



Husqvarna
Group



Annual Report 2020

Shaping great experiences

Husqvarna Group makes a great difference to people who shape green spaces and urban environments through our leadership in sustainable, user-centered solutions. With a passion for innovation, we create performance, pride and improved results for customers around the world.



The formal Annual Report, including the Directors' Report and the financial statements for the Group and the Parent Company, is provided on pages 45–115.

For full information about Husqvarna Group's sustainability initiatives, please read our sustainability report: Sustainovate Progress Report 2020.
www.husqvarnagroup.com.



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Husqvarna Group 2020 in brief

Husqvarna Group is a leading global producer of outdoor power products for forest, park and garden care, watering products and cutting and surface preparation equipment for the construction business. Our strong technical expertise and passion for innovation and quality create performance, pride and improved results for customers.



Important events in 2020

- The Group delivered a record operating income for the year, sales growth of 6* percent and an operating margin of 10.7* percent. All financial targets were achieved.
- Henric Andersson was appointed new President & CEO of Husqvarna Group.
- Sustainability was further integrated into operations through the launch of the next phase of Sustainovate.
- Strong growth in digital applications, such as Gardena Smart System, Automower® Connect and Husqvarna Fleet Services. In total, more than 1 million users are managed on digital services platforms.
- The Gardena Division was one of the co-founders of the battery alliance – POWER FOR ALL ALLIANCE – a common battery ecosystem for consumers.

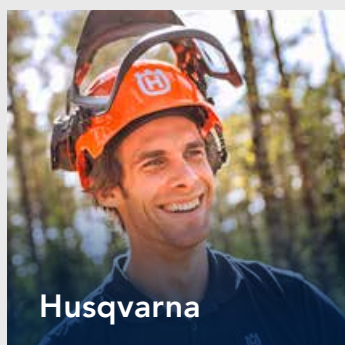
Effects of Covid-19

The spread of the coronavirus has affected the entire society. Husqvarna Group's effective and rapid response to reduce the spread of the virus helped to protect employees and the continuity of operations. After initial lockdowns and temporary forced closures of channel partners in the spring, countries reopened during summer and demand grew significantly for gardening and watering solutions, supported by the stay-at-home trend. Given the Group's flexible structure and ability to handle rapidly shifting demand, the Group was quick to respond to the changes and strengthened its market positions. Given the constant change in the pandemic situation, the Group is continuing to carefully monitor and evaluate the situation and is prepared to act swiftly and decisively if necessary.

* Excluding exited Consumer Brands business, currency effects and excluding items affecting comparability.

The divisions

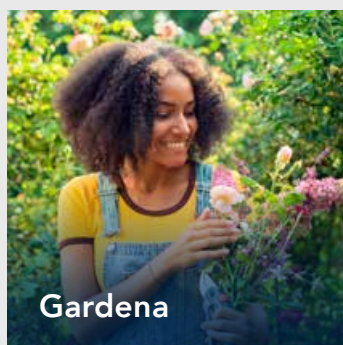
Husqvarna Group consists of three strong divisions with market-leading brands that focus on premium products and services.



Husqvarna

A leader in forest and garden products for professionals and consumers. The undisputed market leader in robotic lawn mowers.

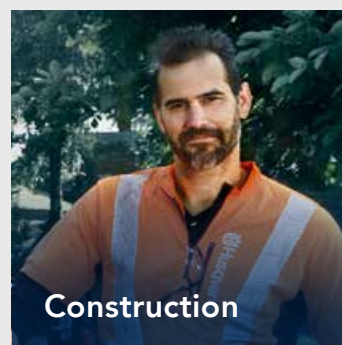
63% Share of Group net sales



Gardena

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

22% Share of Group net sales



Construction

A leader in light construction solutions for professionals.

14% Share of Group net sales

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

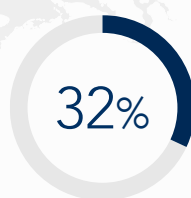
Sales distribution

Global presence in attractive markets with steady underlying growth.



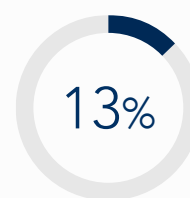
Europe

Share of Group net sales



North America

Share of Group net sales



Rest of the world

Share of Group net sales

All financial targets achieved in 2020 (targets vs. performance, 2019 in brackets)

Market **+2** pts

Growth

+6 (+1)

Net sales growth (adjusted for exits of Consumer Brands business and changes in exchange rates), %

>10

Operating margin, %

10.7 (9.3)

Operating margin (excluding items affecting comparability), %

≤25

Capital efficiency, %

24.4 (27.3)

Operating working capital / net sales, %

TARGETS

PERFORMANCE



A successful year, delivering value in a challenging environment

2020 was a successful year for us where we advanced our market leadership positions, reached our financial targets and took another step on our transformation journey to build an even stronger Group. The year was marked by the Covid-19 pandemic with challenges for society and people all around the world. The health and safety of our employees has been our top priority while ensuring business continuity. We have emerged stronger and we are accelerating our strategy to further strengthen our market positions and technology leadership.

For more than 330 years we have embraced change and captured new growth opportunities. The year 2020 will be remembered as the year of the Covid-19 pandemic, providing challenges but also many opportunities. For us, we have executed on our strategy and strengthened our market leadership positions, providing a strong base for the coming years despite a challenging environment. The health and safety of our employees and partners is always our highest priority. We took immediate action to adapt the organization to additional health and safety standards, which allowed us to keep production running safely. As an organization, we were agile and quick to meet the increased customer demand, resulting in a record year where we achieved all our financial targets: growth, profitability and capital efficiency.

Increased sales and strengthened market positions

Group net sales grew by 6 percent during 2020, which was above our long-term target of growing faster than the market. I am particularly satisfied with the successes we had in important core areas, such as robotic and battery-powered products and watering solutions, as well as in segments and products for professional users. We have further strengthened our positions through successful product launches that demonstrate our innovative power and ability to generate value for our customers. One example that combines our focus on leading technologies and systems for professional users is the announcement of CEORA, a revolutionary autonomous robotic lawn mower for commercial turf care management. With CEORA, we aim to transform landscaping into an automated, cost-efficient and sustainable solution.

During the year, the global pandemic and a prolonged gardening season entailed a reallocation of Group sales between the quarters, primarily due to a weaker-than-normal first half-year and a stronger-than-normal second half. Two of our divisions, Husqvarna and especially Gardena, benefited from the stay-at-home trend in the midst of the pandemic and the prolonged gardening season. In many cases, customers became more interested, or discovered a completely new interest, in gardening. As a result, we clearly see a larger customer base of passionate gardeners that we look forward to serving.

We are continuing our strategic effort to lead technology development in our industry and to develop digital services. We reached an important milestone during the year, with more than one million connected users on our digital services platforms through Automower® Connect, Husqvarna Fleet Services and Gardena Smart Garden. Our strategic investments in connected technology and data analysis allow us to strengthen customers' experience, productivity and relationship with us. They also provide us with a valuable base to further accelerate innovation in our service offering and new business models.



Operating margin target achieved during the year

In 2020, we achieved our profitability target with an operating margin of 10.7 percent excluding items affecting comparability. We have in recent years worked purposefully to create a stronger Group and improve profitability, for example by increasing our position in segments with high growth potential, such as robotics and battery solutions. This was further enhanced by the Group's strong net sales growth in 2020. In parallel, we have successfully completed the exit program of the Consumer Brands business meaning net sales representing some SEK 4.5bn of unprofitable business have been exited. The cost avoidance activities to manage the situation during the Covid-19 pandemic had a reinforcing effect, though it is important to point out that it was the positive underlying operational improvements that meant that we achieved the targets.

A sustainable strategy – a prerequisite for market leadership

We are increasing our strategic focus on innovative, sustainable products and solutions that contribute to a resource-smart economy. This is a fundamental part of our strategy, where sustainability is integrated. We believe that long-term market leadership also requires sustainability leadership. We therefore have high ambitions. By virtue of our innovation capability, we want to lead the industry in, among other areas, the ongoing transformation towards robotics and battery solutions.

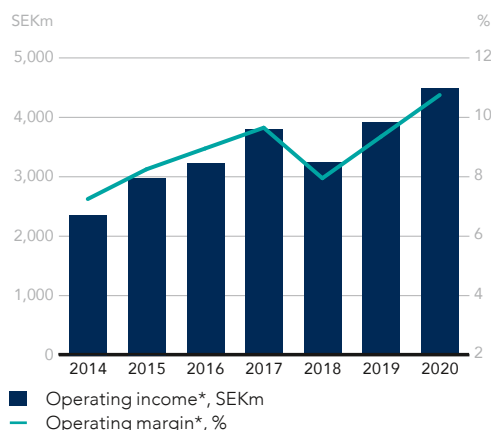
Within the framework of Sustainovate 2025, we are focusing on three opportunities that position us as a driving force in tackling climate change, promoting a circular economy and influencing people to make sustainable choices. Measures have included further raising our target for emission reductions. The new target was approved by the Science Based Targets initiative and supports the ambition to limit global warming to 1.5°C.

Raising the level of ambition in strategic growth areas

We have raised our level of ambition in what are key parts of our strategy moving forward. The strong operating cash flow during the year, SEK 6.1bn (3.8), further strengthened our financial position and will allow us to accelerate investments in strategic growth initiatives. This work is well underway and includes increasing investments in R&D, production and go-to-market capabilities for core categories such as robotics, battery-powered products and watering solutions. We are further intensifying focus on solutions in our core segment for professional users.

We are also further improving efficiency in the supply chain for handheld products, both petrol and battery-powered, by increasing the degree of automation in factories and moving final assembly closer to customers. Furthermore, we are implementing measures to reduce fixed costs in component manufacturing for petrol-powered products.

Profitability improvement



* Excluding items affecting comparability

These measures will result in annual savings of approximately SEK 500m with full effect in 2023. SEK 250m of the annual savings will be reinvested in initiatives to accelerate growth, which means that we are increasing investment in growth initiatives by more than 50 percent compared with past levels.

Strong position moving forward

On a personal level, I am pleased and proud to be President & CEO of Husqvarna Group. When I took over in April 2020, we were in a period of uncertainty in the midst of the Covid-19 pandemic. In this extreme situation, I was greatly supported by the strong team and by knowing the company and the industry well. I would like to take this opportunity to thank the entire global team for their outstanding contributions navigating the complexity of this year. It has required an exceptional effort and reflects the strength in our corporate culture.

In summary, I can confirm that we have grown stronger and become more resilient during recent years. We have further strengthened our market and technology leadership while achieving our financial targets. We have a clear strategy that addresses the right things and that the organization fully supports. We are now taking the next step and accelerating our initiatives to increase the focus on execution of the strategy. We look forward to a continued exciting journey in the years ahead.

Henric Andersson
President & CEO

CHAPTER 02 / 08

Market and trends



As a leading global producer of forest, lawn and garden care as well as construction products, the Group is affected by several trends that present both opportunities and challenges. The market has a steady growth rate and includes several attractive high-growth segments, such as battery-powered products, robotic lawn mowers and smart garden systems.

Global trends are shaping the market

A globalized and technology-driven world, demographic shifts and humankind's impact on the environment and resources. These trends are forming the future.

Speed of technology

Digitalization and rapid development of new technologies are impacting all parts of society and companies in all industries. Digitalization opens opportunities for new solutions and business models. At the same time, it requires the Group to adjust to rapidly evolving consumer expectations.

Digitalization and new technology such as artificial intelligence (AI), the Internet of Things (IoT) and autonomous technology are transforming the way products and services are developed, produced, distributed, supported and shared.

For example, new battery technologies are making batteries a useful and viable alternative for energy storage and contribute to driving the shift to a low carbon economy in a wide range of industries.

HUSQVARNA GROUP'S APPROACH

In 2020, Husqvarna Group invested SEK 1.7bn in research and development, a large part of which related to prioritized technology fields, such as developing of digital services, battery and robotic technology and energy efficiency. In purpose to meet demand and strengthen the company's leading position, not least within robotic lawn mowers, battery-powered products and smart garden systems. This also allows for opportunities to create unique user experiences through digital services and connectivity, reduce the Group's impact on the environment and use of resources and to develop new functionality and services.

Digitalization is an important tool for achieving efficiency gains in the Group's supply and production chain. One example is the use of automation and AI in production, which improves quality, resource use and productivity.



Speed of technology



Climate change

Climate change and resource scarcity

An increase in awareness levels of the urgency of combating climate change is influencing society at all levels – from more stringent regulations governing energy consumption to a higher priority in investment and, not least, customer purchasing decisions.

Increasingly, investors are seeking investment opportunities that contribute to solving the climate challenge and expect their investment universe to address both their short and long-term climate risks. Companies are prioritizing investments that support the transition to renewable energy sources, or that have a lower climate impact. Consumers are increasingly calling for more innovative and sustainable products.

HUSQVARNA GROUP'S APPROACH

Husqvarna Group has a responsibility to address its climate risks and has an opportunity to take a leading role by supporting the transition to a low-carbon energy mix.

The Group has demonstrated that it can reduce CO₂ emissions and grow its business at the same time, thereby decoupling CO₂ emissions from the Group's growth strategy. With Sustainovate 2025 – the updated sustainability program – the level of ambition has been raised further. The Group's CO₂ target is to decrease absolute emissions by 35 percent by 2025 across the value chain compared with 2015 emission levels.

The Group is also addressing additional sustainability opportunities, including a circular economy and how to further inspire people to make sustainable choices. The Gardena Division, for example, has expanded its offering with products that help customers reduce water and the Group is currently exploring opportunities in production environments to use recycled materials such as plastics for products.



Urbanization

Urbanization and new customer groups

Some 70 percent of the world's population is expected to live in cities by 2050 compared with 55 percent in 2018¹. This urbanization is creating the need for smart cities and green spaces, which in turn creates demand for new buildings and maintenance of public green spaces and parks. The rapid economic growth of the past 25 years has meant that an increasing share of the world population is experiencing better economic prosperity. By 2030, global middle-class spending is projected to triple. In Europe and North America, people over 55 will account for a larger share of the population than those under 18.

HUSQVARNA GROUP'S APPROACH

Husqvarna Group is continuously developing its product offering to make it more sustainable, quiet and energy efficient, which makes it well suited to an urban lifestyle. The Gardena City Gardening product line is one example of a range of products that specifically addresses the needs of urban customers. A growing middle class with increased purchasing power offers greater market potential in emerging markets. The Group is meeting these changing market demands by expanding in those markets. For instance, the Construction Division aims to benefit from increased construction investments in the urbanized regions in emerging markets.

The Group has a continued strong focus on robotic lawn mowers for both consumers and professionals. The development of autonomous technology also meets the needs of an aging population, given the robots' ability to facilitate and carry out tasks that can be a burden and time-consuming. As urbanization continues, it is important to monitor and safeguard the relationship between urban and green spaces. Husqvarna Group has developed an AI-driven satellite solution, HUGSI (Husqvarna Urban Green Space Index), which helps decision-makers to oversee green areas in cities around the world.

To manage large green spaces, the Group announced CEORA in late 2020, a new robotic lawn mower that has the potential to transform landscaping into an automated, cost-efficient and sustainable solution.

Shifting consumer values and purchasing behavior

Consumers' purchasing decisions are increasingly guided by sustainability, ethics, individualism and expression as well as whether a product or service is smart and connected or easy and affordable. The structure of the retail trade is undergoing rapid change and e-commerce is forecast to continue to grow strongly. This trend accelerated in conjunction with the Covid-19 pandemic. The interest among customers to lease and subscribe to products and services, rather than owning products, may mean the market for new business models will grow.

Digitalization has also entailed a shift in power toward consumers. People are better informed and can easily obtain information about product functionality online.

HUSQVARNA GROUP'S APPROACH

The Group currently serves more than 1 million users in its digital services. The user experience is strengthened for instance, by developing new services and utilizing connectivity, whereby end-users can be reached directly through the applications. The Group is also exploring new business models linked to the sharing economy. Husqvarna Tools for You is one example where consumers use a smart phone app to lease battery powered garden tools and pay for the time they use them. At the same time, the Robot as a Service (RaaS) business model is being introduced, where robotic lawn mowing services are leased or subscribed to, to meet new customer needs. Husqvarna Group is striving to increase its online presence. The purpose is to strengthen customer experience, communication and interaction with end-users and to increase the sales of products and value-added services. The Group has a strong commitment to data privacy and is investing significant resources to ensure compliance with, e.g., GDPR. The Group expanded its e-commerce in several countries during the year.



Purchasing behavior

¹ (UN) World Urbanization Prospects: The 2018 revision.

Attractive markets with favorable growth opportunities

Husqvarna Group is active in attractive markets valued at SEK 245bn and that historically have shown a steady growth rate of around 2 to 3 percent annually. The Group sees good growth opportunities in areas where new technologies enjoy increasing acceptance, including robotic lawn mowers, battery-powered and connected products.

Market for the Husqvarna and Gardena Divisions

The global forest and garden markets are in general characterized as mature with stable growth rates in line with GDP over a business cycle. The market also offers attractive growth opportunities for products based on new technology, such as robotic lawn mowers, smart gardening systems and battery-powered products. The addressable market for forest, lawn and garden products in regions and segments in which Husqvarna Group is represented is estimated at around SEK 200bn. Demand is mainly driven by general economic growth factors. Consumer purchasing power and consumer confidence, employment levels and housing starts are examples of indicators. There is strong acceptance of new technology and product innovation in the market, which also supports the growing demand. In addition, weather conditions in a given year can impact the gardening season and thus affect demand both positively and negatively.

GEOGRAPHIC MARKETS

Europe and North America are the largest markets and together account for around 80 percent of the global market in terms of value. Consumers in many of the larger markets outside of Europe and North America do not have the same conditions for gardening due

to their climate, higher population density, different gardening traditions and generally lower purchasing power, which explains why these consumer segments remain relatively small, but are growing.

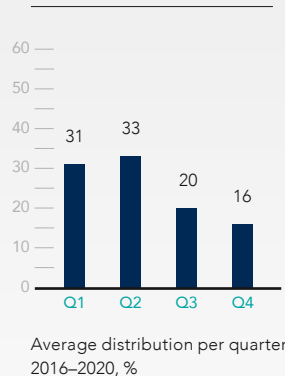
MARKET SEGMENTS

The largest segment in terms of market value is the wheeled lawn mowing segment including walk-behind and ride-on lawn mowers followed by the handheld segment, of which the largest categories are chainsaws and trimmers. Traditionally, the forest and garden market has been dominated by petrol-powered products. The proportion of battery-powered products is increasing as new battery technology and innovations are introduced and customer demand for products based on battery technology increases. Battery-powered products now represent around 10 percent of the total market. The market for robotic lawn mowers is largely concentrated in the consumer segment in western Europe. Awareness of and demand for robotic lawn mowers in other markets such as North America is rising and is considered to have major future growth potential. Another segment with significant growth potential is robotic lawn mowers for commercial use, such as for sports fields and golf courses, lawns in commercial areas, hotels and parks.

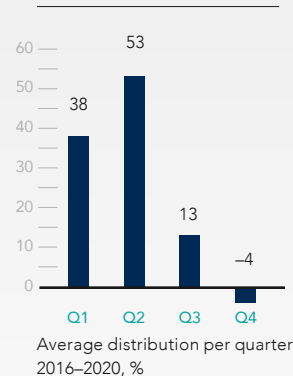
Seasonality

Forest and garden products, which represent around 85 percent of the Group's total sales, are highly seasonal due to end-user buying patterns. The majority of volumes are sold during the spring and summer 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 forest products tends to be somewhat higher during the second half of the year. For construction products, demand is fairly evenly distributed over the year.

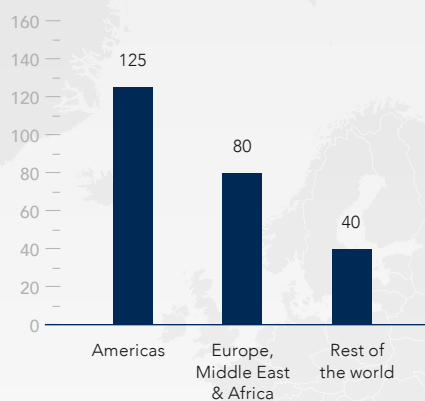
Net sales



Operating income

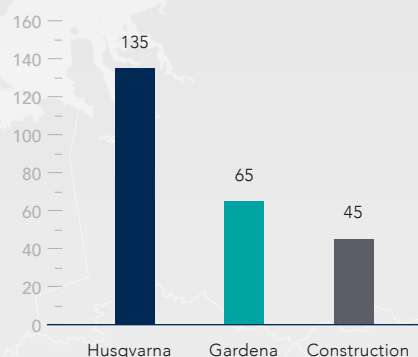


Adressable market value by geography



Estimated value of the adressable market by geography, SEKbn

Adressable market value by division



Estimated value of the adressable market by division, SEKbn

Adressable market for the Construction Division

The Construction Division's offering targets professionals in the global construction (primarily rebuilding/refurbishment, yet also in certain new construction areas) and stone industries. Underlying market growth is normally slightly above GDP (historically at approximately 3 percent). Demand correlates with the development of the construction industry, which is traditionally characterized by cyclical fluctuations.

GEOGRAPHIC MARKETS

The Husqvarna Group's products and solutions mainly cater to renovation and refurbishment needs as well as replacing manual labor with machines. Therefore, the largest addressable markets are in Europe and North America, both of which are well developed and established. However, demand in emerging markets is growing and is driven by an expanding building and construction market, which is also becoming increasingly mechanized over time.

MARKET SEGMENTS

The global addressable market for the Construction Division's offering is estimated at about SEK 45bn. A large share of the market consists of consumables and aftermarket services. Demand for these is steadily growing and is impacted to a lesser degree by economic fluctuations.

Husqvarna Group – customers and distribution

The Group sells forest, park and garden products to more than 25,000 dealers and leading retailers worldwide. Of the total market, dealers represent around 35 percent. They primarily sell products in the high-

performance segments to professional users and pro-grade experts (demanding consumers) and offer product service while retailers, who represent just over half of the market, sell products in the low to medium price ranges, mainly targeting consumer segments.

The online channel, which in addition to pure online resellers is also used by dealers and retailers and directly by manufacturing companies, is becoming increasingly significant and grew during the year. It is estimated to now account for 15 percent of the total market.

Construction and stone industry products are sold directly to end-users such as sawing and drilling contractors and quarry operators, to rental companies that lease the equipment to end-users and to dealers who sell to professional construction end-users.





CHAPTER 03 / 08

Strategy



Husqvarna Group's strategy aims at reaching industry-leading growth and profitability. The main elements of the strategy are a focus on the customer experience, services and solutions, robotics and battery technology as well as continually developing the core offering.

Shaping great experiences

Shaping great experiences is Husqvarna Group's vision to make a real difference for its customers through leadership in sustainable user-centered solutions. This vision is an important driver behind the Group's strategy for sustainable growth.

Acceleration of growth initiatives in 2020

Husqvarna Group's strategy is to achieve industry-leading growth and profitability. The main elements of the strategy are a focus on the customer experience, services and solutions, robotics and battery technology as well as continually developing the core offering. Sustainovate was further integrated into operations during the year with the launch of new sustainability targets. At the end of 2020, the Group began a further acceleration of growth initiatives in the main categories including robotics, battery, watering solutions and an increased focus on solutions for the professional segments. The Group is investing in R&D, production and go-to-market capabilities. In parallel, competitiveness in the supply chain for petrol-powered products is strengthened by streamlining and reducing fixed costs within component manufacturing, increasing the level of automation in factories and reallocating production volumes among factories bringing final assembly closer to the customers.

With a stable strategic foundation and increased investments in technology leadership, Husqvarna Group is well-positioned to continue to contribute

Global trends

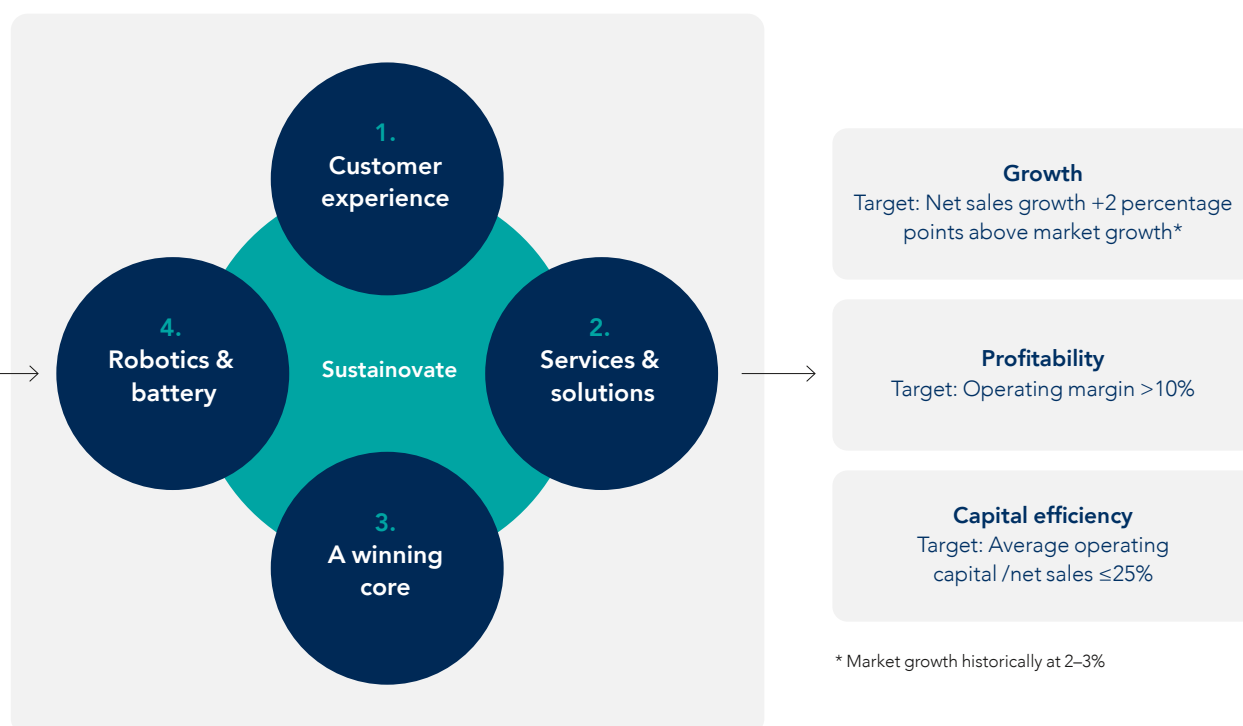
- Speed of technology
- Climate change & resource scarcity
- Urbanization & new customer groups
- Shifting consumer values & purchasing behaviors



to a reduction in the company's carbon footprint, satisfy changing customer needs and deliver value to all stakeholders.

Sustainovate – sustainability is an integrated part of everything we do

The Sustainovate program is the way the Group delivers on its aspiration to lead the sector in the shift to a low-carbon, resource-smart economy and therefore plays a vital role in the strategy. During the year, the Group launched the second phase of Sustainovate to 2025. Sustainovate 2025 addresses three opportunities for change: transformation to a low-carbon economy, pioneering ways to deliver great value to customers through circular economy solutions and inspiring and engaging customers and employees to make sustainable choices. Read more about Sustainovate on pages 22–31 and in the Sustainovate Progress Report 2020.



Husqvarna Group's strategy

Husqvarna Group wants to make a real difference for people who shape green spaces and create great outdoor environments and help them achieve excellent results. Creating an outstanding customer experience is a prerequisite for reaching the target of industry-leading growth and profitability. The Group is striving to enhance growth and profitability by leveraging the strengths in its business and by combining industry-changing innovation and new services with the Group's market-leading position in high-growth segments. The strategy has four main components and is supported by a strong focus on operational and commercial excellence.

1. Customer experience

Husqvarna Group's vision – shaping great experiences – clearly signals the Group's focus on creating an outstanding customer experience. Customer experience is a crucial factor in creating a premium product experience and in driving customer loyalty. Customer experience encompasses more than just the products. It is about creating value throughout the entire product life cycle – from before a purchase decision, through the use phase and to the future purchase of a new product.

Each division has identified its key customer groups. By creating a close relationship with these groups, Husqvarna Group can continuously improve its insight into what is important to users in everyday situations and develop solutions and support that match these needs. This creates a distinct customer-driven development that matches these needs for products and services and opportunities for revenue creation through new business models.



2. Services and solutions

Services and solutions provide new opportunities for Husqvarna Group to drive growth and profitability. They are also a logical consequence of the strategy to create an outstanding customer experience throughout a product's lifecycle. By expanding its offering with business models in services and solutions, Husqvarna Group aims to move closer to end-users and their experiences and simultaneously grow the aftermarket business.

Part of this involves expanding in an already-established base of aftermarket business including spare parts and accessories. Another area is establishing completely new business models. Here, the Group can benefit from its large and growing base of connected products and users. Access to data on the use and status of products can help to create new smart service offerings. One example is Husqvarna Fleet Services, which offers professional customers an overview of where machines are located, how much they have been used, when they need servicing and tracking CO₂ emissions. By using this information, customers can optimize their operations for enhanced growth and profitability and extend the product life cycle.

3. A winning core offering

Husqvarna Group is powered by strong brands, which is a success factor for the Group. The strong brand equity and focus on high-performance products under the Husqvarna and Gardena brands enable a premium offering, higher margins and increased investment in new product development. One key component of Husqvarna Group's strategy looking ahead is to continue to develop and strengthen market positions in the core offering, for instance, professional handheld and lawn mowing solutions, Gardena gardening products and the Construction Division's market leading offering. This creates opportunities to enhance growth and profitability. A strong and profitable product portfolio in the core offering is also a prerequisite for financing future investments.

4. Robotics and battery

Robotic and battery-powered products are important components in Husqvarna Group's growth strategy. The market growth for these products and smart garden services is significantly higher than for the market as a whole and the future potential is substantial.

Husqvarna Group is the undisputed global market leader in the fast-growing market for robotic lawn mowers. The Group will expand based on its leading position through a high pace of innovation and continued geographical expansion. Another central part of the strategy is to broaden the offering and expand the market segment for professional users, a segment with large potential. Products and digital solutions developed for professional use and a dedicated go-to-market organization are important elements in this work. One example of innovation leadership that creates opportunities in the professional segment is CEORA, the Husqvarna Division's new groundbreaking robotic lawn mower designed specifically for demanding professional applications, delivering a first-class result in a cost-efficient and safe way with low noise and zero emissions.

Husqvarna Group is also expanding its leading position in battery-powered products in the Group's application areas, both for consumers and professional customers. Husqvarna Group has a clear ecosystem approach with its smart gardening systems and battery-powered products. Most of the Group's products are driven by the same battery family and managed in the same applications. This creates customer benefits and greater flexibility. To ensure a continued high pace of innovation, the Group has a function dedicated to battery technology as well as strategic partnerships with selected key players in the field.

Operational & commercial excellence

Husqvarna Group's ambition is to achieve higher growth and profitability than the industry as a whole. One prerequisite for this is a continued focus on efficiency throughout the value chain – from purchasing and production to distribution, marketing and customer care. This is important as a large share of the Group's operations is in the global and seasonal market for forest and garden products, which places high demands on a flexible supply chain.

Operational efficiency and continuous cost reductions are also tools to finance growth investments in new areas. Husqvarna Group is working methodically and purposefully with this to succeed.

The Group operates with strong, focused and empowered divisions with the resources needed to drive business toward their desired goals. Each division targets its unique group of end-users and builds on the factors needed to succeed in its market segment. As a result, Group functions are small and tasked with supporting the divisions to ensure synergies, for example, in strategy and innovation and tools and methods to strengthen efficiency and productivity.



Announced in 2020, the new Husqvarna CEORA robotic mower is a revolutionary professional turf care robotic solution for grass areas of up to 50,000 m². Powered by the satellite-based positioning system EPOS, the high-performing, low-noise and zero-emission CEORA mows autonomously and systematically within virtual boundaries.



