



Husqvarna
Group



Annual Report 2021

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The formal Annual Report, including the Board of Directors' Report and the financial statements for the Group and the Parent Company, appears on pages 37–111.

For full information about Husqvarna Group's sustainability initiatives, please read our sustainability report: 2021 Sustainovate Progress Report.



Husqvarna Group – the year 2021

2021 was a successful year for Husqvarna Group, in which we executed on our strategy and delivered strong financial performance in an environment characterized by the pandemic. Focusing on increased customer value, we launched a number of new products, solutions and innovations that strengthened our offering and market positions, especially within areas such as robotics and electrification.



Key events

- We delivered record net sales and operating income for the year. All financial targets were reached.
- New financial targets for 2022 and onwards were launched at the Group's Capital Markets Day in December.
- We acquired Orbit Irrigation in the U.S., creating the global market leader in residential watering.
- We increased the share of electrified products sold to 37% for 2021 (compared to the baseline of 11% in 2015).
- CEORA™ was successfully launched. A robotic mower aiming to transform the commercial turf care market.
- As a Group, we lead our industry towards a low-carbon resource-smart economy. During the year, Husqvarna Construction Division launched the next generation battery power cutter, K 1 PACE and Gardena EcoLine was introduced, a range of garden products made with a high share of recycled materials.

Financial targets – Achievement 2021

Organic growth	Operating margin*	Capital efficiency
Target 2021: market +2 ppts	Target 2021: >10%	Target 2021: ≤25%
15%	12.1%	21.8%

Sustainability targets – Achievement as of 2021

Carbon	Circular	People
Target 2025: -35%	Target 2025: 50 innovations	Target 2025: 5M
-27%	2	Progress to be reported 2022
Reduction of CO2 emissions	Approved innovations	

* Excluding items affecting comparability.

Husqvarna Group in brief

Husqvarna Group is a leading global producer of outdoor power products and solutions for forest, park and garden care, of watering products, and of cutting and surface-preparation equipment for the construction industry. Shaping great experiences is what we do. With our passion for innovation, we create products and services for customers around the world.

14k

Employees

28

Production sites

>100

Sales in number
of countries

Sales distribution

29%

North America

57%

Europe

14%

Rest of the world



Husqvarna Forest & Garden Division

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

Read more about the Husqvarna Forest & Garden Division 



Gardena Division

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

Read more about the Gardena Division 



Husqvarna Construction Division

A preferred leader in the light construction industry for professionals.

Read more about the Husqvarna Construction Division 

Share of
Group net sales*

62%

Share of
Group net sales*

22%

Share of
Group net sales*

15%

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

Well positioned for continued value creation after another record year

2021 was a successful year for Husqvarna Group. Over the years, we have transformed the Group and built a stronger foundation, executing a clear customer-focused strategy while continuously contributing to a more sustainable society. This year we reinforced our leading positions and demonstrated our technology leadership in parallel with delivering record results. To reflect our profitable growth journey, we have raised our ambitions and presented new financial targets.

Strong sales growth and solid improvement in operating margin

Together with our dealers, suppliers and customers we have delivered a record year. Our growth, operating margin and capital efficiency exceeded our financial targets. Organic net sales grew 15 percent in 2021 and all divisions strengthened their market positions. Demand was also impacted positively by the recent favorable stay-at-home trend. Operating income, excluding items affecting comparability, increased by 27 percent to SEK 5,684m and operating margin to 12.1 percent, driven by our sales growth, successful implementation of price increases and a favorable product mix. However, operating income was impacted negatively by higher costs for raw materials, components and logistics together with our continued increased investments in strategic growth areas. Based on

the strong performance, the Board of Directors will propose to the Annual General Meeting on April 7, 2022 a dividend of SEK 3.00 (2.40), an increase of 25 percent.

We are strengthening our market positions in a time marked by the ongoing pandemic with increased costs as well as disruptions in global supply chains. During the year, our dedicated global team has navigated these challenges successfully and continues to carry out this important work. Their efforts and commitment have played a crucial part in the year's strong performance.

Investments in areas with significant future potential

The world around us is changing rapidly, driven by technology development and the need for a sustainable society. We create additional value



"To reflect our profitable growth journey we have raised our ambitions and presented new financial targets"

"With a clear forward-leaning strategy, innovation agenda and a strong team, we will continue to create sustainable value for customers, shareholders and society"

for our customers and for society as a whole by being active in transforming our industry. We are therefore increasing our strategic investments in areas with strong growth potential such as electrification, robotics and connectivity. Within the next five years, our ambition is to increase the share of electrified products sold to two-thirds, double sales of robotic mowers and double the number of connected devices.

As part of our efforts to expand our position in robotic mowers for professional turf care, Husqvarna Forest & Garden Division launched the robotic mower CEORA™ during the year, which cover areas up to 75,000 m². This innovative solution mows systematically within virtual boundaries and creates completely new opportunities for professional users by shifting the process from manual to automated, electric and connected. The system thereby helps to reduce the customer's total costs by more than 30 percent and offers additional advantages including zero direct emissions, low noise levels and perfectly maintained lawns. CEORA was presented to customers and partners during the autumn and the response has been very positive. The first products will be installed ahead of the 2022

season. Another milestone in electrification was the Husqvarna Construction Division's launch of the battery-powered K 1 PACE power cutter. Our proprietary 94V PACE battery system ensures performance equivalent to a fossil-fuel powered power cutter, giving customers an option to reduce their carbon footprint.

During the year, the Gardena Division acquired Orbit Irrigation, a leading supplier of irrigation solutions for homes and gardens in North America. We have now formed a clear global market leader in garden watering as we combine Orbit's North American operations and leadership position with the Gardena Division's market leadership position in Europe. Together, we will expand the fast-growing market for smart watering.

Sustainovate – ambitious sustainability targets

Sustainability plays a key role and integral part in our strategy and operations. We combine a leading innovative capacity with a commitment to drive the transition toward a resource-smart and circular economy. We have set an ambitious target of reducing our CO₂ emissions by -35 percent by 2025. The

target includes scope 1, 2 and 3 meaning also covering emissions from the use of our products. We have reduced CO₂ emissions by -27 percent compared with the base year of 2015, with one important driver being the increased share of electrified products.

New financial targets

To reflect our profitable growth strategy, we have launched new financial targets that include annual organic growth in net sales of 5 percent, an operating margin of 13 percent and a capital efficiency target of operating working capital to net sales of 20 percent. In addition, we increase our focus on acquisitions to complement and strengthen our organic growth strategy. The acquisition of Orbit Irrigation is one example that reflects the Gardena Division's geographical expansion strategy.

Well positioned for value creation

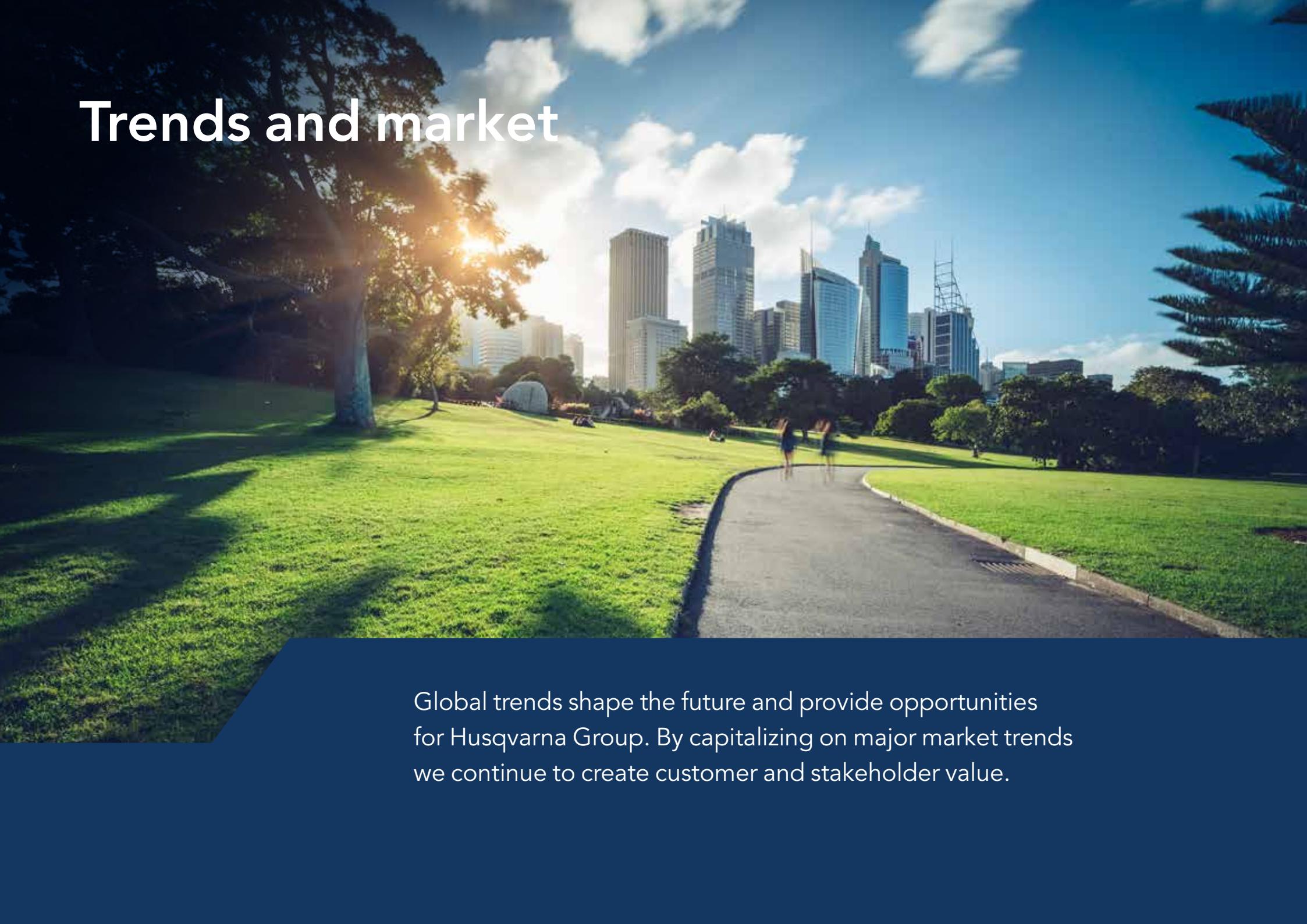
Overall, 2021 was a successful year for us, with a strong financial performance and advances of market positions for all divisions. I would like to take the opportunity to thank the entire team for their commitment and outstanding contributions that made this successful year

possible. We aim to be an attractive and inclusive employer where proud employees drive us forward with their curiosity and passion for innovation. With a clear forward-leaning strategy, innovation agenda and a strong team, we will continue to create sustainable value for customers, shareholders and society in line with our mission – Shaping great experiences.



Henric Andersson
President and CEO

Trends and market

A wide-angle photograph of a park at sunrise or sunset. A paved path curves through a lush green lawn towards a dense cluster of modern skyscrapers in the background. The sun is low on the horizon, casting long shadows and illuminating the scene with a warm glow.

Global trends shape the future and provide opportunities for Husqvarna Group. By capitalizing on major market trends we continue to create customer and stakeholder value.

Market trends are strengthening our business



Sustainability

The urgency to address climate change means that solutions with low CO₂ emissions are increasingly being prioritized by customers, companies and legislators. At the same time, continuous technological progress is making renewable energy more available and affordable energy storage possible. Scarce resources, such as water, are imposing demands on responsible use. Husqvarna Group's ambition is to lead the industry in the shift to a low-carbon, resource-smart economy.



Electrification

Electrification is changing society and is essential to the transition to a low-carbon economy. At Husqvarna Group we aim to lead our industry in this transition. Our initiatives to increase electrification will help to reduce CO₂ emissions from product use. We are at the leading edge, and are launching electrified products in areas where high requirements for performance and endurance are required. Through electrification, we offer customers an even better experience with efficient products that are easy to use, with lower noise levels and less vibration.



Servitization and connectivity

Servitization is about expanding into service-based models (as-a-service) providing additional customer value. In short, it is about shifting from selling products to delivering complete services. It also offers opportunities to sell add-on services, develop new recurring revenue streams and deepen interactions between us and our customers. Connectivity is vital for continuous customer interaction, creating more intimate customer relationships, and as an enabler for automation. Connectivity is a key strategic area for Husqvarna Group and we currently manage 2.8 million connected products on our digital service platforms.



Autonomous solutions

Autonomous solutions bring significant benefits to society and customers. The solutions are becoming more effective, convenient and affordable. For the green space professionals, the solutions optimize productivity and efficiency, can enable substantial reduction of the environmental footprint, and improve safety. Autonomous robotic mowers is a key strategic area for Husqvarna Group, where we are the undisputed market leader.

Attractive markets with favorable growth opportunities

Husqvarna Group is active in attractive markets valued at approximately SEK 265bn. We see strong growth opportunities in segments such as robotic mowers, electrified products and smart watering systems.

Market for the Husqvarna Forest & Garden and Gardena divisions

The forest and garden markets where the Husqvarna Forest & Garden and Gardena divisions are active are valued at approximately SEK 220bn in total. The market has grown in recent years as a result of increased interest in gardening as well as the stay-at-home trend linked to the pandemic. The market also includes segments with high structural growth, such as robotic mowers, smart watering systems and battery-powered products. Demand is driven mainly by general economic growth factors, where consumer purchasing power and consumer confidence, employment levels and housing starts are examples of indicators. In addition, weather conditions in a given year can impact the gardening season and thus affect demand both positively and negatively.

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

Market for the Husqvarna Construction Division

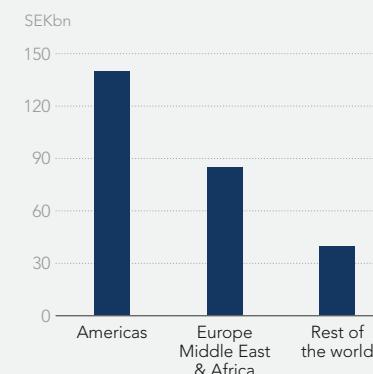
The Husqvarna Construction Division's offering targets professionals in the global light construction and stone industries. The addressable market is estimated at around SEK 45bn. Demand correlates with the development of the light construction industry, which is characterized by cyclical fluctuations. A large and growing share of the market consists of consumables and aftermarket services, which are impacted to a lesser degree by economic fluctuations.

Our products and solutions primarily address needs arising during renovation and refurbishment, and the majority of our business is thus less cyclical than the wider construction industry that is more exposed to new build and infrastructure. The main markets are Europe and North America, both of which are well developed and established. Demand is also rising in emerging markets, which is creating attractive growth opportunities. This trend is being driven by an expanding building and construction market, which is becoming increasingly mechanized over time.

265

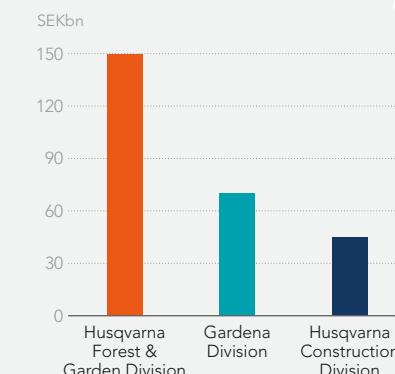
SEK 265bn* total global market value

Addressable market by geography



Estimated value of the addressable market by geography, SEKbn

Addressable market by division



Estimated value of the addressable market by division, SEKbn

*The market figure represents the current market, i.e., excluding the full pro-robotic opportunity.

Strong presence in segments with major growth potential

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



Robotic mowers

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

Robotic mowing for commercial use is believed to have significant growth potential and is an important focus area for us. We want to create a new market by transforming commercial turf care from a manual to an automated and more sustainable process. We focus on commercial customers for example in sports fields and golf courses as well as green spaces in commercial areas and parks.



Battery-powered products

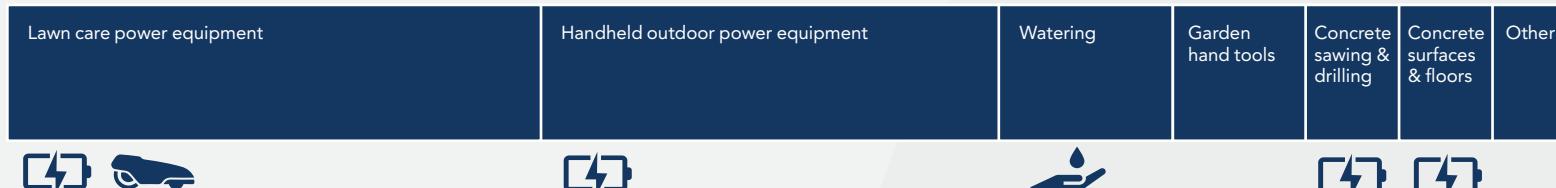
Sales of battery-powered products are growing rapidly. This is enabled by battery cell development, frequent innovations and customer demand for more environmentally friendly products that are also easier to use. In addition, regulations around the use of fossil-fuel powered products are supporting the growth of battery-powered and corded products. These underlying drivers create substantial growth opportunities for the Group. We have high ambitions and are investing significantly for growing our share of electrified solutions.



