

## Husqvarna Danmark A/S

Lejrvej 19, st.  
3500 Værløse  
Central Business Registration No.  
26205328

## Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting:



Name: Thomas Sølvsten

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**Entity details**

**Entity**

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

Central business Registration No: 26205328

Registered in: Furesø

Financial year: 01.01.2018 - 31.12.2018

**Board of Directors**

Eric Stegemyr  
Josephus Cornelis van Opdorp  
Thomas Selvsten  
Michael Shösser

**Executive Board**

Thomas Selvsten

**Entity auditors**

Ernst & Young Godkendt Revisionspartnerselskab  
Osvold Helmut's Vej 4  
P O Box 250  
2000 Fredriksberg

**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 1 January - 31 December 2018.

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 31.12.2018 and of the results of the Company's operations for the financial year 01.01.2018 - 13.12.2018.

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.

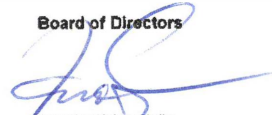
Værløse, 29.05.2019

Executive Board



Thomas Sølvsten  
CEO

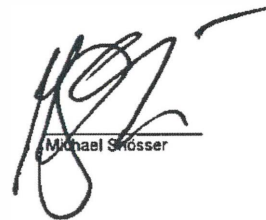
Board of Directors




Eric Stegemyr  
Chairman



Josephus Cornelis van Opdorp



Michael Støsser



Thomas Sølvsten



## 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 2018, which comprise income statement, balance sheet 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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.
- ▶ 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, 29 May 2019  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Martin Alsbæk  
State Authorised  
Public Accountant  
mne28627

## Management's review

	2018	2017	2016	2015	2014
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	459 177	437 726	376 498	322 526	298 500
Gross profit/loss	92 443	90 404	69 888	58 756	62 158
Operating profit/loss	9 184	15 004	-14 327	3 703	10 060
Net financials	80	107	295	65	-835
Profit/loss for the year	7 444	11 119	-11 581	2 160	6 244
Total assets	75 265	66 284	50 330	56 143	87 354
Investment in property, plant and equipment	554	0	37	0	127
Equity	11 694	13 239	2 121	13 702	11 542
Employee in average	42	39	34	33	29
<b>Ratios</b>					
Operating margin	2,0%	3,5%	-3,9%	1,1%	3,4%
Gross margin	20,1%	19,4%	17,2%	18,2%	20,8%
Solvency ratio	15,5%	20,0%	4,2%	24,4%	13,2%

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:

<b>Ratios</b>	<b>Calculation formula</b>
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, woods as well as construction. 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, automowers (robots), brush cutters and grass trimmers.

It is the Company's objective to stay a leading player when it comes to profitable, 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 2018, the company's revenue came in at DKK 459,177 thousand against DKK 437,726 thousand last year. The income statement for 2018 shows a profit of DKK 7,444 thousand against DKK 11,119 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 11,694 thousand.

During 2018 Husqvarna Group dissolved the Consumer Brand division into the Husqvarna and Gardena divisions. For Denmark this was already implemented so no changes have been made locally.

As expected by the Management the annual report for 2018, the level of activity and the results of operations are higher than in 2017. Management therefore considers the Company's financial performance in the year to be satisfied.

**Outlook**

Management expects 2019 results to be only slightly higher than 2018.

**Particula 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.

**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 does not impact the environment in any significant manner.

**Post balance sheet events**

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



**Income Statement for 2018**

For the period 1 January - 31 December

	<b>Notes</b>	<b>2018 DKK '000</b>	<b>2017 DKK '000</b>
Revenue		459 177	437 726
Cost of sales		-366 734	-347 322
<b>Gross profit/loss</b>		<u>92 443</u>	<u>90 404</u>
Distribution costs	2	-78 642	-66 910
Administrative expenses	2	-4 617	-8 490
<b>Operating profit/loss</b>		<u>9 184</u>	<u>15 004</u>
Other financial income	3	105	142
Other financial expenses	4	-24	-35
<b>Profit/loss before tax</b>		<u>9 265</u>	<u>15 111</u>
Tax on profit/loss for the year	5	-1 821	-3 992
<b>Profit/loss for the year</b>	6	<u><u>7 444</u></u>	<u><u>11 119</u></u>