Husqvarna Group's **targets**

The financial goal of Husqvarna Group's strategy is to deliver industry-leading growth and profitability. In terms of sustainability, a key target is to reduce environmental impacts by lowering CO₂ emissions.

Financial targets

Husqvarna Group's financial targets cover sales growth, operating margin and capital efficiency. In 2020, all financial targets were achieved.

	DEFINITIONS	TARGET	ACHIEVEMENT 2020
1	Sales growth The target is to achieve annual net sales growth of 2 percentage points above market growth. Historically, the market has grown by 2–3 percent, resulting in a target of 4–5 percent. The target is measured on a currency-adjusted basis and excludes any impacts from acquisitions.	Market +2 ppts	+6%* 
2	Operating margin The target is to achieve an operating margin exceeding 10 percent.	>10%	10.7%* 
3	Capital efficiency The Group's operating working capital, seasonally adjusted by taking the average of the closing balances for the previous five quarters, should be a maximum of 25 percent in relation to annual net sales.	≤25%	24.4% 
	Credit rating The Group aims to have a long-term credit rating corresponding to at least BBB, which is the current rating from Standard & Poor's.	BBB	BBB
	Dividend According to the dividend policy, the annual cash dividend paid to shareholders should normally exceed 40 percent of net income for the previous year.	≥40%	55%

*Excluding exited Consumer Brands business, currency effects and excluding items affecting comparability.

Sustainovate 2025 targets

The Group has set new, bolder targets that align and strengthen the business strategy and underline how the sustainability agenda is business critical. With its three opportunities, the new Sustainovate targets are designed to help the Group maximize its contribution to society's challenges. Together, these opportunities for change will drive the Group's ambitions to lead the industry in the shift to a low-carbon, resource-smart economy. The Group will begin reporting against Circular and People in 2021 using a baseline of 2020. The Carbon target uses 2015 as its baseline and will be reported on as of 2020.

AMBITION	GOAL	PROGRESS VS. TARGET
 Carbon challenge Drive the transition to low-carbon solutions	–35% By 2025, reduce absolute CO₂ emissions across the value chain by –35%	–32%
 Circular Rethink and redesign for a resource-smart customer experience	50 By 2025, launch 50 circular innovations	Progress to be reported 2021
 People Inspire actions that make a lasting difference	5m By 2025, empower 5 million customers and colleagues to make sustainable choices	Progress to be reported 2021

Business model – creating sustainable value

ASSETS

- Leading Husqvarna and Gardena brands
- Approximately 12,400 employees
- 25,000 dealers and retailers
- R&D of SEK 1.7bn
- Equity of SEK 17.1bn
- Presence in 140 countries
- 30 factories
- 170 strategic suppliers
- More than 2,600 patents

VISION,
PURPOSE,
KEY BEHAVIOR &
CULTURE

SERVICES &
NEW BUSINESS
MODELS



Accelerating growth by leveraging the Group's combined strengths

Assets: the building blocks for a sustainable business

Strong brands, a team of approximately 12,400 engaged employees and expertise in user-focused product development and patents are the Group's most important assets. Long-term shareholders also provide the Group with the flexibility to focus on sustainable profitable growth and to invest in innovation and expansion through acquisitions.

As an integrated part of achieving operational efficiency, the Group optimizes the use of raw materials and components in production, which primarily comprise plastics, steel, aluminum and energy. This allows effective management of fluctuations in the price of and access to raw materials and components. The Group has a flexible, cost-efficient product manufacturing structure that can be adjusted to fluctuating seasonal demand.

Strong relationships play an important role in the Group's business model. Approximately 170 of some 2,000 suppliers are considered strategic to the business. More than 25,000 dealers and retailers represent Husqvarna and Gardena brands across 140 countries, delivering added value to professionals and consumers alike.

The Group's strengths

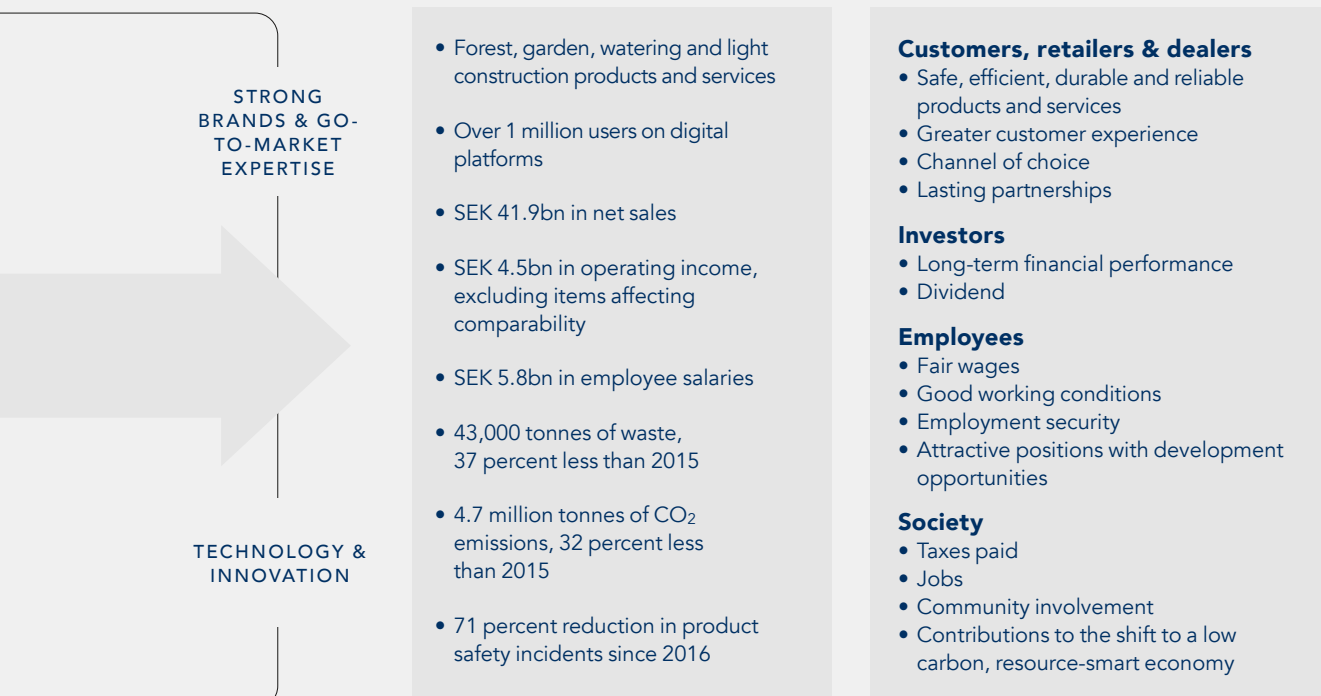
Profitable growth with reduced impacts on the environment is the Group's approach to generating stakeholder value. The business model is founded on innovation and sustainability, leveraging the Group's strong brands, global distribution and economies of scale to create differentiated products and solutions tailored to end-customer segments.

Meeting customer expectations for quality and safety and investing in strategic growth areas are success factors. These include expansions within robotic lawn mowers, battery-powered products and smart garden solutions as well as continuing to develop a winning core offering and piloting new business models. The Group also maintains competitiveness through flexible, cost-efficient product manufacturing that can be easily adjusted to fluctuating seasonal demand while always meeting customer expectations on quality and safety. Husqvarna Group utilizes multiple strengths to ensure progress:

- Vision, purpose, key behaviors and culture: These contribute to engaging the teams. A foundation of a shared vision and core purpose, shared behaviors and important policies such as the Code of Conduct underscore how every employee can contribute

to building a result-oriented and long-term successful company.

- Leading brands and go-to-market expertise: Divisions benefit from the Group's extensive experience in creating leading brands and successfully implementing market strategies.
- Technology and innovation: Innovation and technology development are part of Husqvarna Group's DNA. The Group's divisions can take advantage of Group-wide resources, including strategic partnerships.
- Services and new business models: A key element in Husqvarna Group's strategy is an enhanced focus on services and solutions. The Group's growing share of connected products and users is creating opportunities for new business models. The divisions can leverage the strength in the pool of knowledge and experience created within the Group. One such example is Husqvarna Fleet Services, a system and service offering that is shared across the Husqvarna and Construction Divisions.
- Sustainovate: Sustainability provides an outside-in perspective and the Sustainovate program is the way the Group delivers on its aspiration to lead the sector in the shift to a low-carbon, resource-smart economy. It allows the Group to better address market dynamics and societal challenges and understand the expectations of key stakeholders better.



Outcome: Sustainable profitable growth

The Group achieved increased sales of innovative products and services across a wide range of categories and markets during the year. The Group's offering is tailored to customers' demands for efficiency, quality, durability and safety. With energy-efficient operations that have the lowest possible impact on the environment, the Group is growing its business while reducing, in absolute terms, CO₂ emissions and waste across the value chain. Engaged, diverse and dedicated teams working in safe and dynamic workplaces help ensure reduced accidents and improved well-being and productivity.

Value created for key stakeholders

The focus on profitable growth provides opportunities for efficient and innovative products and services that generate economic, environmental and societal value. Key stakeholder groups such as customers, investors, employees and society stand to benefit from this approach. It also generates income that is reinvested in the company through research and development of new innovative products and services as well as other market leadership activities.

The Group's business model is built on a strategy that aims to achieve industry-leading growth and profitability. The focus is on the customer experience, services and solutions, battery and robotic technology and a winning core offering. Strategic sustainability initiatives are crucial for long-term market leadership and value creation.



CHAPTER 04 / 08

Solutions fit for the **future**

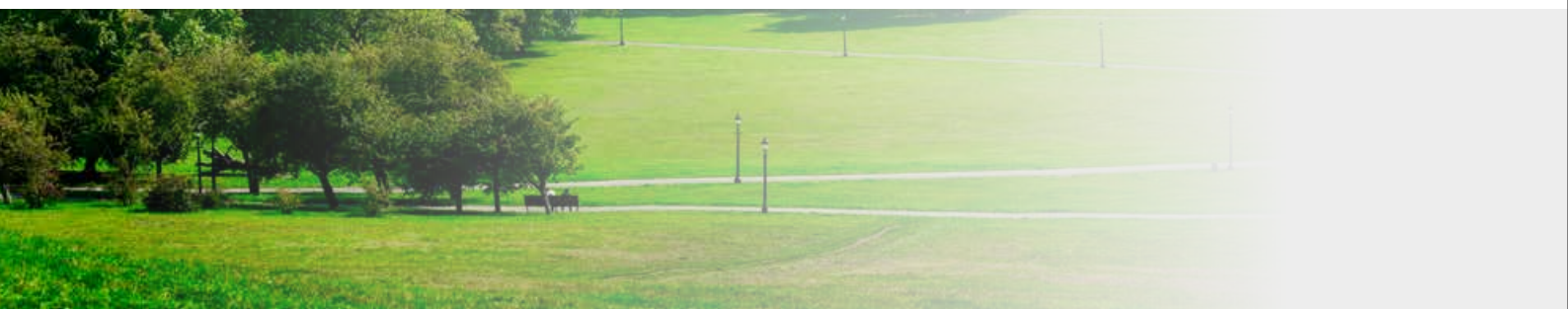


Never have sustainable solutions been more needed than today. Husqvarna Group is pioneering pathways for step-change efficiency and smarter resource use. Building on teams' creativity and by placing Sustainovate at the core, the Group is shaping a company that is built to last.



SUSTAINOVATE

The next phase of Sustainovate has begun. The Group has set new, bolder targets that align and strengthen the 2025 business strategy and underscore how sustainability is business critical. As of this year, new Sustainovate targets switch from five challenges to three opportunities for change. They will help maximize the Group's contribution to big questions facing society and will spearhead ambitions to lead the industry in the shift to a low-carbon, resource-smart economy.





Carbon

Drive the transition to low-carbon solutions.

The Group is transitioning to low-carbon solutions in every aspect of the products' lifecycle – and in ways that benefit customers and deliver value to the bottom line. But the transition the world needs is to a zero-carbon economy. Battery technology and robotics have a big role to play in making this a reality. Stronger cooperation with suppliers, leaner manufacturing and smarter product design can prevent hundreds of thousands of tons of CO₂ from entering the atmosphere every year. This is how the Group can contribute to tackling the greatest challenge of our time.



Circular

Rethink and redesign for a resource-smart customer experience.

Husqvarna Group is rethinking ways to enhance the customer experience. A circular approach spurs solutions to extend product lifecycles through reuse, resale, repair and easy recycling for less waste. It helps us reevaluate how customers can be more efficient, use less water and energy and adopt solutions like sharing. Smarter use of materials is also in sharp focus. In short, a circular approach loops the customers' end-to-end journey and brings resource-lean thinking to the heart of how to deliver value.



People

Inspire actions that make a lasting difference.

There is no better way to build trust than to make a difference together. This approach rests on bringing out the passion, drive and curiosity not just of the Group's own teams, but also of its customers. Husqvarna Group can maximize positive impact by encouraging customers to opt for the most sustainable choice and by helping them to envisage the difference they can make. The Group seeks to inspire teams through partnerships with others and by giving them the tools to be change agents.

-35

By 2025, reduce absolute CO₂ emissions by 35% across the value chain.*

50

By 2025, launch 50 circular innovations.**

5_m

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

* With 2015 baseline.

** Reporting to begin in 2021.

2020 milestones

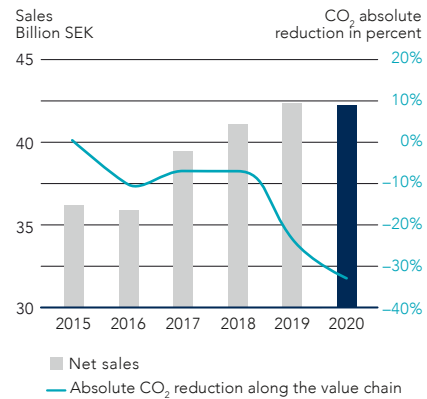
The year was the final one for the 2020 targets and saw the start of Sustainovate's next phase, which will have a strong focus on value creation opportunities. Here are some highlights of activities that supported this transition.

Decoupling CO₂ from business growth

Husqvarna Group aims to drastically cut CO₂ emissions while profitably growing the business. Measuring progress against sales growth and absolute CO₂ emissions reductions is one way to track how the Group delivers on this aim.

Particularly over the last three years, performance shows that the CO₂ target – which includes emissions from suppliers, manufacturing, transport and product use – is deeply connected to our business objectives. Over the first five years, performance shows that results can rise and fall year-on-year.

Taking into account the effects of 2020 performance and likely rebound effects in 2021 and beyond the Group estimates that it is on track to achieve the 35% reduction target to 2025.



Over the last five years, the Group has reduced absolute CO₂ emissions by 32 percent while increasing sales by 16 percent.

Sustainable Development Goals

The UN's Sustainable Development Goals (SDGs) are a 17-point plan for ending extreme poverty, fighting inequality and injustice and protecting the planet to 2030. Achieving the SDGs requires significant effort at all levels of society—not least in business, which has a critical role to play as a change agent.

Husqvarna Group can influence many of the SDGs by reducing negative impacts of its operations, contributing to positive change along the value chain and engaging in society at large. But most of all, the 2025 Sustainovate opportunities position the Group to contribute to three of the SDGs:



SDG 11
Sustainable cities and providing access to safe, inclusive and accessible green and public spaces



SDG 12
Reducing waste through prevention, reduction, recycling and reuse



SDG 13
Raising awareness and actively adapting to low-carbon solutions and mitigating climate risks



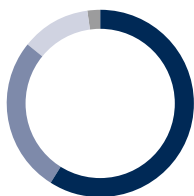
Strength in differences

As a business, the Group thrives on the energy, engagement and diversity of people across the globe. The new Diversity & Inclusion program seeks to enhance the Group's culture through increased representation of people from all ethnic backgrounds and better gender balance. The Group is engaging the entire organization in this commitment.

At year-end 2019, Group Management approved a program aimed to improve diversity of the Group's workforce, and to further embed an inclusive culture.

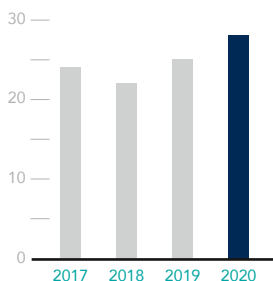
In 2020, the first of two phases began: diagnostic phase to understand current status. The second phase – to develop a vision, action plan, targets and a way to measure progress – will be launched in the first half of 2021.

Employee (per geographic region)



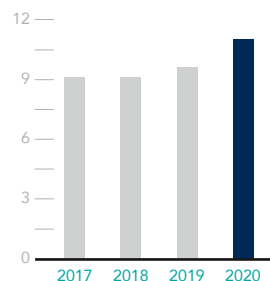
- Europe, Middle East and Africa 59 %
- North America 27 %
- Asia Pacific 12 %
- Latin America 2 %

Share of female employees in senior management positions



■ 28 %

Employee turnover (voluntary)



■ 11 %

Thinking in circles

Sustainovate Open is the Group's innovation challenge to recognize disruptive ideas which bring people, nature and urban environments together and contribute to a circular economy.

Some 20 Swedish startups applied to take on the challenge and nine innovations were shortlisted. The winning prize of a pilot budget of SEK 300,000 went to Ekkono Solutions for its Edge Machine Learning software.

The ultimate aim is to scale their concept and embed it in Husqvarna Group's range of robotic lawn mowers. This is an opportunity to personalize automowers and to extend their life while forging longer-lasting customer relationships.





Ride on down the greenway

In 2020, we introduced the P535HX rider that combines options to power the lawn mower by battery and diesel fuel. Despite their CO₂ downsides, petrol-driven ride ons have dominated the market, especially for heavy-duty needs. With its potential CO₂ savings of up to 30 percent, this new rider heralds a new era.

Green city spaces

Green spaces are a city's lungs. They improve air quality, help to manage rainwater and surface runoff and contribute to wellbeing.

The Husqvarna Urban Green Space Index (HUGSI) helps city planners identify opportunities to make their urban areas greener. HUGSI is an AI-driven solution that uses satellite images to help authorities see their green spaces from above.

HUGSI also ranks cities that are members of the C40 Cities Climate Leadership Group on the space they allocate to green zones. Satellite data is converted into green-space metrics that measure 155 cities in 60 countries. Overall, this year's findings indicate that there is a slight decline in urban green spaces globally. In 2020, HUGSI ranked Charlotte NC, U.S., Durban, South Africa, Ho Chi Minh City, Vietnam and Vilnius, Lithuania, as the world's greenest cities.



Business ambition for 1.5°C

Society needs to emerge from Covid-19 with an even stronger resolve to shift to a resource-smart economy. But this can't be done alone. We need to gather business leaders in a strong commitment to change.

In May 2020, Group CEO Henric Andersson joined a global group of business leaders in sending Business Ambition for 1.5°C, a letter that reaffirms the Group's commitment to operate the business aligned with 1.5°C emissions scenarios.

As of December 2020, some 363 CEOs have signed the Business Ambition for 1.5°C commitment, which is

led by the Science-Based Target initiative in partnership with the UN Global Compact and the 'We Mean Business' coalition.

"By signing the Business Ambition for 1.5°C, we are committing to achieve our Science-based target and reach net zero CO₂ emissions across our value chain by 2050 at the latest."

Henric Andersson, Husqvarna Group
President & CEO stated.



Lean power machine

Many customers in construction still rely on petrol and diesel to power their products, especially for heavy duty purposes. Generators are fallback electricity sources for many construction sites when access to the grid is not possible. Construction Division's Power Pack is a fuel-saving automatic power-on-demand adjustable for different equipment. Power-on-demand can be switched off when constant power is desired.



Using water wisely

We are experiencing longer periods of drought and for good reason, concerns about water use are on the rise. The garden is a great place to be smart about water use. Through a combination of product innovation and enhanced software, the Gardena Smart System and Micro-Drip System can improve water efficiency in the garden by up to 70 percent. Underground drip irrigation lines both prevent evaporation and carry water to every corner of the garden.

This year, sales of water-efficient irrigation products jumped 192 percent, compared to 2015, far exceeding the objective of a 50 percent increase since 2015.

Gardena's Micro-Drip-System was a finalist in the government-sponsored German Sustainability Award Design 2021.



Closing the **books** on Sustainovate 2020

Over the last five years, Sustainovate has helped shift attention to sustainability and its role in creating long-term value.

At year-end, the books closed on Sustainovate 2020. Delivering on its ambitions in four challenges, this five-point plan helped the Group to build robust processes for safety and the supply chain. It shone a Group-wide spotlight on efforts to support local communities. Most important, it underlined how reducing CO₂ emissions and building strong teams are crucial to achieve market leadership ambitions.

The Group's most significant progress is in reducing CO₂ emissions across the value chain. This result was due to three events: increased sales of battery-driven and robotic products, a reduced market for largely petrol-powered construction equipment during Covid-19, and faster than expected effects of the 2019–2020 exit of petrol-powered walk-behind lawn mowers in North America.

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
Carbon challenge <i>Decouple business growth from CO₂ emissions</i> 	Husqvarna Group seeks to deploy innovation, energy efficiency and new products to grow the business while reducing emissions across the value chain – from product design and development to suppliers, manufacturing, logistics and smarter product use.	10% CO ₂ intensity reduction across the value chain	52% ACHIEVED	- Far exceeded the target of a 10% intensity reduction across value chain, achieving a 52% reduction - With the 2025 target, launched revised Science-based target - Share of battery and robotic products rose to 33%, up from 11% in 2015 62% of electricity derives from renewable sources, up from 1% in 2015 - Nearly doubled supplier engagement in reporting on CO₂ emissions	- The carbon intensity target is transitioning to an absolute 2025 target, also incorporating our Science-based target - Launch of Husqvarna's hybrid ride-on mower - Pilot launch, road show and marketing CEORA professional robotic lawn mower - Increase share of renewable energy - Engage suppliers on CDP reporting
Team challenge <i>Be the best place to work</i> 	Efforts to build an attractive, behavior-led workplace should never stop. By providing a platform for employees to make a difference and offering opportunities for people of all backgrounds to maximize their talents, the Group aims to be the employer of choice.	+74 eSAT rate replaces NPS score	77 ACHIEVED	- Implemented an improved employee engagement platform that measures eSAT as a satisfaction score among employees. This replaces our original Team target - Increased leadership capabilities through training - Strengthened employee development dialogue - Employee branding program (EVP) roll-out Group-wide	- Introduce Group-wide recruitment platform, policy and process - Continue to leverage the Employee Value Proposition - Implement Diversity & Inclusion program

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
Supplier challenge <i>Inspire and build a sustainable supplier base</i> 	By evaluating strategic suppliers' environmental, human rights and safety performance and ethical standards, the Group aims to motivate suppliers to improve and to prioritize those with high sustainability performance.	70% Of purchasing spend from strategic suppliers audited and approved based on their sustainability performance	63%	37 strategic suppliers were audited and approved 168 suppliers audited and approved in Asia, Europe and North and South America since 2015 - No zero-tolerance issues were uncovered in supplier audits - Launched responsible sourcing program to 2025	- Transition to an operational priority - Report on supply chain impacts of minerals of concern

	AMBITION	TARGET	OUTCOME	HIGHLIGHTS	NEXT STEPS
Safety challenge <i>Lead the industry in safety across the value chain</i> 	The Group's strong focus on safety and ergonomics in products and on occupational, health and safety (OHS) will improve safety across the value chain.	40% Reduction in the Total Recordable Incident Rate (TRIR) in operations	40% ✓ ACHIEVED	Workplace safety - International SOS audits at 16 sites to ensure the right measures are in place for health and wellbeing of employees during Covid-19 3,897 risk observations and 1,108 near miss cases were reported Product safety - Sales of protective equipment represents 1.5% of global sales, up from 1.3% in 2019 - Launched features such as Husqvarna K770 SmartGuard Power Cutter kick-back protection device	- Transition to compliance management and Environment, Health and Safety, as an operational priority - Implementation of OHS risk and incident management system - Adapt our response to the next phases of the Covid-19 pandemic - Accelerated innovation initiatives for improved product safety
		35% Reduction in the number of product incidents compared to 2016	71% ✓ ACHIEVED		

	AMBITION	HIGHLIGHTS	NEXT STEPS
Community challenge <i>Build a platform for teams to engage in local communities</i> 	By connecting people with nature, the Group aims to protect biodiversity, promote healthier lifestyles and create more resilient communities.	- UNICEF partnership continued to support efforts to supply clean water - Living City and HUGSI Green City Index help to raise awareness on the role of urban parks	- Transition to People Opportunity and as an operational priority of each division - Prolonged partnership agreement with UNICEF - Continue to raise awareness on green urban spaces with HUGSI 2021

CHAPTER 05 / 08

Husqvarna Group's divisions



Husqvarna Group operates on the principle of having strong, customer-focused and autonomous divisions with all of the functions needed to achieve their goals.

Three strong, **customer-focused** and **autonomous** divisions

Husqvarna

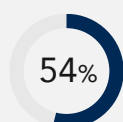
Global leader in forest and garden products

Share of Group net sales



Net sales: SEK 26,607m

Share of Group operating income*



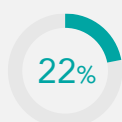
Operating margin: 10.1%



Gardena

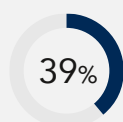
The garden care segment leader in Europe

Share of Group net sales



Net sales: SEK 9,427m

Share of Group operating income*



Operating margin: 15.2%



Construction

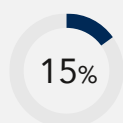
The preferred construction industry choice

Share of Group net sales



Net sales: SEK 5,844m

Share of Group operating income*



Operating margin: 10.8%



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

Husqvarna

END-CUSTOMERS

- Pro-grade experts (high-end consumers)
- Tree professionals
- Green space professionals

MARKET POSITIONS/PRODUCTS

- Global leader in robotic lawn mowers for both consumers and professionals
- Global no. 2 in handheld products such as chainsaws, brush cutters, trimmers and leaf blowers
- Leading positions within wheeled products such as front riders and zero-turn mowers
- Professional fleet management services

DISTRIBUTION CHANNELS

- Dealers for professionals and high-end consumers
- Retail channels
- Online

MAIN COMPETITORS

- STIHL Group
- John Deere
- Honda
- Toro
- Stanley Black & Decker
- MTD
- Yamabiko Corporation

Gardena

END-CUSTOMERS

- The passionate gardener

MARKET POSITIONS/PRODUCTS

- No. 1 in Europe for consumer watering management: garden hoses, reels and sprayers; sprinklers, sprinkler systems and water pumps
- Leader in robotic lawn mowers sold through retail, trimmers, hedge cutters and shrub shears
- Garden tools such as secateurs, loppers, axes, digging tools and winter tools
- Leader in smart garden systems – Gardena Smart System

DISTRIBUTION CHANNELS

- Retail-centric, multi-channel

MAIN COMPETITORS

- Fiskars
- Hozelock
- Kärcher
- Stiga
- TTI
- Positec
- Bosch Group

Construction

END-CUSTOMERS

- Professionals in:
- Concrete sawing and drilling
 - Concrete surfaces and floors
 - Light demolition
 - Stone

MARKET POSITIONS/PRODUCTS

- Leading positions in:
 - Power cutters
 - Floor grinding machines
 - Dust and slurry solutions
 - Diamond tools for construction and stone industries
 - Floor saws
- Strong market positions in:
 - Light compaction and concrete placement equipment
 - Demolition robots

DISTRIBUTION CHANNELS

- Construction dealers and retailers
- Rental companies
- Direct sales
- Stone processing industry

MAIN COMPETITORS

- Hilti
- STIHL Group
- Tyrolit
- Ehwa
- Shinhan
- Skystone

Enhancing customer experience through **technology leadership**

Husqvarna Group has introduced leading innovations throughout its 330-year history. Looking ahead, the Group is accelerating its technology leadership and transforming to digital, battery-based and autonomous solutions. By combining a deep understanding of customer needs with cutting edge technologies and data, best-in-class solutions and experiences are being created.



Changing the game. Virtual boundaries, endless opportunities. Husqvarna EPOS (Exact Positioning Operating System) is a pioneering technology for a new series of professional Husqvarna Automower® robotic mowers providing virtual and therefore flexible boundaries.



Adding leading technologies through acquisitions. By acquiring Blastrac with complementary surface preparation solutions and Wacker Neuson's power trowel business, Husqvarna Group has added further leading technologies, thereby strengthening the customer offering.



Carefree gardening. The Gardena Aqua-Bloom automatic watering solution works without electricity or a tap and provides plants in boxes and pots with an optimal supply of water.



Professional performance – without the exhaust. Husqvarna 540i XP and Husqvarna T540i XP are designed for professionals and deliver the benefits of battery power solutions with best-in-class cutting performance.

Over 1 million connected users

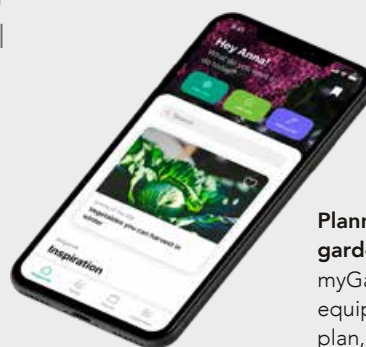
With over 1 million connected users, Husqvarna Group is committed to remaining in the forefront of further enhancing the customer experience through digital services using connectivity and AI.



Keeping track. What equipment do we have? When do we need to service or replace it? What diamond tools do I need? Husqvarna Fleet Services and Diamond Tool Selector helps professionals to select the right equipment and keep track – saving money and increasing productivity.



Robotic mowing gets even easier. Automower® Connect enables customers to remotely control their robotic lawn mower and change its settings and schedules, wherever they are. Integration with smart home devices enables voice control through Google Home and Amazon Alexa.



Planning your dream garden. The Gardena myGarden app is fully equipped to help users plan, document, realize and maintain their garden projects.

Keep your garden growing wherever you are. The world-leading Gardena Smart System lets users take care of their garden remotely, connecting irrigation and robotic lawn mowing through a seamless customer experience. Using sensors, it even tracks temperature and soil moisture in the garden to optimize irrigation and save water. Integration with world-leading ecosystems like Apple HomeKit, Alexa and IFTTT bridges the smart home and the smart garden.



Husqvarna Division – Global leader in forest and garden products

The Husqvarna Division offers products for professional users within forestry, tree care, landscaping and other commercial lawn and garden services as well as for premium consumer segments.

Brands

The division's core brand is Husqvarna, which accounts for the vast majority of sales. Tree care and forestry are the DNA of the Husqvarna brand and robotic lawn mowers is another core pillar of its market and technological leadership. The Husqvarna brand is primarily sold through independent dealers worldwide, mainly in Europe and North America.

Products and solutions

The Husqvarna Division strives to be the preferred partner and trusted brand among its target groups with innovative products and solutions and first-class customer service and technical support. Husqvarna is the undisputed global leader in robotic lawn mowers. In addition, the division has strong market positions in handheld products, including chainsaws, trimmers, blowers as well as lawn mowing equipment. High-performance battery-powered products are also an important part of the division's product offering along with digital services such as the Husqvarna Fleet Services and Automower® Connect.

Market and customer segments

The Husqvarna Division's business strategy and organization is structured around three fundamentally different target groups with distinct needs – pro-grade experts, green space professionals and

tree professionals. A clear customer focus ensures the division retains a relevant offering of products, solutions and services as well as its go-to-market execution.

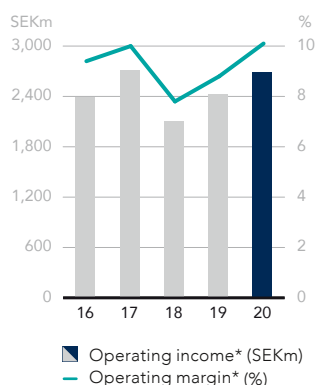
Sustainability

The Husqvarna Division's prioritization of battery technology and digitalization has contributed to a continued reduction in CO₂ emissions from product use. In manufacturing, there is also an ambitious target that more than 90 percent of the consumption of electricity should come from renewable sources. Digitalization has also created the conditions for new business models and increased resource efficiency. Tools for You, Robotic as a Service and Refurbishment of Robotics are some examples of innovation projects conducted within the sustainability agenda. The division collaborates with cities, municipalities and green space professionals in several initiatives to improve parks and access to green spaces and to develop more sustainable solutions for both consumers and professionals.

