441,588,691	576,343,778
2011:	conversion from A-shares to B-shares	1,152,687,556	2	129,460,339	446,883,439	576,343,778
2012:	conversion from A-shares to B-shares	1,152,687,556	2	127,699,058	448,644,720	576,343,778
2013:	conversion from A-shares to B-shares	1,152,687,556	2	126,593,868	449,749,910	576,343,778
2014:	conversion from A-shares to B-shares	1,152,687,556	2	122,425,469	453,918,309	576,343,778
2015:	conversion from A-shares to B-shares	1,152,687,556	2	113,694,826	462,648,952	576,343,778
2016:	conversion from A-shares to B-shares	1,152,687,556	2	113,393,909	462,949,869	576,343,778
2017:	conversion from A-shares to B-shares	1,152,687,556	2	112,513,001	463,830,777	576,343,778
2018:	conversion from A-shares to B-shares	1,152,687,556	2	112,437,551	463,906,227	576,343,778
2019:	conversion from A-shares to B-shares	1,152,687,556	2	112,015,629	464,328,149	576,343,778
2020:	conversion from A-shares to B-shares	1,152,687,556	2	111,690,460	464,653,318	576,343,778
2021:	conversion from A-shares to B-shares	1,152,687,556	2	111,088,990	465,254,788	576,343,778
2022:	conversion from A-shares to B-shares	1,152,687,556	2	110,106,194	466,237,584	576,343,778

Share data

	2022	2021	2020
Earnings per share, SEK	3.39	7.76	4.36
Earnings per share after dilution, SEK	3.38	7.73	4.35
Operating cash flow per share, SEK	−7.10	5.49	10.63
Operating cash flow per share, after dilution, SEK	−7.07	5.47	10.62
Equity per share after dilution, SEK	41.9	37.7	29.8
Dividend per share, SEK ¹	3.00	3.00	2.40
Yield, % ²	4.1	2.1	2.3
Dividend payout ratio, %	89	39	55
Year-end price, A-share, SEK	73.50	144.20	107
Highest price, A-share, SEK	142.60	145.40	110
Lowest price, A-share, SEK	60.20	100.00	39
Year-end price, B-share, SEK	73.12	144.85	107
Highest price, B-share, SEK	143.40	145.85	109
Lowest price, B-share, SEK	60.30	99.14	38
Number of shareholders	81,056	74,207	68,749
Market capitalization, SEKm	42,148	83,483	61,436

¹ Dividend 2022 as proposed by the Board.

² Dividend/year-end share price.

Source: Holdings/Euroclear as of December 31, 2022.

Largest shareholders in Husqvarna AB as of December 31, 2022

Owner	Capital, %	Votes, %
Investor	16.8%	33.4%
Lundbergföretagen AB	7.6%	25.4%
Swedbank Robur Fonder	3.4%	1.2%
BlackRock	2.8%	1.0%
Vanguard	2.7%	1.2%
Fjärde AP-fonden	2.5%	0.9%
Handelsbanken Fonder	2.1%	0.8%
Tweedy, Browne Company LLC	1.9%	0.7%
Andra AP-fonden	1.9%	0.7%
Didner & Gerge Fonder	1.7%	1.6%
Sum for ten largest holders	43.3%	67.0%
Other	56.7%	33.0%
Total	100.0%	100.0%

Shareholding by size in Husqvarna AB

Size of holding	Capital, %	Votes, %
1 – 1,000	2.4%	2.3%
1,001 – 10,000	4.2%	3.8%
10,001 – 100,000	2.8%	1.9%
100,001 – 1,000,000	9.4%	4.5%
1,000,001 –	67.3%	81.6%
Anonymous ownership	13.8%	6.0%
Total	100.0%	100.0%

Distribution of shareholders by country

- Sweden 58.6%
- United States 14.5%
- United Kingdom 2.3%
- Switzerland 2.0%
- Other countries 8.8%
- Anonymous ownership 13.8%



Further information concerning the share

The following information, and more, is available on www.husqvarnagroup.com

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital

2023 Annual General Meeting

The 2023 AGM of Husqvarna AB (publ) will be held on Tuesday, April 4, 2023 at the Elmia Congress Centre, Hammarskjöld Hall, Elmiavägen 15 in Jönköping, Sweden, from 16:00–18:00 (CET).

Participation
Shareholders may participate in the AGM either (1) by attending the meeting venue in person or by proxy, or (2) by advance voting. In either case, to be eligible to participate, a shareholder must be registered in the register of shareholders maintained by Euroclear Sweden AB as of Monday, March 27, 2023 and notify attendance no later than Wednesday, March 29, 2023.

- Notice of participation in person**
Notice of intent to participate in person or by proxy can be given:
- at www.husqvarnagroup.com
 - by telephone at +46 36 14 70 10 between 9:00 a.m. and 4:00 p.m. (CET) weekdays, or
 - by mail to Husqvarna AB, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden

The notification to attend in person (or by proxy) must include the shareholder’s name, personal or company registration number, address, telephone number and information on the number of assistants (maximum two) that will be attending, if any.

Notice of participation by advance voting
Notice of intent to participate by advance voting can be given at www.husqvarnagroup.com. Notice should include the shareholder’s name, social security number or company registration number if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the 2023 AGM. Shareholders may vote by proxy, in which case a power of attorney must be submitted to Husqvarna AB prior to the AGM.

Shares registered by nominees
To participate in the AGM, shareholders whose shares are nominee registered must have their shares temporarily registered in their own name on Monday, March 27, 2023. To ensure that such registration is made prior to Monday, March 27, 2023, shareholders must inform the nominee well in advance of this date. Voting right registrations completed not later than Wednesday, March 29, 2023 are taken into account when preparing the share register.

Dividend
The Board has proposed a dividend for financial year 2022 of SEK 3.00 per share to be paid in two installments, firstly SEK 1.00 per share with Thursday, April 6, 2023 as the first record day, secondly SEK 2.00 per share with Friday, October 6, 2023 as the second record day. Assuming the AGM resolves in accordance with the Boards’ proposal, the estimated date for payment of the dividend from Euroclear Sweden AB is Thursday, April 13, 2023 for the first part of the dividend and Wednesday, October 11, 2023 for the second part.

The last day for trading in Husqvarna AB shares with a right to the first part of the dividend is Tuesday, April 4, 2023. The last day for trading in Husqvarna AB shares with a right to the second part of the dividend is Wednesday, October 4, 2023.
For information on how your personal data is processed, see www.euroclear.com/dam/ESw/Legal/Privacy-noticebolagsstammor-engelska.pdf

Financial calendar 2023	
April 4	Annual General Meeting
April 20	Interim Report January–March
July 18	Interim Report January–June
October 20	Interim Report January–September

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Market data, statistics and market shares are estimates made by Husqvarna Group.

Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements 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 of the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna Group operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction of sales by important distributors, any success in developing new products and in marketing, outcome of any product responsibility litigation, progress when it comes to reach the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, and to integrate these into the existing business and successful achievement of goals to make the supply chain more efficient.

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Group**

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