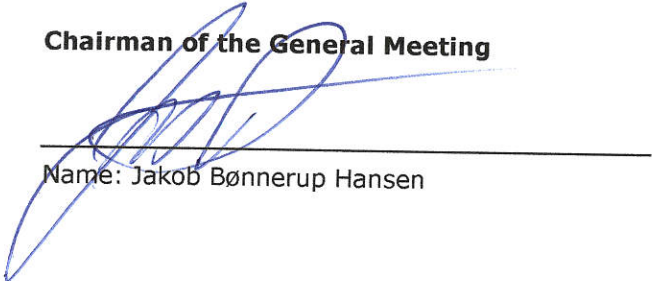


Husqvarna Danmark A/S
Lejrvej 19, st.
3500 Værløse
Central Business Registration No
26205328

Annual report 2016

The Annual General Meeting adopted the annual report on 06.07.2017

Chairman of the General Meeting



Name: Jakob Bønnerup Hansen

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Entity details

Entity

Husqvarna Danmark A/S
Lejrvej 19, st.
3500 Værløse

Central Business Registration No: 26205328

Registered in: Værløse

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Alexander Stuart De Courcy, Chairman

Josephus Cornelis van Opdorp

Jakob Bønnerup Hansen

Executive Board

Jakob Bønnerup Hansen, CEO

Entity auditors

Ernst & Young Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

Postboks 250

2000 Frederiksberg

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Husqvarna Danmark A/S for the financial year 01.01.2016 – 31.12.2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the Company's financial position at 31.12.2016 and of the results of the Company's operations for the financial year 01.01.2016 – 31.12.2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Værløse, 06.07.2017

Executive Board



Jakob Bønnerup Hansen
CEO

Board of Directors

Alexander Stuart De Courcy
Chairman

Josephus Cornelis van Oporp



Jakob Bønnerup Hansen

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CEO

Board of Directors



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Chairman

Josephus Cornelis van Opdorp

Jakob Bønnerup Hansen

Independent auditor's report

To the shareholders of Husqvarna Danmark A/S

Opinion

We have audited the financial statements of Husqvarna Danmark A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Copenhagen, 06.07.2017

Ernst & Young

Godkendt Revisionspartnerselskab

Central Business Registration No: 30700228



Martin Alsbæk

State Authorised Public Accountant



Dennis Dupont

State Authorised Public Accountant

Management's review

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	370.115	322.526	298.500	306.042	291.811
Gross profit/loss	63.505	58.756	62.158	67.836	66.519
Operating profit/loss	(14.327)	3.703	10.060	8.015	12.115
Net financials	295	65	(835)	(897)	(725)
Profit/loss for the year	(11.581)	2.160	6.244	4.556	7.792
Total assets	50.330	56.143	87.354	88.998	88.747
Investments in property, plant and equipment	37	0	127	100	350
Equity	2.121	13.702	11.542	17.598	17.598
Employees in average	34	33	29	32	34
Ratios					
Operating margin	(3,9)	1,1	3,4	2,6	4,2
Gross margin	17,2	18,2	20,8	22,2	22,8
Solvency ratio	4,2	24,4	13,2	19,8	19,8

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Ratios	Calculation formula	Ratios
Operating margin	$\frac{\text{Operating profit} * 100}{\text{Revenue}}$	
Gross margin	$\frac{\text{Gross profit} * 100}{\text{Revenue}}$	
Solvency ratio	$\frac{\text{Equity at year end} * 100}{\text{Total equity and liabilities at year end}}$	

Management's review

Primary activities

Husqvarna Danmark A/S markets the Husqvarna Group's products for gardens, parks and woods. In the consumer line the brands Flymo, McCulloch and Gardena and in the professional line their brands Husqvarna, Jonsered and Klippo. For the construction industry, circular cross-cut saws and diamond tools of the brands Husqvarna and Diamant Boart are marketed.

The product line covers private individuals' and professionals' need for state-of-the art equipment making outdoor tasks easier. The products include chain saws, security clothing and products for gardens/parks such as lawn mowers, front riders, mini-tractors, brush cutters and grass trimmers.

It is the Company's objective to stay a leading player when it comes to profitable marketing of innovative, reliable products that can solve tasks in an efficient way, thus making our customers' life easier and more comfortable.

Development in activities and finances

In 2016, the company's revenue came in at DKK 370,115 thousand against DKK 322,526 thousand last year. The income statement for 2016 shows a loss of DKK -11,581 thousand against a profit of DKK 2,160 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 2,121 thousand.

In the annual report of 2016, Management expected the results of operations to be lower than 2015 due to events taken place in January 2016, resulting in an aggregated loss in the order of DKK 15 million.

In January 2016, Management identified several non-recurring events, which have resulted in the above mentioned loss. Management has taken measures to prevent similar events going forward.

The loss has implied that the Company has lost more than 50% of its share capital and is thus subject to the capital loss provisions of the Danish Companies Act.

Management called for an extraordinary general meeting and the decision was made that all future profits will stay in the company until the loss is fully covered. It was also decided that the owner Husqvarna AB should issue a letter of support, which was done on the 18th of April 2017.