**Balance sheet per 31.12.2018**

	<u>Notes</u>	<u>2018 DKK '000</u>	<u>2017 DKK '000</u>
Goodwill		0	0
<b>Intangible assets</b>	7	<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment		347	95
Leashold improvements		219	0
<b>Property, plant and equipment</b>	8	<u>566</u>	<u>95</u>
Other receivables		605	285
<b>Fixed assets investments</b>		<u>605</u>	<u>285</u>
<b>Fixes assets</b>		<u>1 171</u>	<u>380</u>
Manufactured goods and goods for resale		1 923	1 691
<b>Inventories</b>		<u>1 923</u>	<u>1 691</u>
Trade receivables		29 642	28 902
Receivables from group entities		42 221	34 955
Deferred tax assets	9	101	330
Other receivables		1	1
Prepayments	10	206	25
<b>Receivables</b>		<u>72 171</u>	<u>64 213</u>
<b>Cash</b>		0	0
<b>Current assets</b>		<u>74 094</u>	<u>65 904</u>
<b>Assets</b>		<u><u>75 265</u></u>	<u><u>66 284</u></u>

**Balance sheet per 31.12.2018**

DKK '000	<u>Notes</u>	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Share capital	11	4 250	4 250
Retained earnings		<u>7 444</u>	<u>8 989</u>
<b>Equity</b>		<u><b>11 694</b></u>	<u><b>13 239</b></u>
Other provisions	12	<u>13 702</u>	<u>10 422</u>
<b>Provisions</b>		<u><b>13 702</b></u>	<u><b>10 422</b></u>
Trade payables		2 487	2 334
Payables to group entities		21 984	23 134
Other payables		21 513	16 908
Income tax payable		1 273	247
Deferred income		<u>2 612</u>	<u>0</u>
<b>Current liabilities other than provisions</b>		<u><b>49 869</b></u>	<u><b>42 623</b></u>
<b>Liabilities other than provisions</b>		<b>49 869</b>	<b>42 623</b>
<b>Equity and liabilities</b>		<u><u><b>75 265</b></u></u>	<u><u><b>66 284</b></u></u>
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 2018**

<b>DKK '000</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>DKK '000</b>	<b>DKK '000</b>	<b>DKK '000</b>
Equity beginning of year	4 250	8 989	13 239
Extraordinary dividend distributed	0	-8 989	-8 989
Profit/loss for the year	0	7 444	7 444
<b>Equity end of year</b>	<b>4 250</b>	<b>7 444</b>	<b>11 694</b>

## Notes

## 1 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.

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
<b>2 Staff costs</b>		
Staff costs		
Wages and salaries	25 056	22 818
Pension costs	1 876	1 708
Other social security costs	337	239
Other staff costs	873	746
	<u>28 142</u>	<u>25 511</u>
Average number of employees	42	39

Staff costs are recognised as follows in the financial statements:

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
Distribution	25 585	22 263
Administration	2 557	3 248
	<u>28 142</u>	<u>25 511</u>

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

	<u>2018</u> DKK '000	<u>2017</u> DKK '000
<b>3 Other financial income</b>		
Financial income from group enterprises	0	0
Other financial income	105	142
	<u>105</u>	<u>142</u>
<b>4 Other financial expenses</b>		
Financial expenses from group enterprises	0	1
Other financial expenses	24	34
	<u>24</u>	<u>35</u>

## Notes

	2018 DKK '000	2017 DKK '000
<b>5 Tax on profit/loss for the year</b>		
Tax on current year taxable income	1 884	1 411
Change in deferred tax for the year	229	2 582
Tax adjustment, prior years	-292	-1
	<u>1 821</u>	<u>3 992</u>

**6 Proposed distribution of profit/loss**

Extraordinary dividend distributed	-8 989	0
Retained earnings	7 444	11 119
	<u>-1 545</u>	<u>11 119</u>

**7 Intangible assets**

	Goodwill DKK '000
Cost beginning of year	28 501
Cost end of year	28 501
Amortisation and impairment losses abeginning of year	-28 501
Amortisation for the year	0
Amortisation and impairment losses 31. December 2018	-28 501
Carrying amount end of year	<u>0</u>