Growth opportunities

Significant market opportunities remain across all regions and customer segments and in particular in residential and professional robotic applications, battery solutions and services. Expanding the Husqvarna Division's leading position in residential and professional robotic lawn mowers and fully capitalizing on this growing market is a cornerstone for the division's growth, success and strategy. During recent years the Husqvarna Division has also exited a number of low-margin business which also has contributed to the transformation of the division.

Operating income and margin



Net sales by region





INTERVIEW WITH PRESIDENT SASCHA MENGES

Husqvarna Division

How would you sum up 2020 for the division?

It was certainly a different year. We began the year with very high ambitions building on our new strategy and delivered good performance in the early part of the year. After that, the Covid-19 crisis hit with full force, which presented challenges for our business. We had three clear priorities: the health and safety of our employees and customers, the continuity of operations and preparing for a time after Covid-19. Our global team did an outstanding job in these difficult circumstances and we delivered strong sales growth when markets re-opened. This led to 2020 being our best year ever for the division in terms of sales and operating income.

Do you see any long-term effects of the Covid-19 pandemic?

It's no surprise that we are seeing growth in our digital sales channels, both for our dealers as well as for our own e-commerce. We believe this trend will continue. We can also see that the long-term trends that form the basis of our strategy, such as digitalization and increasing growth for robotics and battery technologies, have been strengthened because of Covid-19. We also saw significant growth in connected users on our digital platforms.

How have your markets developed?

We continued to grow in Europe with good profitability during the year. In the US, we reported another positive year with strong improvements in sales and profitability. We further strengthened our market positions in key categories, such as robotics, battery-powered products and chainsaws.

What were your key product launches?

We had several very successful launches during the year, including Husqvarna's new battery-powered chainsaws for professional users, T540i XP and 540i XP, which have received numerous awards globally. The launch of Husqvarna's new robotic lawn mower, Husqvarna Automower® 305, was highly successful and one important driver of our market share gains in the residential market. We also continued to demonstrate our innovation leadership with approximately 150 pilot installations of our EPOS solution in selected markets – pioneering satellite-based technology that enables robotic lawn mowing with virtual boundaries. This is intended for professional customers in landscaping and we have received outstanding feedback from the customers who are testing the system. We have also announced the new Husqvarna CEORA, a game-changing robotic solution for commercial turf care management.

How significant is sustainability for the division?

Sustainability plays a pivotal part in our strategy and our operations. We find ourselves in a paradigm shift that will transform our industry and take it in a much more sustainable direction. In 2020, we continued to drastically reduce our CO₂ emission footprint, driven by our expansion in battery-powered products, such as robotic lawn mowers. This is important as we understand from life cycle assessments that using robotic lawn mowers, for example, can reduce CO₂ emissions by more than 80 percent compared with conventional lawn care.



Gardena Division – The leading brand in the garden

Gardena is the number one watering and smart garden brand and a leading brand of high-quality garden tools and solutions in Europe.

Brands

Gardena enjoys strong brand awareness in the garden care segments and the brand is associated with high-quality and market-leading innovations for the passionate gardener. Gardena is the preferred brand for millions of home and garden owners thanks to its well designed and complete product range that includes everything a passionate gardener requires – from watering, lawn, tree, hedge and court care as well as digital and connected solutions to plan and automate gardening tasks.

Products and solutions

Gardena offers the broadest range of gardening products in its markets and in several European countries and beyond. It is a market leader in watering and the smart garden and has leading positions in many countries in hand tools and electric gardening tools. Much of its success during its history has come from systems such as the Original Gardena System in watering products (garden hoses, connectors, nozzles, sprinklers) and the Gardena Combisystem for hand tools and high-quality cutting tools such as secateurs and loppers.

Market and consumer segments

Gardena products and services are designed with the passionate gardener in mind. These users are unified in their passion for greenery. They truly enjoy the different activities gardening involves, not just having a beautiful garden, and they like to seek and share their knowledge with other passionate gardeners.

They also like to have some of the work automated so they can focus on the more fun and creative parts of gardening. For this reason, they demand user-friendly, high-quality and reliable products as well as digital solutions to provide and share inspiration.

The division offers a comprehensive smart garden offering, combining hardware and software into a digital system to automate gardening tasks, e.g. watering according to weather and mowing schedules that avoid garden use times. Gardena also offer digital apps where customers can plan their gardens as well as connect and engage in communities.

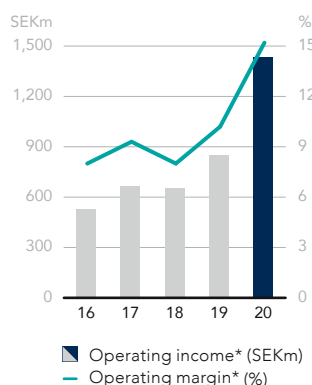
Sustainability

Gardena's customers, the passionate gardeners, have a strong connection to nature and particularly embrace sustainable lifestyles. Sustainability is a foundation for the division's strategy and Sustainovate is an integral part of Gardena's brand positioning. The division actively promotes the most sustainable options and help customers see opportunities to use resources. The same commitment engaging partners and suppliers is reflected across the value chain – from sourcing, producing and transporting to the product offering. As of 2021, Gardena will only be sourcing renewable electricity across all its operations. Gardena is continuing to extend its product range of battery-powered products. Gardena product and service offerings are designed to support sustainable gardening. Since 2018, Gardena has partnered with UNICEF to support water, sanitation and hygiene development projects worldwide.

Growth opportunities

The Gardena Division is driving a successful growth strategy. There are significant opportunities to expand within and beyond Gardena's core markets in Central Europe, for example in Southern and Eastern EU, Asia and the UK. The division goes to market with a multichannel approach, wanting to meet passionate gardeners wherever they seek gardening inspiration and products for their gardens. Innovative, well-designed products of high quality is what the Gardena Division's success is founded upon and the division maintains a high level of investment in consumer insight and R&D to innovate traditional product categories and develop new solutions such as Gardena Smart System.

Operating income and margin



Net sales by region



* Excluding items affecting comparability.



INTERVIEW WITH PRESIDENT PÄR ÅSTRÖM

Gardena Division

How would you sum up 2020 for the division?

It has been a challenging, but also a record year for Gardena with strong growth in both sales and operating income. After a good start to the year, we initially witnessed a clear decline in March and April in the wake of the Covid-19 lockdowns. We took immediate and decisive actions across the division to protect the health and safety of our employees and to ensure the continuity of operations. As our major markets reopened during May, we noticed enormous demand for our products, as people spent more time at home and in their gardens. Thanks to outstanding contributions from our employees, we could quickly ramp up beyond pre-Covid-19 plans and meet the increased demand and interest in gardening.

Do you see any long-term effects of the Covid-19 pandemic?

During the year, we noted a sharp increase in interest for our digital channels through which we offer inspiration and tips to gardening enthusiasts and provide them with the digital tools they need, for example, to plan their gardens. Moving forward, we believe this will provide us with a platform where we can engage with the dreams and projects of passionate gardeners, which will make us better at providing the insight, tools and solutions they really need. We can also see that this year, many people have a renewed interest in gardening as a meaningful hobby and we anticipate even more gardening enthusiasts among our customers going forward.

How have your markets developed?

We observed strong growth in our core and focus markets and in all product categories.

The fact that people have spent more time at home had a positive impact on the DIY and gardening retail segment, both in stores and through digital channels. During the year, we continued investing behind new market growth and strengthened our presence in many new markets. The Gardena Smart System growth continues at full speed and more and more consumers want to extend their smart home to the outdoors.

What were your key product launches?

We conducted several highly successful launches during the year, not least Gardena's new product line with frost-resistant sprinklers, AquaZoom and AquaBloom, an independent, smart watering system for balconies that works without a tap or electricity. Another example is our new line of non-powered hedge clippers, which is one reason we have further strengthened our position in hand tools. A clear part of our strategy is to develop new service offerings and to remain at the leading edge of the industry. During the year, we continued to expand myGarden, which is an app-based community for gardening enthusiasts. We also added further functionality to our digital Gardena Smart System to allow watering that takes into account the weather forecast.

How significant is sustainability for the division?

It is extremely important for how we run our operations and for the products we develop. We have reduced our CO₂ emissions by 40 percent compared with 2015. Gardena has developed efficient watering solutions for many years and this is an area where we have a lot of experience and can truly make a positive contribution. It is therefore gratifying that our drip

watering system Micro-Drip-System was nominated as a finalist in this year's German Sustainability Awards. We are proud of our partnership with UNICEF, under the motto "Every drop counts". The goal of the partnership is to provide access to clean drinking water to more than 160,000 children and families in need in the next few years.

Any other important events during the year?

I am proud of the battery alliance we have formed together with Bosch – POWER FOR ALL ALLIANCE. Our vision is to allow consumers to use a single battery system to operate their tools and appliances. Several other premium brands have also joined the alliance and we will use the POWER FOR ALL battery for all our 18V products already in 2021. There are obvious advantages. It will become easier and cheaper for consumers and it reduces the amount of electronic waste as the same battery and charger can be used by several applications in and around the home.



Construction Division – The preferred construction industry choice

The Construction Division is a global leader in machinery and diamond tools for the light construction and stone industries with a strong focus on innovation and customer support leadership.

Brands

Husqvarna is the division's primary brand, with the broadest range of light construction equipment, diamond tools and services for concrete sawing and drilling, concrete surfaces and floors and light remote demolition. The Husqvarna brand is complemented by industry-leading specialist brands such as Pullman Ermator, the leading specialist in dust and slurry management solutions for construction applications and Diamant Boart, the world leader in diamond tools for the stone industry.

Products and solutions

The Construction Division offers solutions used exclusively by construction professionals who demand high-level performance, reliability and superior support. Significant ongoing investments in innovation are being made to deliver maximum customer value through the widest, most innovative and powerful solution offering on the market.

Market and customer segments

The Construction Division has a strong market presence in most of its targeted product categories with leading positions. The division is mainly present in the renovation and refurbishment segments in the market with a high share of consumables and aftermarket revenues. Therefore, the largest addressable markets are in Europe and North America, both of which are well developed and established. However, demand in

emerging markets is growing and is driven by an expanding building and construction market. The division's global network of sales companies, distributors, dealers, service centers and manufacturing plants is focused on customer needs in the rapidly changing construction industry. The Construction Division has an excellent sales and service support network and products and solutions are distributed globally through innovative sales processes and tools.

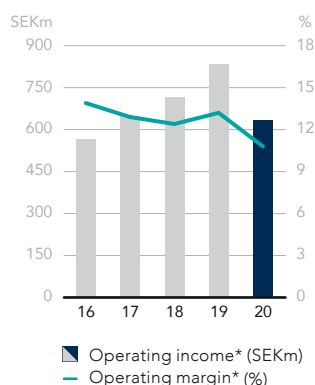
Sustainability

The Construction Division works actively to continuously reduce its customers' environmental impact. The greatest CO₂ emissions and safety risks arise during product use, which is why there is a great deal of focus on these areas. The ability to reduce the customer's CO₂ emissions is made possible by switching to battery and electric products and digital solutions, but also through improved energy efficiency of petrol-powered products. Dust and concrete slurry management systems are an important area for the Construction Division. The development of these systems brings great benefits not only to the users' well-being but also to the environment.

Growth opportunities

The Construction Division is focused on growing both organically through new customers, products, services and markets as well as through targeted complementary acquisitions. In recent years, the division has created a second core business area in Concrete Surfaces & Floors through the acquisitions of Wacker Neuson's concrete power trowel business (October 2019), the Light Compaction and Concrete Equipment business from Atlas Copco (February 2018), HTC (May 2017), Pullman Ermator (January 2017) and DTS (May 2016). This was further expanded through the acquisition of Blastrac (December 2020), a leading provider of surface preparation technologies for the global construction and remediation industry. The Blastrac product portfolio includes high-quality and efficient solutions for shot blasting, scarifying, scraping, grinding & polishing and dust collection. The acquisition complements the leading product offering and the Construction Division can now provide a complete range of solutions for any given surface preparation task.

Operating income and margin



Net sales by region





INTERVIEW WITH PRESIDENT KARIN FALK

Construction Division

How would you sum up 2020 for the division?

The year was clearly marked by the Covid-19 pandemic. We had a positive start to 2020 with a strong offering of new products and services. However, the second quarter was tough as sales were significantly impacted by the measures taken around the world to reduce the spread of the virus. Demand recovered as societies began to reopen towards the end of the second quarter and we did an excellent job of ramping up production and strengthened our position as a result. During the second half of the year, we reported year-on-year growth despite continued Covid-19 uncertainty. I am pleased with the actions we took to protect our employees and implement cost-saving measures. The combination of these measures meant we could retain relatively good profitability in an otherwise challenging market climate.

How was it to take on a new role during these circumstances?

I was appointed President of the Division and joined the team in September 2020. The Covid-19 pandemic made it a special and challenging situation, although the top priority was clear: to continue our dedicated work to protect the health and safety of our employees, customers and other core stakeholders while ensuring continuity in the business. One clear example is from our US operations where we adapted quickly to enable our large customer service department to work from home. Employees all over the world have helped to make this work through their enormous drive and

creativity. In parallel, we have focused on our long-term development and execution of our strategy as well as completed the acquisition of Blastrac.

How have your markets developed?

The temporary decline in demand we witnessed during the year was exclusively due to the Covid-19 pandemic and we can see that we maintained sales at a higher level than the market as a whole. We benefited, for example, from our strong offering of consumables and aftermarket services, which make up almost half of our sales. One major advantage for us was the decision to classify the Construction Division's solutions as critical infrastructure, e.g. in the US, which enabled us to continue to deliver to our customers. Overall, we have retained or strengthened our market positions in EMEA & APAC and strengthened our positions in North and Latin America.

What were your key product launches?

We launched, for example, a new product line of floor grinders for concrete floors. This is a very important product area for us and we improved essentially all parts of the products, from performance to usability. Another important launch was our new drill motors, DM 400 and DM 430. In addition to performance improvements, the products include our Embedded Connectivity solution that wirelessly monitors such aspects as use and performance and enables software updates for the machine using new smart functionality and a connection to Husqvarna Fleet Services. This connectivity also provides

an opportunity for us to develop new services that offer additional value for our customers, just as we have done with Husqvarna Upcare and Fleet Services. This is an important part of our strategy as we move forward. We also continued to improve our diamond tool offering with new and improved product specifications.

How significant is sustainability for the division?

Sustainability has a crucial place in our strategy, not least linked to our increased focus on our planned expansion of battery products. As a division, it is here we have the greatest opportunity to make a positive contribution to the transition toward an economy with a narrower and more energy efficient CO₂ footprint. We are investing substantial resources in innovation and product development in this area. We are also working to improve energy efficiency in our existing products, such as systems for dust and slurry management, where our more energy-efficient products can contribute to a reduction in resource use.



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Board of Directors' Report

The Board of Directors (Board) and the President & CEO (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 2020 financial year.

- Net sales decreased by 1% to SEK 41,943m (42,277), representing an increase of 6% when adjusted for exits of Consumer Brands business and changes in exchange rates.
- Operating income amounted to SEK 3,669m (3,690). Excluding items affecting comparability, operating income amounted to SEK 4,484 (3,915) representing a margin of 10.7% (9.3).
- Items affecting comparability was SEK –815m (–225) and relate to the supply chain efficiency measures, see pages 47 and 50.
- Earnings per share after dilution amounted to SEK 4.35 (4.42).
- Direct operating cash flow* was SEK 6,071m (3,849).
- Operating working capital to net sales amounted to 24.4% (27.3).
- The net debt/equity ratio was 0.38 (0.65).
- The Board proposes a dividend for 2020 of SEK 2.40 (2.25) per share to the AGM.

Net sales and operating margin



Key figures

SEKm	2020	2019	2018	2017 ¹	2016
Net sales	41,943	42,277	41,085	39,394	35,982
Gross margin, %	30.0	29.6	25.6	29.1	30.8
EBITDA *	6,206	5,779	4,000	5,105	4,382
EBITDA margin, %	14.8	13.7	9.7	13.0	12.2
Items affecting comparability* ²	–815	–225	–1,171	—	—
Operating income	3,669	3,690	2,070	3,790	3,218
Operating income, excl. items affecting comparability*	4,484	3,915	3,241	3,790	3,218
Operating margin, %	8.7	8.7	5.0	9.6	8.9
Operating margin, excl. items affecting comparability*, %	10.7	9.3	7.9	9.6	8.9
Income after financial items	3,330	3,122	1,561	3,290	2,796
Net income	2,495	2,528	1,213	2,660	2,104
Earnings per share after dilution, SEK	4.35	4.42	2.12	4.62	3.66
Dividend per share, SEK ³	2.40	2.25	2.25	2.25	1.95
Return on capital employed, %	13.3	12.9	7.6	14.7	13.7
Return on equity, %	13.5	14.7	7.3	17.4	15.2
Net debt/equity ratio	0.38	0.65	0.62	0.46	0.48
Operating cash flow *	6,087	2,676	–248	1,847	1,666
Average number of employees	12,374	12,708	13,206	13,252	12,704

¹ Restatement of 2017 due to IFRS 15 transition, reclassification of certain exchange rate effects, and reclassification of certain sales between segments.

² Items affecting comparability* are provided on page 47.

³ 2020 as proposed by the Board.

* Alternative Performance Measure, refer to "Definitions".

Net sales and income

Net sales

Net sales for January–December amounted to SEK 41,943m (42,277). Net sales increased by 6% when adjusted for exit of Consumer Brands business and changes in exchange rates. Due to the Covid-19 situation the start of the gardening season was weak. When markets gradually reopened, demand accelerated quickly, as consumers showed a high interest in lawn and garden products. Husqvarna Group was quick to respond and strengthened its market positions during the year.

Operating income

Operating income for January–December amounted to SEK 3,669m (3,690). Excluding items affecting comparability operating income increased by 15% to SEK 4,484m (3,915). The increase was primarily related to higher net sales, favorable product mix and cost avoidance activities. Items affecting comparability amounted to SEK –815m (–225). Changes in exchange rates contributed negatively with approximately SEK 75m compared to last year.

Financial items net

Financial items net amounted to SEK –339m (–568). The decrease was mainly related to lower interest rates and lower debt levels denominated in USD.

Income after financial items

Income after financial items amounted to SEK 3,330m (3,122).

Taxes

Income tax amounted to SEK –835m (–594). The effective tax rate for the year was 25% (19).

Earnings per share

Income for the period attributable to equity holders of the Parent Company amounted to SEK 2,494m (2,527), corresponding to SEK 4.35 (4.42) per share after dilution.

Net sales by region

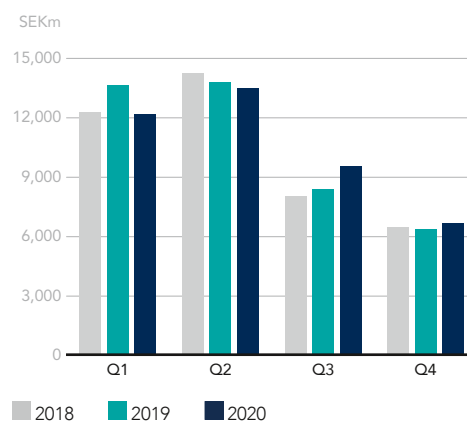
%	2020	2019
Germany	16.3	14.0
France	5.4	5.8
Sweden	4.6	4.2
Austria	3.2	3.1
Rest of Europe	25.5	24.5
Europe	55.0	51.6
Asia/Pacific	9.2	8.5
Canada	3.1	3.0
US	28.7	32.8
Latin America	3.3	3.2
Rest of the world	0.6	0.9
Total	100.0	100.0

EBITDA *

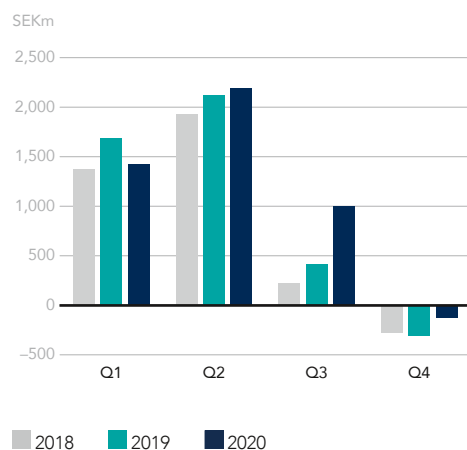
SEKm	2020	2019
Operating income	3,669	3,690
Reversal of depreciation, amortization and impairment	2,537	2,089
EBITDA *	6,206	5,779
Excl. items affecting comparability *	6,718	5,996
EBITDA margin, %	14.8	13.7
Excl. items affecting comparability *	16.0	14.2

* Alternative Performance Measure, refer to "Definitions".

Net sales by quarter



Operating income per quarter ¹



¹ Excluding items affecting comparability*.

Earnings per share and return on equity



Items affecting comparability*

SEKm	2020	2019	2018	2017	2016
Restructuring charge	-815	-225	-1,171	—	—
Total	-815	-225	-1,171	—	—

Restructuring related expenses

SEKm	2020	2019
Impairment of non-current assets	-303	-8
Write down of inventory	-98	-4
Other restructuring costs	-414	-213
Total items affecting comparability*	-815	-225

Classification in the income statement

SEKm	2020	2019
Cost of goods sold	-521	-117
Selling expenses	-82	-57
Administrative expenses	-212	-51
Total items affecting comparability*	-815	-225

Operating cash flow

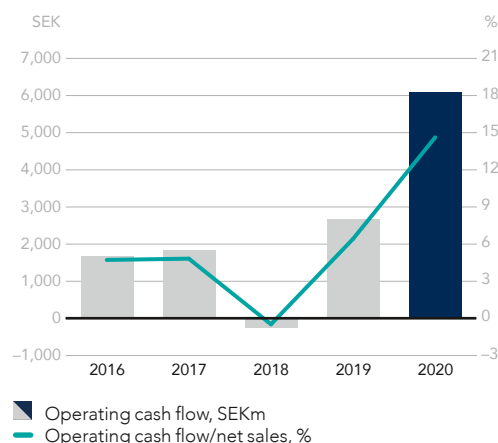
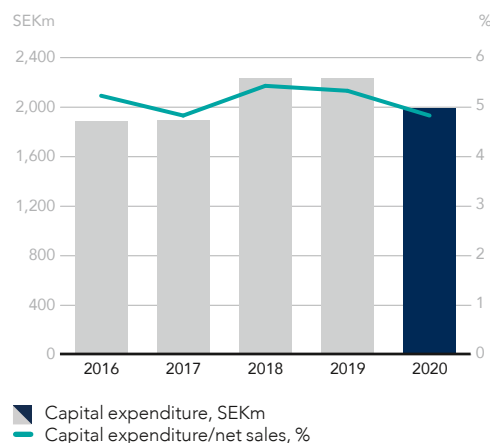
Operating cash flow* for January–December increased to SEK 6,087m (2,676) and direct operating cash flow* increased to SEK 6,071m (3,849). The increase was related to higher cash flow from operations and positive effects from changes in working capital.

SEKm	2020	2019
Cash flow from operations, excluding changes in operating assets and liabilities	6,150	4,476
Cash flow from operating assets and liabilities	1,931	432
Cash flow from operations	8,081	4,908
Cash flow from investments, excluding acquisitions, divestments and investments in financial assets	-1,994	-2,232
Operating cash flow*	6,087	2,676

Capital expenditure and Research & Development (R&D)

Capital expenditure in 2020 amounted to SEK 1,994m (2,232), corresponding to 4.8% (5.3) of net sales. Investments in property, plant and equipment amounted to SEK 1,300m (1,577) and investments in intangible assets, excluding goodwill, totalled SEK 695m (655), of which SEK 490m (521) was related to product development and SEK 205m (133) to IT and software.

R&D expenses, which are included in cost of goods sold, amounted to SEK 1,711m (1,720), of which SEK 393m (351) was amortization of capitalized product development (intangible assets). The total R&D expenses thus corresponded to 4.1% (4.1) of net sales.

Operating cash flow***Capital expenditure**

* Alternative Performance Measure, refer to "Definitions".

Financial position

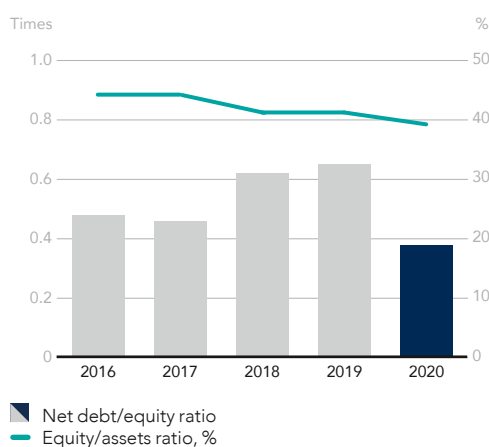
Operating working capital*

Operating working capital* at year-end amounted to SEK 8,179m (10,379). Inventories decreased to SEK 9,734m (10,858), trade receivables decreased to SEK 3,259m (3,620) and trade payables increased to SEK 4,815m (4,099).

Change in operating working capital*

SEKm	
December 31, 2019	10,379
Changes in exchange rates	-1,003
Changes in working capital	-1,197
December 31, 2020	8,179

Net Debt/Equity and Equity/Assets ratio



Equity

Group equity as of December 31, 2020, excluding non-controlling interests, decreased to SEK 17,059m (17,281), corresponding to SEK 29.8 (30.2) per share after dilution.

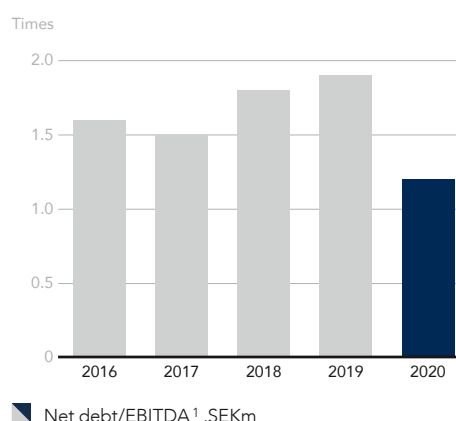
Net debt*

Net debt* decreased to SEK 6,493m (11,315). The decrease was mainly related to strong operating cash flow. The net pension liability increased to SEK 2,483m (2,427). Other interest-bearing liabilities decreased to SEK 11,437m (11,786) and liquid funds and other interest-bearing assets increased to SEK 7,426m (2,898).

The Group has long-term unutilized revolving credit facilities amounting to SEK 5bn. The net debt/EBITDA ratio, excluding items affecting comparability*, decreased to 1.2 (1.9). The equity/assets ratio was 39 (41).

SEKm	2020	2019
Net pension liability	2,483	2,427
Other interest-bearing liabilities	11,437	11,786
Less: Liquid funds and other interest-bearing assets	-7,426	-2,898
Net debt*	6,493	11,315
Net debt/equity ratio	0.38	0.65
Equity/assets ratio, %	39	41
Net debt/EBITDA	1.2	1.9

Net debt/EBITDA¹



¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Definitions".

Performance by business segment

Husqvarna Division

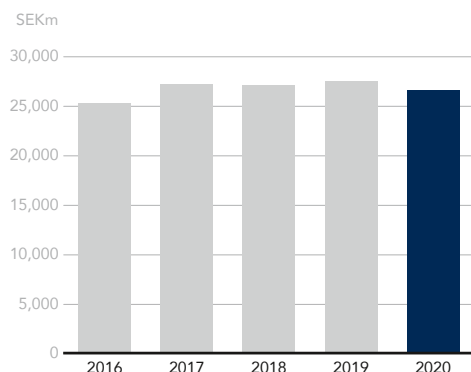
Net sales decreased by 3% to SEK 26,607m (27,506) or by 2% when adjusted for changes in exchange rates. Net sales increased by 5% when adjusted for exits of Consumer Brands business and changes in exchange rates. Due to the Covid-19 situation and related lockdowns, the initial start of the season was weak, but improved rapidly as markets reopened. Good weather conditions and the stay-at-home trend supported a prolonged gardening season.

Operating income amounted to SEK 1,979m (2,260). Excluding items affecting comparability operating income increased by 11% to SEK 2,682m (2,427) and the operating margin increased by 1.3 percentage points to 10.1% (8.8). Items affecting comparability, related to the previously announced supply chain efficiencies, amounted to SEK -703m (-167). The margin was positively impacted by a favorable product mix, higher volumes and cost avoidance activities. Changes in exchange rates had a negative impact of approximately SEK 20m.

Husqvarna

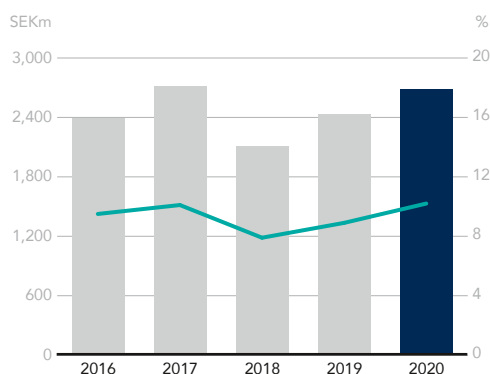
SEKm	2020	2019	Change, %
Net sales	26,607	27,506	-3
Currency adjusted change*, %	-2	-4	—
Operating income	1,979	2,260	-12
Excl. items affecting comparability*	2,682	2,427	11
Operating margin, %	7.4	8.2	—
Excl. items affecting comparability*	10.1	8.8	—

Net sales, Husqvarna



■ Net sales, SEKm

Operating income and margin, Husqvarna



■ Operating income¹, SEKm

— Operating margin¹, %

¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Definitions".

Gardena Division

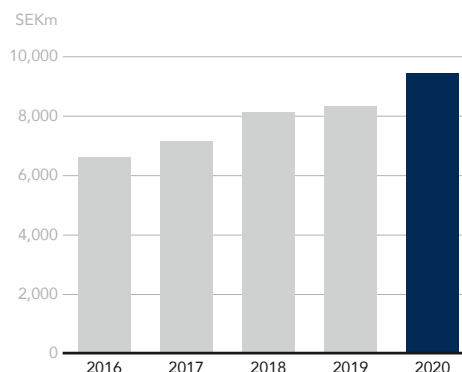
Net sales increased by 13% to SEK 9,427m (8,343). Net sales increased by 17% when adjusted for exits of Consumer Brands business and changes in exchange rates. As markets reopened after Covid-19 lockdowns, the demand increased quickly. The growth was strong for all categories with good support from recent product launches and innovations. Good weather conditions and the stay-at-home trend supported a prolonged gardening season.

Operating income increased by 69% to SEK 1,432m (847) and the operating margin increased by 5 percentage points to 15.2% (10.2). Gardena concluded the fifth year of consecutive growth and delivered a record result. The margin improvement was driven by the strong volume growth and a favorable product mix. Changes in exchange rates had a negative impact of approximately SEK 35m.

Gardena

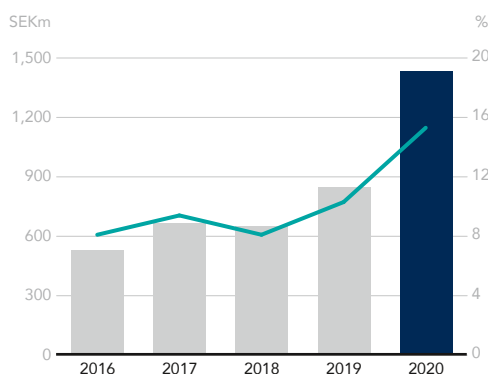
SEKm	2020	2019	Change, %
Net sales	9,427	8,343	13
Currency adjusted change*, %	13	0	—
Operating income	1,432	847	69
Operating margin, %	15.2	10.2	—

Net sales, Gardena



■ Net sales, SEKm

Operating income and margin, Gardena



■ Operating income¹, SEKm

— Operating margin¹, %

¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Definitions".