Given these conditions, management considers the Company's financial performance in the year satisfactory.

Outlook

Management expects 2017 results to be considerably higher than 2016 - partly given the events of January 2016, not affecting the 2017 results, and partly given high growth expectations.

Particular risks

Price risks:

The price level for goods for resale is relatively stable, just as potential price increases may be included in the selling price. Thus, the price risk is considered moderate.

Management's review

Foreign exchange risks:

As only an immaterial portion of the Company's purchases take place in foreign currency, the exchange risk is considered minimal.

Environmental performance

In the opinion of the Company, its activities do not impact the environment in any significant manner.

Events after the balance sheet date

No post balance sheet events have occurred that could materially affect the assessment of the Company's financial position.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Revenue		370.115	322.526
Cost of sales		<u>(306.610)</u>	<u>(263.770)</u>
Gross profit/loss		63.505	58.756
Distribution costs	2, 3	(53.767)	(47.618)
Administrative costs	2, 3	<u>(24.065)</u>	<u>(7.435)</u>
Operating profit/loss		(14.327)	3.703
Other financial income	4	395	229
Other financial expenses	5	<u>(100)</u>	<u>(164)</u>
Profit/loss before tax		(14.032)	3.768
Tax on profit/loss for the year	6	<u>2.451</u>	<u>(1.608)</u>
Profit/loss for the year	7	<u>(11.581)</u>	<u>2.160</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Goodwill		2.850	5.700
Intangible assets	8	2.850	5.700
Other fixtures and fittings, tools and equipment		122	105
Leasehold improvements		11	26
Property, plant and equipment	9	133	131
Other receivables		276	265
Fixed asset investments		276	265
Fixed assets		3.259	6.096
Manufactured goods and goods for resale		1.610	2.044
Inventories		1.610	2.044
Trade receivables		27.671	26.308
Receivables from group enterprises		12.560	20.605
Deferred tax	10	2.912	461
Other receivables		1	11
Income tax receivable		1.472	172
Prepayments	11	845	446
Receivables		45.461	48.003
Current assets		47.071	50.047
Assets		50.330	56.143

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	12	4.250	4.250
Retained earnings		(2.129)	9.452
Equity		<u>2.121</u>	<u>13.702</u>
Other provisions	13	10.023	7.144
Provisions		<u>10.023</u>	<u>7.144</u>
Trade payables		3.025	661
Payables to group enterprises		20.616	20.476
Other payables		14.545	14.160
Current liabilities other than provisions		<u>38.186</u>	<u>35.297</u>
Liabilities other than provisions		<u>38.186</u>	<u>35.297</u>
Equity and liabilities		<u>50.330</u>	<u>56.143</u>
Going concern	1		
Unrecognised rental and lease commitments	14		
Mortgages and securities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.250	9.452	13.702
Profit/loss for the year	0	(11.581)	(11.581)
Equity end of year	4.250	(2.129)	2.121

Notes

1. Going concern

The continued operations of the Company is dependent on the parent company making the necessary financing and cash available to the Company, thereby enabling the Company to pay its liabilities as they fall due. The company has received a letter of support from its parent company, which state that Husqvarna AB will continue to fund Husqvarna Danmark A/S so they can pay its liabilities as they fall due.

	2016	2015
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	20.887	18.235
Pension costs	1.481	1.426
Other social security costs	320	287
Other staff costs	460	437
	23.148	20.385
Average number of employees	34	33

Staff costs are recognised as follows in the financial statements:

	2016	2015
	DKK'000	DKK'000
Distribution	20.440	17.258
Administration	2.707	3.127
	23.147	20.385

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

	2016	2015
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.850	2.850
Depreciation on property, plant and equipment	35	154
	2.885	3.004

Amortisation/depreciation of intangibles assets and property, plant and equipment is recognised in the income statement under the following items:

Distribution costs at DKK 35 thousand (2015: DKK 154 thousand)

Administrative expenses at DKK 2.850 thousand (2015: DKK 2.850 thousand)

Notes

	2016	2015
	DKK'000	DKK'000
4. Other financial income		
Financial income arising from group enterprises	1	1
Other financial income	394	228
	395	229
	2016	2015
	DKK'000	DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	97	153
Other financial expenses	3	11
	100	164
	2016	2015
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Tax on current year taxable income	0	1.560
Change in deferred tax for the year	(2.451)	48
	(2.451)	1.608
	2016	2015
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	(11.581)	2.160
	(11.581)	2.160
		Goodwill
		DKK'000
8. Intangible assets		
Cost beginning of year		28.501
Cost end of year		28.501
Amortisation and impairment losses beginning of year		(22.801)
Amortisation for the year		(2.850)
Amortisation and impairment losses end of year		(25.651)
Carrying amount end of year		2.850