Smart watering

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

Double-digit growth in market sub-segments



The chart represents the total market divided into sub-segments, with the icons displaying double-digit growth opportunities.



* The market figure represents the current market, i.e., excluding the full pro-robotic opportunity.

Customers and distribution

We sell forest, park and garden products to more than 25,000 dealers and leading retailers worldwide as well as direct to end-users. Of the total market, dealers represent a share by value of around 40 percent. They primarily sell products in the high-performance segments to professional users and pro-grade experts (demanding end-users) and also offer product service. Retailers, who represent around half of the market, are selling products in the low to medium price ranges. The online channel, which in addition to pure online resellers is also used by dealers and retailers, is becoming significant and grew strongly during the year. It is estimated to account for over 15 percent of the total market. Construction and stone-industry products are sold directly, or through distribution partners, to contractors, tradesmen, quarry owners and stone processors.

Distribution channels:

Husqvarna Forest & Garden Division

Distribution through dealers and online and a small share through retailers

Gardena Division

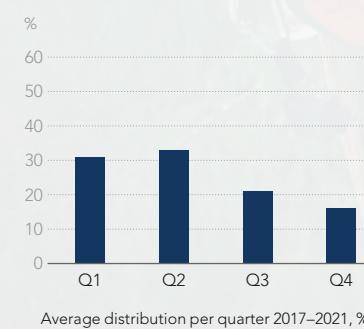
Retail-centric, omni-channel distribution

Husqvarna Construction Division

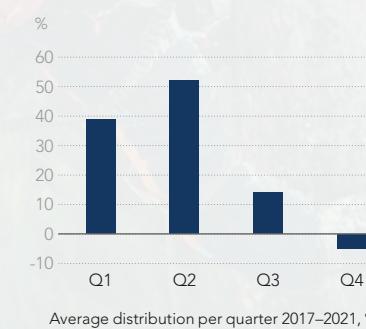
Distribution through construction dealers and retailers, rental companies and direct sales



Net sales



Operating income



Seasonality

Forest and garden products, which represent around 85 percent of our total sales, are highly seasonal due to end-user buying patterns. The majority of volumes are sold during the spring and summer when most lawn care and gardening activities take place. Given the main markets are located in the northern hemisphere, sales are highest toward the end of the first quarter and in the second quarter. The third quarter generally marks the end of the gardening season, given average weather patterns. Demand for forestry products tends to be somewhat higher during the second half of the year. For construction products, demand is fairly evenly distributed over the year.

Our strengths

Husqvarna Group's ambition is to deliver sustainable, profitable growth and thereby create value for the owners and other stakeholders. An investment in the Husqvarna Group share is also an investment in an organization that is aiming to lead the industry to a low-carbon and resource-smart society.

A stronger Husqvarna Group

In recent years we have built a stronger Husqvarna Group by making substantial changes to our business composition – and the journey is continuing. We have invested heavily in innovation, customer focus and sustainability to capitalize on the growth opportunities present in our three divisions, including robotic mowers, electrified products and smart watering systems. This has been supported by acquisitions. In parallel, we have exited business segments with low profitability and low growth, while at the same time invested to grow within attractive segments. As a result we have strengthened our market positions and significantly improved our operating margin.

Operating income and margin*



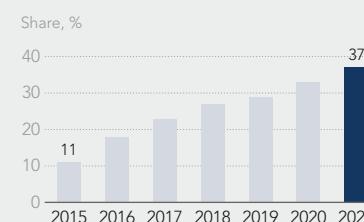
*Excluding items affecting comparability.

Leading in sustainability

We aim to lead the industry in terms of sustainability. We are driving developments through increased electrification of our products and through irrigation solutions that lead to a radical reduction in water consumption. We are actively working with innovations that support a circular economy. We encourage our customers and offer them an opportunity to make sustainable choices.

Read more about Sustainovate →

Share of electrified solutions*



* Electrified products as share of total motorized products (value).



Market leader in high-growth segments

We are the global market leader in robotic mowers as well as in smart watering and garden systems. We hold strong market positions in battery-powered products for the forest, garden and light construction industries. All of these segments have achieved strong growth and continue to have long-term double-digit growth potential.

+27%

Growth in robotic mowers and battery-powered products in 2021



Innovation and technology leadership

We have been launching new innovations for 333 years and invest significant resources into R&D, so we can lead the industry in innovation and bring our customers the best in forest, garden, construction products and services. Through innovation, we have created new product segments and best-in-class user experience.

3,200
Patents



Delivering on our strategy

We create value by providing long-term growth, leveraging leadership positions, and by delivering on our financial and sustainability targets. Our strategy considers global trends with a clear focus on sustainability, electrification, autonomous solutions, servitization and connectivity. We will continue to grow and to increase our market share by creating the best customer experience in line with our mission – Shaping great experiences.

Total shareholder return



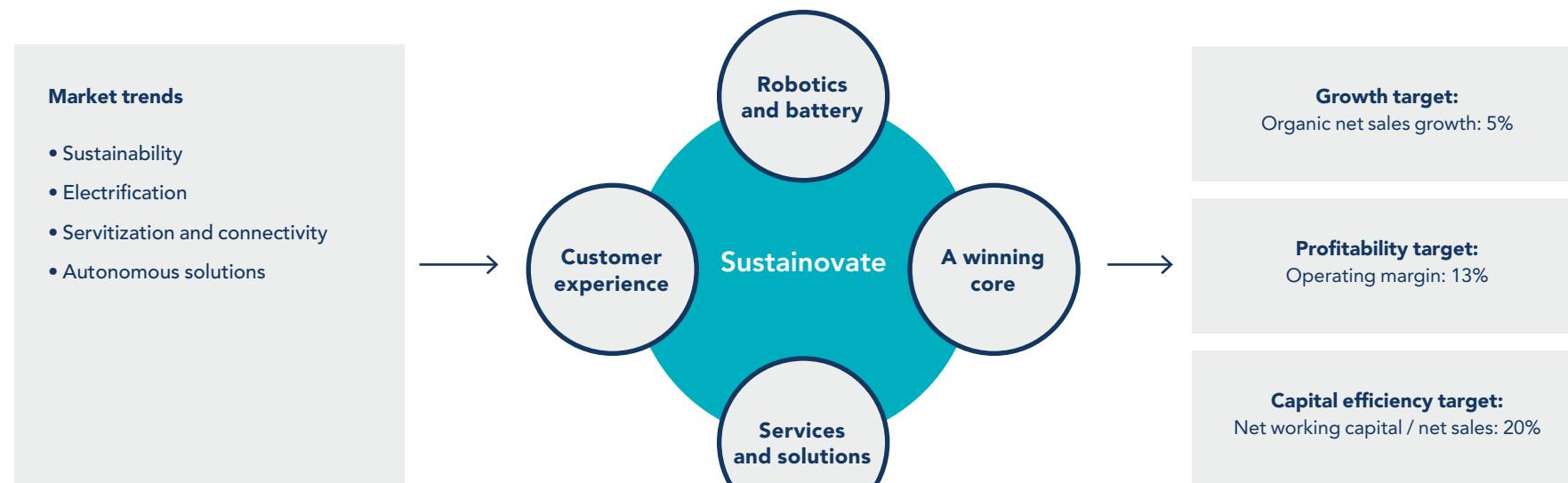
Husqvarna Group strategy



Our strategy is aligned with current market trends
and designed to create long-term sustainable value.

A strategy for sustainable value creation

With a strategy firmly anchored in the most important prevailing market trends, we aim to deliver long-term sustainable value and lead our industry in its transformation towards a low-carbon and resource-smart economy.



The Group strategy is clearly targeted to deliver long-term sustainable value. The strategy is linked to the important prevailing market trends of sustainability, electrification, autonomous solutions, servitization and connectivity.

Sustainability is fully integrated in our strategy and operations through Sustainovate (see pages 20–25). We are combining our market-leading innovation capability with our

commitment to sustainability in order to realize the transformation to a low-carbon economy, to pioneer ways to deliver significant value to customers through circular solutions, and to inspire and engage customers and employees to make sustainable choices.

Building on the successful transformation of the Group in recent years we are continuing to invest in value-creating

growth opportunities in our divisions, including robotic mowers, battery-powered products and smart watering solutions. With a stable strategic foundation and increased investments in technology and sustainability leadership, we are well-positioned to continue to deliver sustainable value to all stakeholders.

Read more about Sustainovate

Components of the strategy

Robotics and battery

Robotic mowers and battery-powered products are important components of our growth strategy. The market growth for these products, including smart garden services, is significantly higher than for the market as a whole, and the future potential is substantial. Husqvarna Group is the undisputed global market leader in the fast-growing market for robotic mowers. Based on our leading position, we are continuing to grow through a high pace of innovation and continued geographical expansion. Through the CEORAT™ and Automower® 500-series of robotic mowers, and related services, we have taken substantial steps towards expanding into the market segment for professional users. This segment has significant potential given robotic mowing offers superior productivity. Robotics and battery-powered products are areas where operating efficiency, ease of use and sustainability benefits (e.g. reduced emissions, low noise and low vibration) all work together to create an even stronger market demand. Growth of electrification is indisputable – in the shaping of green spaces as well as in the light construction industry.



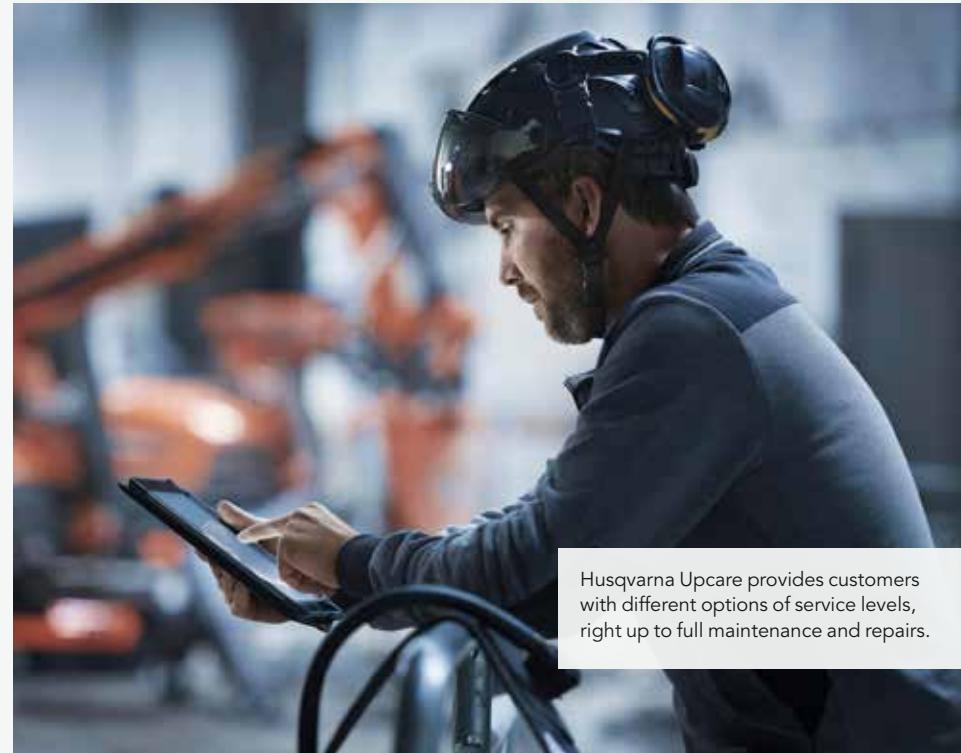
A winning core

Husqvarna Group is powered by strong brands, which is a key success factor for us. The strong brand equity and focus on high-performance products under the Husqvarna and Gardena brands allow us to combine a premium offering, solid profitability and increased investments in new-product development. One key component of our strategy is to continue to develop and strengthen market and brand positions in our core offerings. Whether these are concrete power cutters, watering solutions or chainsaws, our customers simply expect nothing less than the best. Excelling in these areas creates opportunities for us to enhance growth and profitability, and we set high targets for innovation in these categories.



Services and solutions

Services and solutions provide new opportunities for Husqvarna Group to drive growth and profitability. They are also a logical consequence of our strategy to create an outstanding customer experience beyond the standalone product. By expanding our offering with services and solutions, we aim to move closer to end-users and their experiences. By doing so, we can grow customer loyalty, grow the aftermarket and accessories business, and more quickly adapt to customer needs. We also want to disrupt the status quo by establishing completely new business models. Increased connectivity gives us direct access and interaction with customers, which enables deployment of as-a-service offerings.



Customer experience

Husqvarna Group's mission – Shaping great experiences – clearly signals our focus on creating an outstanding customer experience. Closer customer relations and delivering excellent customer experiences are crucial factors for growing our business and winning in the markets where we operate. Customer experience encompasses more than just the products or the services per se; it involves meeting and exceeding expectations on the customers' terms. Everything from the purchase, delivery, use of the product or the service to the excellent outcome – are all part of shaping a great experience. Our customers have high expectations and we work relentlessly to deliver value to support their quest for efficiency, convenience, and the outcomes they expect. We are passionate about customer experience and we innovate in order to create and improve lasting, sustainable value.



Financial targets

In 2021, we achieved all financial targets and new financial targets were presented at the Group's Capital Markets day in December 2021. The increased targets reflect how continued investments and transformation will accelerate profitable growth.



Net sales
Annual sales growth



Profitability
Operating margin



Capital efficiency
Operating working capital
in relation to net sales

Targets 2021	Market +2 ppts	>10%	≤25%
Achievement 2021	15% organic	12.1%*	21.8%
New targets from 2022	5% organic	13%	20%

*Excluding items affecting comparability.

Sustainovate 2025 targets

We are committed to leading our industry in low-carbon, resource-smart solutions by building on three interrelated opportunities: Carbon, Circular and People.



Ambition	Carbon Drive the transition to low-carbon solutions	Circular Rethink and redesign for a resource-smart customer experience	People Inspire actions that make a lasting difference
Goal	-35% By 2025, reduce absolute CO ₂ emissions across the value chain by -35% (scope 1,2 & 3)	50 By 2025, launch 50 circular innovations	5m By 2025, empower 5 million customers and colleagues to make sustainable choices
Progress vs. target	-27% Reduction of CO ₂ emissions	2 Approved innovations	Progress to be reported 2022

Sustainable solutions fit for the future



When it comes to doing business, we always lean forward. Society is making a transformational shift to low-carbon, resource-smart solutions and we intend to lead our industry in that change.

SUSTAINOVATE

On target for transformation

One year into Sustainovate 2025 and we are seeing progress across all our three areas of opportunity.



CARBON

By 2025 we will reduce our absolute CO₂ emissions by –35% across our value chain*

In 2021, we achieved an absolute reduction of –27 percent compared to 2015. The relative increase in CO₂ during 2021, compared to 2020 (–32 percent) reflects a strong market growth. However, we remain committed to achieve the 2025 target.

We take end-to-end responsibility for our CO₂ impacts seriously. Above all, our impacts occur during the product-use phase – over 90 percent of our CO₂ footprint from fossil-fuel powered products occurs during use.

Our carbon target encompasses emissions that go beyond our direct control. It incorporates those that occur when products are in use, with our suppliers and during transportation. Taking emissions across the value chain into account is fundamental for leadership. It's how we – and all members of our industry – really can make a difference.

*Compared to 2015.

Next steps

- Launch new low-carbon products and solutions.
- Electrify two-thirds of motorized products by 2026.



CIRCULAR

By 2025 we will launch 50 circular innovations

In this area of opportunity, we are combining our passion for circularity with our innovation capabilities. Our target will help us create an incubator for great ideas outside our conventional offering. With two innovations approved and an additional nine nominees undergoing our acceptance process, we are on target for 50 circular innovations by 2025.

The approved innovations include Grannboxen, a scheme for neighbors to share a well-equipped toolbox and Smart Lawn Services, a subscription-based model to access robotic mowers for continuous lawn upkeep which allows us to extend the lifespan.

Next steps

- Expand the funnel of innovation candidates.
- Further introduce circularity principles in our R&D processes.



PEOPLE

By 2025 we will empower five million customers and colleagues to make sustainable choices

Our approach rests on bringing out the passion, drive and curiosity of our customers, partners, and teams. We maximize positive impact by encouraging customers to opt for the most sustainable choice and by helping them envision the difference they can make. We inspire through partnerships with others, by finding our voice and by giving our teams the tools to be agents of change.

We will achieve the target primarily by growing the market for low-carbon, resource-smart products.

Next steps

- Begin measuring against the target in 2022.
- Launch an all-employee online training program.
- Implement Diversity & Inclusion dashboards, and introduce a governance system.

Read more in our 2021 Sustainovate Progress Report



Creating lasting value

We want the value we bring to be measured from a triple bottom-line perspective; seen through the lenses of financial value, value for people and society and benefits to the environment. Here are some ways Sustainovate supports these efforts.

Decoupling CO₂ from business growth

Husqvarna Group aims to drastically cut CO₂ emissions while profitably growing the business. Tracking sales growth together with our absolute CO₂ emissions reduction demonstrates how we deliver on this objective. CO₂ reductions – including Scope 3 emissions from suppliers, manufacturing, transport and product use – are deeply connected to sales of electrical products and the energy mix where products are used. The plan to electrify two-thirds of motorized products to 2026, together with each region's commitment to shifting to a renewable electricity grid will further decouple our climate impacts from our business and deliver on the carbon target.