Construction Division

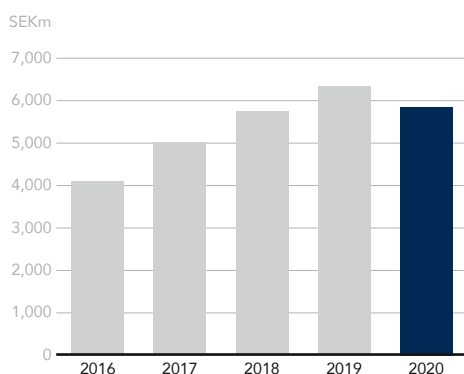
Net sales decreased by 8% to SEK 5,844m (6,340) or by 6% when adjusted for changes in exchange rates. The decline in net sales was primarily due to Covid-19, with lowered demand that affected the markets. Markets recovered towards the end of the second quarter and the third quarter, but was affected from additional restrictions in the fourth quarter.

Operating income amounted to SEK 541m (779). Excluding items affecting comparability, related to the previously announced supply chain efficiencies, operating income amounted to SEK 633m (836). Items affecting comparability amounted to SEK -92m (-57). The operating margin declined 2.4 percentage points to 10.8% (13.2%). The decline was due to lower volumes but partly offset by cost avoidance activities. Changes in exchange rates had a negative impact of approximately SEK 20m.

Construction

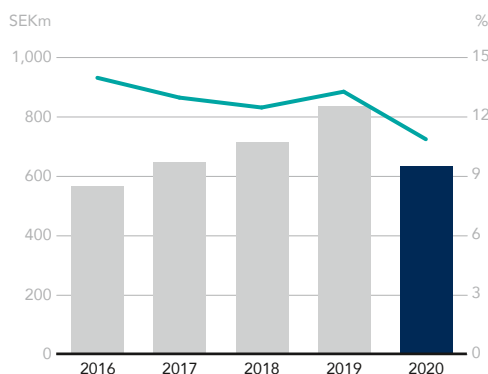
SEKm	2020	2019	Change, %
Net sales	5,844	6,340	-8
Currency adjusted change*, %	-6	5	—
Operating income	541	779	-31
Excl. items affecting comparability*	633	836	-24
Operating margin, %	9.3	12.3	—
Excl. items affecting comparability*	10.8	13.2	—

Net sales, Construction



■ Net sales, SEKm

Operating income and margin, Construction



■ Operating income¹, SEKm

— Operating margin¹, %

¹ Excluding items affecting comparability*.

* Alternative Performance Measure, refer to "Definitions".

Restructuring of the Consumer Brands Division

As communicated in 2018, Husqvarna Group is exiting certain low-margin petrol-powered product segments in the under-performing former Consumer Brands Division and instead focusing on its strengths in premium offerings under the core brands of Husqvarna and Gardena.

As previously communicated, in 2019 the Group exited net sales of SEK 1.4bn related to Consumer Brands. Exits in 2020 amounted to SEK 2.2bn.

Appointment of new President and CEO

The Board of Husqvarna AB appointed Henric Andersson to succeed Kai Wörn as the President & CEO of Husqvarna Group and was effective as of April 2, 2020. Previously, Henric Andersson was President of the Construction Division of Husqvarna Group and has been a member of the Group Management team since 2012. He was born in 1973 and has a Master of Science degree in Industrial Engineering & Management from Linköping Institute of Technology.

Group Management changes

Karin Falk has been appointed President of the Construction Division and is also a member of Husqvarna Group's management team. Most recently Karin Falk was Senior Vice President Services & Customer Quality at Volvo Trucks and took up her new position within Husqvarna Group on September 1, 2020.

A further step in optimizing and decentralizing the organization was taken in 2020. A new function, Strategy & Innovation was formed, initially headed by Henric Andersson, President & CEO, on an acting basis. Activities within two prior functions, Business Development and Innovation & Technology, were merged into this new function. Activities within the function Operations Development were moved into other functions and/or the divisions. Accordingly, Anders Johanson, Senior Vice President, Innovation & Technology and CTO decided to leave the Group. Brian Belanger left his interim role as Senior Vice President Business Development and continue in his role as Senior Vice President, Legal Affairs. Pavel Hajman continue as Senior Vice President Global Information Services and CIO. The organizational changes were effective from December 1, 2020.

Reinstated dividend for 2019

The Board assessed the company's financial performance and cash position, as well as general market conditions, and concluded that a reinstatement of the dividend was appropriate. An extraordinary general meeting on October 23, 2020 decided on a proposal of a dividend of SEK 2.25 per share to be paid for the fiscal year 2019.

Accelerated growth initiatives and increased competitiveness in petrol supply chain

The Group are accelerating strategic investments in sustainable solutions with strong long-term growth potential. The strategic growth initiatives include R&D, production and go-to-market capabilities for key categories such as robotics, battery and watering solutions including an increased focus on solutions for the professional segments. At the same time the overall competitiveness is further improved in the petrol supply chain by streamlining and reducing fixed costs within component manufacturing, increasing the level of automation in factories and reallocating production volumes among the factories, bringing final assembly closer to the customers.

These steps will reduce the global workforce by approximately 350 positions and result in annual savings of around SEK 500m, fully effective in 2023, whereof SEK 250m will be reinvested annually into accelerated growth initiatives resulting in net savings of SEK 250m on a yearly basis. The associated one-off costs are estimated to SEK 880m (of which SEK 500m are cash items) where SEK 815m was charged to the result in the fourth quarter of 2020. Overall, the Group is well-positioned to accelerate investments in sustainable growth areas to continue to reduce carbon footprint, cater to changing customer needs and deliver value to all stakeholders.

Announcement of CEORA

The Husqvarna Division has announced a new robotic solution for commercial turf care management. The new Husqvarna CEORA robotic mower is a revolutionary autonomous turf care solution for grass areas up to 50,000 m². The high performing, low noise and zero-emission Husqvarna CEORA mows autonomously and systematically within virtual boundaries.

Acquisition of Blastrac

In December 2020, the Construction Division acquired Blastrac, a leading provider of surface preparation technologies for the global construction and remediation industry. The Blastrac product portfolio includes high-quality and efficient solutions for shot blasting, scarifying, scraping, grinding & polishing and dust collection. Blastrac's net sales in 2020 amounted to approximately SEK 600m. The company has 380 employees globally with manufacturing and sales offices in North America, Europe and Asia with sales in more than 80 countries.

Subsequent events

No subsequent events.

Parent Company

Net sales for 2020 for the Parent Company, Husqvarna AB, amounted to SEK 18,341m (17,838), of which SEK 14,336m (13,983) referred to sales to Group companies and SEK 4,005m (3,855) to external customers.

Income after financial items decreased to SEK 3,795m (8,512), mainly due to Group internal transactions. Income for the year decreased to SEK 2,643m (8,530). Investments in property, plant and equipment and intangible assets amounted to SEK 1,126m (1,208). Cash and cash equivalents amounted to SEK 4,596m (650) at the end of the year. Undistributed earnings in the Parent Company amounted to SEK 28,627m (27,351).

The Husqvarna share

At year-end 2020, the share capital in Husqvarna AB amounted to SEK 1,153m (1,153), comprising of 111,690,460 A-shares (112,015,629) and 464,653,318 B-shares (464,328,149).

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, 2020, the largest shareholders were Investor AB, with 33.1% (33.1) of the votes, and L E Lundbergföretagen, with 25.2% (25.1) of the votes. No other shareholder held more than 10% of the votes. Market capitalization amounted to SEK 61bn (43) at the end of 2020. For more information on major shareholders, see section "The share".

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

The 2020 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 2017 program were granted performance share awards in 2017 and 375,314 B-shares were transferred to the participants in May 2020 when the vesting period ended.

At year-end 2020, Husqvarna AB had equity-swap agreements whereby a third-party bank had acquired 3,765,850 B-shares to cover obligations under Husqvarna long-term incentive programs. The company did not own any own shares at the end of 2020.

In addition, the 2020 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 2020.

Legal matters and compliance

Companies within Husqvarna Group are involved in commercial, product liability, regulatory 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 Group 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 Group 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. In the first quarter 2020, a vendor facilitated platform (Securimate) was incorporated which facilitates an automated Third-Party risk assessment and Trade Sanctions review and mitigation under the administration of the Compliance Department. The utilization of Securimate was supported by numerous training sessions to the Global Sales and

Sourcing teams and several hundred Third-Parties have been entered into the platform. Any red flags are identified and additional due diligence efforts are required to mitigate the risks.

Sustainability

In accordance with the Swedish Annual Accounts Act chapter 6, §11, Husqvarna Group has chosen to establish the statutory sustainability report as a report separated from the Annual Report. The sustainability report (Sustainovate Progress report 2020) 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 "Sustainovate", which is Husqvarna Group's approach to integrate sustainability into the business. The report is framed around five challenges that are most relevant to the Group's ability to create economic, social and environmental value for its stakeholders. The report also presents the new targets. According to the Swedish Annual Accounts Act chapter 6, §12, Husqvarna Group is required to report on certain sustainability and corporate responsibility related issues which are presented in the Sustainovate Progress report 2020. A table describing policies and procedures, sustainability risks, management systems and monitoring processes of material issues relating to the environment, human rights, social and personnel and anti-corruption is available on page 43 in the report.

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 adequately informed about the risks posed to companies by climate change. In line with the TCFD recommendations, the Group has included, in this 2020 Annual Report, certain information regarding the Governance and Risk Management of such topics. See Risk Management section on page 56.

Environmental permits

In 2020, Husqvarna Group operated 30 production facilities, of which 20 were in Europe, four in the US, three in China, one in Brazil, Japan 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 care, social care and corporate governance.

Employees

The average number of employees in 2020 was 12,374 (12,708), of which 2,137 (2,117) were employed in Sweden. At year-end, the total number of employees was 13,565 (13,083). Of the total average number of employees in 2020, 8,216 (8,582) were men and 4,159 (4,126) were women.

Salaries and remuneration in 2020 amounted to SEK 5,803m (5,833), of which SEK 1,461m (1,311) refers to Sweden. For more information on employees, see note 4.

Annual General Meeting 2021

The AGM of Husqvarna AB (publ) will be held on April 14, 2021.

Notification and proposals to the AGM

The notification to attend the 2021 AGM has been available on the Group's website, www.husqvarnagroup.com, since March 11, 2021. The full proposal to the AGM will be published on the Group's website at the latest by March 24, 2021.

Proposed distribution of earnings

The Board proposes a dividend for 2020 of SEK 2.40 per share (2.25) corresponding to a total dividend payment of SEK 1,374m (1,287) based on the number of outstanding shares at the end of 2020. It is also proposed that the dividend will be paid in two installments to better match the Group's cash flow profile, with one payment of SEK 0.80 per share in April and the remaining SEK 1.60 per share in October. The proposed record dates are April 16, 2021, for the first payment and October 18, 2021, for the second payment.

SEKt	
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	23,333,337
Net income	2,642,511
Total	28,581,595

SEKt	
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 2.40 per share ¹	1,374,187
To be carried forward	27,207,408
Total	28,581,595

¹ Calculated on the number of outstanding shares as of December 31, 2020.

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.

Principles for remuneration to Group Management and remuneration to the Board 2020

For the CEO and other members of Group Management, the principles for remuneration approved by the 2020 AGM currently apply. The principles are subject for review and the Board will propose that the updated principles set out below should be approved by the 2021 AGM for the period up to and including the 2022 AGM.

The Board proposes that the following remuneration guidelines, for the CEO and other members of Group Management, should be approved by the 2021 AGM. These guidelines do not apply to any remuneration otherwise decided or directly approved by the AGM or other general meeting.

The overarching ambition of the Group's strategy is market leadership, of which long-term profitable growth and being an innovation leader are important aspects. Built on a strategy for market leadership, the Group's business model is designed for profitable growth, bringing the best forestry, lawn and garden and construction solutions to the market by maximizing assets and minimizing waste and CO₂ from operations. Further information on the Group's strategy and financial targets can be found on the Group's website www.husqvarnagroup.com.

A prerequisite for the successful implementation of the

Group's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Group is able to recruit and retain qualified personnel. To this end, it is necessary that the Group offers competitive remuneration. The guidelines set forth in this item shall apply to remuneration and other employment conditions of Group Management, as defined in the Group's Annual Report. The guidelines shall apply to contracts of employment entered into after the 2021 AGM and also to amendments made thereafter to contracts of employment which are in force.

Remuneration to members of Group Management shall be on market terms and based on the position held, individual performance and Group performance, and shall be on a competitive basis in the country of employment. The overall remuneration package for Group Management is comprised of fixed cash salary, variable cash remuneration in the form of short-term incentives based on annual performance targets, long-term incentives, pension and other benefits. In addition, there are conditions on notice of termination and severance pay.

Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Husqvarna Group shall aim to offer a competitive total remuneration (i.e., all remuneration elements described below) level with a primary focus on "pay for performance".

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 size of position, 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 of Directors 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 if 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, which qualifies as a "remuneration committee" within the meaning of the Swedish Code of Corporate Governance (the "Committee"). 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 2020

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2020 AGM resolved on fees of SEK 6,290,000. 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. Therefore, the goal of risk management is 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. In 2019, Husqvarna Group formally endorsed the recommendations of TCFD and began work to implement those recommendations in its annual reporting process. These efforts continued in 2020. As part of this, the Group continues to engage senior management and subject-matter experts to ensure that these risks are identified and managed as an integrated part of the overall risk management efforts. The Group has also formalized oversight responsibilities for climate-related risks. Beyond improving transparency via public disclosures, these efforts have also spurred further efforts by 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 ">".

At present, the majority of 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. Divisional Presidents and Senior Vice Presidents of the Group Functions, in turn, 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 and managing risk is an integral part of the 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 impact. This means integrating these risks into annual financial

targets, informing management and contributing to a proactive response. Risk management conducted as 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. The Group has several specialist functions, i.e., Internal Audit, Compliance & Integrity, Security, Internal Control, Quality and Sustainability (now within the Group Function "Strategy & Innovation") that oversee effectiveness of risk management activities within their respective competency areas.

Changing market strategic risks

For more information on global trends with related opportunities and risks affecting strategy execution in the mid-term, see page 8–9. (Financial and operational risks are addressed separately below.)

Business operational risks

The following sections highlight certain operational risks the Group face across the entire value chain that are deemed material for the Group within a five-year period, unless otherwise indicated.

A. Product and Service Development:

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

Product compliance – Husqvarna Group is subject to a vast array of laws, regulations and industry standards where the Group has a presence. These are applicable to 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 the Group's 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 pro-actively 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 of physical products to purchasing services (e.g., in the form of monthly fees, leases or uptime). This shift is sometimes referred to as "Servitization." The Group strives to keep pace with this shift by offering more "service" oriented

solutions such as rental and financing options. However, the Group still is 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* – The Group anticipates more stringent emissions regulations, particularly in regards to emission levels of our petrol-powered products. As one of four stated strategic priorities the Group has increased its share of low-emission products through robotics and battery-powered products. Today, approximately 33% (28) of our business of motorized products is currently represented by battery-powered, robotics and corded products – up from 11% in 2015. 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. This focus reduces the Group's vulnerability to stricter emission legislation. An analysis was conducted in 2019 to better understand required CO₂ reductions from the Group's 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 multi-lateral ambitions of the Paris Agreement to limit a temperature rise of 1.5 °C. Using this analysis, the Group secured approval of its revised Science-based target in 2020 and thereby also committed to climate neutrality to 2045.

> *Shift from Petrol to Battery Products* – Many traditional market segments are affected by the "petrol-to-battery" shift. Products historically powered by petrol engines are now being offered with battery driven motors instead. This trend has accelerated over recent years as batteries have become more powerful, more reliable and less expensive. Accordingly, it has been a strategic priority of the Group for many years to heavily invest in battery technology and new battery products. 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.

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. The Group's purchasing organization works closely with suppliers in order to manage deliveries and monitors the suppliers' financial stability, quality-assurance systems and flexibility of production.

> *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 – is also increasing dramatically. As for all direct material supply, availability is dependent on supplier performance. If they have supply interruptions or lack of capacity, it may have an adverse effect on the Group's production and deliveries. 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.

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 an increased number of supplier audits and expectations for self-assessments.

Prices for raw materials and components – The Group's operations and its performance are affected by fluctuations in the pricing of raw materials and components. The most important raw materials are steel, aluminum and various types of plastic. These prices 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 2020, the Husqvarna Group purchased materials, components and finished products amounting to SEK 18,390m (19,419).

Cost structure, Group

	2020		2019	
	% of net sales	SEKm	% of net sales	SEKm
Cost of goods sold:				
Raw materials, components and finished products	43.8	18,390	45.9	19,419
Factory overhead, R&D, tools	14.6	6,123	14.5	6,121
Direct wages	3.7	1,533	3.7	1,561
Restructuring	1.2	521	0.3	117
Other	6.7	2,800	6.0	2,530
Total cost of goods sold	70.0	29,367	70.4	29,748
Gross operating income	30.0	12,576	29.6	12,529
Selling expense	15.5	6,514	16.4	6,928
Administrative expense	5.1	2,123	4.7	2,000
Restructuring	0.7	294	0.3	108
Other	-0.1	-23	-0.5	-197
Operating margin/income	8.7	3,669	8.7	3,690

C. Manufacturing:

Footprint – 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, as well as watering products, feature a higher proportion of specialized components that are produced in-house. Any material decline in overall sales volumes can therefore have a significant negative impact on factory absorption and in turn profitability.

> *Natural Disasters* – The Group's and 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 works proactively to reduce these exposures by avoiding operations in flood zones, proactive maintenance, installation of sprinklers and establishing business continuity plans.

Saw chain manufacturing ramp up – The Group continues to ramp up production capacity of its own saw chain facility, located in Huskvarna, Sweden. This is a significant industrial undertaking and may require additional unplanned investments, or finetuning of manufacturing equipment parameters that could take longer than planned to achieve the desired volumes, quality and product cost.

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. The 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 – Group operations 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 are 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. The risk for disruptive changes in the tariff landscape have been exacerbated by recent geopolitical factors, such as the decision by the United Kingdom to exit the European Union, as well as recent tariffs imposed by the United States against China and other countries and associated risks of trade wars. Such trade wars could not only result in significant increases in Husqvarna Group's overall tariff rates, with the associated consequences noted above, but could also have larger macro-economic effects on the overall global economy and the markets where the Group produces and sells products. Whenever and wherever possible the Group strives to adjust its supply chain and manufacturing footprint to minimize the impact from such tariffs.

> *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.

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. 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.

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 also source products that are then marketed under their own brands. This provides Husqvarna Group with an opportunity to display its products in more retail outlets in a wider geographical area. However, it 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 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. Moreover, any decline in the relative market success of a retailer with whom the Group has a strong relationship can have a disproportionately negative effect on the Group. The Group is taking a number of measures to reduce sales channels risks, including setting annual credit limits for customers.

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 generally are not as significant for the Group on an individual basis. Cost to serve the dealers are relatively higher than to 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. This trend may have been accelerated in 2020 due to the Covid-19 pandemic, with shoppers preferring to order products online to avoid personal exposure. This shift to online purchasing brings new risks and uncertainties (as well as opportunities), including new buying patterns and challenges to ensuring adequate pre- and post-sales support for products sold online. 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 products are alleged to have caused damage to persons or property. The Group is insured to a large degree against such claims, partly through insurance in its own captive subsidiaries, 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 company'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 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.

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 with produce stewardship regulation. Regulation on recycling will likely expand to other markets, as the focus on waste and resource efficiency grows. Future regulation on product take-back 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 use of recycled plastics in products and increasing recyclability of the products and developing solutions for sharing or extend product life span.

Other risk areas across the value chain

Covid-19 Pandemic

The Group expects the Covid-19 pandemic to continue to affect our value chain in various degrees until a vaccine is proven effective and distributed. Renewed governmental lockdown measures may temporarily disrupt sales, production and distribution. Manufacturing and warehouse sites are running with extra safety measures, the Group's measures have been validated by third party medical experts, in order to ensure a reduced likelihood of spread and health risks to staff. Any uncontrolled spread linked to any site would likely result in temporary closure to implement further safety and preventive measures. 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 heavily relies 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 in addition, is also investing in enhanced disaster recovery, confidential or data storage capabilities and 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), the Group continuously works to protect individual's rights in connection with any personal data processed by the Group.

Integrity and compliance risks

Third-Party Risks - The 2020 Compliance Program Objectives were established in response to the 2019 Global Compliance Risk Assessment which identified the potential risk of anti-bribery/anti-corruption misconduct, especially as it applies to Third-Parties, including agents, distributors and suppliers. Therefore, in 2020, compliance risk mitigation efforts were largely focused on minimizing these risks, including the adoption in 2019 of a "Third-Party Due Diligence Policy", which identifies certain categories of potentially high-risk suppliers and requires that the Group conduct a compliance due diligence on such suppliers and obtain acceptable results before engaging in business activities with such suppliers. To support this policy, we introduced in 2020, a vendor facilitated platform (Securimate) which allows for an automated Third-Party risk assessment and mitigation under the administration of the Group's Integrity & Compliance function (within Legal Affairs). Utilization of Securimate was supported by numerous training sessions to the Global Sales and Sourcing teams and several hundred Third-Parties have been entered into the platform. Any red flags are identified and additional due diligence efforts are required to mitigate the risks. A three-year plan will gradually increase the number of Third-Parties into Securimate (both existing and new) from both the Sales and Sourcing functions.

International Trade Compliance/Sanctions – A Group Export Controls and Trade Sanctions Policy was also adopted in 2019 to enhance the then established Trade Sanctions Process. Beginning in 2020, the Trade Sanction Process was further supported by the Securimate platform described above.

Third-Parties entered into the Securimate platform are also subject to an automatic Trade Sanctions review which is monitored thereafter. Both the Global Sales and Sourcing functions have received training on this aspect of trade compliance.

Additionally, as in prior years, we continue to provide both in-person and online training to our employees on our Code of Conduct and related policies, and require annual certifications from Country Officers confirming that they are unaware of any breaches of our Code of Conduct that have not been reported through our whistleblower platform.

Environmental, health, 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. 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 undertake acquisitions, divestitures or organizational changes from time to time, 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 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, 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 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 cyclical-ity can have a significant impact on the capital intense equipment and the rental channel overall, as exemplified by developments during the 2008–2009 financial crisis. However, the specific sub-markets addressed by the 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 division's products are often used in renovation projects, which are relatively more stable compared to new construction work.

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 in Group Treasury, 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.

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, 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 10 countries and likewise 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 also 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.

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

The 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.

The 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 as 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.

Pension commitments

Husqvarna Group's commitment for pensions and other post-employment benefits amounted to SEK 2,483m (2,427) at year-end 2020. The Group manages pension funds amounting to SEK 3,067m (3,013). At year-end 2020, 42% (39) of these funds were placed in shares, 49% (52) in interest-bearing securities and 9% (9) in other investments.

Changes in value of the assets and liabilities depend primarily on trends for share prices and interest rates. Factors affecting the pension obligation include changes in the assumptions, such as discount rate, life expectancy and expected salary increases. In the interest of effective control and cost-efficient management of the Group's pension assets, management is centralized in Group Treasury and conducted in accordance with the pension fund policy adopted by the Board. For more information on pension commitments, see note 21.

Corporate Governance Report

As required by the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the "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 Auditor's 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. The 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 has no deviations from the Swedish Code to report for the 2020 financial year. Nor has Husqvarna 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: husqvarnagroup.com/en/corporate-governance/.

The highest corporate decision-making body in the 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 2021 AGM will take place on Wednesday, April 14, 2021. The company prepares the AGM agenda with input from its shareholders, who have the right to propose matters for consideration at the AGM up until February 24, 2021.

Shareholders

Husqvarna AB's shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2020, the share capital amounted to SEK 1,153m, represented by 111,690,460 A-shares and 464,653,318 B-shares, each with a par value of SEK 2. A-shares carry one vote and B-shares carry 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 2020, 325,169 A-shares were converted to an equivalent number of B-shares.

As of December 31, 2020, the number of shareholders was 69,257, whereof foreign shareholders held approximately 41.0% of the outstanding share capital. Investor AB was the single largest shareholder with a holding of 16.8% of the share capital and 33.1% of the votes. L E Lundbergföretagen was the second largest shareholder with a holding of 7.6% of the capital and 25.2% of the votes. For further information on the Husqvarna AB shares and shareholders, see section "The share".

Nomination Committee

In accordance with the Swedish Code, Husqvarna AB 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 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;
- Selection 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 Husqvarna AB'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, 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 2021 AGM was announced on September 15, 2020. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2021 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 Husqvarna AB.

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 30, 2020. Nomination Committee members do not receive compensation from Husqvarna AB 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. Such survey may consist of written or online questionnaires, discussions and/or interviews with individual Board members. The results of this survey are shared and discussed with the Nomination Committee.

Based on survey results, 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's 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 15, 2020 notice of the formation of the Nomination Committee that such proposals from shareholders be received by the company no later than February 17, 2021.

For the 2021 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the company's website on March 11, 2021. The Nomination Committee will present and explain its work and proposals at the AGM.

The Annual General Meeting

General

The AGM is the highest decision-making body of the company. In accordance with the Swedish Companies Act, the AGM of Husqvarna AB 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 Husqvarna AB's Articles of Association, the AGM (if held physically) must be held in Jönköping or Stockholm, Sweden, although it has traditionally been held in Jönköping. The Articles of Association also permit the AGM (or Extraordinary General Meeting) to be held pursuant to so-called "mail-in" voting procedures, similar to the procedures used in the case of the 2020 AGM and EGM.

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 the Swedish Official Gazette (Post- och Inrikes Tidningar). It is also announced in a press release and on the company's website at www.husqvarnagroup.com. For the 2021 AGM, the notice was published by press release on March 11, 2021 and in Svenska Dagbladet and the Swedish Official Gazette (Post- och Inrikes Tidningar) on March 12, 2021.

Shareholders who are listed in the share registry on the record day (i.e., Tuesday, April 6, 2021) and wish to be represented at the AGM must register to do so with the company by no later than Thursday, April 8, 2021. In the case of physical (i.e., non-mail-in) meetings, Shareholders who are individuals may attend the AGM in person or by proxy. 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 share-

holders 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.

AGM agenda items & 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 AGM ¹;
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and CEO;
- Disposition of the company's profit;
- Number of elected Board members ¹;
- Remuneration to Board members, committee members and external auditors ¹;
- Election of external auditor ¹;
- Election of Chair of the Board ¹;
- Election of Board members ¹;
- Principles of remuneration for Group Management;
- 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 (if held physically and not by the above-referenced mail-in procedures), 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 Group's executive management ("Group Management") and, if it is to be decided by the AGM, the company's long-term incentive programs. Shareholders 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 both in 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 2020 AGM

In 2020, due to the Covid-19 pandemic, the AGM was pursuant to so called "mail-in procedures" under Section 22 of the temporary act on general meetings (2020:198) (the "Temporary Act") on June 26, 2020.

The votes of 653 shareholders, representing 58% of the total number of shares and 75% of the total number of votes were represented at such AGM. The AGM approved the following resolutions:

- To adopt the income statements and balance sheets for 2019;
- To discharge the Board and the CEO from liability for the financial year 2019;
- To establish the size of the Board at eight (8) elected members (including the CEO);
- To elect Tom Johnstone, Ulla Litzén, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson, Christine Robins and Henric Andersson as Directors of the Board;
- To appoint Tom Johnstone as Chair of the Board;
- To set Board remuneration at SEK 6,290,00 in total, of which SEK 2,000,000 to the Chair of the Board and SEK 580,000 to each of the Board members elected by the AGM and not employed by the company. Furthermore, to pay additional remuneration of SEK 240,000 to the Chair of the Audit Committee and SEK 135,000 to each of the other two members of the Audit Committee, as well as SEK 140,000 to the Chair of the People & Sustainability Committee and SEK 80,000 to each of the other two members;
- To approve the Nomination Committee's proposal of election of auditors and to pay auditor's fees on the basis of approved invoices;
- 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 2020, LTI 2020, to be offered to 100 senior managers, whereby, subject to the fulfilment 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 2020 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 2021 AGM.

The 2020 EGM

Following improved trading results during the year, the Board of Directors elected to call an Extraordinary General Meeting ("EGM") on October 23, 2020, for the purpose of approving a proposed distribution of earnings and a resolution to amend the company's Articles of Association. As with the 2020 AGM, the EGM was held pursuant to "mail-in procedures" under the Temporary Act. The EGM approved to declare a dividend of SEK 2.25 per share in total, to be paid in a single installment on October 30, 2020. The EGM also approved a series of amendments to the company's Articles of Association, the most important of which was the addition of a new Article 13 to such Articles of Association that permit the collection of proxies and to use mail-in voting procedures, independent of whether the temporary "mail-in procedures" discussed above remain in place.

The 2021 AGM

The 2021 AGM of Husqvarna AB will be held on April 14, 2021. For more information regarding the 2021 AGM, see section "Annual General Meeting 2021".

The Board of Directors

According to Husqvarna AB's Articles of Association, the Board shall be comprised of no less than five and no more than ten 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. There are currently eight Board members elected by the AGM (see section "Board of Directors and auditors"). 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 non-voting deputies.

In accordance with the Swedish Code, the principle 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 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 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.

The Board has also issued written instructions specifying when and how information required to enable the Board to evaluate the company 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, that is 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 2020, such evaluation was conducted principally through a combination of individual interviews. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as to the full Board. The Board members elected by the 2020 AGM fulfil the independence criteria set out by the Swedish Code, which require that a majority of the members of the Board be independent of the company's management, and that at least two of these be independent as to 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 2020, 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 2020, the Board held 15 meetings, of which nine were by phone or video conference, one was held in Stockholm, Sweden and five 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 fall. 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 participation 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 to (a) monitor the company's financial reporting, (b) oversee the effectiveness of the company's internal control, internal audit function and risk management as they relate to financial reporting, (c) review and supervise the company's external auditors' impartiality and independence, and (d) when applicable, 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 a majority of the committee's members 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 competence. 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 June 2020 were Daniel Nodhäll (Chair), Ulla Litzén and Katarina Martinson, who were the same members as the previous year, although Ulla Litzén was then the Chair. Audit Committee meetings are also attended by the company's internal auditor, by the General Counsel, who keeps the minutes of the meetings, the company's CFO, and the external auditors. Other members of Group Management are present to report on matters as relevant. The Audit Committee regularly reports on its findings and recommendations to the full Board.

In 2020, the Audit Committee held six meetings, which fulfils 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 and the Boards' Report 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 quarterly.

The People & Sustainability Committee

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

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

This Committee is intended to be and act as the company's "remuneration committee", within the meaning of the Swedish Code. The Committee shall consist of as many members as the Board shall determine, 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 Senior 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, any other personnel employed or retained by the company or 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 shall report to the full Board of the company after each of its meetings and as otherwise requested by the Chair of the Board and shall make available to the Board the minutes of its meetings.

With respect to remuneration to the Group Management and the company's talent management, 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, including such remuneration guidelines and remuneration reports, as are required by applicable law (including the EU's Shareholders Rights Directive);
- Monitoring and evaluating programs for variable remuneration, both ongoing and those that have ended during the year, for Group Management;
- Monitoring and evaluating the application of the principles for remuneration 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, 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 "Sustainability 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 shall be supported by the Group's Head of Sustainability (currently within the new Strategy & Innovation function, as described below), who shall normally report to the Committee (or the full Board) at least twice per year. The Committee members appointed in June 2020 were Lars Pettersson (Chair), Tom Johnstone and Bertrand Neuschwander. For more information on remuneration to Group Management, see note 4.

