# HUSQVARNA DANMARK A/S

Lejrvej 19, st.
3500 Værløse
Business Registration No
26205328

## Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

**Chairman of the General Meeting**

Name: Jakob Bønnerup Hansen

# Contents

# Entity details

**Entity**

HUSQVARNA DANMARK A/S
Lejrvej 19, st.
3500 Værløse

Central Business Registration No (CVR): 26205328
Registered in: Furesø
Financial year: 01.01.2017 - 31.12.2017

**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 Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Husqvarna Denmark A/S for the financial year 01.01.2017 - 31.12.2017.

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 finacial position at 31.12.2017 and of the results of the Company's operations for the financial year 01.01.2017 - 31.12.2017.

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 Comapny's operations and financial position.

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

Værløse, 31.05.2018

**Executive Board**

Jakob Bønnerup Hansen
CEO

**Board of Directors**

| | | |
|---|---|---|
| Alexander Stuart De Courcy<br>Chairman | Josephus Cornelis van Opdorp | Jakob Bønnerup Hansen |

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Husqvarna Denmark A/S for the financial year 01.01.2017 - 31.12.2017.

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 finacial position at 31.12.2017 and of the results of the Company's operations for the financial year 01.01.2017 - 31.12.2017.

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 Comapny's operations and financial position.

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

Værløse, 31.05.2018

**Executive Board**

Jakob Bønnerup Hansen
CEO

**Board of Directors**

| | | |
|---|---|---|
| Alexander Stuart De Courcy<br>Chairman | Josephus Cornelis van Opdorp | Jakob Bønnerup Hansen |

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Husqvarna Denmark A/S for the financial year 01.01.2017 – 31.12.2017.

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 finacial position at 31.12.2017 and of the results of the Company's operations for the financial year 01.01.2017 – 31.12.2017.

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 Comapny's operations and financial position.

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

Værløse, 31.05.2018

**Executive Board**

Jakob Bønnerup Hansen
CEO

**Board of Directors**

Kees van Opdorp

| | | |
|---|---|---|
| Alexander Stuart De Courcy<br>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 2017, which comprise 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

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.

**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 as to 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 scepticism throughout the audit. We also:

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.

# Independent auditor's report

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 conclusions are 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's review**

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 the work we have performed, 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.

Copenhagen, 31.05.2018

## Ernst & Young

Godkendt Revisionspartnerselskab

Central Business Registration No (CVR) 30700228

| | |
|---|---|
| Martin Alsbæk | Dennis Dupont |
| State Authorised Public Accountant | State Authorised Public Accountant |
| Identification No (MNE) mne28627 | Identification No (MNE) mne36192 |

# Management commentary

| | 2017 DKK'000 | 2016 DKK'000 | 2015 DKK'000 | 2014 DKK'000 | 2013 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Revenue | 437.726 | 376.498 | 322.526 | 298.500 | 306.042 |
| Gross profit/loss | 90.404 | 69.888 | 58.756 | 62.158 | 67.836 |
| Operating profit/loss | 15.004 | (14.327) | 3.703 | 10.060 | 8.015 |
| Net financials | 107 | 295 | 65 | (835) | (897) |
| Profit/loss for the year | 11.119 | (11.581) | 2.160 | 6.244 | 4.556 |
| Total assets | 66.284 | 50.330 | 56.143 | 87.354 | 88.998 |
| Investments in property, plant and equipment | 0 | 37 | 0 | 127 | 100 |
| Equity | 13.239 | 2.121 | 13.702 | 11.542 | 17.598 |
| Average numbers of employees | 39 | 34 | 33 | 29 | 32 |
| | | | | | |
| **Ratios** | | | | | |
| Operating margin | 3,5 | (3,9) | 1,1 | 3,4 | 2,6 |
| Gross margin | 19,4 | 17,2 | 18,2 | 20,8 | 22,2 |
| Solvency ratio | 20,0 | 4,2 | 24,4 | 13,2 | 19,8 |

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society

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

| Ratios | Calculation formula | Calculation formula reflects |
|---|---|---|
| Operating margin | $\frac{\text{Operating profit} * 100}{\text{Revenue}}$ | The measurement of sales, after paying for variable costs of production. |
| Gross margin | $\frac{\text{Gross profit} * 100}{\text{Revenue}}$ | The profit after paying off its Cost of Goods sold. |
| Solvency ratio | $\frac{\text{Equity at year end} * 100}{\text{Total equity and liabilities at year end}}$ | The financial strength of the entity. |

# Management commentary

### Primary activities

Husqvarna Danmark A/S markets the Husqvarna Group's products for gardens, parks and woods. In the consumer line the brands Jonsered, Flymo, McCulloch and Gardena and in the professional line the brands Husqvarna 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 2017, the company's revenue came in at DKK 437,726 thousand against DKK 376,498 thousand last year. The income statement for 2017 shows a profit of DKK 11,119 thousand against a loss of DKK -11,581 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 13,239 thousand.