Notes

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
9. Property, plant and equipment		
Cost beginning of year	592	551
Additions	<u>37</u>	<u>0</u>
Cost end of year	<u>629</u>	<u>551</u>
Depreciation and impairment losses beginning of the year	(487)	(525)
Depreciation for the year	<u>(20)</u>	<u>(15)</u>
Depreciation and impairment losses end of the year	<u>(507)</u>	<u>(540)</u>
Carrying amount end of year	<u>122</u>	<u>11</u>
10. Deferred tax		
	2016	2015
	<u>DKK'000</u>	<u>DKK'000</u>
Deferred tax, beginning of year	461	509
Deferred tax, adjustments of year	<u>2.451</u>	<u>(48)</u>
Deferred tax, end of year	<u>2.912</u>	<u>461</u>
11. Prepayments		
Prepayments relates mainly to prepaid rent and car costs.		
12. Contributed capital		
The share capital consists of the following:		
	2016	2015
	<u>DKK'000</u>	<u>DKK'000</u>
42.500 shares of DKK 100 each	<u>4.250</u>	<u>4.250</u>
	<u>4.250</u>	<u>4.250</u>

The Company's share capital has remained DKK 4,250 thousand over the past 5 years.

Notes

13. Other provisions

The Company offers a 2-year product warranty under which it is obliged to repair or replace unsatisfactory products. In addition, yet another year is granted in respect to certain products provided that a service check has been performed before the end of the two first years after the acquisition date. Warranty commitments totalling DKK 9,623 thousand (2015: 6,673 thousand) have been recognised in respect of expected warranty claims based on prior year's experience regarding the level of repairs and returns, which are estimated as follows: The due date for warranty commitments is expected to be: Within 1 year DKK 7,063 thousand (2015: DKK 3,133 thousand), over 1 year DKK 2,560 thousand (2015: DKK 3,539 thousand).

Other provisions concern operating leases, recognised by DKK 400 thousand (2015: DKK 472 thousand). The due date for provisions for operating leases is expected to be as follows:

Within 1 year DKK 60 thousand (2015: DKK 71 thousand), over 1 year DKK 340 thousand (2015: DKK 400 thousand).

	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
14. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>4.816</u>	<u>4.559</u>

15. Mortgages and securities

The Company had not put up any security or provided other collateral in assets at 31.12.2016

16. Related parties with controlling interest

Husqvarna Danmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Husqvarna AB	Drottninggatan 2, SE-561 82 Husqvarna, Sverige	Participating interest

17. Transactions with related parties

	<u>DKK'000</u> <u>2016</u>
Purchase of goods from group companies	(305.674)
Cost of management fee to parent company	(2.007)
Interest income from group company	1
Interest expenses to group company	(97)
Receivables from group companies	12.560
Payables to group companies	(20.616)

Besides the above listed transactions, no other transactions were carried through with shareholders or other group companies in the year.

Notes

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Husqvarna AB	Drottninggatan 2, SE-561 82 Husqvarna, Sverige	The consolidated financial statement can be obtained at the Parent company's address

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Husqvarna AB	Drottninggatan 2, SE-561 82 Husqvarna, Sverige	The consolidated financial statement can be obtained at the Parent company's address

Accounting policies

Reporting class

The annual report of Husqvarna Danmark A/S for 2016 has been prepared in accordance with the provisions applying to medium-sized reporting class C enterprises under the Danish Financial Statements Act.

Changes in accounting policies

Effective 1 April 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.

Apart from the above changes in accounting policy and new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, expenses incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Foreign currency translation

The financial statements are presented in Danish kroner.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Accounting policies

Receivables and payable and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the invoice can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on the standardised terms of delivery based on Incoterms 2010.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising, exhibitions and amortisation/depreciation of assets that are related to sale and distribution of the company's products.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Goodwill	10 years
Leasehold improvements	5 years
Plant and machinery	7 years
Other fixtures and fittings, tools and equipment	5-10 years
Computer hardware	3 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Accounting policies

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Administrative costs

Administrative costs include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

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In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Other financial income

Other financial income are recognised in the income statements at the amounts that concern the financial year. Financial income include interest income as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Other financial expenses

Other financial expenses are recognised in the income statements at the amounts that concern the financial year. Financial expenses include interest costs as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Receivables

Receivables are measured at amortised cost, which is usually equivalent to the nominal value. An impairment loss is recognised based on objective evidence that a receivable or a group of receivables is impaired. Impairment write-downs is made to the lower of net realisable value and the carrying amount.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value. The net realisable value of inventories is made up as the sum of the future sales income which inventories at the balance sheet date are expected to generate as part of the normal course of business, fixed with due regard to negotiability, obsolescence and developments in the expected selling price less the expenses relating to sales.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied

Accounting policies

to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Income tax payable or receivable

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years. This is typically prepaid expenses relating to rent of equipment and exhibition expenses.

Other provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees. In addition, yet another year is granted in respect of the brands Husqvarna and Jonsered provided that a service check has been performed before the end of the two first years after the acquisition date. Provisions are measured and recognised based on experience with warranty work.

Other financial liabilities

Other financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases. Other liabilities are measured at net realisable value.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other leases are disclosed under contingencies, etc.

Accounting policies

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Husqvarna AB.