In 2020, the Committee held six meetings, which fulfills the charter criteria that it shall meet at least twice a year.

External Auditors

At the 2020 AGM, in accordance with the proposal of the Nomination Committee, Ernst & Young AB was elected as auditor for the period from the 2020 AGM up until the end of the 2021 AGM. The Auditor-in-Charge is Hamish Mabon.

As per the resolutions passed at the 2020 AGM, the auditor's fee until the 2021 AGM shall be paid on the basis of approved invoices. For more information, see note 8.

Group Management Structure (including changes effective as of December 1, 2020)

Up until December 1, 2020, the Group Management consisted of (a) the CEO, (b) the three divisional presidents and (c) the heads of seven "Group Functions" as described in more detail in the 2019 Annual Report (but with several intervening changes in personnel, as announced in press releases issued during 2020).

Effective as of December 1, 2020, the following changes were made to the Group Management structure:

- A new Group Function called "Strategy & Innovation" was created, with Henric Andersson as the acting head (see description below).
- The Group Functions "Operations Development" and "Technology Office" were dissolved, with their respective activities transferred partly to the divisions and partly to the newly formed Group Function "Strategy & Innovation" (as described below) or other remaining Group Functions.
- Anders Johanson (head of the Technology Office) announced

his decision to leave the Group.

- All other Group Functions remained largely unaffected and retained their former head.

These changes were introduced as a further step in optimizing and decentralizing the Group's governance structure, and to better support the increasingly autonomous divisions.

The following chart and sections describe the Group Management structure following the aforementioned reorganization.

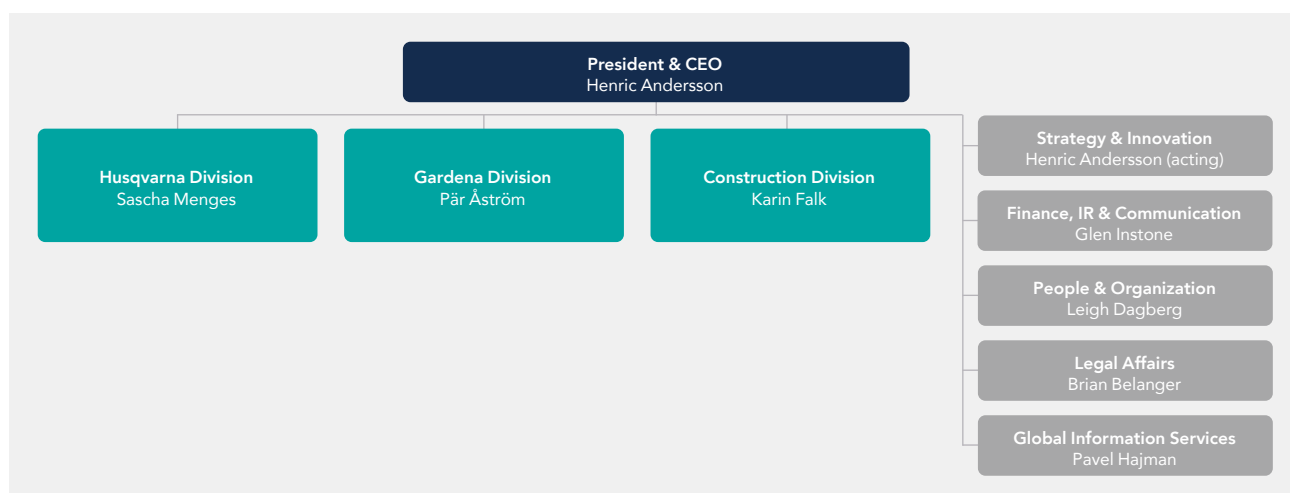
Husqvarna Group retains its brand-driven organizational structure with three separate reporting divisions: The Husqvarna Division, the Gardena Division and the Construction Division. Group Management is now comprised of (a) the CEO, (b) the three divisional presidents and (c) the heads of the five Group Functions, in each case, as shown above.

Group Management, together, makes decisions on:

- The Group's strategic and business development;
- Allocations of responsibilities as 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 phone meeting in each month in which there is no physical meeting.

Group Management Structure (from December 1, 2020)



Clear roles and responsibilities apply for each of the Group functions as well as for the divisions. A Group governance structure has been implemented to ensure 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 instructions. These instructions include 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 Code of Conduct. The CEO also ensures compliance with the goals, policies and strategic plans approved by the Board and updates the Board on the same when necessary. The CEO appoints all members 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 Group CEO. Each division 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 following the recent shift to increased divisional autonomy and otherwise to discharge the corporate governance, compliance and oversight functions required of a listed company.

1. **Strategy & Innovation.** This function, which is headed on an acting basis by Henric Andersson, combines the majority of activities previously held by the former Business Development function as well as certain functions of the former Technology Office. It also now houses the Group's sustainability efforts to ensure that sustainability is closely incorporated into the Company's overall Group Strategy. The function has several areas of activity/responsibility, including Group-level Business Development, M&A, venturing capital investments, business intelligence, branding & licensing, innovation and Sustainability.
2. **Global Information Services (IT).** This function, which is headed by Pavel Hajman, is primarily responsible for overseeing the Group's IT strategy, systems & infrastructure and operational support. It provides IT services and solutions including IT security and also supports and collaborates with the IT personnel within the divisions. The function's organization is comprised of three delivery focused groups aligned with the three divisions and three governing groups, each with a designated focus area, in Enterprise Architecture, Infrastructure & Security and Common Systems & PMO, respectively.
3. **Finance, IR & Communication.** This function, which is headed by the Group's CFO, Glen Instone, 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 is comprised of a number of sub-groups including (a) Treasury, (b) Internal Control, (c) Tax, (d) Business Control, (e) Group Accounting, (f) Internal Audit and (g) Real Estate. It also includes the Group's Investor Relations and Communication (internal and external) function.

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 and development and HRIS (people management systems and data). Group People & Organization coordinates on a dotted-line basis with HR personnel located within the divisions. As of December 1, 2020, People & Organization also includes responsibility for providing Group coordination and oversight regarding Employee Health and Safety (EHS).
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. It also includes the Group's Risk Management function, the Data Privacy Office and the Compliance & Integrity function. As of December 1, 2020, it also has responsibility for providing Group coordination and oversight regarding Product Compliance.

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 role in assessing and managing risks and opportunities, as contemplated by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

External information

Husqvarna Group employs a series of procedures, controls and systems to ensure 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 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 interests of the company and 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 Husqvarna Board has overall responsibility for establishing an effective internal control system according to the Swedish Companies Act and the Swedish Code. The purpose of this 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.

This 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

The foundation of good internal control is a framework of governing documents such as policies, instructions, guidelines and manuals that are embedded in the organization's vision and strategy. The Husqvarna Group Code of Conduct sets the importance of integrity and ethical values governing interactions with employees, business partners and other stakeholders. The Group's governance policies provide the framework that defines the organizational structure, responsibilities and authorities. The Board is ultimately responsible for establishing an effective internal control system, including that the company has procedures to ensure that (i) approved policies for financial reporting and internal controls are applied, (ii) the company's financial reports are produced in accordance with applicable legislation, accounting standards and other requirements for listed companies, and (iii) there is an appropriate system for follow-up and control of the company's financial reporting. The Board has established Rules of Procedure and clear instructions for its work, which also cover the activities of the Audit Committee. The overall duty 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 of the Audit Committee during the year are described on page 64.

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 who 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.

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 financial reporting and to direct internal control activities to manage such risks in a proactive manner.

Control activities

Control activities are integrated in processes for accounting and financial reporting. The prerequisite for ensuring that reliable financial reporting from all entities are uniform accounting principles that are stipulated in the Husqvarna Accounting Manual. For key financial processes, the Group has established Minimum Internal Control Requirements (MICR) for its reporting units to enhance Husqvarna's internal controls. Husqvarna Group has a

dedicated internal control function. The objective of Group Internal Control 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.

Information and communication

The Husqvarna Group maintains its Group policies and other governance documents in a central document management system open to all employees. The governing documents relating to financial reporting such as Group policies and 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. Furthermore, to ensure the correct implementation of such changes, the Group has established internal forums with participation from key stakeholders in the area of financial reporting.

Monitoring activities

Ongoing responsibility for monitoring and follow-up of financial reporting is performed by the Group Finance function. Country Officers are appointed by the Husqvarna Group in each country where the Group has at least one active subsidiary. The duties of Country Officers include safeguarding the interests of shareholders as well as ensuring compliance with laws and regulations. Country Officers' responsibilities also include ensuring that the entities' internal controls and financial reporting comply with Group policies, instructions and guidelines.

Group Management performs monthly reviews of the 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 operational management responsible for taking corrective action and to the Board, as appropriate. Considerations made in the quarterly closings are reported to the Audit Committee before the financial reports are presented to the financial market.

The Group Internal Audit function supports the development and improvement of internal control over financial reporting. Group Internal Audit was established by the Audit Committee as part of its monitoring role and as such the function has a solid reporting line to the Audit Committee. An annual internal audit plan based on an independent risk assessment is approved 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 control processes. The results of these audits are presented to the respective stakeholders including the Group CFO, CEO and the Audit Committee.

Board of Directors and auditors



Name Tom Johnstone, CBE
Function Chair of the Board



Name Ulla Litzén
Function Board member



Name Katarina Martinson
Function Board member



Name Bertrand Neuschwander
Function Board member

Born 1955

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.

1956

B. Sc., Stockholm School of Economics, Sweden and an MBA from Massachusetts Institute of Technology, US. Member of the Audit Committee.

1981

M. Sc., Stockholm School of Economics, Sweden. Portfolio management for the Lundberg Family. Member of the Audit Committee.

1962

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 Combient AB, Wärtsilä Corporation and of the British-Swedish Chamber of Commerce. Board member of Investor AB, Northvolt AB and Volvo Cars.

Board member of AB Electrolux, Epiroc AB and Ratos AB.

Board Chair of Indutrade AB. Board member of L E Lundberg-företagen AB, Fastighets AB L E Lundberg, Förvaltnings AB Lunden, L E Lundberg Kapital-förvaltning AB and Fidelio AB.

Board member of Serge Ferrari Group SA. Chair CPE.

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.

President of W Capital Management AB 2001–2005. Senior management positions and member of the Management Group, Investor AB 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB 1996–1998.

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, 2020

990 A-shares, 14,800 B-shares, and 384,024 call options¹

10,000 B-shares

113,478 A-shares, 378,737 B-shares

7,500 B-shares

Nationality / Elected

UK / 2006

SE / 2010

SE / 2012

FR / 2016

Total fees 2020, SEK

2,080,000

715,000

715,000

660,000

Board meeting attendance

15/15

13/15²

15/15

15/15

People & Sustainability Committee attendance

7/7

—

—

7/7

Audit Committee attendance

—

4/6²

6/6

—

Independent of Husqvarna Group

Yes

Yes

Yes

Yes

Independent of major shareholders

No

Yes

No

Yes

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

² Due to special circumstances Ulla Litzén was not able to attend all Board and committee meetings.

Auditors

Ernst & Young AB, Hamish Mabon, Authorized Public Accountant. Born 1965. Other audit assignments include: Skanska AB, Essity AB, ASSA ABLOY AB and SEB. Holdings in Husqvarna: 0 shares.



Tina Helmke Hallberg

Employee representative Born 1979. Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 0 shares.



Dan Byström

Employee representative Born 1971. Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 0 shares.



Daniel Nodhäll
Board member

1978

M. Sc., Stockholm School of Economics, Sweden. Managing Director, Head of Listed Core Investments at Investor AB. Chair of the Audit Committee.

Board member of Electrolux Professional AB (publ) and SAAB AB.

Analyst focused on the engineering sector at Investor AB since 2002.

10,000 B-shares

SE / 2013

820,000

15/15

—

6/6

Yes

No



Lars Pettersson
Board member

1954

M. Sc. in Applied Physics, Material Sciences, Uppsala University, Sweden. Hon. Doc. at Uppsala University. Chair of the People & Sustainability Committee.

Board Chair of KP-Komponenter A/S. Board member of Festo AG, AB Industrivärden, Industrade AB and L E Lundberg-företagen AB.

President & CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002.

5,000 B-shares

SE / 2014

720,000

13/15

7/7

—

Yes

No



Christine Robins
Board member

1966

BBA in Marketing and Finance, University of Wisconsin, Madison, US and an MBA from Marquette University, Milwaukee, WI, US. Business Unit CEO at Newell Brands.

President & CEO of Char-Broil LLC, Columbus, GA, US 2014–2019. President & CEO of BodyMedia, Pittsburgh, PA, US 2009–2014. President & CEO of Philips Oral Healthcare, Seattle, WA, US 2005–2009. Marketing and Finance positions within S.C. Johnson company 1988–2005.

American Depositary Receipts (ADR) B 1,866

US / 2017

580,000

15/15

—

—

Yes

Yes



Henric Andersson
Board member
(and President & CEO)

1973

M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. President & CEO of Husqvarna AB.

Various positions in Husqvarna Group; President, Construction Division, 2015–2020. Senior Vice President, Technology Office, 2014–2015. Executive Vice President, Head of Product Management & Development 2012–2015. Vice President Construction Equipment 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.

68,599 B-shares

SE / 2020

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6/15

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No

Yes



Daniel Tornberg
Deputy employee representative
Born 1977. Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 245 B-shares.



Anders Köhler
Deputy employee representative
Born 1973. Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 30 A-shares, 1,050 B-shares.

Group Management



Name	Henric Andersson	Glen Instone	Karin Falk	Brian Belanger	Leigh Dagberg
Function	President & CEO, acting Senior Vice President, Strategy & Innovation	Senior Vice President, Finance, IR & Communication and Chief Financial Officer	President, Construction Division	Senior Vice President, Legal Affairs, General Counsel and Secretary to the Board	Senior Vice President, People & Organization
Born	1973	1977	1965	1969	1970
CV	M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. Employed 1997. Member of Group Management since 2012.	B.A. (Hons) in Accounting & Finance, University of Teesside, UK. Chartered Institute of Management Accountants (CIMA). Employed 2002. Member of Group Management since 2018.	B. Sc. Business Administration and Economics, School of Economics and Law, Gothenburg, Sweden. Employed 2020. Board Member of Wärtsilä Corporation. Member of Group Management since 2020.	J.D./LLM, Duke University School of Law. Employed 2006. Member of Group Management since 2015.	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.
Previous positions	Various positions in Husqvarna Group; President, Construction Division, 2015–2020. Senior Vice President, Technology Office, 2014–2015. Executive Vice President, Head of Product Management & Development 2012–2015. Vice President Construction Equipment 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.	Various positions in Husqvarna Group; Vice President Global Sales & Service, 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.	Vice President Legal Affairs Husqvarna Asia/Pacific Region, Husqvarna Group 2009–2012, with temporary additional assignments as Acting General Counsel Husqvarna Americas, Husqvarna Group 2013 and acting Head of Asia/Pacific Sales Region 2014. Associate General Counsel, Husqvarna Americas, Husqvarna Group 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.	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.
Holdings in Husqvarna on December 31, 2020	68,599 B-shares	33,480 B-shares	0 shares	43,155 B-shares	16,814 B-shares



Pavel Hajman

Senior Vice President,
Global Information
Services and CIO

1965

M. Sc. in Industrial
Engineering and
Management,
Linköping Institute of
Technology, Sweden.
Employed 2014.
Member of Group
Management since
2014.

Senior Vice President,
Operations Develop-
ment 2018–2020. Presi-
dent, Husqvarna Divi-
sion 2014–2018. Execu-
tive 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.

118,168 B-shares



Sascha Menges

President,
Husqvarna Division

1971

M. Sc. in Ind.
Engineering &
Management, Swiss
Federal Institute of
Technology, Zurich,
Switzerland. MBA,
INSEAD, France.
Employed 2004.
Board Member of
ZwickRoell AG.
Member of Group
Management since
2011.

President Gardena
Division 2014–2018.
Executive Vice
President, Head of
Manufacturing &
Logistics, Husqvarna
Group 2011–2014.
Various positions in
Supply Chain
Management and
Operations, Husqvarna
Group 2007–2011.
Vice President Supply
Chain Management,
Gardena AG 2004–2007.
Associate Principal
Management
Consulting, McKinsey &
Company, Inc 1996–
2004.

84,959 B-shares



Pär Åström

President,
Gardena Division

1972

M. Sc. in Industrial
Engineering &
Management, KTH
Royal Institute of
Technology,
Stockholm, Sweden.
Employed 2013.
Member of Group
Management since
2015.

Senior Vice President
Business Development,
Husqvarna Group
2013–2018. Principal,
A.T. Kearney
Management
Consultants 2007–2013.
A.T. Kearney and
Occam Associates
Management
Consulting 1998–2007.

70,945 B-shares

Consolidated income statement

SEKm	Note	2020	2019
Net sales	3	41,943	42,277
Cost of goods sold	5, 6	–29,367	–29,748
Gross income		12,576	12,529
Selling expenses	5	–6,596	–6,985
Administrative expenses	5	–2,335	–2,051
Other operating income	5, 7	26	203
Other operating expenses	5, 7	–2	–6
Operating income	3, 4, 8	3,669	3,690
Financial income	9	38	18
Financial expenses	9	–377	–586
Financial items, net		–339	–568
Income after financial items		3,330	3,122
Income tax	10	–835	–594
Net income		2,495	2,528
Net income attributable to:			
Equity holders of the Parent Company		2,494	2,527
Non-controlling interests		1	1
Net income		2,495	2,528
Earnings per share:			
Before dilution, SEK	11	4.36	4.42
After dilution, SEK	11	4.35	4.42
Average number of shares outstanding:			
Before dilution, millions	11	572.4	572.0
After dilution, millions	11	572.9	572.2

Consolidated comprehensive income statement

SEKm	Note	2020	2019
Net income		2,495	2,528
Other comprehensive income			
<i>Items that will not be reclassified to the income statement:</i>			
Remeasurements on defined benefit pension plans, net of tax		–27	–302
Total items that will not be reclassified to the income statement, net of tax		–27	–302
<i>Items that may be reclassified to the income statement:</i>			
Exchange rate differences on translating foreign operations			
Currency translation differences	19	–2,347	916
Net investment hedge, net of tax	19	908	–525
Cash flow hedges			
Result arising during the period, net of tax	19	50	10
Reclassification adjustments to the income statement, net of tax	19	–27	–89
Total items that may be reclassified to the income statement, net of tax		–1,416	312
Other comprehensive income, net of tax		–1,443	10
Total comprehensive income		1,051	2,538
Total comprehensive income attributable to:			
Equity holders of the Parent Company		1,050	2,537
Non-controlling interests		1	1
Total comprehensive income		1,051	2,538

Consolidated balance sheet

SEKm	Note	Dec 31, 2020	Dec 31, 2019
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	6,324	6,794
Right of use assets	13	1,212	1,585
Goodwill	14	6,905	7,338
Other intangible assets	14	5,639	5,629
Investments in associated companies	15	44	33
Derivatives	20, 26	—	1
Other non-current assets	16	570	669
Deferred tax assets	10	1,576	1,690
Total non-current assets		22,269	23,739
<i>Current assets</i>			
Inventories	17	9,734	10,858
Trade receivables	20	3,259	3,620
Derivatives	20, 26	929	592
Tax receivables		53	250
Other current assets	18	1,122	1,011
Cash and cash equivalents	20	6,151	1,911
Total current assets		21,248	18,242
Total assets		43,517	41,981
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	–654	763
Retained earnings	19	13,955	12,760
Total equity attributable to equity holders of the Parent Company		17,059	17,281
Non-controlling interests	19	3	2
Total equity		17,062	17,283
Non-current liabilities			
Borrowings	20, 26	6,683	7,047
Lease liabilities	20, 26	991	1,304
Derivatives	20, 26	85	55
Deferred tax liabilities	10	1,497	1,732
Provisions for pensions and other post-employment benefits	21	2,637	2,622
Other provisions	22	588	610
Total non-current liabilities		12,480	13,370
Current liabilities			
Trade payables	20	4,815	4,099
Tax liabilities		1,006	269
Other liabilities	23	3,413	2,995
Borrowings	20, 26	2,853	2,694
Lease liabilities	20, 26	376	457
Derivatives	20, 26	449	229
Other provisions	22	1,064	585
Total current liabilities		13,976	11,328
Total equity and liabilities		43,517	41,981

Consolidated cash flow statement

SEKm	Note	2020	2019
Cash flow from operations			
Operating income		3,669	3,690
<i>Non cash items</i>			
Depreciation/amortization and impairment	5, 12, 13, 14	2,537	2,089
Other non cash items		807	270
<i>Cash items</i>			
Paid restructuring costs		–244	–272
Net financial items, received/paid		–327	–490
Taxes paid		–291	–811
Cash flow from operations, excluding change in operating assets and liabilities		6,150	4,476
Change in operating assets and liabilities			
Change in inventories		278	627
Change in trade receivables		55	114
Change in trade payables		1,014	–656
Change in other operating assets/liabilities		584	347
Cash flow from operating assets and liabilities		1,931	432
Cash flow from operations		8,081	4,908
Investments			
Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment	27	–399	349
Investments in property, plant and equipment	12	–1,300	–1,577
Investments in intangible assets	14	–695	–655
Investments and divestments of financial assets		–2	–56
Cash flow from investments		–2,395	–1,939
Cash flow from operations and investments		5,686	2,969
Financing			
Proceeds from borrowings	26	2,601	3,577
Repayment of borrowings	26	–2,609	–3,466
Repayment of lease liabilities	26	–461	–447
Net investment hedge	26	1,003	–1,017
Change in other interest-bearing net debt excluding liquid funds	26	–529	194
Dividend paid to shareholders		–1,288	–1,287
Dividend paid to non-controlling interests		—	–1
Cash flow from financing		–1,284	–2,447
Total cash flow		4,403	522
Cash and cash equivalents at the beginning of the year		1,911	1,346
Exchange rate differences referring to cash and cash equivalents		–162	43
Cash and cash equivalents at year-end		6,151	1,911

Consolidated statement of changes in equity

SEKm	Attributable to equity holders of the Parent Company				Total	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)			
Opening balance January 1, 2019	1,153	2,605	451	11,798	16,007	2	16,009
Net income	—	—	—	2,527	2,527	1	2,528
Other comprehensive income	—	—	312	–302	10	—	10
Total comprehensive income	—	—	312	2,225	2,537	1	2,538
Transactions with owners							
Share-based payment	—	—	—	24	24	—	24
Dividend to non-controlling interests	—	—	—	—	—	–1	–1
Dividend SEK 2.25 per share	—	—	—	–1,287	–1,287	—	–1,287
Closing balance December 31, 2019	1,153	2,605	763	12,760	17,281	2	17,283
Net income	—	—	—	2,494	2,494	1	2,495
Other comprehensive income	—	—	–1,416	–27	–1,443	—	–1,443
Total comprehensive income	—	—	–1,416	2,467	1,050	1	1,051
Transactions with owners							
Share-based payment	—	—	—	17	17	—	17
Dividend to non-controlling interests	—	—	—	—	—	—	—
Dividend SEK 2.25 per share	—	—	—	–1,288	–1,288	—	–1,288
Closing balance December 31, 2020	1,153	2,605	–654	13,955	17 059	3	17,062

Note 1

Accounting principles

BASIS OF PREPARATION

The consolidated financial statements of Husqvarna AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. Entities within Husqvarna Group apply uniform accounting principles. The policies set out below have been consistently applied to all years presented, unless otherwise stated. In addition, 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.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

The following amended standards are adopted by Husqvarna Group as of January 1, 2020:

Amendments to IFRS 7 and IFRS 9 Interest Rate Benchmark Reform. The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have not had any material impact on the interest rate hedge relationships of the Group and has as such not had any material impact on the consolidated financial statements of the Group.

There are no other new or amended standards adopted by Husqvarna Group as of January 1, 2020 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 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 has the ability to affect those returns through the 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date 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

At year-end 2020, the Group comprised of 142 operating units, and 98 legal entities.

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 non-controlling 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 costs 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 is translated to the Group's 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 rates for each month respectively.

All currency translation differences that occur from the translation are accounted for in other comprehensive income. When a foreign operation is divested, 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 President and 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, Gardena and Construction. 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 charges. 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 unlimited 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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs of those assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

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 annually for impairment 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 brand Gardena is reported as an intangible asset with indefinite useful life. No other brands are identified as having indefinite useful lives.

Product development expenses

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 expenditure, which is directly attributable to the new product's development, is recognized. Capitalized development costs are amortized over their useful lives, ranging between 3–5 years. The assets are tested for impairment annually or when there is an indication that the intangible asset may be impaired.

Other intangible assets

Other intangible assets include computer software, patents, licenses and customer relations. 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. Customer relations are capitalized at fair value in connection with business combinations. The values of these customer relationships are amortized over their useful lives of 5–12 years.

Associates

Associates are all companies over which Husqvarna Group has significant influence but not control. The Group generally has significant influence over a company by 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 receivable 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 brand Gardena) or intangible assets not ready for use are not subject to amortization but tested annually for impairment, 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, Gardena and Construction. 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 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. When the criteria for offsetting are fulfilled the derivatives are netted in the balance sheet.

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.

Debt instruments

Debt instruments are those financial instruments that meet the definition of a financial liability from the issuer's perspective, such as for example trade receivables.

Classification and subsequent measurement of debt instruments 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 debt instruments; 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" below) 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 finan-

cial 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 debt investments 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 debt instrument 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, days past due.

Financial liabilities

Classification and subsequent measurement

All of the Groups financial liabilities (excluding derivatives which are addressed in separate section below) 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 re-measured 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 hedge). 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.

Husqvarna Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as risk-management objectives and 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 non-current asset or liability when the remaining hedged item is more than 12 months and as 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 similarly to 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.

Liquid funds

Liquid funds consist of cash on hand, bank deposits, other short-term highly liquid investments and fair value derivative assets.

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 cost and other related production overheads. Borrowing costs are not included in inventory. Appropriate provisions have been made for obsolescence.

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 to 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 on the tax laws in the country of the Parent Company or the subsidiaries.

Management periodically review the positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establish 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, they refer to the same taxation authority and 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 contributions 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 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 are reported net within the Group's finance items, and is calculated 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 (shares and options). 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 to 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 and it is probable that an outflow of resources will be required to settle the obligation, and 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 mainly generates revenue 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 with 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. The point in time where control is transferred to the customer for goods depends 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. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The normal credit terms is usually 30–90 days.

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 its highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discount payable to customers in relation to sales made until the end of the reporting period.

The estimated volume discount is revised at each reporting date. A right of return are sometimes granted in the retail and consumer industry. A right of return can follow from legislation, statutory requirements, 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 (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 warranty that is 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 a right to access intellectual property throughout the license period. The most common license types for Husqvarna Group is 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.

All government grants that Husqvarna Group has received in Sweden during 2020 as a result of the Corona pandemic have been repaid. Government grants related to the Corona pandemic received in other countries are of a non-material nature.

Leasing

Husqvarna Group mainly lease 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 Groups lease contracts for buildings typically range from 3–10 years non-cancellable lease term at inception, depending on the type of property. Forklifts leases within the Group usually have a non-cancellable lease term of 5 years, and cars 3 years, at inception. Extension and termination options are included in a number of the lease contracts. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension and termination options are only included in the lease term if reasonably certain to be utilized. Extension/termination options for some of these assets might be used at a later date.

Leases are recognised as a right-of-use asset and 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 over the shorter period of the asset's useful life and the lease term on a straight-line basis.

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 50t or less when in new condition. Service payments is 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.

Note 2 Important accounting estimates and assessments

In order to prepare these financial statements, management needs to make estimates and assessments and therefore 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, such as contingent liabilities. 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 brand Gardena) 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 lowest 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 increase the difficulty to estimate the value of inventory. To minimize these difficulties, Husqvarna Group is constantly working with streamlining the production chain, keeping 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.

Tax

Husqvarna Group estimates income tax for each of the taxing jurisdictions in which the Group operates as well as any deferred taxes based on temporary differences. Deferred tax assets, which primarily relate to tax loss carry forwards and temporary differences, are recognized if future taxable income is expected to allow for the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates may result in significant differences in the valuation of deferred taxes. For further information regarding tax refer to note 10. Provisions for potential tax exposure are based on management's best estimate.

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 calculating the net pension liability comprise of for example; discount rate, inflation, mortality, future salary increases etc. Any changes in these assumptions will impact the carrying amount of the net pension liability. Sensitivity analysis of the effect from a change in the main assumptions and potential risks affecting the liabilities are included in note 21.

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 share-based compensation includes matching shares awards and performance based share awards. In order to receive those, the employee is required to stay employed three years after the grant date and to maintain the original investment. The number of performance based share awards that vest further depend on the fulfilment of certain levels of increase of the Company's value creation as determined by the Board of Directors. These levels are "Entry", "Target" and "Stretch". "Entry" constitutes a minimum level which must be exceeded in order for the performance based share awards to vest and give right to Class B-shares. At the end of each reporting period, the Group revises the estimates of the number of instruments that are expected to vest. The number of performance based shares that are expected to vest is based on management's best estimate. For further information refer to note 4.

Warranty provision

Provision for warranty comprises all potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to two years. The provision is estimated for each group of products and based on historical information and management's best estimate. For further information refer to note 22.

Provision for restructuring

Provision for restructuring represents the expected payments to be incurred in the coming years as a consequence of Husqvarna Group's decision to close some factories, rationalize production and reduce personnel. The amounts are based on the Group management's best estimates and are adjusted when changes to these estimates are known. Provision for reduction of personnel is calculated on individual basis except for most Blue Collar workers where negotiations are made collectively and are based on management's best estimate of the amount expected to be paid out. For further information refer to note 22.

Claims reserves

Husqvarna Group maintains third-party insurance coverage and is insured through a wholly-owned insurance subsidiary (captive) in regards to a variety of exposures and risks, such as property damage, business interruption and product liability claims. Claims reserves in the captives, mainly for product liability claims, are calculated on the basis of a combination of case reserves and reserves for claims incurred but not reported. Actuarial calculations are undertaken to assess the adequacy of the reserves based on historical loss development experience, benchmark reporting and payment patterns. These actuarial calculations are based on several assumptions and changes in these assumptions may result in significant differences in the valuation of the reserves. For further information refer to note 22.

Contingent liabilities

The Group is involved in various disputes arising from time to time in its ordinary course of business. Husqvarna Group estimates that none of the disputes in which the Group is presently involved in or that have been settled recently have had, or may have, a material effect on Group's financial position or profitability. However, the outcome of complicated disputes is also difficult to foresee, and it cannot be ruled out that the disadvantageous outcome of a dispute may result in a significantly adverse impact on the Group's results of operations and financial position. For further information refer to note 24.

Note 3 Segment information

Husqvarna Group's segment reporting consists of three divisions; Husqvarna, Gardena and Construction. The divisions form the basis for the Group's internal reporting reviewed by the President and CEO (the Group's chief operating decision maker) in order to assess performance and make decisions on resource allocation.

The divisions are responsible for the operating income (excluding items affecting comparability) and the net assets used in their operations which are also the financial measures used when the President and CEO makes his assessment of the performance of the segments. Net financial income/expense, tax, net debt and equity are undistributed items not reported per division.

The divisions consist of both separate legal units and of units divided between divisions. This means that one unit can be part of more than one division and, if so, costs and net assets are allocated between the relevant divisions. Operating costs, not included in the divisions, are shown under Group common costs, which mainly include costs for the Group's corporate functions. No sale of finished products is 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, while 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. Group common includes services such as Holding, Treasury and Risk Management.

All divisions include production, development, logistics, marketing and sales. The Husqvarna and Gardena divisions sell forest, park and garden products to retailers and dealers. Forest, park and garden products are divided into product categories; wheeled, robotics, handheld, watering, digital solutions and accessories. The Construction Division sells machines and diamond tools for the construction and stone industries. Group common includes royalty income from licensing of intellectual property such as brands to customers.