Decoupling CO₂ from business growth



In support of the SDGs

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

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



SDG 11

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



SDG 12

Reducing waste through prevention, reduction, recycling and reuse



SDG 13

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





This year we launched battery solutions like CEORA™ and the K 1 PACE power cutter, both of which intend to disrupt their segments.



A green revolution

Large-scale lawns are typically maintained using fossil-fuel powered ride-ons. But that's all about to change with the CEORA, a battery-driven professional autonomous solution that is set to revolutionize the commercial green space.

When launched, we aim to disrupt the market for professional turf care with a product that dramatically reduces noise, costs and emissions in use. Moving away from fossil-fuel powered solutions is a must for our ambition to reduce CO₂. Being battery-powered and lightweight, CEORA emits zero CO₂ during use, and with reduced

noise pollution too. This makes it ideal for areas close to neighbors and where activities take place that should avoid disturbance.

This fully automated robotic solution can cover vast areas of upwards of 75,000 m², depending on the surface, so it is perfect for maintaining demanding commercial-sized spaces like soccer fields, golf courses and facility green spaces.



Cutting to the chase

Husqvarna Construction Division strives to be a leader in the battery-powered segment, and in 2021 we unveiled a product that's an important milestone in this journey – the K 1 PACE high-power battery cutter.

Powered by our PACE battery system, K 1 PACE meets the need for high-performance handheld power tools for heavy duty jobs like cutting concrete pipes and garden plates, cinder blocks and more. It boasts a fast charging-time, built-in connectivity, low vibration, optimized balance, enhanced operator safety and impressive productivity. And the most exciting part? Significantly lower CO₂ emissions than its fossil-fuel powered equivalent.



CIRCULAR

We are part of new collaborations and inspire innovation that leads to smarter use of resources. A circular approach helps us rethink and redesign for a resource-smart customer experience.

The new Gardena range is thinking in circles

Just in time for the summer 2022 gardening season, Gardena is launching EcoLine, a new range of watering products and handheld tools. What's unique about it? The collection is comprised of recycled materials and promises to be long lasting.

The plastic components of each product consist of at least 65 percent recycled material – even up to 90 percent in some products. Most of this plastic comes from household waste, including films and packaging. And metal components such as in nozzles add durability and use 25 percent recycled content. Wooden parts, like tool handles, are made from FSC-certified beech wood and all packaging is made from 100 percent recycled and recyclable cardboard.



At your service

A pilot-scheme in Germany has paved the way for the rollout of lawn mowing as a service. Instead of investing in owned grass maintenance equipment, commercial customers can pay per m² and lease a pro-Automower®. Together with our service partners, we take care of everything from installation to maintenance, blade replacement and remote monitoring. This gives us the opportunity to focus on optimizing the equipment and extending its lifetime.

A community toolbox

If you don't own the right tool for the job, look no further than Grannboxen, a sharing scheme piloted this year in Stockholm, Sweden. The concept is simple; a subscription service gives you and your neighbors access to a well-equipped tool cabinet where you book and borrow what you need via an app. This circular solution makes saving resources easy and convenient with the tools for the job on your doorstep.





PEOPLE

We can maximize positive impact by encouraging customers to opt for the most sustainable choice and by helping them make a bigger difference. We inspire through partnerships with others and by giving our teams the tools to be agents of change.

Every drop counts

Clean water, toilets and good hygiene are essential, especially for the survival and development of children. Since 2018 the Gardena Division has supported UNICEF's global water, sanitation and hygiene programs, and in March we extended our support for another year. A share from the sales of a UNICEF limited-edition irrigation set will help raise funds for a better future.



Using our voice for change

In the ramp up to COP26, the Group endorsed the Call on Carbon, a cross-sectoral initiative led by the Climate Leadership Coalition (CLC). Together with other signatories, the initiative urged COP delegates to introduce effective, robust, reliable and fit-for-purpose carbon-pricing instruments. As a global company, we see it as our duty to use our voice and lead our industry in the shift to low-carbon solutions.



Biodiversity on your doorstep

We have a vision for zero accidents involving small animals when our products are operating. BioLife helps us achieve this by promoting the garden's role in local biodiversity. We know that robotic mowers can potentially pose a hazard to our garden friends, like hedgehogs and insect life. Through the educational platform, BioLife, we aim to empower customers to use our tools while protecting life in their gardens with tips like resting the mower from dusk to dawn when wildlife is most active.





PEOPLE

Our differences are our strengths

The best ideas, decisions and actions are achieved by teams that include people with different backgrounds and perspectives. Paramount to our success is attracting and retaining diverse talents and ensuring that everyone's voice is heard.

To this end, we rolled out our Diversity & Inclusion (D&I) strategy and are working actively with diversity at team level and throughout the organization. We define diversity in the broadest sense, including age, race, ethnicity, gender, sexual orientation, cultural identity, disability and overall life experiences. Importantly, it also includes diversity of thought.

Three objectives help us shape a diverse and inclusive organization:

1 Diversity in our teams

By measuring overall diversity in our teams and gender balance in leadership.

2 Inclusive leadership and culture

By surveying employee perceptions of D&I every year and measuring the share of employees who have received training.

3 External validation

We measure performance annually using the Bloomberg GEI (Gender Equality Index) and commit to a year-on year increase of our D&I score.

This year, we strengthened our Employer Value Proposition with greater emphasis on diversity, had awareness raising sessions with 1,600 managers, updated our Global Recruitment Policy and introduced more transparent, measurable and inclusive hiring practices.

Recognized for diversity leadership

In 2021, Husqvarna Group was named a Diversity Leader by the Financial Times. We ranked 128 out of a shortlist of 850, drawn from a list of 15,000 European companies. More than 100,000 respondents took part in this year's FT survey, which focuses on employee perceptions of company inclusiveness and their efforts to promote diversity. The shortlisted companies stood out as leaders in addressing diversity topics such as gender, ethnicity, disability, age and sexual orientation.

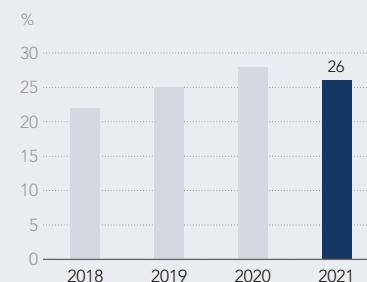


**Employees
(per geographic region)**

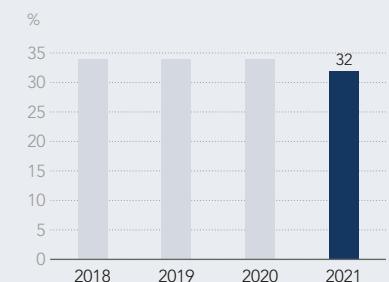


- Europe, Middle East and Africa 61%
- North America 25%
- Asia Pacific 12%
- Latin America 2%

**Share of female employees
in senior management positions**



**Share of female employees
in total workforce**



Our divisions



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

Three strong and customer-centric divisions

Husqvarna Forest & Garden Division

Share of Group net sales



SEK 29,217m

Share of Group operating income



Operating margin: 12.7%*

Market position

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

End-customers

Pro-grade experts, tree professionals and green space professionals



Gardena Division

Share of Group net sales



SEK 10,537m

Share of Group operating income



Operating margin: 14.5%*

Market position

- Global leader in residential watering and smart garden systems
- Leader in gardening power equipment such as robotic mowers sold in retail, trimmers, hedge cutters and shrub shears
- Strong position in garden tools such as secateurs, loppers, axes and digging tools

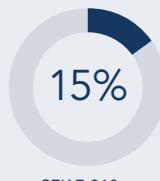
End-customers

The passionate gardeners



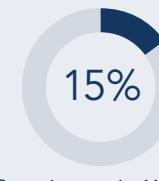
Husqvarna Construction Division

Share of Group net sales



SEK 7,210m

Share of Group operating income



Operating margin: 11.7%*

Market position

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

End-customers

Professionals in concrete sawing and drilling, concrete surfaces and floors, light demolition and the stone industry



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



Global leader in forest and garden products

Operating income and margin



Net sales by region, %



Husqvarna Forest & Garden Division

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

Brands

Husqvarna is the trusted brand and preferred partner among our target groups with innovative products and solutions supported with first-class customer service and technical support. Our core brand, Husqvarna, is the undisputed global market leader in robotic mowers. Solutions for tree care and forestry are core heritage solutions and ingrained in the DNA of the Husqvarna brand.

Market and customer segments

Our business strategy is structured around three fundamentally different customer segments with distinct needs – Pro-grade experts (consumers), Green Space Professionals and Tree Professionals (professional customers). A clear customer focus ensures that we retain a relevant offering of products, solutions and services as well as go-to-market execution.

The Husqvarna brand is primarily sold through independent servicing dealers as well as through online channels worldwide, with the majority of sales in Europe and North America.

Products and solutions

We are the undisputed global leader in robotic mowers. In addition, we also have strong market positions in handheld products, including chainsaws, trimmers and blowers as well as other lawn mowing equipment. We are an industry leader in high-performance battery-powered products and have an attractive offering of digital services that enhance productivity and user experience, such as Husqvarna Fleet Services and Automower® Connect.

Growth opportunities

Significant growth opportunities remain across all regions and customer segments - in particular in robotic mowers, battery solutions and service offerings. Expanding our leading position in residential and professional robotic mowers is a core element of the growth strategy. For the residential segment, it is about expanding robotic penetration in existing markets as well as expanding into new geographic markets. For the professional segment, we want to create a completely new market for robotic mowers in commercial turf care. The newly launched robotic mower CEORA™ clearly exemplifies this ambition. It is a robotic mower designed specifically for demanding professional applications delivering a first-class mowing result in a cost efficient and safe way with low noise and zero direct emissions.

Sustainability

Electrification is a key component in our strategy, where we increase our investments year on year. The prioritization of battery technology has significantly contributed to a continued reduction in CO₂ emissions from product use. In manufacturing, we have an ambitious target that more than 90 percent of the consumption of electricity should come from renewable sources.

Digitalization has created the conditions for new business models and increased resource efficiency. Robotics as a Service, Tools for You, and Refurbishment of Robotics are some examples of innovation projects conducted within our sustainability agenda. We collaborate with cities, municipalities and green space professionals in several initiatives to expand parks and access to green spaces and to develop more sustainable solutions for both consumers and professionals.



**INTERVIEW WITH
GLEN INSTONE
PRESIDENT, HUSQVARNA
FOREST & GARDEN DIVISION**

How would you sum up 2021?

It has been another fantastic year for the Husqvarna Forest & Garden Division with organic sales growth of 15 percent. The strong earnings growth was even more pleasing. We improved our EBIT by more than SEK 1 billion and the operating margin rose from 10.1 percent to 12.7 percent, excluding items affecting comparability. We were successful in our focus areas of robotic mowers, battery-driven products and professional handheld products as well as accessories. This resulted in an improved product mix which had a positive impact on earnings.

Difficulties during the year were primarily connected to the supply chain. Thanks to fantastic contributions from the entire organization, we have been able to minimize the impact on our operations. We have also been successful in realizing price increases to offset cost headwinds. However, we have had higher order backlogs in certain categories, something that negatively impacted our dealers and end-customers. We have therefore extended our production planning horizon ahead of the coming season and are increasing our component inventories.

How have your markets developed?

The continuing stay-at-home trend has had a general positive impact on demand in the garden market. On the whole, the weather was also favorable, albeit with regional variations, which resulted in an extended season in many markets. From a geographic perspective, we noted strong double-digit growth in EPAC (Europe, Asia-Pacific) and our emerging markets. The greatest challenges in the supply chain were felt in North America, though we still grew at a good rate. As mentioned earlier, we have been successful in strong sales growth in our focus areas, which meant we also strengthened our market positions.

"We aim to transform professional turf care with cost effective and sustainable solutions"



Which were the key product launches?

Without a doubt, the most important launch was CEORA™, our robotic mower aimed at transforming professional turf care. I firmly believe that when we look back on 2021 we will see it as the year of one of our most iconic product launches. We want CEORA to completely change the professional turf care industry from a manual to an automated process. In this context, total cost to the end-customer is key and we can see cost savings of approximately 30 percent following a shift to robotic mowing from manual mowing. CEORA has an impressive capacity, mowing green spaces up to 75,000 m² and uses GPS for navigation. It also excels from a sustainability perspective, with zero direct emissions, very low noise levels and light weight. We are delighted with the considerable attention it received following its launch and the positive response from customers.

Besides CEORA, we launched a number of other important products. Automower® 315 has been very successful in the market place, contributing to the impressive sales growth in the

segment. We also launched a new 90cc chainsaw, 592 XP® G, which contributed to strong growth in handheld products for professional users.

What advances are you making in sustainability?

This is a key part of our strategy. We have ambitious targets for the reduction of CO₂ emissions and we are on the right path. As we expand the business in robotic mowers and other battery-powered products – in terms of sales and new product launches – we will reduce the carbon footprint from the use of our products. The products of the future are more circular, have a longer lifetime and greater efficiency, but are also possible to share in more circular business models. Greater environmental awareness will also change what we consider to be an attractive product design. Our ambition is to be the driving force when our industry moves in a more sustainable direction – especially in the paradigm shift to electrified products.



The leading brand in the garden

Operating income and margin



Net sales by region, %



Gardena Division

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

Brands

The Gardena brand has strong brand awareness and preference in the garden market and is associated with high-quality products and market-leading innovations. It is the super brand for millions of home and garden owners thanks to our well-designed complete product range that includes everything a passionate gardener requires – from watering, lawn, tree, hedge and court care as well as digital and connected solutions to plan and automate gardening tasks. We also hold strategic brands for selected markets and segments. Flymo is a beloved UK brand in lawn care. Neta serves the residential watering market in Australia. The latest addition is Orbit, the leading brand in residential watering and smart watering solutions in the US market.

Market and consumer segments

Gardena products and services are designed for the passionate gardeners – no matter if they own a large traditional garden, a smaller suburban garden or if they like city gardening on their balconies. These are unified in their passion for greenery.

We are a global market-leader in watering and connected systems for smart gardens, including robotic mowers, and have leading market positions in many countries in hand tools and electric garden tools.

Products and solutions

The Gardena Division has the market's broadest range of gardening products. Much of our success has come from systems such as Original Gardena System in watering solutions and Gardena Combisystem for hand tools. In the same manner, we have a comprehensive system for smart gardens that combines hardware and software in a digital system that automates parts of gardening. Scheduled watering is an example that also takes

sensor data and local weather forecasts into account, thereby making efficient use of this precious resource.

Growth opportunities

The Gardena Division is driving a successful growth strategy. We have significant opportunities to expand within and beyond our core markets in Central Europe, for example in Southern and Eastern Europe, Asia and the UK. The acquisition of Orbit gives us strong go-to-market capabilities and channel presence in North America that, over time, will enable us to establish Gardena as a premium brand in the market.

Sustainability

Sustainability represents a clear foundation for our strategy and a base for our investment choices. We ensure that all investment decisions include a clear description of the sustainability impact from the investment and how it helps us achieve our sustainability targets. In the same way, our partners and suppliers are engaged across the value chain – from sourcing, production and transportation to the product offering.

To drive the consumer adoption of battery-powered tools, we established **POWER FOR ALL ALLIANCE** together with Bosch in 2021. We also won the German Sustainability Award Design 2022 for our EcoLine range of some of the most popular gardening tools – made of at least 65 percent recycled post-consumer materials and with the same functionality and durability as the classic offering.

Since 2018, we have partnered with UNICEF to support water, sanitation and hygiene development projects worldwide. The partnership is ongoing with attractive product offerings for the benefit of UNICEF, that first of all support the cause and also raise consumer awareness around water-efficiency.



**INTERVIEW WITH
PÄR ÅSTRÖM
PRESIDENT, GARDENA DIVISION**

How would you sum up 2021?

It was another record year for the Gardena Division, where we continued our successful streak of many years of profitable growth. During the pandemic we accelerated the growth-oriented parts of our strategy. We believed in the idea that people would be home more and spend some of that time in their gardens. At the same time, we accelerated investments in our e-commerce capabilities, not least to support our retailers and channel partners as their sales grew online.

The challenges felt during the year were naturally linked to bottlenecks in the supply chain, in terms of components, some raw materials and shipping. It would be no exaggeration to say that some of the year's greatest heroes were in our supply chain team. Their efforts made it possible for us to continue to grow strongly during 2021.

How have your markets developed?

We achieved double-digit growth on strong comparative figures from 2020 – despite the less-than-favorable weather in our core markets and that the season started with a lockdown that forced many stores to stay closed. This clearly demonstrated the importance of our strategic investment in markets beyond the core markets of Germany, Switzerland and Austria and how this allowed us to successfully drive growth by using our product portfolio tactically. During a season when our core markets suffered from heavy rain, we shifted focus from watering to robotic lawn mowers and hand tools. At the same time, we increased focus on watering products, for example, in the Nordic countries where the summer weather was good.