As expected by the Management the annual report for 2017, the level of activity and the results of operations is considerably higher than in 2016. Management therefore considers the Company's financial performance in the year to be very satisfactory.

### Outlook

Management expects 2018 results to be equal to, or slightly higher than 2017 due to a slow start in Spring 2017.

### Particular risks

Price risks:

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

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 occured that could materially affect the assessment of the Company's financial position.

# Income statement for 2017

| | Notes | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|---|
| Revenue | | 437.726 | 376.498 |
| Cost of sales | | (347.322) | (306.610) |
| **Gross profit/loss** | | **90.404** | **69.888** |
| Distribution costs | 2 | (66.910) | (60.150) |
| Administrative expenses | 2 | (8.490) | (24.065) |
| **Operating profit/loss** | | **15.004** | **(14.327)** |
| Other financial income | 3 | 142 | 395 |
| Other financial expenses | 4 | (35) | (100) |
| **Profit/loss before tax** | | **15.111** | **(14.032)** |
| Tax on profit/loss for the year | 5 | (3.992) | 2.451 |
| **Profit/loss for the year** | 6 | **11.119** | **(11.581)** |

# Balance sheet at 31.12.2017

| | Notes | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|---|
| Goodwill | | 0 | 2.850 |
| **Intangible assets** | 7 | **0** | **2.850** |
| Other fixtures and fittings, tools and equipment | | 95 | 122 |
| Leasehold improvements | | 0 | 11 |
| **Property, plant and equipment** | 8 | **95** | **133** |
| Other receivables | | 285 | 276 |
| **Fixed asset investments** | | **285** | **276** |
| **Fixed assets** | | **380** | **3.259** |
| Manufactured goods and goods for resale | | 1.691 | 1.610 |
| **Inventories** | | **1.691** | **1.610** |
| Trade receivables | | 28.902 | 27.671 |
| Receivables from group enterprises | | 34.955 | 12.560 |
| Deferred tax | 9 | 330 | 2.912 |
| Other receivables | | 1 | 1 |
| Income tax receivable | | 0 | 1.472 |
| Prepayments | 10 | 25 | 845 |
| **Receivables** | | **64.213** | **45.461** |
| **Current assets** | | **65.904** | **47.071** |
| **Assets** | | **66.284** | **50.330** |

# Balance sheet at 31.12.2017

| | Notes | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|---|
| Contributed capital | 11 | 4.250 | 4.250 |
| Retained earnings | | 8.989 | (2.129) |
| **Equity** | | **13.239** | **2.121** |
| | | | |
| Other provisions | 12 | 10.422 | 10.023 |
| **Provisions** | | **10.422** | **10.023** |
| | | | |
| Trade payables | | 2.334 | 3.025 |
| Payables to group enterprises | | 23.134 | 20.616 |
| Income tax payable | | 247 | 0 |
| Other payables | | 16.908 | 14.545 |
| **Current liabilities other than provisions** | | **42.623** | **38.186** |
| | | | |
| **Liabilities other than provisions** | | **42.623** | **38.186** |
| | | | |
| **Equity and liabilities** | | **66.284** | **50.330** |
| | | | |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 13 | | |
| Assets charged and collateral | 14 | | |
| Related parties with controlling interest | 15 | | |
| Transactions with related parties | 16 | | |
| Group relations | 17 | | |

# Statement of changes in equity for 2017

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|
| Equity beginning of year | 4.250 | (2.130) | 2.120 |
| Profit/loss for the year | 0 | 11.119 | 11.119 |
| **Equity end of year** | **4.250** | **8.989** | **13.239** |

# Notes

**1. Events after the balance sheet date**

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

| | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|
| **2. Staff costs** | | |
| Wages and salaries | 22.818 | 20.887 |
| Pension costs | 1.708 | 1.481 |
| Other social security costs | 239 | 320 |
| Other staff costs | 746 | 460 |
| | **25.511** | **23.148** |
| Average number of employees | **39** | **34** |

Staff costs are recognised as follows in the financial statements:

| | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|
| Distribution | 22.263 | 20.440 |
| Administration | 3.248 | 2.707 |
| | **25.511** | **23.147** |

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

| | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|
| **3. Other financial income** | | |
| Financial income arising from group enterprises | 0 | 1 |
| Other financial income | 142 | 394 |
| | **142** | **395** |

| | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|
| **4. Other financial expenses** | | |
| Financial expenses from group enterprises | 1 | 97 |
| Other financial expenses | 34 | 3 |
| | **35** | **100** |