2020

SEKm	Husqvarna	Gardena	Construction	Group common ¹	Undistributed items ²	The Group
Net sales, finished goods	26,565	9,376	5,810	65	—	41,816
Net sales, services, license agreements and other	42	51	34	—	—	127
Net sales (external)	26,607	9,427	5,844	65	—	41,943
Operating income	1,979	1,432	541	-283	—	3,669
Whereof items affecting comparability ³	-703	—	-92	-20	—	-815
Operating income adjusted for items affecting comparability ³	2,682	1,432	633	-263	—	4,484
Financial income	—	—	—	—	38	38
Financial expenses	—	—	—	—	-377	-377
Income after financial items	1,979	1,432	541	-283	-339	3,330
Total assets	18,155	9,229	6,874	6	9,253	43,517
Liabilities	5,727	2,579	1,266	307	16,576	26,455
Total equity	—	—	—	—	17,062	17,062
Total equity and liabilities	5,727	2,579	1,266	307	33,638	43,517
Cash flow from operations ⁴	3,727	1,446	923	-265	—	5,831
Depreciation/amortization and impairment ³	1,471	401	360	2	—	2,235
Investments in property, plant and equipment	-742	-362	-190	-6	—	-1,300
Investments in intangible assets	-400	-131	-157	-6	—	-695
	4,056	1,354	936	-274	—	6,071
Change in other operating assets and liabilities ⁵	—	—	—	—	634	634
Acquired and divested assets/subsidiaries	—	—	—	—	-399	-399
Investments in financial assets	—	—	—	—	-2	-2
Net financial items, received/paid	—	—	—	—	-327	-327
Taxes paid	—	—	—	—	-291	-291
Cash flow from operations and investments	4,056	1,354	936	-274	-385	5,686

¹ Group common include common Group services such as Holding, Treasury and Risk Management, and income from license agreements.

² Undistributed items consist of liquid funds and other interest-bearing assets, interest-bearing liabilities, equity and tax items.

³ Husqvarna Group assess the performance of the segments based on operating income, excluding items affecting comparability. 2020 includes items affecting comparability referring to restructuring related expenses, amounting to SEK 815m. Impairment in the Group, excluding items affecting comparability, amount to SEK 97m whereof SEK 79m refer to the Husqvarna Division, SEK 14m to Gardena, SEK 4m to Construction and SEK 0m to Group common.

⁴ Cash flow from operations per division is calculated excluding depreciation/amortization and impairment, capital gains and losses, other non-cash items, paid restructuring expenses, net financial items, taxes paid and change in other operating assets/liabilities.

⁵ Change in other operating assets/liabilities also include other non-cash items, paid restructuring costs, and capital gains and losses.

2019

SEKm	Husqvarna	Gardena	Construction	Group common ¹	Undistributed items ²	The Group
Net sales, finished goods	27,367	8,267	6,273	—	—	41,907
Net sales, services, license agreements and other	139	76	67	88	—	370
Net sales (external)	27,506	8,343	6,340	88	—	42,277
Operating income	2,260	847	779	-196	—	3,690
Whereof items affecting comparability ³	-167	—	-57	-1	—	-225
Operating income adjusted for items affecting comparability ³	2,427	847	836	-195	—	3,915
Financial income	—	—	—	—	18	18
Financial expenses	—	—	—	—	-586	-586
Income after financial items	2,260	847	779	-196	-568	3,122
Total assets	20,080	9,835	6,988	10	5,068	41,981
Liabilities	4,709	2,102	1,155	323	16,409	24,698
Total equity	—	—	—	—	17,283	17,283
Total equity and liabilities	4,709	2,102	1,155	323	33,692	41,981
Cash flow from operations ⁴	2,513	980	699	-192	—	4,000
Depreciation/amortization and impairment ³	1,316	417	340	8	—	2,081
Investments in property, plant and equipment	-1,053	-368	-156	0	—	-1,577
Investments in intangible assets	-437	-103	-115	0	—	-655
	2,339	926	768	-184	—	3,849
Change in other operating assets and liabilities ⁵	—	—	—	—	128	128
Acquired and divested assets/subsidiaries	—	—	—	—	349	349
Investments in financial assets	—	—	—	—	-56	-56
Net financial items, received/paid	—	—	—	—	-490	-490
Taxes paid	—	—	—	—	-811	-811
Cash flow from operations and investments	2,339	926	768	-184	-880	2,969

¹ Group common include common Group services such as Holding, Treasury and Risk Management, and income from license agreements.

² Undistributed items consist of liquid funds and other interest-bearing assets, interest-bearing liabilities, equity and tax items.

³ Husqvarna Group assess the performance of the segments based on operating income, excluding items affecting comparability. 2019 includes items affecting comparability referring to restructuring related expenses, amounting to SEK 225m. Impairment in the Group, excluding items affecting comparability, amount to SEK 16m whereof SEK -1m refer to the Husqvarna Division, SEK 15m to Gardena, SEK 2m to Construction and SEK 0m to Group common.

⁴ Cash flow from operations per division is calculated excluding depreciation/amortization and impairment, capital gains and losses, other non-cash items, paid restructuring expenses, net financial items, taxes paid and change in other operating assets/liabilities.

⁵ Change in other operating assets/liabilities also include other non-cash items, paid restructuring costs, and capital gains and losses.

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	
	2020	2019	2020	2019
Germany	6,822	5,915	6,814	7,015
France	2,246	2,467	56	60
Sweden	1,940	1,755	6,217	6,320
Austria	1,358	1,313	32	38
Rest of Europe	10,715	10,365	1,558	1,602
Asia/Pacific	3,872	3,604	1,257	1,396
Canada	1,314	1,249	167	173
US	12,044	13,875	3,938	4,685
Latin America	1,365	1,368	34	44
Rest of the World	267	366	7	13
Total	41,943	42,277	20,080	21,346

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

Net sales per product category

SEKm	2020	2019
Forest, park and garden products	36,035	35,849
Construction products	5,844	6,340
Other	64	88
Total	41,943	42,277

Information on major customers

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

Note 4 Employees and employee benefits

Average number of employees

	2020			2019		
	Men	Women	Total	Men	Women	Total
Sweden	1,618	516	2,135	1,589	528	2,117
Germany	1,263	661	1,925	1,205	612	1,817
Czech republic	427	495	921	452	422	874
UK	297	91	388	321	88	409
Poland	155	133	288	174	85	259
Rest of Europe	1,092	530	1,622	1,190	504	1,694
Total Europe	4,853	2,427	7,279	4,931	2,239	7,170
China	516	252	768	606	195	801
Japan	277	56	333	284	52	336
Rest of Asia/Pacific	227	92	320	204	90	294
Total Asia/Pacific	1,020	400	1,421	1,094	337	1,431
US	2,033	1,166	3,199	2,236	1,418	3,654
Canada	78	62	140	97	47	144
Total North America	2,111	1,228	3,339	2,333	1,465	3,798
Brazil	140	58	199	138	52	190
Rest of Latin America	56	18	75	57	17	74
Total Latin America	196	77	273	195	69	264
Other markets	36	27	62	29	16	45
Total	8,216	4,159	12,374	8,582	4,126	12,708
Whereof:						
Board members	36	4	40	43	6	49
Presidents and other senior managers	34	4	38	52	2	54

Salary and remuneration

SEKm	2020	2019
Salary expenses	5,803	5,833
Social expenses	984	962
Pension expenses – defined benefit obligations	226	174
Pension expenses – defined contribution plans	203	178
Total	7,216	7,147
Whereof remuneration to Board, Presidents and other senior managers¹		
Salary expenses	121	85
(whereof variable salary expenses)	(43)	(31)
Social expenses	31	35
Pension expenses	17	19

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

Remuneration to Group Management

SEKt	2020						Total
	Fixed salary ¹	Variable salary	Pension costs	Long-term incentive	Other benefits ²	Severance pay etc.	
President and CEO ³	6,555	6,750	2,700	1,664	20	—	17,689
Former President and CEO ⁴	2,847	—	1,110	899	45	—	4,901
Other members of Group Management ⁵	28,053	20,403	10,925	1,877	1,131	6,054	68,443
Total	37,455	27,153	14,735	4,440	1,196	6,054	91,033

¹ Including holiday pay.

² Refers to housing, travel, car, insurance and relocation benefits.

³ Refers to the period in the position as CEO, April 2 – December 31, 2020.

⁴ Refers to the period in the position as CEO, January 1 – April 2, 2020.

⁵ Other members of Group Management comprise of seven individuals at year-end. Two individuals have joined and four individuals have left Group Management during the year.

SEKt	2019						Total
	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits ¹	Severance pay etc.	
President and CEO	10,686	4,184	4,274	3,390	180	—	22,714
Other members of Group Management ²	29,374	10,005	12,254	6,108	1,680	—	59,421
Total	40,060	14,189	16,528	9,498	1,860	—	82,135

¹ Refers to housing, travel, car, insurance and relocation benefits.

² Other members of Group Management comprise of nine individuals at year-end. One individual has 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 AGM 2020 apply. The guidelines shall apply to contracts of employment entered into after the 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 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 President and Group Management is based on targets for the Group's and/or the respective divisions' operating income, cash flow and efficiency program. The remuneration is reviewed annually by January 1.

The notice period for termination is 12 months on 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. 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.

Terms of employment for the President

The remuneration to the President and 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 President and CEO amounts to SEK 9,000t, effective April 2, 2020. The variable salary amounts to a maximum of 100% of the fixed salary (50% at Target level). The President and CEO participates in the Group's long term incentive programs for 2018, 2019 and 2020 (LTI 2018, LTI 2019 and LTI 2020). For information on these programs, see "Long term incentive programs (LTI)" below.

Pension terms for the President

The retirement age for the President and CEO is 65. The President and 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.

Terms of employment for other members of Group Management

As with the President and CEO, other members of Group Management receive a remuneration package comprised 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. Members of Group Management participate in the Group's long term incentive programs, for information on these programs, see "Long term incentive programmes (LTI)" below.

Pension terms for other members of Group Management

The members of Group Management employed in Sweden (6 out of 7) 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 contribution to the plan is equivalent to 35% of the pensionable salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary. The pension age is 65 for the members of Group Management who are employed in Sweden. The member of Group Management that are not employed in Sweden are covered by the Group's company retirement plan in the country of employment (Germany).

Fees to the Board of Directors

The Annual General Meeting 2020 authorized fees to the Board of Directors amounting to SEK 6,290t (6,290) in total, whereof SEK 2,000t (2,000) to the Chairman and SEK 580t (580) to each of the other Board members, not employed by the company, including additional total of SEK 810t (810) 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.

Fees to the Board of Directors

SEKt	2020		2019	
	Fee	Fee for Board committee work	Total fee	Total fee
Tom Johnstone	2,000	80	2,080	2,080
Ulla Litzén	580	240	820	820
Katarina Martinson	580	135	715	715
Bertrand Neuschwander	580	80	660	660
Daniel Nodhäll	580	135	715	715
Lars Pettersson	580	140	720	720
Christine Robins	580	—	580	580
Henric Andersson	—	—	—	—
Tina Helmke Hallberg	—	—	—	—
Dan Byström	—	—	—	—
Anders Köhler ¹	—	—	—	—
Daniel Tornberg ¹	—	—	—	—
Total	5,480	810	6,290	6,290

¹ Deputy.

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 member 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 managements' interest, attract and retain key employees and to some extent provide variable remuneration instead of fixed salary. The Board of Directors will annually evaluate if a long-term incentive program (e.g. share-based or share-price based) should be proposed to the AGM. There are three on-going programmes that are under vest; LTI 2018, LTI 2019 and LTI 2020.

LTI 2018, LTI 2019 and LTI 2020

The Annual General Meetings 2018, 2019 and 2020 authorized the implementation of the incentive programmes LTI 2018, LTI 2019 and LTI 2020, which comprise a maximum of 100 participants. The vesting period for the programs is three years and the programs comprise 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 three years after grant date.

The number of performance based share awards that vest and give right to Husqvarna Class B-shares further depend on the fulfilment of certain targets, determined by the Board of Directors, for operating margin (weight 40%), net sales (weight 30%) and capital efficiency (weight 30%) during the calendar years 2018–2020 regarding LTI 2018, 2019–2021 for LTI 2019 while for LTI 2020, certain targets for value creation in the company during the calendar years 2020–2022 apply. 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. Final result shall be the average of the three calendar years, regarding LTI 2018 and LTI 2019, for each performance measure. The Entry level must have been reached in order for the performance based share awards to vest. The performance levels corresponds to the following number of B-shares:

Performance level	LTI 2018, LTI 2019 and LTI 2020
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 86.00 for LTI 2018, SEK 74.56 for LTI 2019 and SEK 74.66 for LTI 2020 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the month of February 2018 for LTI 2018, 2019 for LTI 2019 and for LTI 2020 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholms during the months of December 2019 to February 2020.

The value of the programmes is calculated based on the fair value of the share on grant date, as was SEK 76.70 for LTI 2018, SEK 80.70 for LTI 2019 and SEK 74.00 for LTI 2020, adjusted for expected dividend.

Each program comprises a maximum of the following number of shares 1,719,136 in LTI 2019 and 2,138,215 in LTI 2020.

LTI 2018 result

The performance period for LTI 2018 ended December 31, 2020. The following table shows the targets determined by the Board of Directors and the actual result, the average of the three calendar years 2018 to 2020 for each performance measure.

Performance measure	Weight	Target level			
		Entry	Target	Stretch	Result
Operating margin	40%	10.0%	10.4%	10.6%	9.3%
Net sales	30%	2.5%	3.75%	5.0%	4.2%
Capital efficiency	30%	25.2%	24.8%	24.4%	25.9%
Total result in relation to number of shares at maximum level Stretch					29.4%

The following table shows the number of performance based share awards that vest April 27, 2021 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 2018
	Number of shares
President and CEO	10,539
Other members of Group Management	52,826
Other participants	283,169
Total	346,534

Outstanding share awards

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

Share awards	2020			2019		
	LTI 2020	LTI 2019	LTI 2018	LTI 2019	LTI 2018	LTI 2017
At Jan 1	—	2,025,550	1,449,104	—	1,559,525	1,165,904
Granted	2,200,539	–9,509	–121,231	2,099,569	—	—
Forfeited	–62,324	–296,905	–981,339	–74,019	–110,421	–124,633
Exercised	—	—	—	—	—	—
At Dec 31	2,138,215	1,719,136	346,534	2,025,550	1,449,104	1,041,271

The LTI programmes are expensed during the three years vesting period in line with the expected target fulfilment. During 2020, SEK 23m (32) has been charged to the income statement, whereof SEK 7m (10) refers to cost for employer social contributions. The total provision for employer social contributions in the balance sheet amounted to SEK 12m (11).

Note 5 Expenses by nature

SEKm	2020	2019
Costs for supplies and raw materials	18,390	19,419
Employee benefit expenses	6,990	7,147
Amortization/depreciation and impairment	2,537	2,089
Other	10,357	9,933
Total	38,274	38,588

Of the above costs, SEK 1,711m (1,720) refers to research and development.

Amortization/depreciation and impairment for the year are reported on the following lines in the income statement:

SEKm	Property, plant and equipment		Intangible assets		Right of use assets	
	2020	2019	2020	2019	2020	2019
Cost of goods sold	1,255	915	643	548	100	96
Selling expenses	64	63	0	—	285	298
Administrative expenses	32	42	109	74	49	53
Total	1,351	1,020	752	622	434	447

Impairment for property, plant and equipment was recorded within cost of goods sold by SEK 292m (10) and within administrative expenses by SEK 0m (2).

Impairment for intangible assets is recognized within cost of goods sold by SEK 66m (27) and within administrative expenses by SEK 41m (0).

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

SEKm	2020	2019
Exchange rate gains and losses in cost of goods sold	66	–17
Total	66	–17

Cost of goods sold includes SEK 23m (11) 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	2020	2019
Other operating income		
Gain on divestment/liquidation of:		
Property, plant and equipment	26	203
Total	26	203
Other operating expenses		
Loss on divestment/liquidation of:		
Property, plant and equipment	–2	–6
Total	–2	–6

Note 8 Fees to auditors

SEKm	2020	2019
EY		
Audit fees for the annual audit engagement	23	22
Audit fees not included in the annual audit engagement	2	2
Tax advice	2	1
Other services	0	1
Total fees to EY	27	26
Audit fees to other auditors	2	1
Total fees to auditors	29	27

Note 9 Financial income and expenses

SEKm	2020	2019
Financial income		
Interest income on deposits measured at amortized cost	20	17
Exchange rate differences		
– on borrowings	621	—
– on derivatives held for trading	–604	—
Other financial income	1	1
Total financial income	38	18
Financial expenses		
Interest expenses		
– on borrowings	–144	–119
– on cashflow hedges, interest rate derivatives	–20	–24
– on derivatives held for trading	–73	–269
– on lease liabilities	–46	–49
– net on pension assets/liabilities	–28	–38
Exchange rate differences		
– on borrowings	—	–162
– on derivatives held for trading	—	132
Other financial expenses	–66	–57
Total financial expenses	–377	–586
Financial income and expenses, net	–339	–568

Note 10 Tax

SEKm	2020	2019
Current tax on income for the period	–1 155	–463
Deferred tax	320	–131
Total	–835	–594

Theoretical and actual tax rates

	2020		2019	
	Tax, %	Result	Tax, %	Result
Income before taxes	—	3,330	—	3,122
Theoretical tax rate	–22.7	–756	–21.8	–681
Non-taxable items	1.1	36	2.5	77
Items not deductible for tax purposes	–1.2	–39	–1.6	–50
Change in valuation of deferred tax	–1.7	–58	3.0	95
Utilization of previously unrecognized tax losses	0.1	3	0.1	4
Effect of tax rate change	–0.4	–13	–0.1	–4
Withholding tax	0.0	0	–0.5	–17
Other	–0.3	–8	–0.6	–18
Actual tax rate	–25.1	–835	–19.0	–594

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, 2020, the Group has tax loss carry-forwards of SEK 617m (1,004), whereof SEK 124m (146) has not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows (gross amounts):

SEKm	2020	2019
Within a year	0	0
1–5 year	15	64
> 5 year	89	287
Without time limit	513	653
Total	617	1,004

Changes in deferred taxes

SEKm	Opening balance, Jan 1, 2020	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets / subsidiaries	Closing balance, Dec 31, 2020
Non-current assets	–1,680	3	—	72	32	–1,573
Inventories	198	60	—	23	—	281
Current receivables	59	–43	—	–4	—	12
Provision for pensions and similar commitments	543	8	10	–14	—	547
Other provisions	180	117	—	–15	—	282
Financial and operating liabilities	227	263	–253	–25	—	212
Other items	95	115	—	–26	—	192
Tax losses carried forward	336	–203	—	–7	—	126
Deferred tax assets and liabilities, net	–42	320	–243	4	32	79

SEKm	Opening balance, Jan 1, 2019	Reclassi- fication	Recognized in income statement	Recognized in comprehen- sive income statement	Exchange rate differences	Closing balance, Dec 31, 2019
Non-current assets	-1,410	—	-245	—	-25	-1,680
Inventories	252	—	-60	—	6	198
Current receivables	63	—	-4	—	0	59
Provision for pensions and similar commitments	358	—	95	86	4	543
Other provisions	223	—	-51	—	8	180
Financial and operating liabilities	50	—	1	166	10	227
Other items ¹	153	-110	77	—	-25	95
Tax losses carried forward	269	—	57	—	10	336
Deferred tax assets and liabilities, net	-42	-110	-130	252	-12	-42

¹ The opening balance includes SEK -167m related to IFRIC23 restatement.

Tax items recognized in Other comprehensive income amounts to SEK 10m (86) for items related to remeasurements on defined benefit pension plans, SEK 6m (23) for cash flow hedges and SEK 247m (143) for net investment hedge.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Non-current assets	139	117	1,712	1,797	-1,573	-1,680
Inventories	333	326	52	128	281	198
Current receivables	26	83	14	24	12	59
Provisions for pensions and similar commitments	547	543	0	0	547	543
Other provisions	336	236	54	56	282	180
Financial and operating liabilities	215	227	3	0	212	227
Other items	215	176	23	81	192	95
Tax losses carried forward	126	336	—	—	126	336
Deferred tax assets and liabilities	1,928	2,044	1,857	2,086	79	-42
Set-off of tax	-361	-354	-361	-354	—	—
Deferred tax assets and liabilities, net¹	1,576	1,690	1,497	1,732	79	-42

¹ Deferred tax assets amounted to SEK 1,567m (1,690), whereof SEK 103m (187) is expected to be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,496m (1,732), whereof SEK 15m (31) are due within 12 months.

No deferred tax liability is recognised 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.

	2020	2019
Profit attributable to equity holders of the Parent Company (SEKm)	2,494	2,527
Weighted average numbers of ordinary shares outstanding (millions)	572.4	572.0
Earnings per share before dilution (SEK)	4.36	4.42

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 program which have a dilutive potential.

	2020	2019
Profit attributable to equity holders of the Parent Company (SEKm)	2,494	2,527
Weighted average numbers of ordinary shares outstanding (millions)	572.4	572.0
Adjusted for:		
– share savings program (millions)	0.5	0.2
Diluted weighted average numbers of ordinary shares outstanding (millions)	572.9	572.2
Earnings per share after dilution (SEK)	4.35	4.42

Note 12 Property, plant and equipment

Notes – Group

SEKm	Land and land improvements	Buildings and leasehold improvements	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
2020						
Opening accumulated acquisition value	437	3,548	13,089	1,660	1,269	20,003
Acquired companies	0	7	12	20	0	39
Investments	14	76	432	88	690	1,300
Sold, scrapped	–15	–45	–1,002	–54	–1	–1,116
Reclassification	0	96	659	91	–852	–6
Exchange rate differences	–38	–278	–937	–92	–44	–1,389
Closing accumulated acquisition value	398	3,404	12,254	1,713	1,062	18,831
Opening accumulated depreciation and impairment	132	1,985	9,778	1,312	2	13,209
Acquired companies	0	5	8	15	0	28
Depreciation ¹	13	127	783	135	0	1,059
Impairment ¹	0	1	288	2	0	292
Sold, scrapped	–12	–34	–1,000	–52	0	–1,097
Reclassification	0	0	–4	3	0	0
Exchange rate differences	–12	–160	–738	–73	0	–984
Closing accumulated depreciation and impairment	121	1,924	9,117	1,343	2	12,507
Closing balance, December 31, 2020	277	1,479	3,137	370	1,060	6,324

SEKm	Land and land improvements	Buildings and leasehold improvements	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
2019						
Opening accumulated acquisition value	403	3,589	12,591	2,227	1,387	20,197
Acquired companies	—	—	—	—	—	—
Investments	12	54	514	223	774	1,577
Sold, scrapped	–11	–426	–1,288	–706	–9	–2,440
Reclassification	20	196	860	–158	–918	—
Exchange rate differences	13	135	412	74	35	669
Closing accumulated acquisition value	437	3,548	13,089	1,660	1,269	20,003
Opening accumulated depreciation and impairment	119	2,154	9,963	1,868	29	14,133
Depreciation ¹	13	130	722	144	—	1,009
Impairment ¹	—	—	12	—	—	12
Sold, scrapped	–4	–406	–1,286	–708	—	–2,404
Reclassification	—	20	68	–59	–29	—
Exchange rate differences	4	87	299	67	2	459
Closing accumulated depreciation and impairment	132	1,985	9,778	1,312	2	13,209
Closing balance, December 31, 2019	305	1,563	3,311	348	1,267	6,794

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

Note 13 Right of use assets

SEKm	Land and buildings	Forklifts and machinery	Cars and other vehicles	Other	Total
2020					
Opening accumulated acquisition value	1,556	107	285	26	1,974
New leases	42	39	85	0	167
Modifications Remeasurements	-5	0	2	0	-3
Exchange rate differences	-121	-21	-28	-3	-174
Closing accumulated acquisition value	1,473	126	343	22	1,964
Opening accumulated depreciation and impairment	249	36	103	1	390
Depreciation	302	33	91	7	434
Impairment	0	0	0	0	0
Reclassification	0	0	0	0	0
Exchange rate difference	-44	-13	-14	1	-71
Closing accumulated depreciation and impairment	507	56	180	9	752
Closing balance, December 31, 2020	965	70	164	13	1,212
2019					
Opening accumulated acquisition value ¹	1,330	90	177	25	1,622
New leases	157	17	107	—	281
Modifications Remeasurements	69	—	1	1	72
Depreciation	-296	-40	-108	-3	-447
Impairment	—	—	—	—	—
Reclassification	—	—	—	—	—
Exchange rate difference	46	4	6	2	58
Closing balance, December 31, 2019	1,306	71	183	25	1,585

¹ In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings.

The total cash outflow for leases in 2020 was SEK 461m (447). As per December 31 2020, the Group had extension options amounting to approximately SEK 167m (45). In addition to the costs presented in the table above, Husqvarna Group has reported SEK 58m regarding costs for short-term leases, low-value assets and variable lease expenses. The majority of these costs consist of short-term leases.

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 2.75 years.

Note 14 Intangible assets

Notes – Group

SEKm	Goodwill	Brands	Product development	Other	Total
2020					
Opening accumulated acquisition value	8,269	3,870	4,042	2,615	18,796
Acquired companies	78	35	0	119	232
Investments	0	0	490	205	695
Sold, scrapped	0	0	-158	-261	-419
Reclassifications	-23	-54	40	43	6
Exchange rate differences	-584	-111	-91	-49	-836
Closing accumulated acquisition value	7,739	3,741	4,322	2,672	18,474
Opening accumulated amortization and impairment	932	406	2,848	1,644	5,830
Amortization	0	21	393	231	645
Impairment	0	0	107	0	107
Sold, scrapped	0	0	-158	-241	-399
Reclassifications	0	6	0	-7	0
Exchange rate differences	-97	-16	-91	-46	-253
Closing accumulated amortizations and impairment	835	417	3,098	1,581	5,930
Closing balance, December 31, 2020	6,905	3,324	1,224	1,091	12,544

SEKm	Goodwill	Brands	Product development	Other	Total
2019					
Opening accumulated acquisition value	8,002	3,798	3,569	2,461	17,830
Acquired companies	—	—	—	—	—
Investments ¹	30	—	521	134	685
Sold, scrapped	-5	—	-88	-12	-104
Reclassifications	—	—	—	6	6
Exchange rate differences	242	72	40	25	380
Closing accumulated acquisition value	8,269	3,870	4,042	2,615	18,796
Opening accumulated amortization and impairment	897	376	2,521	1,397	5,191
Amortization	—	17	336	241	594
Impairment	—	—	27	—	27
Sold, scrapped	-5	—	-88	-9	-102
Exchange rate differences	39	13	52	15	120
Closing accumulated amortizations and impairment	932	406	2,848	1,644	5,830
Closing balance, December 31, 2019	7,338	3,464	1,194	971	12,967

¹ Investments in Goodwill are included in the line "Acquisitions and divestments of subsidiaries/operations and divestments of property, plant and equipment" in the consolidated cash flow statement.

For information on where in the income statement the depreciation and impairment is 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. An impairment loss is recognized with the amount by which the assets' net carrying amount exceeds its recoverable amount. 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 by Group Management, approved five-year forecasts for each cash generating unit. 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% (11) has been used for 2020.

During 2020, 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	2020	2019
Husqvarna	3,420	3,674
Gardena ¹	4,596	4,789
Construction	2,043	2,214
Total Group	10,060	10,677

¹ Whereof SEK 3,235m (3,369) relates to the net book value of the Gardena brand, 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 brand.

The following three sensitivity analysis have been made of the estimated value in use:

- 10% higher discount rate
- 10% decreased gross margin
- 10% decreased sales growth

None of these adjusted assumptions would result in an impairment loss of intangible assets with indefinite useful lives, in any of the cash generating units.

Under the current business environment, management do not believe that any reasonably possible change in discount rate or in any of the other key assumptions on which the cash generating units' recoverable amounts are based upon would result in the net book value amount exceeding the recoverable amount.

During 2020, impairment of approximately SEK 107m was done regarding product and development, primarily within the Husqvarna and Construction Divisions. During 2019, impairment of approximately SEK 27m was done regarding product and development within the dissolved Consumer Brands Division as well as a battery project within the Husqvarna and Gardena Divisions.

Note 15 Investments in associated companies

The Group interests in individually immaterial associates amounts to SEK 44m (33). The Group did not receive any profit or loss from continuing operations, profit or loss from discontinued operations or any other comprehensive income during the year.

Note 16 Other non-current assets

SEKm	2020	2019
Long-term holdings in securities	355	395
Net pension assets	154	195
Other long-term receivables	61	79
Total	570	669

Pension assets refer to pension plans with a net surplus of SEK 154m (195). For further information refer to note 21.

Note 17 Inventories

SEKm	2020	2019
Finished products	6,522	7,835
Supplies including raw materials	2,797	2,601
Work in progress	415	422
Total	9,734	10,858

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 24,376m (25,174).

Write down of inventories expensed during the year amount to SEK 167m (102), which is included in cost of goods sold. Write down reversed during the year amount to SEK 52m (255).

Inventories valued to net realizable value amounted to SEK 515m (478).

Note 18 Other current assets

SEKm	2020	2019
Value added tax	400	382
Miscellaneous short-term receivables	375	203
Prepaid rents and leases	21	19
Prepaid insurance premiums	20	21
Prepaid supplies	45	51
Other prepaid expenses	260	335
Total	1,121	1,011

Note 19 Equity

Share capital

The share capital in Husqvarna AB 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 include 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 2020 is SEK 2.40 (2.25).

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, 2020, the share capital comprised:	
111,690,460 Class A-shares, par value SEK 2	223
464,653,318 Class B-shares, par value SEK 2	929
Total	1,153
On December 31, 2019, the share capital comprised:	
112,015,629 Class A-shares, par value SEK 2	224
464,328,149 Class B-shares, par value SEK 2	929
Total	1,153

Number of shares	Treasury shares	Outstanding shares	Total
Shares, December 31, 2019			
Class A-shares	—	112,015,629	112,015,629
Class B-shares	4,141,164	460,186,985	464,328,149
Long term incentive program 2017			
Class A-shares	—	—	—
Class B-shares	-375,314	375,314	—
Conversion of shares			
Class A-shares	—	-325,169	-325,169
Class B-shares	—	325,169	325,169
Shares, December 31, 2020			
Class A-shares	—	111,690,460	111,690,460
Class B-shares	3,765,850	460,887,468	464,653,318

Other reserves

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, January 1, 2020	-10	2,092	-1,319	763
Result arising during the year	63	—	1,154	1,217
Tax on result arising during the year	-13	—	-247	-260
Reclassification adjustments to the income statement	-33	—	—	-33
Tax on reclassification adjustments to the income statement	6	—	—	6
Currency translation difference	—	-2,347	—	-2,347
Closing balance, December 31, 2020	13	-255	-412	-654

SEKm	Cash flow hedges	Currency translation reserve	Net investment hedge	Total other reserves
Opening balance, January 1, 2019	69	1,176	-794	451
Result arising during the year	12	—	-668	-656
Tax on result arising during the year	-2	—	143	141
Reclassification adjustments to the income statement	-108	—	—	-108
Tax on reclassification adjustments to the income statement	19	—	—	19
Currency translation difference	—	916	—	916
Closing balance, December 31, 2019	-10	2,092	-1,319	763

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 a Group Financial Policy, as well as a Group Credit Policy to regulate the management and control of these risks. These 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 2.5 years (2.6) at the end of 2020.

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 allowed to deviate for a shorter period of time due to for example acquisitions. Dividend shall normally exceed 40% of income for the year.

SEKm	2020	2019
Net pension liabilities	2,483	2,427
Other interest-bearing liabilities ¹	11,437	11,786
Less: liquid funds and other interest-bearing assets	-7,427	-2,898
Net debt	6,493	11,315
Net debt, excluding net pension liabilities	4,010	8,888
EBITDA	6,206	5,779
Net debt/EBITDA	1.34	2.00
Total equity	17,062	17,283
Total assets	43,517	41,981
Equity/assets ratio	39%	41%

¹ Lease liabilities of SEK 1,367m (1,761) are included within other interest-bearing liabilities.

Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits including derivative assets at fair market value. 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 28,8 % (17,8). 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, other bond financing

and bilateral loan agreements. In addition, the Group have unutilized SEK 5bn committed revolving credit facilities maturing in 2023. The facilities are unutilized as of December 31, 2020. Due to the nature of its business, the Group has major seasonal variations in its funding needs. These variations have during 2020 been managed mainly by utilizing the Group's commercial paper (CP) program and short-term bank loans.

At year-end 2020, the Group's total interest-bearing liabilities, excluding pension liability, amounted to SEK 11,437m (11,786), of which SEK 6,683m (7,047) referred to long-term loans. Due to the Covid-19 pandemic the Group issued a bond totalling SEK 1.0bn and conducted a SEK 1,5bn bilateral short term loan agreement to strengthen the liquidity.

Husqvarna Group has, as mentioned, substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 2.5–3.5bn in excess of year-end borrowings, taking dividend into account.

Husqvarna Group has not breached any conditions in external loan agreements during the year.

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2020¹

SEKm	2021	2022	2023	2024	2025	>2026	Total
Lease liabilities	–360	–246	–170	–105	–68	–203	–1,152
Bonds, bank loans and other loans	–2,899	–2,288	–1,622	–2,207	–449	—	–9,465
Derivative liabilities, interest rate ²	–23	–24	–21	–18	—	—	–86
Derivative liabilities, foreign exchange ²	–457	—	—	—	—	—	–457
Trade payables	–4,815	—	—	—	—	—	–4,815
Total financial liabilities	–8,554	–2,558	–1,813	–2,330	–517	–203	–15,975

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	2020		2019	
	Total borrowings	Facility amount	Total borrowings	Facility amount
Medium Term Note Program	5,247	8,000	5,445	8,000
Other bond loans	82	—	93	—
Committed revolving credit facility	—	5,000	—	5,000
Committed credit facility	1,044	—	1,192	—
Long-term bank loans	310	—	300	—
Lease liabilities	1,367	—	1,761	—
Commercial papers	—	7,000	2,100	7,000
Other short-term loans	2,853	—	611	—
Derivative liabilities	534	—	284	—
Total	11,437	20,000	11,786	20,000

Market programs

Husqvarna Group has a 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.

Net debt – currency composition

SEKm	2020		2019	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
USD	464	4,417	1,201	10,635
EUR	1,408	2,216	1,561	3,535
SEK	6,050	–705	9,357	–4,679
JPY	162	333	207	439
CNY	–464	–191	–343	–44
GBP	–151	179	–184	307
DKK	–105	–105	7	63
NOK	–107	–35	–4	–31
CHF	65	0	42	2
Other	–829	384	–529	1,088
Total	6,493	6,493	11,315	11,315

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 11 days (18) at the end of 2020. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 49m (19) and the Group's equity by SEK 38m (15).

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 1.5 (1.7) years at year-end. On the basis of volumes and interest fixings at the end of 2020, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 10m (25) 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, 2020 the average interest rate in the total loan portfolio was 1.6% (3.6). At year-end, Husqvarna Group had outstanding interest rate derivatives with a nominal amount of SEK 4,222m (5,296) 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, CAD and NOK.

Transaction exposure from commercial flows

The Financial Policy stipulates hedging of forecasted sales and purchases in foreign currencies, taken 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 50–75%. 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 2021, hedges at year-end 2020 and comparative amounts for the previous year.

Commercial flows

Currency SEKm	2020		2019	
	2021 Fore- casted flows	Total hedge amount	2020 Fore- casted flows	Total hedge amount
EUR	3,703	–3,073	4,101	–3,211
CAD	698	–504	991	–676
AUD	676	–485	457	–334
Other	673	–93	745	–366
NOK	611	–420	552	–380
CHF	581	–517	537	–482
DKK	576	–414	522	–380
PLN	443	–353	237	–190
USD	–1,879	1,350	–2,233	1,619
SEK	–6,082	4,508	–5,909	4,400

The hedging effect on operating income amounted to SEK 185m (–83) during 2020. At year-end, the unrealized exchange rate result on forward contracts, all maturing in 2021, amounted to SEK 86m (10).

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 derivative 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 +/- 885m (765) for one year. A 10% increase of USD against SEK would affect the Group's result with SEK –125m (–190) and a corresponding increase of EUR with SEK 505m (500). This assumes the same distribution of earnings and costs as in 2020 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 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 –86m as of December 31, 2020 of which SEK –64m is reported in the hedge reserve. Assuming an unchanged market interest rate, the effects on income after financial items for 2021 would be SEK –2m for Q1, SEK –1m for Q2, SEK 2m for Q3 and SEK 0m 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, 2020" shows the future cashflows of the interest rate hedges. The cashflows during 2021, assuming unchanged market interest rates, would be SEK –24m for Q1, SEK –1m for Q2, SEK 2m for Q3 and SEK 0m for Q4.

Hedge accounting of foreign exchange risk

The total market value for hedges of commercial flows amounted to SEK 92m as of December 31, 2020 of which SEK 80m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2021 would be SEK 55m for Q1, SEK 15m for Q2, SEK 10m for Q3 and SEK 0m for Q4.

As of December 31, 2020, USD 1,126m of net investments in foreign operations were hedged. The total market value of derivatives for net investment hedging amounted to SEK 600m of which SEK 611m is reported in the hedge reserve. During the year no ineffectiveness has occurred in the hedging of currency risk.

Derivatives designated as hedging instruments

2020 SEKm	Nominal amount	Maturity	Average hedge rate
Net investment hedges			
Derivatives in net investments hedges of foreign operations	9,221	2021	8.72
Cash flow hedges			
Derivatives in cash flow hedge of foreign currency risk	14,917	2021	n/a
– of which USD exposure against SEK	1,659	2021	8.91
– of which EUR exposure against SEK	6,880	2021	10.53
Derivatives in cash flow hedge of interest rate risk	4,222	2021–2024	0.63

Impact of hedging instruments on the financial statement

2020 SEKm	Nominal amount	Carrying amount	Line item in the financial statement	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve
Foreign exchange forward contracts	8,082	258	Current assets	129	251
Foreign exchange forward contracts	6,835	173	Current liabilities	-72	-171
Interest rate swap agreements	3,322	85	Non-current liabilities	-27	-63
Interest rate swap agreements	900	1	Current liabilities	-1	-1
Forecasted cash flows from sales/purchases	14,917	n/a	n/a	n/a	n/a
Forecasted interest cash flows from floating rate borrowings	-86	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 should 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 +/- 130m (160), everything else being equal. The same effect on the price of aluminium would impact the results by SEK +/- 30m (45) and a 10% change in the price of plastics would give an effect on results of SEK +/- 105m (150).

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 the basis of 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	2020	2019
Low to moderate risk	2,253	2,197
Medium risk to elevated risk	894	1,230
High risk	112	193
Total	3,259	3,620

As of December 31, 2020 net trade receivables, after provisions for bad debt, amounted to SEK 3,259m (3,620), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, 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 2020 amounted to SEK 180m (223), of which SEK 164m (206) refer to invoices due. For trade receivables recorded through other comprehensive income fair value changes and provisions have been immaterial during 2020.

Trade receivables past due

Trade receivables that were past due, but not yet impaired amounted to SEK 292m (664) as of December 31, 2020.

Aging analyses for past due trade receivables

Past due but not impaired, SEKm	2020	2019
Up to 1 month	46	180
1 to 3 months	78	151
>3 months	168	333
Total	292	664

Provisions for trade receivables

SEKm	2020	2019
Opening balance, January 1	223	187
New provisions	53	77
Reversed unused provisions	-38	-6
Impairment of trade receivables	-32	-40
Currency exchange rate differences	-26	5
Closing balance, December 31	180	223

The situation regarding past due receivables has improved 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 68m (28). A global credit insurance program is in place in a number of countries. As of December 31, 2020 total coverage amounts to SEK 7,015m.

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	2020		2019	
	Number of customers	% of total portfolio	Number of customers	% of total portfolio
Exposure <SEK 15m	Not available	82%	Not available	88%
Exposure SEK 15–100m	12	9%	12	8%
Exposure >SEK 100m	1	9%	1	4%

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 11 days (18) at the end of 2020. A substantial part of the exposure arises from derivatives transactions.

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

Maturity, SEKm	2020		2019	
	2021	2022–	2020	2021–
Amount sold	35,406	—	–42,539	–332
Amount purchased	–34,948	—	42,815	333
Net settled derivatives (NDF)	–14	—	–25	—
Net	444	—	251	1

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); and
- 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 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. Fair value of long-term borrowings are based on discounted cash flows using a rate based on the borrowing rate, and are within Level 2 in the fair value hierarchy.

SEKm	2020		2019	
	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	70	70	58	58
– of which currency derivatives where hedge accounting for cash flow hedges is applied	258	258	127	127
– of which interest derivatives where hedge accounting for cash flow hedges is applied	0	0	1	1
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	601	601	407	407
Financial assets at fair value through other comprehensive income				
Trade receivables ¹	934	934	322	322
Financial assets measured at amortized cost				
Other non-current assets	416	416	474	474
Trade receivables	2,325	2,325	3,298	3,298
Other receivables	375	375	203	203
Cash and cash equivalents	6,151	6,151	1,911	1,911
Total financial assets	11,131	11,131	6,801	6,801
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	273	273	126	126
– of which currency derivatives where hedge accounting for cash flow hedges is applied	173	173	103	103
– of which interest derivatives where hedge accounting for cash flow hedges is applied	86	86	55	55
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	2	2	—	—
Financial liabilities measured at amortized cost				
Trade payables	4,815	4,815	4,099	4,099
Other liabilities	285	285	229	229
Borrowings	9,536	9,609	9,741	9,660
Total financial liabilities	15,170	15,243	14,353	14,272

¹ Trade receivables not sold but part of factoring programmes.

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 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 the US were closed, some time ago, for future pension accrual. Out of the Group's most extensive defined benefit plans, there are two in Japan (however, 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 might consist of representatives from both the company and the employees, which are responsible for the management of the pension fund asset.

SEKm	2020						
	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,423	2,154	474	188	1,000	311	5,550
Fair value of plan assets	-1,577	-851	-327	-149	—	-163	-3,067
Surplus/Deficit ¹	-154	1,303	147	39	1,000	148	2,483
Total funding level (%)	111	40	69	86	—	52	56
Duration	18	23	12	9	12	20	18
Actuarial assumptions (%)							
Discount rate	1.4	1.1	2.5/2.1	0.9	0.7	1.7	1.1
Inflation	2.6	1.5	n/a	n/a	1.7	0.3	1.9
Sensitivity analysis (%)							
Discount rate (-0.5%)	9.7	12.4	6.3	4.4	5.7	0.1	9.5
Discount rate (+0.5%)	-8.5	-10.7	-5.7	-4.2	-5.1	-0.1	-8.2
Inflation (+0.5%)	5.3	8.3	—	—	0.7	0.1	4.7

¹ SEK 154m have been recorded as other non-current asset and SEK 2,617m have been recorded as provision for pensions.

SEKm	2019						
	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,421	1,965	499	202	1,012	341	5,440
Fair value of plan assets	-1,616	-746	-327	-158	—	-166	-3,013
Surplus/Deficit ¹	-195	1,219	172	44	1,012	175	2,427
Total funding level (%)	114	38	66	79	—	48	55
Duration	18	23	12	10	12	16	18
Actuarial assumptions (%)							
Discount rate	2.0	1.8	3.0/3.3	0.5	0.8	0.4	1.6
Inflation	2.5	2.0	—	—	1.7	1.8	2.1
Sensitivity analysis (%)							
Discount rate (-0.5%)	9.4	10.9	6.3	5.2	6.3	7.8	8.4
Discount rate (+0.5%)	-8.3	-9.4	-5.7	-4.9	-5.6	-6.6	-7.4
Inflation (+0.5%)	5.2	7.3	—	—	0.8	2.4	4.2

¹ SEK 195m have been recorded as other non-current asset and SEK 2,622m have been recorded as provision for pensions.

Specification of net provisions for pensions and other post-employment benefits recognized in the balance sheet:

SEKm	2020	2019
Present value of obligations for unfunded plans	1,169	1,215
Present value of obligations for funded plans	4,381	4,225
Fair value of plan assets	-3,067	-3,013
Net provisions for defined benefit plans	2,483	2,427

The schedules are showing 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 45m (54). Husqvarna Group has no post-employment medical plans. Further information regarding pension cost is available in note 4.

The movement in the present value of the net defined benefit obligation

SEKm	2020			2019		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance, January 1	5,440	–3,013	2,427	4,486	–2,543	1,943
Current service cost	220	7	227	175	7	182
Past service costs and gains/losses on settlements	6	—	6	3	—	3
Interest expenses	87	–56	31	107	–72	35
	5,753	–3,062	2,691	4,771	–2,608	2,163
Remeasurements:						
Return on plan assets	—	–247	–247	—	–310	–310
Actuarial gains and losses due to changes in demographic assumptions	–2	—	–2	–25	—	–25
Experience assumptions	4	—	4	36	—	36
Actuarial gains and losses due to changes in financial assumptions	282	—	282	670	—	670
	284	–247	37	681	–310	371
Exchange rate differences on foreign plans	–257	210	–47	173	–135	38
Contributions:						
– Employers	–99	–80	–179	–84	–61	–145
– Plan participants	7	–7	0	6	–6	—
Payments from plans:						
– Benefit payments	–138	119	–19	–107	107	—
Closing balance, December 31	5,550	–3,067	2,483	5,440	–3,013	2,427

Plan assets comprise of the following ¹:

	2020		2019	
	SEKm	%	SEKm	%
Equity instruments				
– Equities	1,290	42.1	1,172	38.9
Interest-bearing securities				
– Government bonds	33	1.1	159	5.3
– Corporate bonds	425	13.9	438	14.5
– Index-linked bonds	467	15.2	512	17.0
– Interest rate funds	583	19.0	442	14.7
Properties	41	1.3	49	1.6
Liquid funds	21	0.7	12	0.4
Assets held by insurance company	207	6.7	229	7.6
Total	3,067	100.0	3,013	100.0

¹ Approximately 98% (98) of total plan assets refers to listed assets.

None of the assets above refers to shares in the Parent Company or real estates occupied by the Group.

For the funded defined benefit pension plans (Sweden, UK and US represent around 90% 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 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.

Husqvarna Group is through its defined benefit obligations 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 of 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 compensates 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.

The company expects to make contributions of approximately SEK 140m (158) to the plans during 2021.

The weighted average duration of the defined benefit obligation 18 years (18).

Note 22 Other provisions

SEKm	Provisions for restructuring	Warranty commitments	Claims	Other	Total
Opening balance, January 1, 2020	304	325	297	269	1,195
Provisions made	477	437	3	374	1,290
Provisions used	-244	-387	0	-85	-716
Unused amounts reversed	0	-10	-18	13	-15
Exchange rate differences	-27	-36	0	-40	-103
Closing balance, December 31, 2020	509	329	282	531	1,652
Current provisions	492	205	282	85	1,064
Non-current provisions	18	125	0	446	588

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.

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.

Claims

Provisions for claims refer to claim reserves in the Group's insurance companies mainly due to product liabilities but also property damage and business interruptions. The provisions are estimated based on actuarial calculations.

Other

Other provisions are in all material aspects referring to payroll related provisions.

Note 23 Other liabilities

SEKm	2020	2019
Accrued holiday pay	305	300
Other accrued payroll expenses	1,037	714
Accrued customer rebates	952	778
Other accrued expenses	652	780
Value added tax	79	57
Personnel taxes and other taxes	103	137
Other operating liabilities	285	229
Total	3,413	2,995

Note 24 Pledged assets and contingent liabilities

Pledged assets

SEKm	2020	2019
Pension obligations ¹	136	130
Real estate mortgages	22	27
Total	158	157

¹ Refers to endowment that is pledged in favor of the recipient.

Contingent liabilities

SEKm	2020	2019
On behalf of external counterparties		
Guarantees and other commitments	105	114
Total	105	114

In addition to the above contingent liabilities, guarantees for fulfillment 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 dealer's bankruptcy, to buy back repossessed Husqvarna Group products from certain dealers financing their floorplanning with an external financing company. During 2020 goods amounting to a value of SEK 5m (14) were bought back in connection with floorplanning 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 take action when deemed necessary. The Company believes that these activities help to minimize the risk. Due to complexity of these disputes, it is difficult to predict a favorable outcome of each claim and an adverse outcome affecting the consolidated financial position and result could occur.

Note 25 Related party transactions

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	Opening balance, January 1, 2020	Cash flow from financing ¹	Cash flow within operating income	Re-classification	Foreign exchange movement	Changes in fair value	Other non-cash movement in financing	Closing balance, December 31, 2020
Current interest-bearing borrowings (excl. lease liabilities)	2,694	-1,069	—	1,254	-26	—	—	2,853
Current lease liabilities	457	-450	—	320	-25	—	74	376
Non-current interest-bearing borrowings (excl. lease liabilities)	7,047	1,062	—	-1,254	-172	—	—	6,683
Non-current lease liabilities	1,304	-11	—	-320	-70	—	88	991
Derivatives, net	-309	474	-159	—	—	-402	—	-396
Total financial liabilities incl. net derivatives	11,193	5	-159	—	-293	-402	163	10,507

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".

SEKm	Opening balance, January 1, 2019	Cash flow from financing ¹	Cash flow within operating income	Re-classification	Foreign exchange movement	Changes in fair value	Other non-cash movement in financing	Closing balance, December 31, 2019
Current interest-bearing borrowings (excl. lease liabilities)	3,516	-838	—	—	16	—	—	2,694
Current lease liabilities ²	395	-442	—	326	—	—	178	457
Non-current interest-bearing borrowings (excl. lease liabilities)	6,038	949	—	—	60	—	—	7,047
Non-current lease liabilities ²	1,314	-5	—	-326	24	—	297	1,304
Derivatives, net	-105	-823	52	—	—	567	—	-309
Total financial liabilities incl. net derivatives	11,158	-1,159	52	—	100	567	475	11,193

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".

² Due to the adoption of IFRS16 the opening balances as of January 1, 2019 for lease liabilities have been adjusted with SEK 1,502m.

Note 27 Acquisitions

Acquisition of Blastrac

Husqvarna Group's Construction Division has on December 31, 2020 acquired Blastrac, a leading provider of surface preparation technologies for the global construction and remediation industry from Blastrac Global Inc., Blastrac N.A., Inc and Blastrac Global (Canada) Ltd. The acquired product range complements the Construction Division's offering within concrete surfaces and floors.

The acquisition includes all products, R&D, manufacturing, sales and service assets relating to shot blasting, scarifying, scraping, grinding & polishing and dust collection businesses. Blastrac's yearly net sales amounts to approximately SEK 600m. Husqvarna Group acquired 100% of the shares in Blastrac BV, the Netherlands, and in International Surface Preparation Asia Ltd (Hong Kong) and assets in the US and Canada. The goodwill of approximately SEK 60m arising from the acquisition is attributable to economies of scale from distributing the Blastrac range of products in the Construction Division's distribution network.

Acquisition-related costs of SEK 15m have been charged to administrative expenses in the consolidated income statement of 2020. No transactions are recognized before the acquisition date on December 31, 2020.

The company has 380 employees globally with manufacturing and sales offices in North America, Europe and Asia with sales in more than 80 countries.

Acquisition of Concrete Power Trowel business from Wacker Neuson Group

Husqvarna Group's Construction Division acquired the Concrete Power Trowel business from Wacker Neuson Group in 2019 at a purchase price of SEK 41m. The acquisition included all the product, R&D and manufacturing assets relating to walk-behind and ride-on concrete power trowels. Sales in the power trowel segment (acquired assets) in 2018 amounted to about SEK 150m.

Note 28 Subsequent events

No significant events have occurred subsequent to December 31, 2020 that would have a material impact on the Husqvarna Group's financial statements.

Parent Company income statement

SEKm	Note	2020	2019
Net sales	3	18,341	17,838
Cost of goods sold	5	–13,034	–13,626
Gross income		5,307	4,212
Selling expenses	5, 6	–1,439	–1,449
Administrative expenses	5	–1,308	–1,308
Other operating income and operating expenses	7	0	9
Operating income	4, 8, 9	2,560	1,464
Income from financial items			
Income from participation in Group companies	10	308	8,213
Financial income	11	1,245	157
Financial expenses	11	–318	–1,322
Income after financial items		3,795	8,512
Appropriations	12	–506	110
Income before taxes		3,290	8,622
Income tax	13	–647	–92
Net Income		2,643	8,530

Parent Company comprehensive income statement

SEKm	2020	2019
Net Income	2,643	8,530
Other comprehensive income		
Items that may be reclassified to the income statement:		
Cash flow hedges		
Result arising during the period, net of tax	83	38
Reclassification adjustments to the income statement, net of tax	–55	–40
Other comprehensive income, net of tax	27	–2
Total comprehensive income	2,670	8,528

Parent Company balance sheet

SEKm	Note	Dec 31, 2020	Dec 31, 2019
Assets			
<i>Non-current assets</i>			
Intangible assets	14	1,901	1,949
Property, plant and equipment	15	2,354	2,346
Financial assets			
Shares in subsidiaries	16	33,773	33,782
Derivatives	19	0	1
Other non-current assets	17, 19	38	65
Deferred tax assets	13	32	83
Total non-current assets		38,099	38,226
<i>Current assets</i>			
Inventories	18	2,038	2,171
Receivables			
Trade receivables	19	465	455
Receivables from Group companies	19	5,986	5,699
Derivatives	19	1,161	678
Other receivables	19, 20	110	110
Tax receivables		0	91
Prepaid expenses and accrued income	20	121	133
Cash and cash equivalents	19	4,596	650
Total current assets		14,476	9,987
Total assets		52,575	48,213
Equity and liabilities			
<i>Restricted equity</i>			
Share capital		1,153	1,153
Revaluation reserve		15	3
Statutory reserves		18	18
Reserve related to R&D expenses		1,399	1,276
<i>Non-restricted equity</i>			
Share-premium reserve		2,605	2,605
Fair value reserve		46	18
Profit or loss brought forward		23,333	16,198
Net Income		2,643	8,530
Total equity		31,211	29,801
Untaxed reserves	12	794	794
<i>Provisions</i>			
Provisions for pensions and other post-employment benefits	22	0	1
Other provisions	23	89	100
Total provisions		89	101
<i>Non-current liabilities</i>			
Borrowings	19, 27	6,521	6,826
Derivatives	19	85	55
Total non-current liabilities		6,606	6,881
<i>Current liabilities</i>			
Borrowings	19, 27	2,760	2,576
Liabilities to Group companies	19	7,563	5,754
Trade payables	19	1,455	1,226
Tax liabilities		611	—
Derivatives	19	488	264
Other liabilities	21	997	816
Total current liabilities		13,875	10,636
Total equity and liabilities		52,575	48,213

Parent Company cash flow statement

SEKm	Note	2020	2019
Cash flow from operations			
Income after financial items		3,795	8,512
Non cash items			
Depreciation/amortization and impairment	5, 14, 15	1,266	960
Capital gains and losses		0	-9
Other non cash items		-58	385
Taxes paid		101	55
Cash flow from operations, excluding change in operating assets and liabilities		5,104	9,903
Change in operating assets and liabilities			
Change in inventories		133	-44
Change in trade receivables		-10	17
Change in inter-company receivables/liabilities		934	-2,402
Change in other current assets		-471	-227
Change in current liabilities and provisions		624	-126
Cash flow from operating assets and liabilities		1,210	-2,782
Cash flow from operations		6,371	7,121
Investments			
Paid shareholder's contribution	16, 17	-45	-4,704
Funds from liquidation		57	—
Investments in intangible assets	14	-745	-637
Investments in property, plant and equipment	15	-501	-578
Sale of property, plant and equipment and intangible assets		17	20
Cash flow from investments		-1,217	-5,899
Cash flow from operations and investments		5,097	1,222
Financing			
New borrowings	27	2,600	1,050
Repayment of borrowings	27	-2,574	-838
Dividend paid to shareholders		-1,288	-1,287
Group contribution paid/received		111	338
Cash flow from financing		-1,151	-737
Total cash flow		3,946	485
Cash and cash equivalents at beginning of year		650	165
Cash and cash equivalents at year-end		4,596	650

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, 2019	1,153	21	1,029	2,605	21	17,707	22,536
Net income	—	—	—	—	—	8,530	8,530
Other comprehensive income	—	—	—	—	-2	—	-2
Total comprehensive income	—	—	—	—	-2	8,530	8,528
Share-based payments	—	—	—	—	—	24	24
Change of Restricted reserves related to capitalized R&D ¹	—	—	247	—	—	-247	—
Dividend SEK 2.25 per share ²	—	—	—	—	—	-1,287	-1,287
Closing balance, December 31, 2019	1,153	21	1,276	2,605	19	24,727	29,801
Net income	—	—	—	—	—	2,643	2,643
Other comprehensive income	—	—	—	—	27	—	27
Total comprehensive income	—	—	—	—	27	2,643	2,670
Share-based payments	—	—	—	—	—	17	17
Revaluation	—	12	—	—	—	—	12
Change of Restricted reserves related to capitalized R&D ¹	—	—	123	—	—	-123	—
Dividend SEK 2.25 per share ²	—	—	—	—	—	-1,288	-1,288
Closing balance, December 31, 2020	1,153	33	1,399	2,605	46	25,975	31,211

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 2020 amounts to SEK 1,297m (1,297), of which Husqvarna AB received SEK 9m (10) 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 recognised 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 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 favor 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	2020	2019
Europe	13,143	12,798
North America	2,263	2,408
Rest of the World	2,935	2,632
Total¹	18,341	17,838

¹ Net sales amounted to SEK 18,341m (17,838), of which SEK 14,336m (13,983) referred to sales to Group companies and SEK 4,005m (3,855) to external customers.

Net sales distribution per product category

SEKm	2020	2019
Forest-, park- and garden products	15,213	14,572
Construction products	3,128	3,179
Other	0	87
Total	18,341	17,838

Note 4 Employees and employee benefits

Average number of employees

	2020			2019		
	Men	Women	Total	Men	Women	Total
Board, President and CEO and Group Management	13	6	19	13	6	19
Sweden	1,637	524	2,161	1,608	538	2,146
Total	1,650	530	2,180	1,621	544	2,165

Salary and remuneration

SEKm	2020			2019		
	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses
Board, President and CEO and Group Management	75 (28)	28	12	86 (21)	29	15
Other employees	1,391	464	125	1,249	406	119
Total	1,466	492	137	1,335	435	134

For further information regarding remunerations to the Board of Directors, President and 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	2020	2019
Costs for supplies and raw materials	8,793	9,638
Remuneration to employees	2,095	1,904
Amortization/depreciation and impairment	1,266	960
Other	3,627	3,881
Total	15,781	16,383

Note 6 Exchange rate gains and losses in operating income

SEKm	2020	2019
Exchange rate gains and losses in operating income ¹	66	-56
Total	66	-56

¹ Included in selling expenses within operating income.

Operating income includes SEK 59m (49) 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	2020	2019
Other operating income		
Gain on sale of:		
– Property, plant and equipment	—	9
– Operations and shares	—	—
Total	—	9
Other operating expenses		
Loss on sale of:		
– Property, plant and equipment	0	0
Total	0	0

Note 8 Fees to auditors

SEKm	2020	2019
EY		
Audit fees for the annual audit engagement	6	6
Audit fees not included in the annual audit engagement	0	0
Tax advices	1	1
Other services	0	0
Total fees to EY	7	7

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 92m (85) in 2020.

Future minimum lease payments are allocated as follows:

SEKm	2020	2019
Within 1 year	85	84
1–5 years	141	148
> 5 years	2	23
Total	228	255

Note 10 Income from participation in Group companies

SEKm	2020	2019
Dividends	308	8,289
Profit/Loss on sales of shares in Group	0	282
Impairment	—	-358
Total	308	8,213

Note 11 Financial income and expense

SEKm	2020	2019
Financial income		
Interest income		
– from subsidiaries	42	57
– from others	24	100
whereof Interest income		
– on deposits	44	59
– on derivatives held for trading	22	98
Exchange rate differences		
– on borrowings	294	—
– on derivatives held for trading ²	885	—
Total financial income	1,245	157
Financial expenses		
Interest expense		
– to subsidiaries	-12	-55
– to others	-279	-586
whereof Interest expense		
– on borrowings	-141	-159
– on cashflow hedges, interest derivatives	0	-24
– on derivatives held for trading ¹	-150	-458
Exchange rate differences		
– on borrowings	0	-81
– on derivatives held for trading ²	0	-585
Other financial expenses	-27	-15
Total financial expenses	-318	-1,322
Financial income and expenses, net	927	-1,165

¹ Interest expense on derivatives held for trading includes interest expense on derivatives for hedging net investments SEK -109m (-410).

² Currency exchange rate difference on derivatives held for trading includes currency exchange rate differences on derivatives for hedging net investments SEK 1,155m (-669).

Note 12 Appropriations and untaxed reserves

SEKm	Appropriations		Untaxed Reserves	
	2020	2019	2020	2019
Group contribution, received	—	110	—	—
Group contribution, paid	–506	—	—	—
Accumulated depreciation in excess of plan on Machinery and equipment	—	—	399	399
Brands and other intangible assets	—	—	395	395
Total	–506	110	794	794

Note 13 Tax

SEKm	2020	2019
Current tax on income for the period	–603	–4
Deferred tax income/expense	–43	–88
Total	–647	–92

Theoretical and actual tax rate

	2020		2019	
	Tax, %	SEKm	Tax, %	SEKm
Profit before tax	—	3,290	—	8,622
Theoretical tax rate	–21.4	–704	–21.4	–1,845
Non-taxable income statements items	2.0	67	21.4	1,842
Non-deductable income statement items	–0.2	–5	–1.0	–84
Change in valuation of deferred tax	—	—	—	—
Effect of tax rate change	–0.1	–2	0.0	–1
Withholding tax	–0.1	–3	0.0	–4
Actual tax rate ¹	–19.7	–647	–1.0	–92

¹ Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 308m (8,289) and a result from shares of SEK –1m (282) as well as impairment of shares in subsidiaries SEK 0m (358).

Changes in deferred taxes

SEKm	Balance, Jan 1, 2020	Recognized in income statement	Recognized in comprehensive income statement	Reclassification	Balance, Dec 31, 2020	Balance, Jan 1, 2019	Recognized in income statement	Recognized in comprehensive income statement	Reclassification	Balance, Dec 31, 2019
Non-current assets	–4	0	0	0	–4	–5	1	0	—	–4
Provision for pensions and similar commitments	33	0	0	0	33	31	2	0	—	33
Other provisions	58	–38	0	–5	15	22	36	0	—	58
Financial and operating liabilities	–4	0	–8	0	–12	–5	0	1	—	–4
Tax losses carried forward	0	–5	0	5	0	127	–127	0	—	0
Deferred tax assets and liabilities, net	83	–43	–8	—	32	170	–88	1	—	83

Tax items recognized in Other comprehensive income amounts to SEK –8m (1) for items related to cash flow hedges.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Non-current assets	—	—	4	4	–4	–4
Provisions for pensions and similar commitments	33	33	—	—	33	33
Other provisions	15	58	—	—	15	58
Financial and operating liabilities	—	—	12	4	–12	–4
Tax losses carried forward	0	0	—	—	0	0
Deferred tax assets and liabilities	48	91	16	8	32	83
Set-off of tax	–16	–8	–16	–8	—	—
Deferred tax assets and liabilities, net	32	83	—	—	32	83

Note 14 Intangible assets

SEKm	Product development	Brands	Other	Total	SEKm	Product development	Brands	Other	Total
2020					2019				
Opening accumulated acquisition value	3,054	1,544	1,363	5,962	Opening accumulated acquisition value	2,555	1,544	1,239	5,338
Investments	487	—	258	745	Investments	508	—	128	637
Sold, scrapped	–38	—	–38	–76	Sold, scrapped	–9	—	–4	–13
Closing accumulated acquisition value	3,503	1,544	1,583	6,631	Closing accumulated acquisition value	3,054	1,544	1,363	5,962
Opening accumulated amortization and impairment	1,897	1,295	821	4,013	Opening accumulated amortization and impairment	1,520	1,165	625	3,310
Amortization ¹	404	130	174	708	Amortization ¹	359	130	197	686
Impairment	63	—	—	63	Impairment	27	—	—	27
Sold, scrapped	–35	—	–19	–54	Sold, scrapped	–9	0	–1	–10
Closing accumulated amortization and impairment	2,329	1,425	976	4,730	Closing accumulated amortization and impairment	1,897	1,295	821	4,013
Closing balance, December 31, 2020	1,174	119	608	1,901	Closing balance, December 31, 2019	1,157	249	543	1,949

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 435m (382), within selling expenses by SEK 0m (0) and within administrative expenses by SEK 273m (304).