What are your main priorities in terms of sustainability?

Sustainability is without a doubt the most important part of our strategy. Our customers are passionate gardeners and if



we want to be their preferred brand then sustainability must pervade everything we do.

Water is at the top of our sustainability agenda. It is a limited resource that we must use efficiently, something we enable through constant innovation. One example is Gardena Smart System. This measures and controls watering based on soil moisture and is also connected to meteorological data, which has helped to reduce water consumption by 300 million liters this year alone, which is more than 100 Olympic-sized pools. In the same way, we want to contribute to a sustainable cycle for plastic and metal. Gardena EcoLine is a complete and new range of products for the garden with the same high product and design quality as our existing products, but with one important difference – the products are made from post-consumer recycled plastic and metal. It has already received the German Sustainability Award Design 2022 and a recognition from the German state of Baden-Württemberg for its resource efficiency.

Why was the acquisition of Orbit Irrigation important?

We are delighted to welcome Orbit to the Gardena Division – together, we will become a clear global market leader in garden watering for consumers and smart watering systems. Orbit's strong market channels and well-established operations create an opportunity to establish Gardena as a

premium brand for garden technology in North America. In the same manner, Orbit can benefit from Gardena's proven track record in innovation and our broad product portfolio to further drive growth. We are particularly looking forward to working together to lead the market toward more sustainable and resource-efficient watering solutions based on smart and connected systems.

Which were the key product launches?

It has been important for us to develop our strong position in the consumer market for robotic mowers. The robotic mower Sileno Minimo has broadened our product range for smaller gardens, a segment demonstrating strong growth in recent years. The launch was a success and enabled us to further grow our market share. An equally important launch was the new range of well-designed hose boxes. One innovation is that the hose box can now be installed not only on a wall but also anywhere in the garden. This is another important product category with tremendous growth. I also want to mention that **POWER FOR ALL ALLIANCE** we founded together with Bosch has been a great success for us and is an important reason why sales of our 18V battery products – all of which are now fitted with the Alliance battery – increased strongly during the year.



A preferred leader in the light construction industry for professionals

Operating income and margin



Net sales by region, %



Husqvarna Construction Division

The Husqvarna Construction Division is a global leader in machinery for the construction industry and in diamond tools for the construction and natural-stone processing industries. Always with a clear focus on innovation and first-class support to our customers.

Brands

Husqvarna is our primary brand. Here we offer market-leading equipment for the construction industry, with machinery, diamond tools and services for concrete drilling and sawing, treatment and finishing of concrete surfaces and floors, and remote demolition.

The Husqvarna brand is complemented by the industry-leading specialist brand Diamant Boart, which is the world leader in diamond tools for a variety of applications in the stone industry.

Market and customer segments

We have a strong market presence and leading market positions. We are mainly present in the renovation and refurbishment segments with a high share of recurring diamond tools, spare parts, accessories and aftermarket revenues. The largest and most well-established markets are in Europe, Australia and North America.

Demand in emerging markets is growing fast and is driven by an expanding building and construction market, which means these markets are becoming an increasingly important strategic priority for us. The construction industry is undergoing constant change, and to meet the needs of our customers we have developed a customer-centric global network of sales companies, distributors, dealers, service centers and manufacturing plants.

Products and solutions

We offer solutions used by construction professionals who demand high-level performance, reliability and superior support. The offering is divided into four core areas: Concrete sawing & drilling, Concrete surfaces & floors, Demolition and Diamond tools. As a premium brand, we offer our customers market-leading reliability and productivity. We achieve this through a strong service and support organization and by continuously developing our offering of digital services, such as Husqvarna Fleet Services.

Growth opportunities

As a division we are focused on growing both organically and through targeted complementary acquisitions. In the case of acquisitions, we look for companies that strengthen existing core areas or allow us to expand to related areas. One example of the latter is the creation of a new core area in soil compaction and treatment of concrete surfaces and floors, where we can now offer customers a complete range of solutions for all surface preparation needs.

Recent acquisitions include Diamond Tools Supply, Pullman Ermator and HTC together with carve-outs from Atlas Copco and Wacker Neuson as well as the most recent – Blastrac, where we further expand into complementary surface-preparation solutions. We now offer a complete range for any given surface-preparation task and are seen as a natural industrial buyer in our areas.

Sustainability

We work actively and continuously to increase the safe use of products and reduce our own and our customers' environmental impact. The greatest CO₂ emissions arise during product use. Our ability to reduce customers' CO₂ emissions is made possible by the transition to battery and corded products and digital solutions, but also through improved energy efficiency of electric and fossil-fuel powered products.

Safety is highly prioritized and we are a driver in the development of safer products and working conditions in the construction industry, which are key factors in our product development. One example from the past year is X-Halt™ – a blade brake function capable of stopping the rotation of the blade in fractions of a second.



INTERVIEW WITH
KARIN FALK
PRESIDENT, HUSQVARNA
CONSTRUCTION DIVISION

How would you sum up 2021?

It was a successful year for us. The market recovery that began in the second half of 2020 has continued, with strong demand in essentially all markets during 2021. One example is our record-breaking sales of power cutters, which is one of our most important product categories. We have faced challenges from disruptions to the global supply chain, with component shortages, higher material and freight prices and longer lead times. I am proud of how well our employees around the world have faced these challenges. As a result, we could deliver on our strong sales which, together with successful price adjustment activities, made 2021 a good year in terms of earnings.

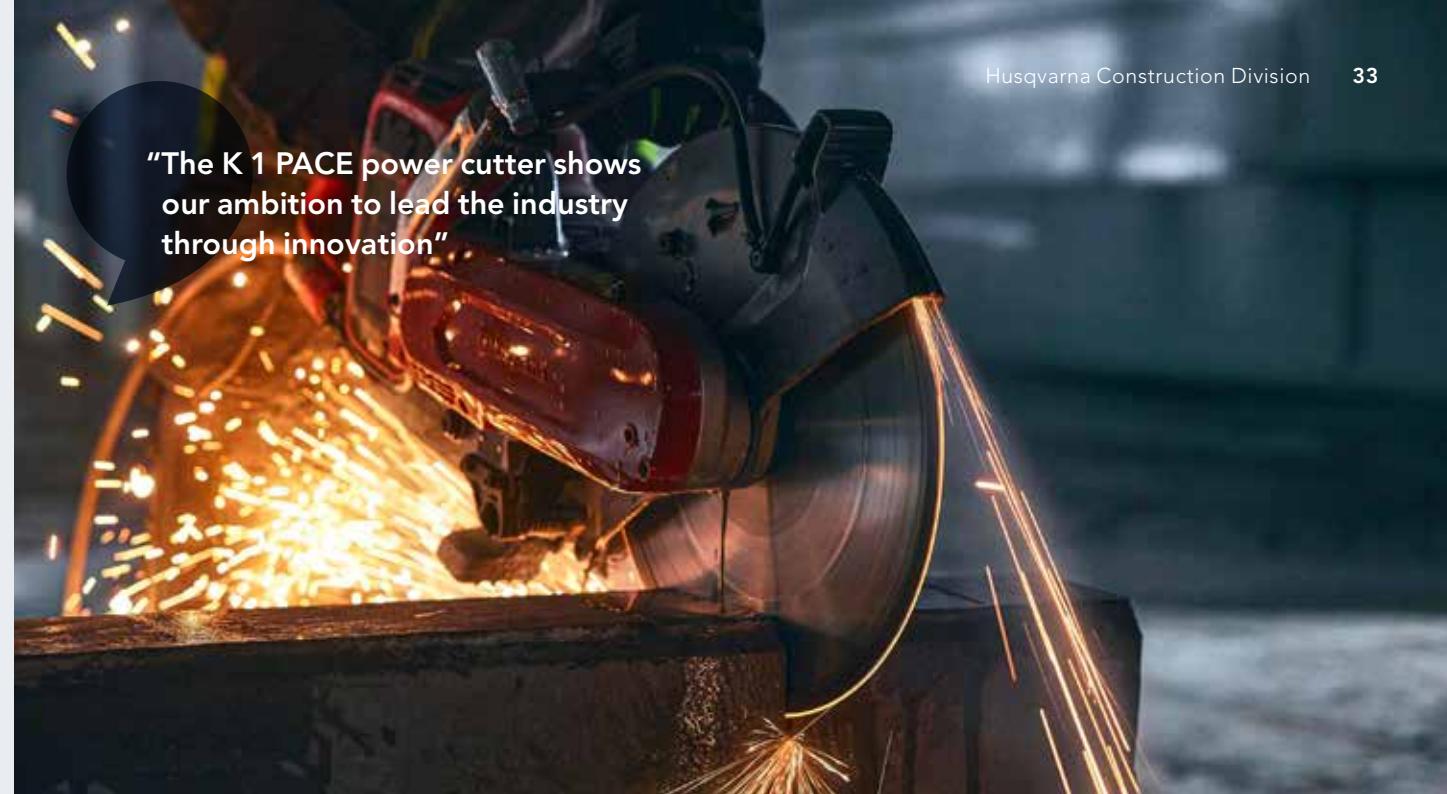
How have your markets developed?

Overall, we have strengthened or retained a market-leading position in our prioritized core areas. An important part of our strategy is to grow in emerging markets, given that we can see strong growth in the construction industry in these regions, in both the short and long term. The initiative will be achieved in stages, with an initial focus on India, China and selected markets in South and Latin America. Local production and adaptation is important for competitive reasons. We built a new factory in India during the year, in order to strengthen our local presence.

What advances have you made in sustainability?

Sustainability is now completely integrated into our strategy. We want to lead the transition to electrified products, and during the year we launched a new 94V battery system, PACE, for high-performance products with power that is normally only possible with fossil-fuel powered products. We have already launched the first product for this system, the K 1 PACE power

"The K 1 PACE power cutter shows our ambition to lead the industry through innovation"



cutter, which is of the same size class as our best-seller K 770. We are the only provider to offer a battery cutter of this size and performance, which demonstrates our ambition to lead the industry through innovation. And this is only the beginning. We have an exciting pipeline of new products that will operate on the 94V PACE battery system and also products that operate on the 36V battery that is shared with the Husqvarna Forest & Garden Division.

We have a high level of electrification in the division – more than 40 percent of our machinery runs on either electricity or battery. In parallel, emissions from product use are influenced by how the electricity is produced in the markets where the products are used. For this reason, we are also striving intensively to optimize energy consumption in our electric products and thus contribute toward reduced emissions.

Which were the key product launches?

The K 1 PACE was the most important launch of the year. We are proud to raise the bar in terms of performance of

battery-powered products and support the transition to low-carbon solutions that the construction industry is facing. This also includes specially developed diamond tools optimized for battery products. The launch of the battery-powered DM 540i drill motor is helping to support this transition. We have also combined our floor grinding offering under the Husqvarna brand and introduced a new series of demolition robots where a completely new remote control provides our customers with more freedom and control, even across greater distances.

Sales of service and aftermarket and diamond tools are highly important to us and account for approximately 45 percent of our sales. During the year, we launched an updated premium-series diamond tool, Elite-Cut, for sawing in concrete and stone. It offers market-leading performance and reduces cutting times by about 20 percent, as well as improving the lifetime of the blade.

Growth through innovation leadership

Husqvarna Group is increasing its investments in R&D and technology leadership to take advantage of favorable market trends such as electrification, servitization, connectivity and autonomous solutions. This gives us a strong platform to continue to create great customer value and supports our growth ambitions in electrified products, robotic mowers and connected solutions.

ELECTRIFICATION

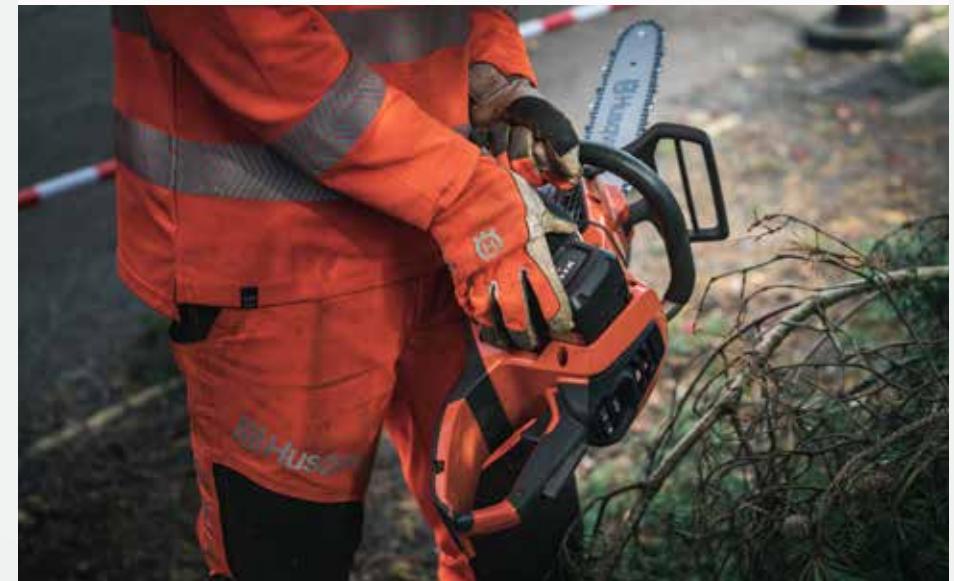
Charged with possibilities

We know what it takes to get the demanding jobs done. The new Husqvarna K 1 PACE 94V battery-powered power cutter gives customers high performance with (unlike fossil-fuel powered products) zero direct emissions, and lets them enjoy cleaner air, low vibrations and a quieter workday.



Power and performance – without the disturbance

Husqvarna's new and complete range of Pro battery equipment is all about benefits: low noise, emission-free operation and less harmful vibrations. With extremely low running costs and a long battery runtime, they offer high productivity – and the best-in-class results that our professional customers expect.



CONNECTED SOLUTIONS

More than 2.8 million connected devices

Smart and intuitive digital services are an important part of the user experience and productivity linked to Husqvarna Group's products. With more than 2.8 million connected devices we continuously strengthen and add new services and functionality through the use of connectivity. We have one goal in mind – providing a best-in-class customer experience.



Intelligent garden care that saves water

The world-leading Gardena Smart System lets users take care of their garden remotely and automatically, connecting irrigation and robotic mowing through a seamless customer experience. Using sensors, it tracks temperature and soil moisture in the garden to optimize irrigation. Coupled with Gardena Micro-Drip watering solutions this means efficient watering with savings of up to an impressive 70 percent.



Smart watering

B-hyve® is an ecosystem of smart technology products from the newly acquired Orbit Irrigation, that provides smart water management for the garden. B-hyve® products make customers' life easier, and help save water and money.

AUTONOMOUS SOLUTIONS

Changing the game

CEORA™ is a game-changing robotic mower for commercial turf care management. The innovative solution offers autonomous mowing of large areas (up to 75,000 m²) within virtual boundaries, constantly connected and managed through an innovative software solution. It gives turf managers and landscapers a new way of delivering great results with zero direct emissions and low noise – at a strikingly low cost.



Power and control in perfect harmony

The new series of remote-controlled demolition robots are the very latest in demolition machines.

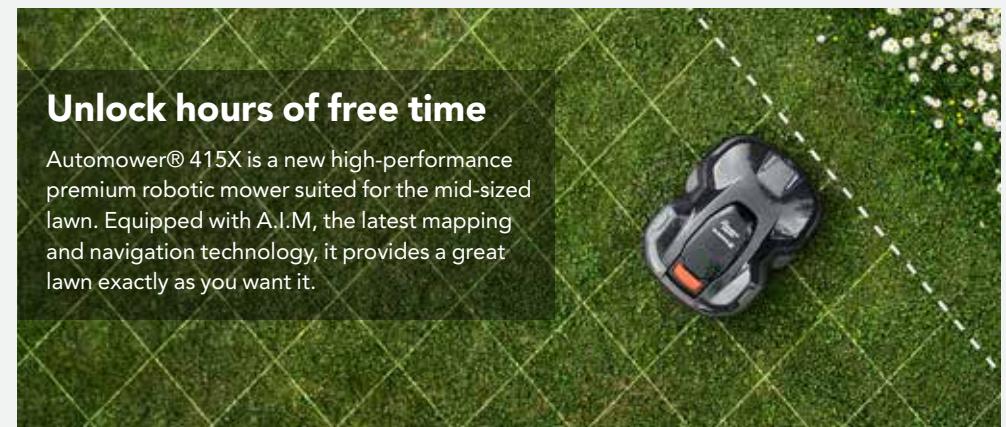
A quiet, versatile, and intelligent little garden helper

Gardena Sileno Minimo is ideal for small lawns, combining high performance and precision with convenient mowing and best-in-class low noise levels. Using the Gardena Bluetooth® App the robotic mower works out the optimum grass cutting time and schedule to help you keep your garden just right.



Unlock hours of free time

Automower® 415X is a new high-performance premium robotic mower suited for the mid-sized lawn. Equipped with A.I.M, the latest mapping and navigation technology, it provides a great lawn exactly as you want it.