# Notes

| | 2017<br>DKK'000 | 2016<br>DKK'000 |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Current tax | 1.411 | 0 |
| Change in deferred tax | 2.582 | (2.451) |
| Adjustment concerning previous years | (1) | 0 |
| | **3.992** | **(2.451)** |

| | 2017<br>DKK'000 | 2016<br>DKK'000 |
|---|---|---|
| **6. Proposed distribution of profit/loss** | | |
| Retained earnings | 11.119 | (11.581) |
| | **11.119** | **(11.581)** |

| | Goodwill<br>DKK'000 |
|---|---|
| **7. Intangible assets** | |
| Cost beginning of year | 28.501 |
| **Cost end of year** | **28.501** |
| | |
| Amortisation and impairment losses beginning of year | (25.651) |
| Amortisation for the year | (2.850) |
| **Amortisation and impairment losses end of year** | **(28.501)** |
| | |
| **Carrying amount end of year** | **0** |

# Notes

| | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improve-ments DKK'000 |
|---|---|---|
| **8. Property, plant and equipment** | | |
| Cost beginning of year | 630 | 551 |
| **Cost end of year** | **630** | **551** |
| | | |
| Depreciation and impairment losses beginning of year | (507) | (540) |
| Depreciation for the year | (28) | (11) |
| **Depreciation and impairment losses end of year** | **(535)** | **(551)** |
| | | |
| **Carrying amount end of year** | **95** | **0** |

**9. Deferred tax**

| | 2017 DKK'000 | 2016 DKK'000 |
|---|---|---|
| Deferred tax, beginning of year | 2.912 | 461 |
| Deferred tax, adjustments of year | (2.582) | 2.451 |
| **Deferred tax, end of year** | **330** | **2.912** |

**10. Prepayments**

Prepayments relates mainly to prepaid rent and car costs.

| | Number | Par value DKK'000 | Nominal value DKK'000 | Recorded par value DKK'000 |
|---|---|---|---|---|
| **11. Contributed capital** | | | | |
| Contributed capital | 42.500 | 100 | 4.250 | 4.250 |
| | **42.500** | | **4.250** | **4.250** |

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

# Notes

**12. 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 performerd before the end of the two first years after the acquisition date. Warranty commitments totalling DKK 10,022 thousand (2016: 9,623 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 5,011 thousand (2016: DKK 7,063 thousand), Over 1 year DKK 5,011 thousand (2016: DKK 2,260 thousand).
Other provision concern operating leases, recognized by DKK 400 thousand (2016: DKK 400 thousand). The due date for provisions for operating leases is expected to be as follows: Within 1 year DKK 200 thousand (2016: DKK 60 thousand), over 1 year DKK 200 thousand (2016: DKK 340 thousand).

| | 2017<br>DKK'000 | 2016<br>DKK'000 |
|---|---|---|
| **13. Unrecognised rental and lease commitments** | | |
| Liabilities under rental or lease agreements until maturity in total | **5.808** | **4.816** |

**14. Assets charged and collateral**
The Company had not put up any security or provided other collateral in assets at 31.12.2017

**15. Related parties with controlling interest**
Husqvarna Danmark A/S' related parties comprise the following:

Parties execising control

| **Related party** | **Domicile** | **Basis for control** |
|---|---|---|
| Husqvarna AB | Drottninggatan 2, SE-561 82<br>Huskvarna, Sverige | Participating interest |

| **16. Transactions with related parties** | **2017**<br>**DKK '000** | **2016**<br>**DKK '000** |
|---|---|---|
| Purchase of goods from group companies | (329.162) | (306.859) |
| Cost of management fee to parent company | (2.085) | (2.007) |
| Interest income from group company | 0 | 1 |
| Interest expenses to group company | (1) | (97) |
| | | |
| Receivables from group companies (Trade) | 34.955 | 12.560 |
| Payables to group companies (Trade) | (23.134) | (20.616) |

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

# Notes

**17. 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 Huskvarna, 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 Huskvarna, Sverige | The consolidated financial statement can be obtained at the Parent company's address |

# Accounting policies

**Reporting class**

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The financial statements have been prepared in accordance with the same accounting policies as last year. Invoicing of freight and marketing costs are presented as revenue. Prior years the invoicing of these costs has been netted against distributions costs. The change has thus no impact on operating profit/loss or profit/loss before tax. Comparative figures have been adjusted in the income statement.

**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.

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 echange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest finansial statements is recognised in the income statement as financial income or financial expenses.

# Accounting policies

## 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.

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.

# Accounting policies

**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.

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.

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 Mangement'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.

**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 loss 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, ets.

**Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

# 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.