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
2020						
Opening accumulated acquisition value	11	368	2,459	253	714	3,804
Investments	—	10	232	3	256	501
Sold, scrapped	—	–16	–65	–4	—	–85
Reclassification	—	51	318	10	–405	–26
Closing accumulated acquisition value	11	413	2,944	262	565	4,194
Opening accumulated depreciation and impairment	5	191	1,089	174	—	1,458
Depreciation ¹	0	19	279	22	—	320
Impairment	—	—	175	—	—	175
Sold, scrapped	—	–15	–93	–5	—	–113
Reclassification	—	—	—	—	—	—
Closing accumulated depreciation and impairment	5	195	1,450	191	—	1,840
Closing balance, December 31, 2020	6	218	1,494	71	565	2,354
2019						
Opening accumulated acquisition value	12	356	1,947	236	697	3,248
Investments	—	5	233	5	335	578
Sold, scrapped	–1	—	–2	—	—	–3
Reclassification	—	7	281	12	–318	–19
Closing accumulated acquisition value	11	368	2,459	253	714	3,804
Opening accumulated depreciation and impairment	5	175	881	153	—	1,214
Depreciation ¹	—	16	211	21	—	247
Impairment	—	—	—	—	—	—
Sold, scrapped	—	—	–3	0	—	–3
Reclassification	—	—	—	—	—	—
Closing accumulated depreciation and impairment	5	191	1,089	174	—	1,458
Closing balance, December 31, 2019	6	177	1,370	79	714	2,346

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 313m (242), within selling expenses by SEK 0m (0) and within administrative expenses by SEK 7m (5).

² The net book value for land is SEK 5m (5).

Note 16 Shares in subsidiaries

Country	Subsidiaries	Registration number	Holding, %	Net book value, SEK m 2020	Net book value, SEK m 2019
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	—
Denmark	Husqvarna Danmark A/S	26205328	100	16	16
Estonia	Husqvarna Eesti Osaühing	11159436	100	0	0
Germany	Husqvarna Commercial Solutions Germany GmbH	HRB 162801	100	1	—
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
Slovakia	Husqvarna Slovensko s.r.o.	36437115	100	0	0
South Africa	Husqvarna South Africa (Proprietary) Limited	2005.025971.07	100	19	19
Sweden	Husqvarna Försäkrings AB	516406-0393	100	—	57
Sweden	Husqvarna Intellectual Property Holding AB	556745-5893	100	0	0
Sweden	Husqvarna Holding Aktiebolag	556037-1964	100	12,499	12,499
Sweden	McCulloch Trademark Holding AB	556199-0683	100	0	0
Sweden	Poulan Pro Trademark Holding AB	559170-2609	100	0	0
Sweden	Gardena Flymo AB	559170-2617	100	0	0
U.S.	Millhouse Insurance Company	20-4233540	100	79	79
U.S.	Husqvarna U.S. Holding, Inc.	34-1946153	100	10,581	10,535
Total				33,773	33,782

During 2020 the subsidiary Husqvarna Försäkrings AB has been liquidated.

During 2020 the subsidiary HTC Inc was acquired and thereafter contributed to Husqvarna U.S Holding Inc.

There is also a number of subsidiaries to the subsidiaries, a detailed specification of Group companies is available on request from Husqvarna AB, Investor Relations.

Note 17 Other non-current assets

SEKm	2020	2019
Receivables Group	12	41
Other long-term receivables	26	24
Total	38	65

Note 18 Inventories

SEKm	2020	2019
Supplies including raw materials	535	472
Products in progress	12	8
Finished products	1,487	1,690
Advances to suppliers	4	1
Total	2,038	2,171

Provisions for obsolescence are included in the value of the inventory and amounts to SEK 107m (83). Provision made during the year amount to SEK 112m (111) and SEK 88m (104) has been reversed. Inventories valued to net realizable value amounted to SEK 78m (70) 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
2020				
Assets				
Derivatives	797	364	—	1,161
Receivables Group companies ¹	—	—	5,998	5,998
Trade receivables	—	—	465	465
Other receivables	—	—	12	12
Cash and cash equivalents	—	—	4,596	4,596
Total	797	364	11,071	12,232
2019				
Assets				
Derivatives	512	166	1	679
Receivables Group companies ¹	—	—	5,740	5,740
Trade receivables	—	—	455	455
Other receivables	—	—	11	11
Cash and cash equivalents	—	—	650	650
Total	512	166	6,857	7,535

¹ For long-term receivables to Group companies, see note 17.

SEKm	Financial liabilities valued at fair value	Financial liabilities for which hedge accounting is applied	Other financial liabilities	Total
2020				
Liabilities				
Borrowings	—	—	9,281	9,281
Liabilities to Group companies	—	—	7,563	7,563
Trade payables	—	—	1,455	1,455
Derivatives	267	306	—	573
Total	267	306	18,299	18,872
2019				
Liabilities				
Borrowings	—	—	9,402	9,402
Liabilities to Group companies	—	—	5,754	5,754
Trade payables	—	—	1,226	1,226
Derivatives	175	144	—	319
Total	175	144	16,382	16,701

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2020¹

SEKm	2021	2022	2023	2024	2025	>2026	Total
Bonds, bank loans and other loans	-2,851	-2,288	-1,622	-2,207	-526	—	-9,494
Liabilities to Group Companies	-7,563	—	—	—	—	—	-7,563
Derivative liabilities, interest rate	-23	-24	-21	-18	—	—	-86
Derivative liabilities, foreign exchange	-550	—	—	—	—	—	-550
Trade payables	-1,455	—	—	—	—	—	-1,455
Total financial liabilities	-12,442	-2,312	-1,643	-2,225	-526	—	-19,148

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 465m (455) as per December 31, 2020.

Trade receivables past due but not impaired amount to SEK 17m (81) as of December 31, 2020.

Aging analysis for past due, but not impaired trade receivables

SEKm	2020	2019
<3 months	13	61
>3 months	4	20
Total past due but not impaired	17	81

Provision for overdue accounts receivables

SEKm	2020	2019
Opening balance, January 1	18	14
New provisions	8	12
Reversed unused provisions	-6	-4
Write off accounts receivables	-2	-4
Closing balance, December 31	18	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	2020	2019
Value added tax	85	75
Miscellaneous short-term receivables	25	35
Prepaid rents and leases	13	11
Prepaid insurance premiums	6	5
Other prepaid expenses	102	117
Total	231	243

Note 21 Other liabilities

SEKm	2020	2019
Accrued holiday pay	181	161
Other accrued payroll expenses	441	245
Accrued customer rebates	90	71
Other accrued expenses	217	270
Personnel taxes and other taxes	68	69
Total	997	816

Note 22 Provisions for pensions**Specification of the net provision for pensions**

SEKm	2020	2019
Present value of the funded pension obligations	809	751
Fair value of plan assets	-859	-750
Surplus/deficit of the pension fund	-50	1
Surplus of the pension fund, not recognized	50	0
Net provision for pensions	0	1

Specification of the change in the net provision for pensions

SEKm	2020	2019
Opening balance, January 1	1	48
Costs for pensions recognized in the income statement	25	-21
Benefits paid	-26	-26
Closing balance, December 31	0	1

Of total net provisions, SEK 0m (1) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

Pension costs recognized in the Income statement

SEKm	2020	2019
Own pensions		
Current service costs	-1	-47
Benefits paid	26	26
Pension costs	25	-21
Insured pensions		
Insurance premiums	109	107
Total net expenses for pensions	134	86

Of total net expenses of SEK 134m (86), SEK 64m (44) is recognized in cost of goods sold, SEK 20m (11) in selling expenses and SEK 50m (31) in administration expenses. The expected payments 2021 for own pensions amounts to SEK 24m.

Principal actuarial assumptions at balance sheet date

%	2020	2019
Discount rate	1.75	2.5

The major categories of plan assets as a percentage of total plan assets and the return on these categories

%	2020	Return	2019	Return
Equity instruments	47	33	41	45
Debt instruments	53	2	59	19
Total	100	35	100	64

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, 2020	48	31	21	100
Provisions made	28	10	18	56
Provisions used	-48	-9	-10	-67
Closing balance, December 31, 2020	28	32	29	89
Current provisions	24	24	10	58
Non-current provisions	4	8	19	31

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	2020	2019
Pension obligation ¹	136	129
Total	136	129

¹ Refers to endowment that is pledged in favor of the recipient.

Contingent liabilities

SEKm	2020	2019
On behalf of Group companies		
Pension obligation	423	466
On behalf of external counterparties		
Bank guarantee	89	97
Pension obligation	16	15
Total	528	578

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, 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 occurred subsequent to the balance sheet date that would have a material impact on the Parent Company's financial statements.

Note 27 Changes in financial liabilities

SEKm	Opening balance, January 1, 2020	Cash flows ¹	Reclassification	Foreign exchange movement	Other non-cash movement	Closing balance, December 31, 2020
Current interest-bearing borrowings	2,576	-1,070	1,254	—	—	2,760
Non-current interest-bearing borrowings	6,826	1,096	-1,254	-147	—	6,521
Total financial liabilities	9,402	26	—	-147	—	9,281

¹ Cash flow from financial liabilities is included in the Parent Company's cash flow statement under "Proceeds from borrowings" and "Repayment of borrowings".

SEKm	Opening balance, January 1, 2019	Cash flows ¹	Reclassification	Foreign exchange movement	Other non-cash movement	Closing balance, December 31, 2019
Current interest-bearing borrowings	3,415	-839	—	—	—	2,576
Non-current interest-bearing borrowings	5,776	1,000	—	50	—	6,826
Total financial liabilities	9,191	161	—	50	—	9,402

¹ Cash flow from financial liabilities is included in the Parent Company's cash flow statement under "Proceeds from borrowings" and "Repayment of borrowings".

Note 28 Proposed distribution of earnings

The Board of Directors proposes a dividend for 2020 of SEK 2.40 per share (2.25) corresponding to a total dividend payment of SEK 1,374m (1,287) based on the number of outstanding shares at the end of 2020. 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 0.80 per share in April and the remaining SEK 1.60 per share in October.

The proposed record dates are April 16, 2021 for the first payment and October 18, 2021 for the second payment.

SEKt	2020
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	23,333,337
Net income	2,642,511
Total	28,581,595

SEKt	2020
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 2.40 per share ¹	1,374,187
To be carried forward	27,207,408
Total	28,581,595

¹ Calculated on the number of outstanding shares as per December 31, 2020.

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 President & CEO

The Board of Directors and the President & 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, 2021

Tom Johnstone
Chair of the Board

Ulla Litzén
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Christine Robins
Board member

Henric Andersson
President & CEO
and Board member

Tina Helmke Hallberg
Board member and
employee representative

Dan Byström
Board member and
employee representative

Our audit report was issued on March 10, 2021
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Declaration by the Board of Directors and the President & CEO

Auditor's report

To the general meeting of the shareholders of Husqvarna AB (publ), org nr 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 2020. The annual accounts and consolidated accounts of the company are included on pages 45–115 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 2020 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 2020 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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation and Existence of Inventory

Description

Inventory represents a significant portion of the total assets of the Group. The value of inventory, net of provisions for obsolescence, as of December 31, 2020, was 9.7 billion SEK. The Group's inventory is carried at the lower of the acquisition value in accordance with the weighted average cost formula and the net realizable value. The net realizable value reflects the estimated write-down for older articles, physically damaged goods, excess inventory and selling expenses. The Group's pronounced seasonality in sales together with weather-dependent products increase the difficulty in estimating the value of inventory. We have consequently assessed that valuation and existence of inventory represents a key audit matter. Additional information regarding provisions for obsolescence as well as the portion of inventory which are carried at net realizable value after selling expenses are disclosed in group note 17 ("Inventory").

How our audit addressed this key audit matter

The existence of inventory is addressed in all entities that hold inventory. We have attended stock counts for all material inventory locations. We have performed audit procedures on the acquisition value of all inventories, from components to finished goods. Our audit to determine that inventory has been carried at the lower of acquisition value and net realizable value is performed by means of reviewing inventory aging as well as inventory turnover for each respective product grouping as well as by means of review of obsolete items. At the group level we have furthermore performed audit procedures related to the reserve for internal profits in inventory.

Impairment tests of goodwill and other assets with indefinite lives

Description

Goodwill and other assets with indefinite useful lives amounted to 10,1 billion SEK as of December 31, 2020. Management conducts impairment tests annually as well as in cases where impairment indicators have been identified. The recoverable amount for each cash generating unit is determined as the value in use, which is computed under the discounted cash flow method based on forecasted future results. Key assumptions in these computations are expected growth, margin and appropriate discount rates. The impairment test process is to its nature based on assumptions and judgements, not least due to it being based on estimates of the future developments in the market and other financial factors that are affected by expected future market or economic conditions. The underlying computations are furthermore complex. We have consequently assessed that goodwill and other assets with indefinite lives represent a key audit matter.

How our audit addressed this key audit matter

As part of our audit we have assessed and audited key parameters, the application of acknowledged valuation theory, the discount rate (referred to as WACC – "Weighted Average Cost of Capital") and other source data that has been applied by the Group. We have for instance compared parameters applied to external data sources, such as expected inflation or assessments of future market growth and have assessed the sensitivity of the Group's valuation model. We have included valuation specialists in our audit team in order to perform this work. Specific emphasis has been placed on the sensitivity of the computations, including performing an independent assessment of whether there is a risk that reasonable likely events could give rise to a situation where the recoverable amount would be lower than the carrying amount. This assessment has also addressed the Group's historical success at prognostication.

We have finally assessed the appropriateness of disclosures in Group note 14 ("Intangible assets"), in particular with regards to the disclosures provided as to key sensitivities when computing the value in use.

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 1–44 and 119–124. The remuneration report for the financial year 2020 also constitutes other information. 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 intends 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, 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

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 2020 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.

Ernst & Young AB with Hamish Mabon as main responsible partner, P.O Box 7850 SE-103 99 Stockholm, was appointed auditor of Husqvarna AB by the general meeting of the shareholders on the 26th of June, 2020 and has been the company's auditor since the April 10, 2014.

Stockholm March 10, 2021
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

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

In computation of key ratios where averages of capital balances are included, the average capital balances are based on the opening balance and all quarter-end closing balances included in the reporting period, i.e five quarters.

Roundings

All items are stated in SEKm and, accordingly, rounding differences can occur.

Growth measures

Net sales adjusted for changes in exchange rates

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

Net sales growth

Change in net sales compared to previous period in percent.

Organic growth

Change in net sales, adjusted for acquisitions, divestments and currency translation effects.

Profitability measures

EBITDA

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

EBITDA margin

EBITDA as a percentage of net sales.

Gross margin

Gross income as a percentage of net sales.

Last twelve months (LTM)

Last twelve months rolling has been included to assist stakeholders in their analysis of the seasonality that the Husqvarna Group's business is exposed to.

Operating margin

Operating income as a percentage of net sales.

Return on capital employed

Operating income plus financial income (last twelve months) as a percentage of average capital employed.

Return on equity

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.

Share-based measures

Earnings per share, after dilution

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.

Equity per share, after dilution

Equity attributable to equity holders of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution.

Capital indicators

Capital employed

Total equity and liabilities less non-interest-bearing debt including deferred tax liabilities.

Capital expenditure

Investments in property, plant and equipment, right of use assets and intangible assets.

Interest bearing liabilities

Long-term and short-term borrowings, net pension liability and fair value derivative liabilities.

Liquid funds

Cash and cash equivalents, short-term investments and fair value derivative assets.

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

Operating working capital

Inventories and trade receivables less trade payables.

Capital measures

Equity/assets ratio

Equity attributable to equity holders of the Parent Company as a percentage of total assets.

Capital turnover rate

Net sales last twelve months divided with average net assets.

Net debt/EBITDA excl. items affecting comparability

Average net debt in relation to EBITDA last twelve months, excluding items affecting comparability.

Net debt/equity ratio

Net debt in relation to total equity.

Operating working capital/net sales

Average operating working capital as a percentage of net sales last twelve months.

Other measures

Direct operating cash flow

Direct operating cash flow is a measure of the cash generated by the Groups operating business. The measure is defined as 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. For a reconciliation of direct operating cash flow refer to the table below the cash flow statement.

Items affecting comparability

To assist in understanding Husqvarna Group's operations, we believe that it is useful to consider certain measures and ratios exclusive of items affecting comparability. Items affecting comparability includes items that are non-recurring, have a significant impact and are considered to be important for understanding the operating performance when comparing results between periods. The items affecting comparability are disclosed on page 47. All measures and ratios in this report have been disclosed including items affecting comparability first and then excluding items affecting comparability as a second measure when deemed appropriate.

Operating cash flow

Operating cash flow is a measure of the amount of cash generated by the Group's ordinary business operations. The measure is defined as total cash flow from operations and investments, excluding acquisitions and divestments of subsidiaries/operations, divestments of property plant and equipment and investments/divestments of financial assets. For a reconciliation of operating cash flow refer to table below the cash flow statement.

Five-Year Review

Income and key ratios, SEKm	2020	2019	2018 ¹	2017 ^{1,4}	2016 ¹
Net sales	41,943	42,277	41,085	39,394	35,982
Husqvarna	26,607	27,506	27,156	27,221	25,285
Gardena	9,427	8,343	8,118	7,151	6,596
Construction	5,844	6,340	5,762	5,015	4,101
Gross income	12,576	12,529	10,502	11,472	11,096
Gross margin, %	30.0	29.6	25.6	29.1	30.8
EBITDA *	6,206	5,779	4,000	5,105	4,382
EBITDA margin, %	14.8	13.7	9.7	13.0	12.2
Operating income	3,669	3,690	2,070	3,790	3,218
Operating income excl. items affecting comparability *	4,484	3,915	3,241	3,790	3,218
Operating margin, %	8.7	8.7	5	9.6	8.9
Operating margin excl. items affecting comparability, % *	10.7	9.3	7.9	9.6	8.9
Husqvarna excl. items affecting comparability, % *	10.1	8.8	7.8	10.0	9.4
Gardena excl. items affecting comparability, % *	15.2	10.2	8	9.3	8.0
Construction excl. items affecting comparability, % *	10.8	13.2	12.4	12.9	13.9
Income after financial items	3,330	3,122	1,561	3,290	2,796
Net Income	2,495	2,528	1,213	2,660	2,104
Of which depreciation, amortization and impairment	-2,537	-2,089	-1,930	-1,315	-1,164
Financial position and key ratios, SEKm	2020	2019	2018 ¹	2017 ^{1,4}	2016 ¹
Total assets	43,517	41,981	38,607	35,418	32,978
Net assets	23,555	28,565	25,883	22,866	21,198
Husqvarna	12,427	15,371	10,547	8,885	8,675
Gardena	6,650	7,733	6,965	6,394	6,144
Construction	5,608	5,833	5,366	4,596	2,967
Operating working capital	8,179	10,379	10,058	8,831	8,763
Total equity	17,062	17,283	16,009	15,667	14,365
Net debt *	6,493	11,315	9,875	7,199	6,833
Return on capital employed, %	13.3	12.9	7.6	14.7	13.7
Return on equity, %	13.5	14.7	7.3	17.4	15.2
Capital turn-over rate, times	1.6	1.5	1.6	1.7	1.7
Net debt/equity ratio	0.38	0.65	0.62	0.46	0.48
Equity/assets ratio, %	39	41	41	44	44
Cash flow, SEKm	2020	2019	2018 ¹	2017 ^{1,4}	2016 ¹
Operating cash flow *	6,087	2,676	-248	1,847	1,666
Capital expenditure	1,994	2,232	2,235	1,892	1,889
Other key ratios	2020	2019	2018 ¹	2017 ^{1,4}	2016 ¹
Earnings per share after dilution, SEK	4.35	4.42	2.12	4.62	3.66
Equity per share after dilution, SEK	29.8	30.2	28.0	27.3	25
Average number of shares after dilution, millions	572.9	572.4	572.3	574.2	574.1
Dividend per share, SEK ²	2.40	2.25	2.25	2.25	1.95
Dividend pay-out ratio, % ³	55	51	106	48	53
Salaries and remunerations, SEKm	5,803	5,833	5,712	5,121	4,680
Average number of employees	12,374	12,708	13,206	13,252	12,704

¹ Restatement of divisions due to allocation of the Consumer Brands Division.

² As proposed by the Board.

³ Dividend pay out ratio is defined as total dividend in relation to the net income excluding non-controlling interest.

⁴ Restatement of 2017 due to IFRS 15 transition, reclassification of certain exchange rate effects, and reclassification of certain sales between segments.

* Alternative Performance Measure, refer to section "Definitions" for further information.

Quarterly Data

Income, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net sales	2020	12,208	13,482	9,570	6,683	41,943
	2019	13,651	13,789	8,429	6,408	42,277
	2018	12,303	14,270	8,042	6,470	41,085
Operating income	2020	1,424	2,191	997	-944	3,669
	2019	1,644	2,125	414	-493	3,690
	2018	1,373	1,925	-124	-1,104	2,070
Operating income excl. items affecting comparability *	2020	1,424	2,191	997	-129	4,484
	2019	1,686	2,125	414	-310	3,915
	2018	1,373	1,925	225	-282	3,241
Operating margin excl. items affecting comparability, % *	2020	11.7	16.3	10.4	-1.9	10.7
	2019	12.3	15.4	4.9	-4.8	9.3
	2018	11.2	13.5	2.8	-4.4	5.0
Income for the period	2020	992	1,567	653	-718	2,495
	2019	1,140	1,506	269	-387	2,528
	2018	940	1,380	-185	-922	1,213
Earnings per share after dilution, SEK	2020	1.73	2.74	1.14	-1.26	4.35
	2019	1.99	2.63	0.47	-0.67	4.42
	2018	1.64	2.41	-0.32	-1.61	2.12
Financial position, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net debt *	2020	11,629	7,737	4,457	6,493	6,493
	2019	13,548	11,340	11,609	11,315	11,315
	2018	9,198	8,862	8,040	9,875	9,875
Operating working capital	2020	12,324	11,652	8,667	8,179	8,179
	2019	13,889	12,224	11,238	10,379	10,379
	2018	12,243	12,069	10,107	10,058	10,058
Net sales by division, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna	2020	8,001	8,042	6,069	4,496	26,607
	2019	9,506	8,688	5,204	4,108	27,506
	2018 ¹	8,484	9,347	5,015	4,310	27,156
Gardena	2020	2,708	4,011	1,948	761	9,427
	2019	2,630	3,373	1,630	710	8,343
	2018 ¹	2,483	3,325	1,564	746	8,118
Construction	2020	1,487	1,412	1,541	1,403	5,844
	2019	1,494	1,720	1,575	1,551	6,340
	2018	1,328	1,590	1,446	1,398	5,762
Operating margin by division, %	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna	2020	12.2	13.4	8.9	-13.6	7.4
	2019	12.5	14.0	1.6	-5.5	8.2
	2018 ¹	12.3	12.3	-6.9	-14.5	10.7
Gardena	2020	14.7	26.3	14.1	-38.7	15.2
	2019	14.1	20.8	7.4	-49.0	10.2
	2018 ¹	10.6	17.9	4.1	-66.8	11.6
Construction	2020	8.9	9.9	15.3	2.3	9.3
	2019	11.8	15.5	14.6	6.8	12.3
	2018	11.9	15.8	13.3	5.0	11.7

* Alternative Performance Measure, refer to section "Definitions" for further information.

¹ Restated due to reclassification of certain sales between segments.

The Share

Listing and trading volume

The Husqvarna AB shares have been listed on Nasdaq Stockholm since June 2006. A total of 563 million shares (390) were traded in 2020, with a total value of SEK 42bn (30), corresponding to an average daily trading volume of 2.2 million shares (1.6) or SEK 168m (122). The turnover velocity for the B-share was 113 percent (84) in 2020. During 2020, the price of the B-share increased 42 percent to SEK 107 (75). 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 of Directors has proposed a dividend of SEK 2.40 per share (2.25) for 2020, divided into two payments. SEK 0.80 to be paid in April, 2021 and SEK 1.60 to be paid in October, 2021. The dividend represents 55 percent (51) of net income. The policy is that the dividend normally shall exceed 40 percent of net income.

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 3,765,850 B-shares (4,141,164) corresponding to 0.7 percent (0.7) 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. 325,169 A-shares were converted to B-shares in 2020.

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 depository bank.

Key facts

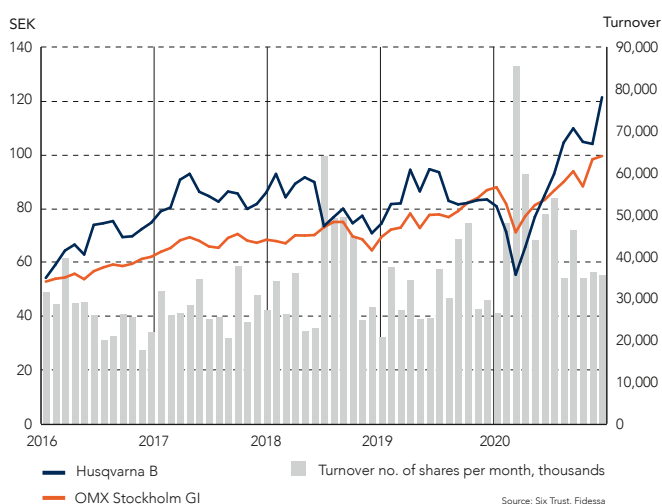
Husqvarna AB shares

Listing:	Nasdaq Stockholm
Number of shares:	576,343,778
Market capitalization at year-end 2020:	SEK 61bn
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

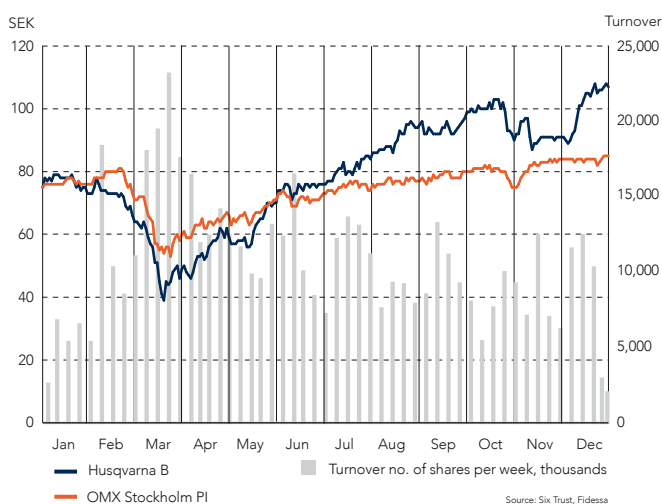
Husqvarna ADR

Ticker code:	HSQVY
ISIN code:	US4481031015
Ratio:	Two ordinary B-shares equal one ADR

Husqvarna B, price development 2016–2020



Husqvarna B, price development 2020



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

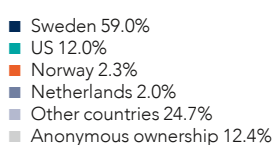
Largest shareholders in Husqvarna AB

Owner	Capital, %	Votes, %
Investor	16.8%	33.1%
Lundbergföretagen AB	7.6%	25.2%
Handelsbanken Funds	3.9%	1.4%
Swedbank Robur Funds	3.5%	1.3%
BlackRock	2.6%	1.0%
Didner & Gerge Funds	2.1%	1.8%
Vanguard	1.8%	0.7%
Lannebo Funds	1.7%	1.4%
Norges Bank	1.7%	1.4%
Länsförsäkringar Funds	1.4%	0.5%
Sum for ten largest holders	43.2%	67.7%
Other	56.8%	32.3%
Total	100.0%	100.0%

Shareholding by size in Husqvarna AB

Size of holding	Capital, %	Votes, %
1 – 1,000	2.4%	2.4%
1,001 – 10,000	4.1%	3.7%
10,001 – 100,000	3.0%	2.0%
100,001 – 1,000,000	9.9%	4.5%
1,000,001 –	68.3%	82.2%
Anonymous ownership	12.4%	5.2%
Totalt	100.0%	100.0%

Distribution of shareholders by country



Share data

	2020	2019	2018
Earnings per share, SEK	4.36	4.42	2.12
Earnings per share after dilution, SEK	4.35	4.42	2.12
Operating cash flow per share, SEK	10.63	4.64	-0.43
Operating cash flow per share, after dilution, SEK	10.62	4.64	-0.43
Equity per share after dilution, SEK	29.8	30.2	28.0
Dividend per share, SEK ¹	2.40	2.25	2.25
Yield, % ²	2.3	3.0	3.4
Dividend payout ratio, %	55	51	106
Year-end price, A-share, SEK	107	75	66
Highest price, A-share, SEK	110	92	90
Lowest price, A-share, SEK	39	64	63
Year-end price, B-share, SEK	107	75	66
Highest price, B-share, SEK	109	92	90
Lowest price, B-share, SEK	38	64	63
Number of shareholders	68,749	63,153	60,005
Market capitalization, SEKm	61,436	43,237	37,855

¹ Dividend 2020 as proposed by the Board.

² Dividend/year-end share price.

Source: Holdings/Euroclear as of December 31, 2020.

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

2021 Annual General Meeting

The 2021 AGM of Husqvarna AB (publ) will be held on Wednesday, April 14, 2021.

Due to the ongoing Covid-19 situation, the AGM will be conducted pursuant to a so called mail-in procedure, meaning no shareholders, proxy holders or other external persons will attend the AGM in person.

Participation

To participate (vote) in the AGM a shareholder must:

- Be registered in the register of shareholders maintained by Euroclear Sweden AB as of Tuesday, April 6, 2021.
- Notify attendance at the AGM no later than Tuesday, April 13, 2021. The exercise of voting rights in accordance with the mail-in procedure will be considered as a notification from the shareholders to attend the meeting.

Notice of participation and advance voting

Notice of intent to participate and vote in advance 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 2021 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 Tuesday, April 6, 2021. To ensure that such registration is made prior to Thursday, April 8, 2021, shareholders must inform the nominee well in advance of this date.

Dividend

The Board of Directors has proposed a dividend for financial year 2020 of SEK 2.40 per share to be paid in two installments, firstly SEK 0.80 per share with Friday, April 16, 2021 as the first record day, secondly SEK 1.60 per share with Monday, October 18, 2021 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 Wednesday, April 21, 2021 for the first part of the dividend and Thursday, October 21, 2021 for the second part.

The last day for trading in Husqvarna AB shares with a right to the first part of the dividend is Wednesday, April 14, 2021. The last day for trading in Husqvarna AB shares with a right to the second part of the dividend is Thursday, October 14, 2021.

For information on how your personal data is processed, see www.euroclear.com/dam/ESw/Legal/Privacy-noticebolagsstammor-engelska.pdf

Financial calendar 2021

April 14	Annual General Meeting
April 22	Interim Report January–March
July 16	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.

PRODUCTION: Husqvarna AB (publ) and Hallvarsson & Halvarsson.



**Husqvarna
Group**

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