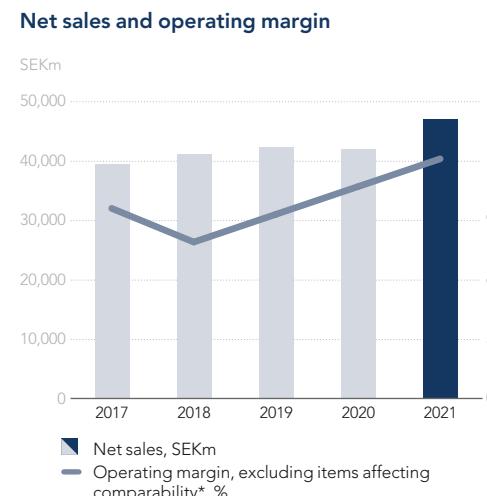


Board of Directors' Report

Husqvarna Group is a leading global producer of outdoor power products for forest, park and garden care, watering products and cutting and surface preparation equipment for the construction industry. The Group has a brand-driven organization and structure with three separate reporting divisions.

The Board of Directors (Board) and the President & CEO (CEO) of Husqvarna AB (publ), corporate registration number 556000-5331, with its registered office in Jönköping, Sweden, hereby submit the Annual Report and consolidated financial statements for the 2021 financial year.

- Net sales increased by 12% to SEK 47,059m (41,943). The organic growth was 15%, changes in exchange rates impacted with -5% and acquisitions with 2%.
- Operating income was SEK 5,746m (3,669), representing an operating margin of 12.2% (8.7). Excluding items affecting comparability*, operating income increased by 27% to SEK 5,684m (4,484), representing an operating margin of 12.1% (10.7).
- Earnings per share before dilution amounted to SEK 7.76 (4.36) and earnings per share after dilution amounted to SEK 7.73 (4.35).
- Cash flow from operations and investments was SEK -713m (5,686). Direct operating cash flow* was SEK 3,651m (6,071).
- The Group's absolute CO₂ emissions across the value chain (scope 1, 2 & 3) have been reduced by -27% compared with the 2015 baseline.
- The Board will propose a dividend for 2021 of SEK 3.00 per share (2.40) to the AGM.



Key figures

SEKm	2021	2020	2019	2018	2017 ¹
Net sales	47,059	41,943	42,277	41,085	39,394
Gross margin, %	33.0	30.0	29.6	25.6	29.1
EBITDA*	7,987	6,206	5,779	4,000	5,105
EBITDA margin, %	17.0	14.8	13.7	9.7	13.0
Items affecting comparability* ²	62	-815	-225	-1,171	—
Operating income	5,746	3,669	3,690	2,070	3,790
Operating income, excl. items affecting comparability*	5,684	4,484	3,915	3,241	3,790
Operating margin, %	12.2	8.7	8.7	5.0	9.6
Operating margin, excl. items affecting comparability*, %	12.1	10.7	9.3	7.9	9.6
Income after financial items	5,494	3,330	3,122	1,561	3,290
Net income for the period	4,437	2,495	2,528	1,213	2,660
Earnings per share after dilution*, SEK	7.73	4.35	4.42	2.12	4.62
Dividend per share, SEK ³	3.00	2.40	2.25	2.25	2.25
Return on capital employed, % ⁴	17.9	13.3	12.9	7.6	14.7
Return on equity, %	22.2	13.5	14.7	7.3	17.4
Net debt/equity ratio	0.44	0.38	0.65	0.62	0.46
Operating cash flow*	3,140	6,087	2,676	-248	1,847
Average number of employees	13,873	12,374	12,708	13,206	13,252

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

² Items affecting comparability* are provided on page 39.

³ 2021 as proposed by the Board.

⁴ The definition of Return on capital employed has been changed and restated. Refer to "Financial definitions".

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

Net sales and income

Net sales

Net sales for January–December increased by 12% to SEK 47,059m (41,943). Organic growth was 15%, currency effects impacted with –5% and acquisitions with 2%. The growth was driven by solid performance and strengthened positions in all main regions. The performance was supported by a favorable stay-at-home trend during the season.

Operating income

Operating income for January–December increased to SEK 5,746m (3,669). Excluding items affecting comparability, operating income increased 27% to SEK 5,684m (4,484), driven by volume growth, price increases and a favorable product mix. This was despite increased costs for raw materials and logistics. Items affecting comparability amounted to SEK 62m (–815) and was mainly related to a gain from the sale of a business in Q2 2021 and an insurance refund in Q4 2021. Changes in exchange rates contributed negatively with approximately SEK 300m compared to last year.

Net sales by quarter



Financial items net

Financial items net amounted to SEK –252m (–339). The decrease was mainly related to lower interest rates and lower USD debt levels.

Income after financial items

Income after financial items amounted to SEK 5,494m (3,330).

Taxes

Income tax amounted to SEK –1,057m (–835), corresponding to an effective tax rate of 19.2% (25.1). This includes a positive tax effect of SEK 181m due to a favorable outcome relating to a historical tax dispute.

Earnings per share

Net income for the period attributable to equity holders of the Parent Company amounted to SEK 4,437m (2,494), corresponding to SEK 7.73 (4.35) per share after dilution.

Net sales by region

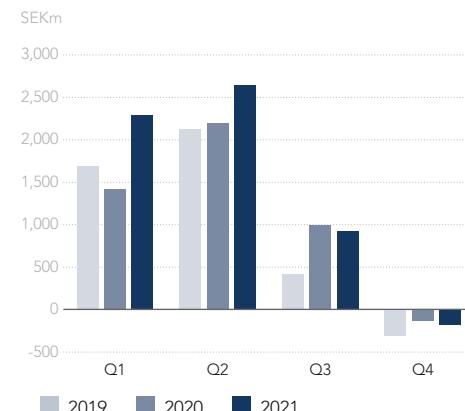
%	2021	2020
Germany	15.5	16.3
France	6.1	5.4
Sweden	4.8	4.6
Austria	3.3	3.2
Rest of Europe	26.9	25.5
Europe	56.6	55.0
Asia/Pacific	9.4	9.2
Canada	3.2	3.1
US	25.9	28.7
Latin America	3.6	3.3
Rest of the world	1.2	0.6
Total	100.0	100.0

EBITDA*

SEKm	2021	2020
Operating income	5,746	3,669
Reversal of depreciation, amortization and impairment	2,241	2,537
EBITDA*	7,987	6,206
Excl. items affecting comparability*	7,922	6,718
EBITDA margin, %	17.0	14.8
Excl. items affecting comparability*	16.8	16.0

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

Operating income per quarter¹



¹ Excluding items affecting comparability.

Earnings per share and return on equity



Items affecting comparability*

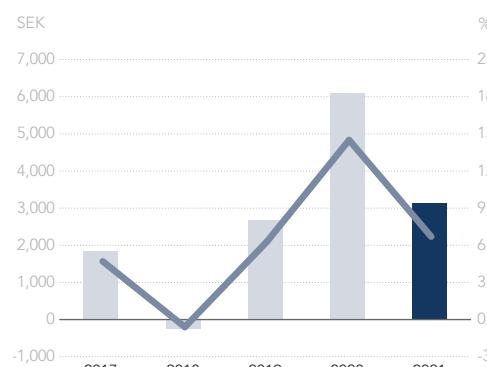
SEKm	2021	2020	2019	2018	2017
Restructuring costs	-17	-815	-225	-1,171	—
Sale of business	44	—	—	—	—
Insurance refund	35	—	—	—	—
Total	62	-815	-225	-1,171	—
SEKm		2021	2020		
Impairment of non-current assets ¹		-3	-303		
Write down of inventory ¹		1	-98		
Other restructuring costs ¹		-15	-414		
Sale of business		44	—		
Insurance refund		35	—		
Total items affecting comparability*	62	-815			

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

Classification in the income statement

SEKm	2021	2020
Cost of goods sold	-18	-521
Selling expenses	0	-82
Administrative expenses	1	-212
Other operating income/expense	79	—
Total items affecting comparability*	62	-815

Operating cash flow*



Cash flow

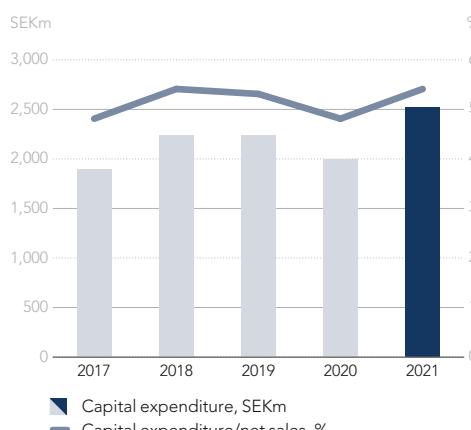
Cash flow from operations amounted to SEK 5,664m (8,081) and operating cash flow* amounted to SEK 3,140m (6,087). To secure deliveries for the 2022 season, the Group has purposely increased inventory levels. Cash flow from operations and investments amounted to SEK -713m (5,686) of which SEK -3,935m (-410) was related to acquisitions, driven by the acquisition of Orbit Irrigation.

SEKm	2021	2020
Cash flow from operations, excluding changes in operating assets and liabilities	7,487	6,150
Cash flow from operating assets and liabilities	-1,824	1,931
Cash flow from operations	5,664	8,081
Cash flow from investments, excluding acquisitions, divestments and investments in financial assets	-2,524	-1,994
Operating cash flow*	3,140	6,087

Capital expenditure and Research & Development (R&D)

Capital expenditure in 2021 amounted to SEK 2,524m (1,994m), corresponding to 5.4% (4.8) of net sales. Investments in property, plant and equipment amounted to SEK 1,813m (1,300) and investments in intangible assets totaled SEK 711m (694), of which SEK 471m (490) was related to product development and SEK 240m (205) to IT and software. Approximately

Capital expenditure



30% (36) of capital expenditure was related to new products, 17% (18) to rationalization and replacement of production equipment, 10% (25) to expansion of capacity and 9% (8) to IT systems.

R&D expenses, which are included in cost of goods sold, amounted to SEK 1,891m (1,711), of which SEK 373m (393) was amortization of capitalized product development (intangible assets). The total R&D expenses thus corresponded to 4.0% (4.1) of net sales.

Financial position

Operating working capital *

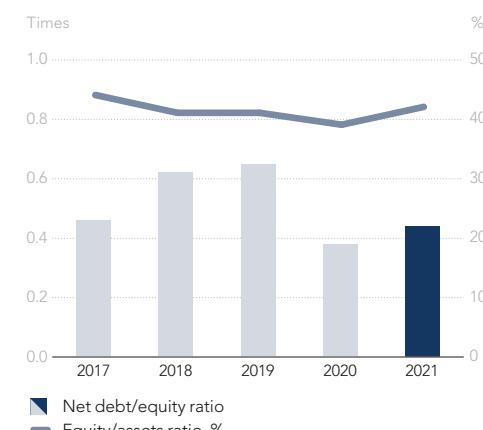
Operating working capital* at year-end amounted to SEK 11,350m (8,179). Inventories increased to SEK 14,030m (9,734), trade receivables increased to SEK 4,310m (3,259) and trade payables increased to SEK 6,990m (4,815).

Change in operating working capital*

SEKm	
December 31, 2020	8,179
Changes in exchange rates	511
Changes in working capital	2,660
December 31, 2021	11,350

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

Net Debt/Equity and Equity/Assets ratio



Equity

Group equity as of December 31, 2021, excluding non-controlling interests, increased to SEK 21,633m (17,059), corresponding to SEK 37.7 (29.8) per share after dilution.

Net debt*

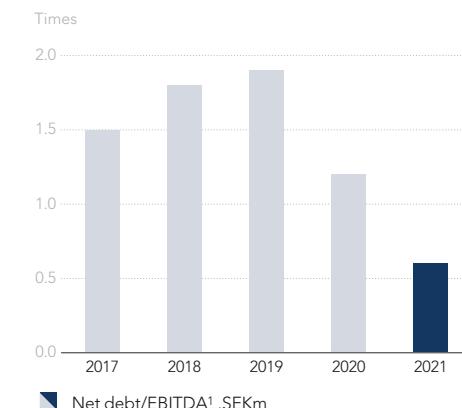
Net debt increased to SEK 9,623m (6,493). The increase was mainly related to the acquisition of Orbit Irrigation. The net pension liability decreased to SEK 1,777m (2,483). Other interest-bearing liabilities decreased to SEK 10,769m (11,437) and liquid funds and other interest-bearing assets decreased to SEK 2,923m (7,426).

The Group has long-term unutilized revolving credit facilities amounting to SEK 5bn. The net debt/EBITDA ratio, excluding items affecting comparability, decreased to 0.6 (1.2). The equity/assets ratio was 42% (39).

	2021	2020
Net pension liability	1,777	2,483
Other interest-bearing liabilities	10,769	11,437
Less: Liquid funds and other interest-bearing assets	-2,923	-7,426
Net debt*	9,623	6,493
Net debt/equity ratio	0.44	0.38
Equity/assets ratio, %	42	39
Net debt/EBITDA excl. Item affecting comparability*	0.6	1.2

* Alternative Performance Measure, refer to "Definitions".

Net Debt/EBITDA¹



¹ Excluding items affecting comparability.

* Alternative Performance Measure, refer to "Definitions".

Performance by business segment

Husqvarna Forest & Garden Division

Net sales increased by 10% to SEK 29,217m (26,607). The organic growth was 15% and currency effects impacted with -5%. The growth was strong across all product areas and key regions. The division strengthened its position particularly in the segments for robotic mowers and electrified products, as well as in the handheld segment for professional users.

Operating income amounted to SEK 3,699m (1,979). Excluding items affecting comparability operating income increased 38% to SEK 3,701m (2,682) and the operating margin increased to 12.7% (10.1). The improvement was driven by strong net sales growth, price increases and a favorable product mix. This was despite increased

raw material and logistics costs. Changes in exchange rates had a negative impact of approximately SEK 180m. Items affecting comparability, related to the supply chain efficiencies and a sale of a business in Q2 2021, amounted to SEK -2m (-703).

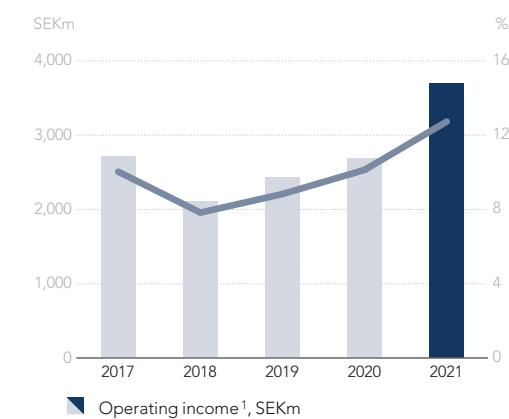
Husqvarna Forest & Garden Division

SEKm	2021	2020	Change, %
Net sales	29,217	26,607	10
Organic growth*, %	15	-2	—
Operating income	3,699	1,979	87
Operating margin, %	12.7	7.4	—
Operating income excl. items affecting comparability*	3,701	2,682	38
Operating margin excl. items affecting comparability*, %	12.7	10.1	—

Net sales, Husqvarna Forest & Garden Division



Operating income and margin, Husqvarna Forest & Garden Division



¹ Excluding items affecting comparability*.

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

Gardena Division

Net sales increased by 12% to SEK 10,537m (9,427). The organic growth was 14%, currency effects impacted with -4% and acquisitions contributed with 2%. Growth was strong in strategic growth markets, especially in Southern and Northern Europe which compensated for a weak season for watering in Central Europe (due to excessive rainfall).

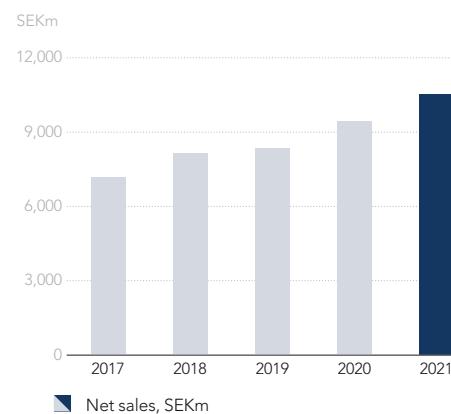
Operating income amounted to SEK 1,552m (1,432). Excluding items affecting comparability, operating income increased 7% to SEK 1,529m (1,432), and the operating margin amounted to 14.5% (15.2). The growth in operating income was driven by strong net sales growth and price increases. This was despite increased raw material and logistics costs. Changes in exchange rates had a negative impact of approximately SEK 25m.

Items affecting comparability amounted to SEK 23m (0), and was related to a reversal of a provision. In November 2021, Husqvarna Group acquired 100% of the shares in the U.S. based Orbit Irrigation. Orbit formed a part of the Gardena Division, establishing a global leader in residential watering.