**8 Property, plant and equipment**

	Andre anlæg, driftsmateriel og inventar DKK '000	Indretning af lejede lokaler DKK '000	Total DKK '000
Cost beginning of year	630	551	1 181
Additions	300	253	554
Disposals	0	0	0
Cost end of year	<u>930</u>	<u>804</u>	<u>1 735</u>
Depreciation and impairment losses beginning of year	535	551	1 086
Depreciation for the year	48	34	82
Reversal of depreciation of disposals	0	0	0
Depreciation and impairment losses end of the year	<u>583</u>	<u>585</u>	<u>1 168</u>
Carrying amount end of year	<u>347</u>	<u>219</u>	<u>567</u>

## Notes

	2018	2017
	DKK '000	DKK '000
<b>9 Deferred tax</b>		
Deferred tax, beginning of year	330	2 912
Deferred tax, adjustments of the year	-229	-2 582
<b>Deferred tax, end of year</b>	<u>101</u>	<u>330</u>

**10 Prepayments**

Prepayments relates mainly to prepaid rent and insurances.

**11 Contributed capital**

The share capital consists of the following:

	2018	2017
	DKK '000	DKK '000
42.500 shares of DKK 100 each	4 250	4 250
	<u>4 250</u>	<u>4 250</u>

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

**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 performed before the end of the two first years after the acquisition date. Warranty commitments totaling DKK 13,187 thousand (2017: 10,022 thousand) have been recognized in respect of expected warranty claims based on prior years' 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 8.530 thousand (2017: DKK 5,011 thousand), within 2 years DKK 3.821 thousand (2017: DKK 5,011 thousand) and above 2 years the level is 835 thousand.

Other provision concern operating leases, recognized by DKK 515 thousand (2017: DKK 400 thousand). The due date for provisions for operating leases is expected to be as follows: Within 1 year DKK 172 thousand (2017: DKK 200 thousand), over 1 year DKK 343 thousand (2017: DKK 200 thousand).

**13 Unrecognised rental and lease commitments**

	2018	2017
	DKK '000	DKK '000
Hereof liabilities under rental or lease agreements until maturity in total	<u>6 726</u>	<u>5 808</u>

## Notes

**14 Assets charged and collateral**

The Company had not put up any security or provided other collateral in assets at 31.12.2018

**15 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

**16 Transactions with related parties**

	2018 DKK '000	2017 DKK '000
Purchase of goods from group companies	-364 253	-329 162
Cost of management fee to parent company	-3 306	-2 085
Interest expenses to group company	0	-1
Receivables from group companies (Trade)	42 221	34 955
Payables to group companies (Trade)	-21 984	-23 134

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

**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 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 2018 has been prepared in accordance with the provisions applying to medium-size reporting class C enterprises under the Danish Financial Statements Act

The financial statements have been prepared in accordance with the same accounting policies as last year.

### Recognition and measurement

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

Receivables and payables 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 recognized in the latest financial statements is recognized 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 recognized 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 standardized 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 recognized 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 amortization/depreciation of assets that are related to sale and distribution of the company's products.

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

Goodwill	10 years
Leashold improvements	5 years
Plant and machinery	7 years
Other fixtured and fitting, 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.

**Administrative costs**

Administrative costs include expenses incurred in the year for purpose 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:

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

**Other financial income**

Other financial income are recognized 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 recognized 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.

**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 recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

**Balance sheet****Goodwill**

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

**Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost include 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, and 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 recognized on a group of assets, a loss must first be allocated to goodwill and then to the other assets on pro rata basis.

**Receivables**

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

**Inventories**

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realizable value. The net realizable 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 development 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 recognized 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 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 rate applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the expected value of their utilization; 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 recognized in the income statement.

**Income tax payable or receivable**

Current tax payable and receivable is recognized 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 recognized 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 recognized 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 realizable value or at fair value if the obligation concerned is expected to be settled far into the future.

Guarantee commitments comprise expected costs of repairs within the guarantee period and are recognized 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 recognized based on experience with warranty work.

**Other financial liabilities**

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

**Deferred income**

Deferred income recognised as a liability comprises of payments received concerning income in subsequent financial reporting years.

**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.