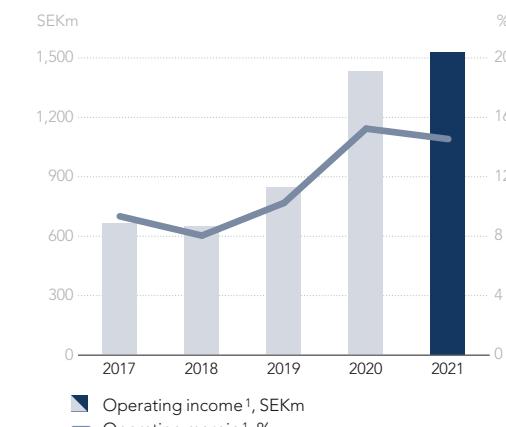
Gardena Division

SEKm	2021	2020	Change, %
Net sales	10,537	9,427	12
Organic growth*, %	14	13	—
Operating income	1,552	1,432	8
Operating margin, %	14.7	15.2	—
Operating income excl. items affecting comparability*	1,529	1,432	7
Operating margin excl. items affecting comparability*, %	14.5	15.2	—

Net sales, Gardena Division



Operating income and margin, Gardena Division



¹ Excluding items affecting comparability*.

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

Husqvarna Construction Division

Net sales increased by 23% to SEK 7,210m (5,844). Organic sales growth was 18%, changes in exchange rates impacted with -5% and acquisitions contributed with 10%. The division achieved strong growth with improved market positions in all key regions. Most categories had strong sales growth, including power cutters and electrified products. The division acquired Blastrac at the end of December 2020 and Blastrac currently has a lower operating margin than the average for the division.

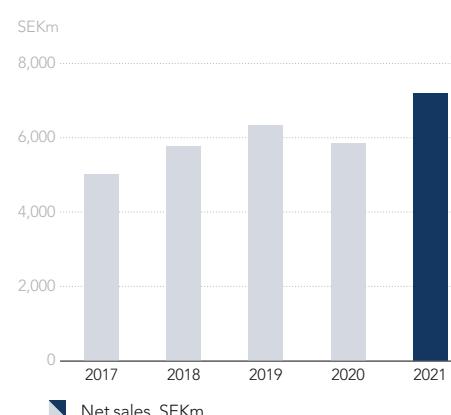
Operating income was SEK 840m (541). Excluding items affecting comparability, operating income increased 33% to SEK 840m (633), and the operating margin amounted to 11.7% (10.8). This was driven by sales growth,

manufacturing efficiencies and price increases. Higher raw material and logistics costs had a negative effect. Changes in exchange rates had a negative impact of approximately SEK 95m, given the division's sales in the U.S.

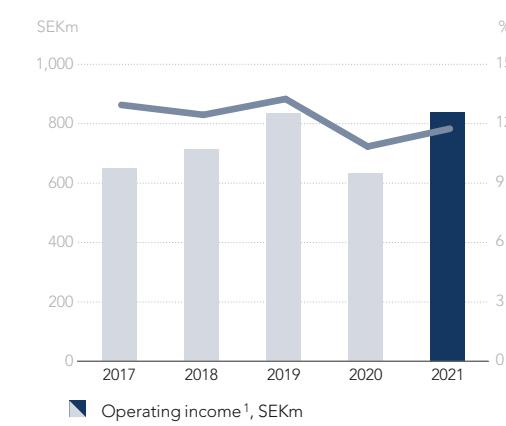
Husqvarna Construction Division

SEKm	2021	2020	Change, %
Net sales	7,210	5,844	23
Organic growth*, %	18	-6	—
Operating income	840	541	55
Operating margin, %	11.7	9.3	—
Operating income excl. items affecting comparability*	840	633	33
Operating margin excl. items affecting comparability*, %	11.7	10.8	—

Net sales, Husqvarna Construction Division



Operating income and margin, Husqvarna Construction Division



¹ Excluding items affecting comparability*.

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

Significant events

Acquisition of Orbit Irrigation

In November 2021, Husqvarna Group acquired 100% of the shares in the U.S. based Orbit Irrigation, a leading provider of residential watering solutions in North America. Orbit now forms a part of the Gardena Division, establishing a global leader in residential watering and creating growth opportunities for both brands. The acquisition provides an excellent position and the scale to continue to lead and transform the market towards smart, sustainable gardening solutions. The purchase price corresponds to an enterprise value of USD 480m on a cash and debt-free basis.

Group Management change

Glen Instone, CFO, has been appointed President, Husqvarna Forest & Garden Division. The appointment was effective January 1, 2022.

Defective component in a limited batch of robotic mowers

During the second quarter, a defective component used in a limited batch of circuit boards for robotic mowers was identified. The issue has been resolved and the full cost related to this issue amounted to SEK 50m in Q2 2021.

Legal settlement in supplier dispute

Husqvarna Group and Briggs & Stratton LLC (B&S) have reached a settlement with regards to the supply of engines for ride-on mowers. Under the terms of the settlement, B&S will provide the majority of the engines needed ahead of the 2022 season. Additionally, the parties have agreed to maintain a modified supply relationship into the 2023 season. Husqvarna Group saw a potential negative financial impact in 2022 as a result of a lack of engine supply. The settlement means that the lawsuit against B&S is withdrawn, and that Husqvarna Group no longer anticipates a material financial impact from the issue.

Capital Markets Day 2021 and new financial targets

Husqvarna Group hosted a Capital Markets Day on December 1, 2021. During the event, investors, financial analysts and media received an update on the Group's strategy, financial framework, and the divisions' business development. The latest product innovations within autonomous, electrification and smart watering were showcased. New financial targets from 2022 were presented; annual organic net sales growth of 5%, operating margin of 13% and capital efficiency target of 20% (average operating working capital / net sales).

SIGNIFICANT EVENTS AFTER THE PERIOD

Appointment of new CFO

Terry Burke, Vice President Finance Husqvarna Forest & Garden Division, has been appointed CFO of Husqvarna Group effective as of March 1, 2022. Terry has been with Husqvarna Group since 2010.

Husqvarna Group in Ukraine – employee safety our number one priority

The Group is closely monitoring the developing situation in Ukraine and our priority is the health and safety of our employees and their families and are actively working to support by various means. There are 21 employees based in Ukraine. The Group has business operations, although no production, in Russia and Ukraine, with less than 2% of the Group's total net sales generated in 2021. It remains too early to be able to quantify the financial and commercial effects on the business and at present the Group has decided to pause operations in Russia.

Other information

Parent Company

Net sales for January – December 2021 for the Parent Company, Husqvarna AB (publ), amounted to SEK 21,335m (18,341), of which SEK 16,269m (14,336) referred to sales to Group companies and SEK 5,066m (4,005) to external customers. Operating income increased to SEK 3,267m (2,560).

Income after financial items increased to SEK 4,818m (3,795), mainly due to Group internal transactions. Income for the year increased to SEK 3,697m (2,643). Investments in property, plant and equipment and intangible assets amounted to SEK 994m (1,126). Cash and cash equivalents amounted to SEK 561m (4,596) at the end of the year. Undistributed earnings in the Parent Company amounted to SEK 30,639m (28,627).

The Husqvarna share

At year-end 2021, the share capital in Husqvarna AB (Company) amounted to SEK 1,153m (1,153), comprised of 111,088,990 A-shares (111,690,460) and 465,254,788 B-shares (464,653,318).

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

The Company is not aware of any agreements between shareholders that may limit the right to transfer shares. In

addition, there are no stipulations in the Articles of Association regarding appointment or dismissal of Board members or agreements between the Company and Board members or employees that require remuneration if such persons leave their posts, or if employment is terminated, as a result of a public bid to acquire shares in the Company.

As of December 31, 2021, the largest shareholders were Investor AB, with 33.2% (33.1) of the votes, and L E Lundberg-företagen, with 25.3% (25.2) of the votes. No other shareholder held more than 5% of the votes. Market capitalization amounted to SEK 83bn (61) at the end of 2021. The Company did not own any own shares at the end of 2021. For more information on major shareholders, see section "The share".

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

The 2021 AGM resolved to authorize the Board to decide on one or more occasions, until the next AGM, to have the Company enter into one or more share swap agreements with third parties on terms consistent with market practice. The purpose is to secure the Company's obligations due to adopted incentive programs.

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

The participants in the Husqvarna LTI 2018 program were granted performance share awards in 2021 and 346,534 B-shares were transferred to the participants in May 2021 when the vesting period ended.

At year-end 2021, Husqvarna AB (publ) had equity-swap agreements whereby a third-party bank had acquired 5,921,329 B-shares to cover obligations under Husqvarna long-term incentive programs.

In addition, the 2021 AGM authorized the Board to resolve to issue not more than 57.6 million B-shares, representing 10% of the total number of shares in issue, to facilitate acquisitions where the consideration will be paid with own shares. No such issuance was made in 2021.

Legal matters and compliance

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

currently involved will have a material adverse effect on the consolidated financial position or result.

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

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

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

In 2021 a compliance vendor completed a global risk assessment which identified various regulatory and non-regulatory risks coupled with recommendations for risk reduction. These recommendations are being incorporated into the Group's three year Compliance Program Plan.

Sustainability

In accordance with the Swedish Annual Accounts Act Chapter 6, §11, Husqvarna Group has elected to publish its statutory sustainability report as separate from the Annual Report. The sustainability report – 2021 Sustainovate Progress Report has been submitted to the auditor at the same time as the Annual Report and is available on www.husqvarnagroup.com.

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

Task Force on Climate-Related Financial Disclosures (TCFD)

Husqvarna Group supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which are intended to ensure that investors and other stakeholders are informed about medium and long-term climate change risks posed to companies. In line with the TCFD recommendations, this Annual Report presents disclosure on the strategy, governance and risk management of related topics. See the Risk Management section on page 46.

Environmental permits

In 2021, Husqvarna Group operated 28 production facilities, of which 17 were in Europe, four in the U.S., three in China, one in Brazil, Japan, India and Australia. All facilities have the environmental permits required for current operations.

Husqvarna Group included in CSR indexes

Husqvarna Group is a member of the FTSE4Good Index Series and a member of the STOXX Global ESG Leaders index. These indexes are designed to facilitate investments in companies that meet globally recognized corporate responsibility standards in environmental stewardship, social due diligence and corporate governance.

Employees

The average number of employees in 2021 was 13,873 (12,374), of which 2,272 (2,137) were employed in Sweden. At year-end, the total number of employees was 13,704 (13,565). Of the total average number of employees in 2021, 9,484 (8,216) were men and 4,389 (4,159) were women. Salaries and remuneration in 2021 amounted to SEK 6,572m (5,803), of which SEK 1,682m (1,461) refers to Sweden. For more information on employees, see note 4.

Annual General Meeting 2022

The AGM of Husqvarna AB (publ) will be held on April 7, 2022.

Notification and proposals to the AGM

The notification to attend the 2022 AGM has been available on the Group's website, www.husqvarnagroup.com, since March

4, 2022. The full proposal to the AGM will be published on the Group's website at the latest by March 17, 2022.

Proposed distribution of earnings

The Board proposes a dividend for 2021 of SEK 3.00 per share (2.40) corresponding to a total dividend payment of SEK 1,711m (1,377) based on the number of outstanding shares at the end of 2021. It is also proposed that the dividend will be paid in two installments to better match the Group's cash flow profile, with one payment of SEK 1.00 per share in April and the remaining SEK 2.00 per share in October. The proposed record dates are April 11, 2022, for the first payment and October 11, 2022, for the second payment.

SEKt

The following profits are at the disposal of the AGM:

Share premium reserve	2,605,747
Retained earnings	24,364,968
Net income for the period	3,696,847
Total profit available for allocation	30,667,562

SEKt

The Board proposes the following allocation of available profits:

Dividend to the shareholders of SEK 3.00 per share ¹	1,711,267
To be carried forward	28,956,295
Total	30,667,562

¹ Calculated on the number of outstanding shares as of December 31, 2021.

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

Remuneration guidelines for Group Management and remuneration to the Board 2021

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

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

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

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

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

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

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

Fixed cash salary

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

Variable cash remuneration (Short-term Incentive, "STI")

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

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

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

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

individual KPIs for the CEO shall be determined and evaluated by the Board and the People & Sustainability Committee while the CEO shall be responsible for determining and evaluating individual KPIs for other members of Group Management.

Long-term incentive

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

Pension and other benefits

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

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

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

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to fixed salary for two years. The period of notice may not exceed six months

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

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

Salary and employment conditions for employees

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

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

The Board has established a People & Sustainability Committee (Committee), which qualifies as a "remuneration committee" within the meaning of the Swedish Code of Corporate Governance. The Committee's tasks include preparing the Board's

decision to propose guidelines for Group Management remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Committee shall also monitor and evaluate programs for variable remuneration for Group Management, the application of the guidelines for Group Management remuneration as well as the current remuneration structures and compensation levels in the company.

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

Derogation from the guidelines

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

Remuneration to the Board 2021

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2021 AGM resolved on fees of SEK 6,615,000. No consulting fees were paid to Board members and no Board fees are paid to Board members who are also employed by the Group. For more information concerning remuneration, see note 4.

Risk Management

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

Task Force on Climate-Related Financial Disclosures (TCFD)

The Task Force on Climate-Related Financial Disclosures (TCFD) is a set of recommendations on how companies should improve disclosures relating to risks and opportunities posed by climate change, including disclosures relating to governance, strategy, risk management, metrics and targets. In 2019, Husqvarna Group formally endorsed the recommendations of TCFD and began work to implement those recommendations in its annual reporting process. One recent activity has been to conduct a scenario pilot to gain a deeper understanding of how longer-term climate change impacts temperature and precipitation, thereby affecting grass growth and the lawn and garden industry. The pilot and its result are described in greater depth in this section.

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

In order to ensure an integrated approach, the Group has decided to make TCFD disclosures part of the overall Risk Management section and, where applicable, else-

where in this Annual Report. To facilitate ease of reference, the Group has indicated below those specific disclosures which are particularly relevant to TCFD with the symbol ">".

We also note that one of the targets under our sustainability program (Sustainovate) is to reduce CO₂ emissions in 2025 by 35% compared to 2015, and this is the Group's primary mid-term response to transitional risks and opportunities. For more information see the 2021 Sustainovate Progress Report. The Group secured approval of its revised Science-based target in 2020 and is thereby also committed to climate neutrality by 2050.

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

Responsibilities and accountability

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

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

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

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

Strategic risks relating to market trends

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

Business operational risks

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

A. Product and Solutions Development

Time to Market – Husqvarna Group, like any company, is subject to the risk that its competitors can develop and offer alternative products (or solutions) at a better cost-to-performance ratio. Product life cycles are becoming shorter, requiring

more efficient product development processes. Certain Group products have relatively long development lead times, thus requiring a deep understanding of the end-customers' likely needs in the future.

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

Servitization – Many industries are experiencing a shift in customer preference from buying physical products to purchasing services (e.g., in the form of monthly subscription fees, leases or uptime). This shift is sometimes referred to as "Servitization." The Group strives to keep pace with this shift by offering more "service"-oriented solutions such as rental and financing options. However, the Group is still heavily reliant on traditional business models of selling products to generate revenue and there is a risk that competitors may be able to develop service offerings more quickly or more effectively.

> **Future CO₂ emissions regulation** – The Group anticipates more stringent emissions regulations, particularly applicable to our petrol-powered products. As one of four stated strategic priorities the Group has increased its share of low-emission products through robotics and battery-powered products. Today, approximately 37% (33) of our business of motorized products is represented by battery-powered, robotics and corded products – up from 11% in 2015 and with the ambition to further increase that percentage to 67% within 5 years. Steps taken to further promote this shift include a significant

expansion of internal resources dedicated to robotics and battery products and a significant increase in related R&D spend. This focus reduces the Group's vulnerability to stricter emissions legislation. This shift in product portfolio also supports our efforts to reduce CO₂ and related greenhouse gas emissions. In 2020, the Group updated its analysis to better understand required CO₂ reductions from its product portfolio, using a 2035 horizon. This analysis confirmed that the Group is on the right path to transition to a low-carbon economy in line with the latest climate science, and the multi-lateral ambitions of the Paris Agreement to limit a temperature rise to 1.5 °C. Using this analysis, the Group secured approval of its revised Science-based targets in 2020 and thereby also committed to climate neutrality by 2050.

> **Shift from Petrol to Battery Products** – Many traditional market segments are affected by the "petrol-to-battery" shift. Products historically powered by petrol engines are now being offered with battery-driven motor alternatives instead. This trend has accelerated over recent years as batteries have become more powerful, more reliable and less expensive. Accordingly, it has been a strategic priority of the Group for several years to heavily invest in battery technology and new battery products. The Group has, for the most part, achieved a leading position in battery products within relevant market segments. At the same time, there is increased competition by new entrants, e.g., power-hand tool players, many of which have significant scale in designing, manufacturing or sourcing battery-powered indoor products such as cordless drills, which, to an extent, can be applied to outdoor products as well. A counterbalance to this risk is the Group's deep application knowledge of the particular products in question (e.g., chainsaws and trimmers). Our future success in these market segments will thus depend on our continued ability to design the entire end-product (including the battery power-source) better than most competitors.

B. Sourcing

Component supply and quality – A shortfall in deliveries or quality-related issues from a supplier may have negative consequences for production and for deliveries of finished products. This risk is exacerbated where the Group relies on a

few (or even single) suppliers to deliver key materials or components. To address these risks, the Group has begun to shift its risk management evaluations (e.g., site visits) from its own production sites, which are often already deemed "highly-protected", to those of major suppliers. The divisions' purchasing organizations work closely with suppliers in order to manage deliveries and monitors the suppliers' financial stability, quality-assurance systems and flexibility of production. The divisions build a safety stock of critical components to reduce impacts of disruption in supply.

> **Electronic Components** – Electronic components, including batteries and related parts, are becoming increasingly important for the Group's products and services. Worldwide demand for such components – especially battery cells and computer chips – is also increasing dramatically. As with all direct material, the availability of such components is dependent on supplier performance and global demand. Supply interruptions or lack of capacity may have an adverse effect on the Group's production and deliveries. In the 2020–2021 period we, like other manufacturers worldwide, have experienced supply chain disruptions and increased pricing of key components due to a combination of increased demand and global supply chain disruptions, largely linked to the Covid-19 pandemic. We expect these issues to continue into the near future.

Supply Chain Compliance – A broad supplier base, especially in less developed countries, potentially increases the risk that products or components are not produced sustainably. The Group and its suppliers must share the same high standards for the environment, labor and human rights as stated in Group policies and procedures and in the Supplier Code of Conduct. The Group is mitigating these risks through supplier audits and supplier self-assessments.

Prices for materials and components – The Group's operations and its performance are affected by fluctuations in the price of raw materials and components. The most important raw materials are steel, aluminum and various types of plastic. These prices can fluctuate considerably in the course of a year, due to changes in world prices for raw materials or the ability of suppliers to deliver them. Total consumption is linked to production

volume and production mix. The Group does not use financial instruments to hedge prices for raw materials, but endeavors to manage risks through bilateral agreements with suppliers.

In 2021, Husqvarna Group purchased materials, components and finished products amounting to SEK 19,938m (18,390).

Cost structure, Group

	2021		2020	
	% of net sales	SEKm	% of net sales	SEKm
Cost of goods sold:				
Raw materials, components and finished products	42.4	19,938	43.8	18,390
Factory overhead, R&D, tools	13.6	6,388	14.6	6,123
Direct wages	3.7	1,734	3.7	1,533
Restructuring	0.0	18	1.2	521
Other	7.4	3,467	6.7	2,800
Total cost of goods sold	67.0	31,545	70.0	29,367
Gross operating income	33.0	15,513	30.0	12,576
Cost of SG&A:				
Selling expense	15.2	7,152	15.5	6,514
Administrative expense	5.7	2,705	5.1	2,123
Restructuring	-0.2	-80	0.7	294
Other	0.0	-10	-0.1	-23
Total cost of SG&A	20.8	9 767	21.2	8 907
Operating margin/income	12.2	5,746	8.7	3,669

C. Manufacturing

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

> **Natural Disasters** – The Group's and its suppliers' facilities are subject to disruption for a variety of reasons, including, but not limited to, work stoppages, water scarcity, fire, earthquake, flooding or other natural disasters. Such disruption may interrupt Husqvarna Group's ability to manufacture certain products. Any significant disruption could negatively impact the Group's sales and earnings. There are currently eight sites located in 100-year flood zones due to nearby rivers, and four in areas with potential for extreme wind exposure. The Group works proactively to reduce these exposures by avoiding establishing new operations in high-risk zones, and by proactive maintenance, installation of sprinklers, insurance, and establishing business continuity plans.

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

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

D. Transportation

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

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

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

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

E. Customer Interaction

Customer Preferences – The Group's strategy is founded on product innovation, utilization of strong brands and global distribution to create differentiated product and solution offerings for different end-customer segments. Long-term profitability depends on the ability to successfully develop, manufacture and market new products and solutions that meet customers' performance needs and price requirements. Digitalization has opened up significant opportunities to improve customer interaction and to customize advice and support. The Group

works with digital solution providers to ensure that products are integrated with digital platforms preferred by our customers.

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

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

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

Omnichannel & Online – Internet commerce is increasing and becoming of increasing importance to the Group, partly as the result of increased online sales activities of trade partners in both the dealer and retail channel but also from growing direct sales with major online resellers. This trend has been accelerated in recent years due in part to the Covid-19 pandemic, with end-customers preferring to order products online to avoid personal exposure. This shift to online purchasing brings new risks and uncertainties (as well as opportunities), including new buying patterns and challenges to ensure adequate pre- and post-sales support for products sold online. The challenge is to ensure that relevant products are offered to all customer segments in all relevant purchasing channels. The failure to build or maintain strong supply relationships with key online resellers can have significant negative effects on volumes and profitability.

F. Customer Use

Product Safety – The Group is exposed to product liability in the event that products are alleged to have caused damage to persons or property. The Group is insured to a large degree against such claims, partly through insurance in its own captive insurance company, and partly through external insurers. However, there is no guarantee that such insurance coverage is in force or sufficient in a specific case or that claims regarding product liability may not have an adverse effect on the Group's earnings and financial position. In addition, such insurances do not cover the costs for warranty repair, recall exposure or any adverse effect on brand value. External insurance is subject to availability and pricing, which may vary over time. The Group has established a committee on product safety (COPS), the tasks of which include monitoring product safety issues.

> **Weather/climate** – Demand for the Group's products is dependent on weather. Unexpected or unusual weather conditions in core markets can affect sales either adversely or positively. Dry weather can reduce demand for products such as lawn mowers and tractors but can also stimulate demand for watering products. However, excessive dry weather or droughts may result in regulatory actions, such as water-bans, that have a negative effect on the sale of watering products. Demand

for chainsaws normally increases after storms and during cold winters. Husqvarna Group strives for a flexible production and supplier structure that can be adjusted at short notice to meet actual demand without the burden of excess safety stock within inventory. Reducing lead times and improving responsiveness heightens the Group's agility and helps get the right products to the market by matching not only the season but current weather conditions.

> *Assessing the potential impacts and risks of climate change on the garden business* – In 2020, the Group conducted a pilot study, with the assistance of a third-party agricultural university, to gain better insights about potential risks of climate change on the lawn-care market. The study analyzed predicted changes in rainfall and temperature in France through to 2030 to determine the impact on lawns. The study was based on the assumption that consumers will reduce the purchase of lawn equipment if the weather is too hot and dry for the grass to grow.

The pilot study focused on France, as it represents a sizeable market for the Group and because it has numerous climate zones. The outcome of the study utilized two separate temperature-increase scenarios (average and severe), with similar conclusions from both scenarios within a ten-year horizon. Summer and late summer months are likely to be characterized by slightly lower grass growth than today, due to reduced rainfall. However, reduced growth during summer and early autumn will almost be counterbalanced by an increased growth in late autumn and early spring, which will likely experience warmer weather.

The study's findings are being used to raise awareness of potential effects of climate change on the wider core business and to inform strategic business decisions. Through the study, the Group has developed a methodology that can be applied to further studies for other key markets.

G. End of Life/Product Recycling

> *Future regulation on product take-back* – The Group participates in recycling schemes for electrical equipment and batteries in markets in North America and Europe under product stewardship regulations. Regulations on recycling will likely expand to other markets, as the focus on waste and resource

efficiency grows. Future regulation on product take-back may increase costs for premiums for disposal and product redesign for recyclability. The Group has defined a 2025 target to launch 50 circular innovations. This will include opportunities for increasing the use of recycled plastics in products and increasing the recyclability of the products as well as developing solutions for sharing or extending product life-span.

Other risk areas across the value chain

Covid-19 Pandemic

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

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

The Group relies heavily on its IT systems to operate its business. Disruptions or faults in critical IT systems may have a direct impact on operations such as production and logistics. Cyber-security risks are increasing in society in general, especially due to cyber-criminals who can use a variety of means, ranging from sophisticated virus attacks to simple email fraud. Any of these criminal activities, if successful, could have an adverse impact on the Group's operations, financial condition or reputation. The Group works continuously to keep systems protected and is also investing in enhanced disaster recovery, confidentiality measures, data storage capabilities and cyber-security expertise as well as information-security awareness and training. In parallel with such efforts and in connection with the EU's General Data Protection Regulation (GDPR), the Group continuously works to protect individuals' rights in connection with any personal data processed by the Group.

Integrity and compliance risks

As with similar global enterprises, we face a number of compliance risks, including risks of corruption or fraud, which risks tend to be higher in emerging markets with less devel-

oped legal systems. These risks subject Husqvarna Group to both potential financial losses as well as potential negative impacts on our reputation. Accordingly, we take a number of steps to remediate such risks, including (A) continuous and ongoing training on our Code of Conduct, which expresses our zero-tolerance approach to corruption and bribery, (B) a robust and global "whistleblower" platform that provides a number of means for employees to confidentially submit any concerns regarding non-compliant behavior, (C) our Third-Party Due Diligence Policy, which uses an automated system to vet current and potential third-parties, and (D) requiring annual certifications from our Country Officers confirming that they are unaware of any breaches of our Code of Conduct that have not been reported through our whistleblower platform. In 2021, we retained a third-party compliance vendor to conduct a Global Risk Assessment. The vendor reviewed hundreds of pages of documentation about Husqvarna Group's business and compliance program and interviewed fifteen business leaders across the divisions. The vendor offered a number of recommendations to reduce identified risks and Husqvarna Group is incorporating those recommendations into the Group's Three-Year Compliance Program Plan to further enhance our efforts against corruption, bribery and other misconduct. We also continue to closely monitor the EU Whistleblower Directive that took effect in December 2021 to ensure compliance to EU country specific requirements.

> Environmental, health and safety risks and human rights

Risks related to human rights, health, safety and the environment can arise along the supply chain, both at suppliers' and at the Group's production facilities. These risks can have a reputational impact on well-known brands owned by the Group. The Group applies the precautionary principle and takes action to prevent or mitigate injury or harm to human health or the environment.

Risks related to acquisitions, restructurings and organizational changes

The Group may, from time to time, undertake acquisitions, divestitures, organizational changes or changes in manufactur-

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

Certain risks in the Husqvarna Construction Division

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

Financial risks

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

General

The Group's financial risks are managed on the basis of the Group's financial and credit policies, which are annually updated and approved by the Board. Management of financial risks is based largely on the use of financial instruments and is mainly centralized within the Group Treasury function, which

operates in accordance with specified risk mandates and limits. For more information on accounting principles and financial risk management and risk exposure, see notes 1 and 20.

Financing risks

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

Interest rate risk

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

Foreign exchange risk

As Husqvarna Group sells its products in more than 100 countries, has production in approximately ten countries and

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

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

Credit risks

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

The Group's credit risks are managed on the basis of standardized credit ratings, credit limits, active monitoring of credits and routines for follow-up of trade receivables. The need for

reserves for doubtful trade receivables is monitored continuously. Major credit limits are approved annually by the Board. The Group also utilizes credit insurance to reduce credit risk in trade receivables.

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

Tax risks

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

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

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

Sensitivity analysis

±10% **±10%** **±1%**

Currency			Raw materials			Interest rates		
-SEK USD+	-SEK EUR+	-SEK ALL+	STEEL	ALUMINUM	PLASTICS	INTEREST		
SEKm	SEKm	SEKm	SEKm	SEKm	SEKm	SEKm		
-265¹	+645²	+1,020³	±165	±35	±135	±30		
Effect on operating income			Effect on operating income			Effect on income for the period		

¹ Excluding hedge effects. SEK –305m refer to effect of transactions and SEK 40m to translation effects.

² Excluding hedge effects. SEK 445m refer to effect of transactions and SEK 200m to translation effects.

³ Excluding hedge effects. SEK 700m refer to effect of transactions and SEK 320m to translation effects. All other refer to the other currencies including USD and EUR.

Corporate Governance Report

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

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

Husqvarna Group has no deviations from the Swedish Code to report for the 2021 financial year. Nor has Husqvarna Group been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breaches of sound practices in the stock market by the Swedish Securities Council. For more information, go to: www.husqvarnagroup.com.

The highest corporate decision-making body in Husqvarna AB (Company) is the Shareholders' General Meeting, which is normally held once per year in the form of the Annual General Meeting (AGM), but can also be in the form of an Extraordinary General Meeting under certain circumstances. The 2022 AGM will take place on Thursday, April 7, 2022. The Company prepares the AGM agenda with input from its shareholders, who have the right to propose matters for consideration at the AGM.

Shareholders

The Company's shares have been traded on Nasdaq Stockholm since June 2006. At year-end 2021, the share capital amounted to SEK 1,153m, represented by 111,088,990 A-shares and 465,254,788 B-shares, each with a par value of SEK 2. Each A-share carries one vote and each B-share carries one tenth of a vote. As per the Articles of Association, holders of A-shares are entitled to request conversion of A-shares into B-shares on a 1:1 basis. During 2021, 601,470 A-shares were converted to an equivalent number of B-shares.

As of December 31, 2021, the number of shareholders was 74,210, of which foreign shareholders held approximately 41.8% of the outstanding share capital. Investor AB was the single largest shareholder with a holding of 16.8% of the share capital and 33.2% of the votes. L E Lundbergföretagen AB was the second largest shareholder with a holding of 7.6% of the capital and 25.3% of the votes. For further information on the Company's shares and shareholders, see section "The share", on page 120.

Nomination Committee

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

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

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

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

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

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

The formation of the Nomination Committee for the 2022 AGM was announced on September 13, 2021. The members of the Nomination Committee (and corresponding appointing shareholders) for the 2022 AGM are:

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

¹ Chair of the Board of the Company.

The determination of the four largest shareholders for purposes of nominating representatives to the Nomination Committee was based on known holdings of voting rights as of August 31, 2021. Nomination Committee members do not receive compensation from the Company for their work on the Nomination Committee.

As noted above, one of the chief duties of the Nomination Committee is to make recommendations regarding the size and composition of the Board. Normally, the starting point for such recommendations is a survey conducted each year by the Chair of the Board to assess the Board's work, composition, qualifications, experience and efficiency. Such survey consists of an online anonymized questionnaire, interviews with individual Board members, and a discussion held with the full Board. The results of this survey are shared and discussed with the Nomination Committee.

Based on survey results, the Nomination Committee determines whether the existing Board should be strengthened with additional expertise or if there are any other reasons to make changes to the composition of the Board. In making such determinations and (if applicable) evaluating potential new candidates for the Board, the Nomination Committee takes into consideration the objective to achieve a gender balance in the Board.

The Nomination Committee has applied rule 4.1 of the Swedish Code as its diversity policy. In addition, the Nomination Committee takes into consideration the need to ensure that the independence requirements of the Swedish Code are met. These requirements stipulate that at least the majority of Board members must be independent from the Company and

its management and that at least two (from such majority) are also independent of the Company's largest shareholders. The Nomination Committee also takes into account any proposals made to the Nomination Committee about the composition of the Board that may have been suggested by other shareholders. Shareholders who wish to submit proposals to the Nomination Committee may do so by sending an email to nominationcommittee@husqvarnagroup.com. While there is no formal deadline for proposals, it was recommended in the September 13, 2021 notice of the formation of the Nomination Committee that such proposals from shareholders be received by the Company no later than February 7, 2022.

For the 2022 AGM, the Nomination Committee announced its required proposals along with the notice of the AGM, which was published on the Company's website on March 4, 2022. The Nomination Committee will present and elaborate on its work and proposals at the 2022 AGM.

The Annual General Meeting

General

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

According to the Company's Articles of Association, the AGM must always be held in Jönköping or Stockholm, Sweden. The Articles of Association permit the Board to allow the shareholders to participate in the AGM also over the internet. The Board may also allow voting by mail.

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

The notice of the AGM (specifying its date, location, agenda, etc.) shall be made public at least four weeks and not

more than six weeks prior to the AGM. The notice is published in the Swedish daily newspaper Svenska Dagbladet and in the Swedish Official Gazette (*Post- och Inrikes Tidningar*). The notice is also announced in a press release and on the Company's website at www.husqvarnagroup.com.

AGM agenda items and written documentation

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

- Election of Chair of the AGM¹;
- Adoption of statutory financial documentation;
- Discharge of liability for the Board members and CEO;
- Disposition of the Company's profit;
- Number of elected Board members¹;
- Remuneration to Board members, committee members and external auditors¹;
- Election of external auditor¹;
- Election of Chair of the Board¹;
- Election of Board members¹;
- Principles of remuneration for Group Management;
- Approval of Remuneration report;
- Adoption of long-term incentive programs (if applicable);
- Repurchase and transfer of the Company's own shares (if applicable);
- Authorization to resolve on the issuance of new shares (if applicable); and
- Such other matters as may be deemed necessary and appropriate by the Board.

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

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

At the AGM, the Chair of the Board presents a report on the Board's work during the preceding year, the CEO gives an overview of the Company's business and current priorities, and the auditors present their report and review of the Company's finances. If required, the Chair of the People & Sustainability Committee reports on remuneration to the Group's executive management (Group Management) and, if it is to be decided by the AGM, the Company's long-term incentive programs.

Shareholders attending the AGM may also direct questions to the Chair of the Board, the CEO, the Nomination Committee, the Chair of the People & Sustainability Committee, the external auditors or any other Board member. Written documentation is presented at the AGM, normally both in English and Swedish. This documentation may be downloaded from the Company's website and is also sent to shareholders upon request.

Such documentation includes:

- The agenda for the AGM;
- Proposals from the Board and the Nomination Committee;
- The Remuneration report;
- The Nomination Committee's explanatory statement regarding the proposal for appointment of Board members; and
- The Board's report in relation to the proposed dividend and the proposal on the acquisition of the Company's own shares (if applicable).

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

The 2021 AGM

In 2021, due to the Covid-19 pandemic, the AGM was held in accordance with so called "mail-in voting procedures" pursuant to Section 22 of the temporary act on general meetings (2020:198) on April 14, 2021.

The votes of 916 shareholders, representing 60% of the total number of shares and 79% of the total number of votes were represented at such AGM. The AGM approved the following resolutions:

- To adopt the income statements and balance sheets for 2020;
- To discharge the Board and the CEO from liability for the financial year 2020;
- To establish the size of the Board at eight (8) elected members (including the CEO);

- To elect Tom Johnstone, Ingrid Bonde, Katarina Martinson, Bertrand Neuschwander, Daniel Nodhäll, Lars Pettersson, Christine Robins and Henric Andersson as Directors of the Board;
- To appoint Tom Johnstone as Chair of the Board;
- To set Board remuneration at SEK 6,615,000 in total, of which SEK 2,075,000 to the Chair of the Board and SEK 600,000 to each of the Board members elected by the AGM and not employed by the Company. Furthermore, to pay additional remuneration of SEK 275,000 to the Chair of the Audit Committee and SEK 175,000 to each of the other two members of the Audit Committee, as well as SEK 145,000 to the Chair of the People & Sustainability Committee and SEK 85,000 to each of the other two members;
- To approve the Nomination Committee's proposal of election of auditors and to pay auditor's fees on the basis of approved invoices;
- To approve the Remuneration Report;
- To set principles of remuneration to Husqvarna Group Management, based on fixed salary, variable salary, long-term incentives, pensions and other benefits;
- To establish a performance-based long-term incentive program for 2021, LTI 2021, to be offered to 100 senior managers, whereby, subject to the fulfilment of certain performance targets and other conditions during a three-year vesting period, the participants would have the right to receive certain B-shares;
- To authorize the Board, during the period up until the next AGM, to direct the Company to enter one or more equity swap agreements with a third party (e.g., a bank) for purposes of hedging the obligations of the Company, under the LTI 2021 and any previously resolved programs;
- To authorize the Board to approve the issue of not more than 57,634,377 new B-shares against payment in kind on one or more occasions during the period up to the 2022 AGM;
- To replace Article 13 of the Articles of Association.

The 2022 AGM

The 2022 AGM of Husqvarna AB will be held on April 7, 2022. For more information regarding the 2022 AGM, see section "Annual General Meeting 2022".

The Board of Directors

According to the Company's Articles of Association, the Board shall be comprised of no less than five and no more than ten elected Board members. The Articles of Association do not contain any specific provisions concerning the appointment and dismissal of directors (or the method by which the Articles of Association may be amended), meaning that the rules otherwise stated in the Swedish Companies Act apply. There are currently eight Board members elected by the AGM (see section "Board of Directors and auditors"). In addition to the Board members elected by the AGM, Swedish trade unions have the statutory right to appoint two ordinary Board members with voting rights, as well as two deputies for such Board members.

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

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

The Board has adopted the Board's Rules of Procedure for its internal activities, which include rules regarding the number of Board meetings, matters to be handled at regular Board meetings and the duties of the Chair of the Board. These Rules of Procedure are updated and adopted by the Board each year at the "Statutory Board Meeting" which is normally held immediately after the AGM. The Chair shall also ensure that

the Board evaluates the CEO on a regular basis, at least once a year, where the CEO is not present.

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

The Chair of the Board ensures that the Board's work and procedures are evaluated and discussed with Board members annually, and are brought to the attention of the Nomination Committee with the aim of developing the Board's working methods and efficiency. In 2021, such evaluation was conducted via an online anonymized questionnaire, together with individual interviews conducted by the Chair with each Board member. The results of such evaluation were presented to, and discussed with, the Nomination Committee as well as to the full Board. The Board members elected by the 2021 AGM fulfil the independence criteria set out by the Swedish Code, which require that a majority of the members of the Board be independent of the Company and its management, and that at least two of these be independent as to the Company's largest shareholders.

Fees to Board Members

Fees to Board members, including fees for committee work, are set by the shareholders at the AGM. For information on fees to the Board in 2021, see note 4.

Board Meetings

According to the Board's Rules of Procedure, the Board shall hold at least four ordinary meetings and one statutory meeting per calendar year. In 2021, the Board held eleven meetings, of which nine were by video conference, one was held in Stockholm, Sweden and one was per capsulam (i.e. by unanimous written consent).

At Board meetings, the Company's CFO and General Counsel are also present. The General Counsel serves as the Board's secretary and records the minutes of the Board meetings.

Other members of Group Management or other senior managers of the Company may also be asked to attend and report on significant matters.

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

The Audit Committee

In accordance with the Swedish Companies Act, the Board annually appoints an Audit Committee whose primary responsibilities are to (a) monitor the Company's financial reporting, (b) oversee the effectiveness of the Companies internal control, internal audit, and risk management functions as they relate to financial reporting, (c) review and supervise the Company's external auditors' impartiality and independence, and (d) when applicable, assist in the preparation of proposals for the AGM's election of auditors. The Audit Committee may also exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time. The Board has adopted a charter for the Audit Committee, which is periodically updated and approved by the Board.

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

at the Statutory Board Meeting or when a Committee member needs to be replaced.

The Audit Committee members appointed in April 2021 were Ingrid Bonde (Chair), Daniel Nodhäll and Katarina Martinson. Audit Committee meetings are also attended by the Company's internal auditor, the General Counsel, who keeps the minutes of the meetings, the Company's CFO, and the external auditors. Other members of Group Management are invited periodically to report on specific matters, as relevant. The Audit Committee regularly reports on its findings and recommendations to the full Board.

In 2021, the Audit Committee held five meetings, which fulfills its own charter rule that it shall meet at least four times per year. The Audit Committee meetings follow an adopted agenda plan, which includes a review of open issues, a treasury and tax update, and an internal audit update. The Audit Committee also reviews the Company's Interim Reports and the Boards' Report before they are submitted to the Board. The Committee meets frequently with the Company's external auditors who deliver reports on the audit. It also reviews the Company's compliance work and litigation activities on a quarterly basis.

The People & Sustainability Committee

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

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

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

The Committee's Chair, in consultation with the Committee members, shall determine the schedule and frequency of the

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

With respect to remuneration to the Group Management and the Company's talent management, the Committee is assigned to perform the following general tasks:

- Preparing the Board's decisions on principles for remuneration and other terms of employment for the CEO and for other members of Group Management, including such remuneration guidelines and remuneration reports as are required by applicable law (including the EU's Shareholders Rights Directive);

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

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

- Periodically reviewing the Group's overall efforts within the field of sustainability, including without limitation, approving (or recommending to the full Board for approval) any sustainability related targets or changes to existing targets;
- Actively tracking progress towards the Group's previously established sustainability targets;
- Reviewing and commenting on the Group's annual "Sustainovate Progress Report" prior to submission to the full Board for approval; and

- Otherwise monitoring the Group's overall sustainability efforts, including a review of any material information in the press that may have a positive or negative impact on the public perception of the Group's commitment to sustainability.

The above tasks shall be supported by the Group's Head of Sustainability, who shall normally report to the Committee (or the full Board) at least twice per year. The Committee members appointed in April 2021 were Lars Pettersson (Chair), Tom Johnstone and Bertrand Neuschwander. For more information on remuneration to Group Management, see note 4.

In 2021, the Committee held three meetings, which fulfills the charter criteria that it shall meet at least twice a year.

External Auditors

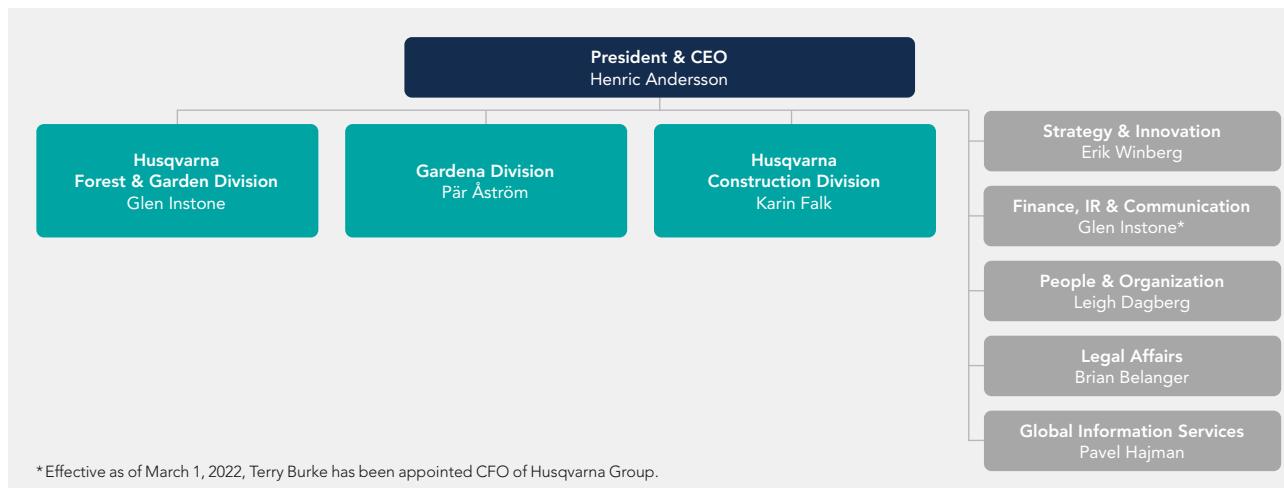
At the 2021 AGM, in accordance with the proposal of the Nomination Committee, KPMG AB was elected as auditor for the period from the 2021 AGM up until the end of the 2022 AGM. The Auditor-in-Charge is Joakim Thilstedt.

As per the resolutions passed at the 2021 AGM, the auditor's fee until the 2022 AGM shall be paid on the basis of approved invoices. For more information, see note 8.

Group Management Structure

Husqvarna Group has a brand-driven organizational structure with three separate reporting divisions: Husqvarna Forest & Garden Division, Gardena Division and Husqvarna Construction Division. The Company's Group Management is comprised of (a) the CEO, (b) the three divisional presidents and (c) the heads of the five Group Functions, in each case as shown in the chart to the left.

Group Management Structure



Group Management, together, makes decisions on:

- The Group's strategic and business development;
- Allocations of responsibilities between the Group functions and the respective divisions;
- Enhancing Group synergies;
- Internal financial and business follow-up;
- External financial reporting for Board approval;
- Group governance;
- Group staffing plans;
- Issue resolution;
- Budgets;
- External affairs;
- Board reporting;
- Progress on sustainability efforts;
- Risk management and mitigation (see section "Risk Management" in this Annual Report); and
- Group policies and guidelines.

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

Clear roles and responsibilities apply for each of the Group functions as well as for the divisions. A Group governance structure has been implemented to ensure that decisions are made as close to operations as possible. Clear guidance has been provided to identify the level on which different types of decisions should be made. Changes to the governance structure (including applicable roles and responsibilities) can only be made by the decision of Group Management.

The CEO

The CEO is appointed by the Board and is responsible for the ongoing management of the Company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information for decisions and ensuring that commitments, agreements and other legal documents comply with applicable laws and the Groups Code of Conduct. The CEO also ensures compliance with the goals, policies and strategic plans approved by the Board and updates the Board on the same when necessary. The CEO appoints all members of Group Management, with input from the Board Chair.

The Divisional Presidents

Each of the three divisions has its own President, who in turn reports to the Group CEO. Each divisional President is responsible for the operational income statement and balance sheet for his/her respective division. However, all decisions made by a division are subject to the Group's overall strategic goals and policies. For more information about Husqvarna Group's divisions, see the section "Divisions".

The Group Function heads

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

1. **Strategy & Innovation.** This function, which has been headed by Erik Winberg since October 18, 2021, combines the majority of activities previously held by the former Business Development function as well as certain functions of the former Technology Office (as described in the 2020 Annual Report). It also houses the Group's sustainability efforts to ensure that sustainability is closely incorporated into the Company's overall Group Strategy. The function has several areas of activity/responsibility, including Group-level Business Development, Technology & Innovation, Brand & Licensing, Sustainability, M&A and venture-capital investments.
2. **Global Information Services (IT).** This function, which is headed by Pavel Hajman, is primarily responsible for overseeing the Group's Digital & IT strategy, systems & infrastructure and operational support. It provides Digital & IT services and solutions including IT security and also supports and collaborates with the Digital Development personnel in the divisions. The function's organization comprises three delivery-focused groups aligned with the three divisions, with Digital Business Transformation, and with three governing groups, each with a designated focus area, in Enterprise Architecture, Infrastructure & Security and Common Systems & PMO.
3. **Finance, IR & Communication.** This function, which is headed by the Group's CFO, Terry Burke (as from March 1, 2022), has primary responsibility for the Group's financial controlling and reporting. It also coordinates and collaborates with finance personnel working within the divisions. The function's organization consists of a number of sub-groups including (a) Business Control, (b) Group Accounting, (c) Tax, (d) Treasury, (e) Internal Control, (f) Global Business Solutions and (g) Real Estate. It also includes the Group's Investor Relations and Corporate Communication functions. The Internal Audit function sits within the Finance, IR & Communication function from an organizational (Human Resources) point of view, but reports directly to the Audit Committee of the Board in terms of functional oversight.
4. **People & Organization (HR).** This function, which is headed by Leigh Dagberg, has primary responsibility for overseeing the Group's HR initiatives within compensation & benefits, international assignments, talent attraction and acquisition, talent management, learning and development and HRIS (people management systems and data). The function is also responsible for providing Group coordination and oversight regarding Employee Health and Safety (EHS). The People & Organization function coordinates on a dotted-line basis with HR personnel located within the divisions.
5. **Legal Affairs.** This function, which is headed by the Group's General Counsel, Brian Belanger, is responsible for providing all relevant legal support to the Group and the divisions. It also includes the Group's (a) Risk Management, (b) Compliance & Integrity and (c) Product Compliance & Safety sub-functions. Together with Group Finance, Group Legal also plays a leading role in maintaining appropriate Group Governance structures and policies, as well as ensuring compliance with applicable stock exchange rules.

Note regarding Governance of Climate-Related Risks (TCFD)

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

External information

Husqvarna Group employs a series of procedures, controls and systems to ensure the Group is able to provide the market with timely and accurate information to the extent required by applicable law and good corporate practice, including the disclosure requirements of the EU's Market Abuse Regulation (MAR) and Nasdaq Nordic Main Market Rulebook for Issuers of Shares. The Board has delegated to the CEO and an internal Disclosure Committee comprised of the Group's CFO, General Counsel and head of People & Organization (HR), the day-to-day responsibility for assessing whether insider information exists (within the meaning of the MAR), and for ensuring that such information is promptly disclosed or, in exceptional circumstances, to delay such disclosure where necessary to protect the interests of the Company and where permitted by applicable law.

Financial information is regularly issued in the form of:

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

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

Internal Control Over Financial Reporting

The Company's Board has overall responsibility for establishing an effective internal control system according to the Swedish Companies Act, Annual Accounts Act and the Swedish Code. The purpose of this section of the Report is to provide shareholders and other interested parties with an understanding of how internal control is organized within Husqvarna Group. It is limited to internal control over financial reporting.

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

Control environment

The foundation of good internal control is a framework of governing documents such as policies, instructions, guidelines and manuals that are embedded in the organization's vision and strategy. The Husqvarna Group Code of Conduct sets the importance of integrity and ethical values governing interactions with employees, business partners and other stakeholders. The Group's governance policies provide the framework that defines the organizational structure, responsibilities and authorities. The Board is ultimately responsible for establishing an effective internal control system, including that the Company has procedures to ensure that (i) approved policies for financial reporting and internal controls are applied, (ii) the Company's financial reports are produced in accordance with applicable legislation, accounting standards and other requirements for listed companies, and (iii) there is an appropriate system for follow-up and control of the Company's financial reporting. The Board has established Rules of Procedure and clear instructions for its work, which also cover the activities of the Audit Committee. The overall duty of the Audit Committee is to support the Board's supervision of the audit and reporting processes and to ensure the quality of such processes. The activities of the Audit Committee during the year are described on page 55.

Responsibility for maintaining an effective control environment as well as the ongoing work on risk management

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

Risk assessment

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

Control activities

Control activities are integrated in processes for accounting and financial reporting. The prerequisite is to ensure that reliable financial reporting from all entities uses uniform accounting principles that are stipulated in the Husqvarna Accounting Manual. For key financial processes, the Group has established Minimum Internal Control Requirements (MICR) for its reporting units to enhance Husqvarna Group's internal controls. Husqvarna Group has a dedicated Internal Control function. The objective of Group Internal Control is to provide support for Group Management and the management of the divisions, enabling them to continuously improve internal control relating to financial reporting. The Audit Committee is regularly informed of the results of the work performed by the Internal Control function.

Information and communication

Husqvarna Group maintains its Group policies and other governance documents in a central document management system open to all employees. The governing documents relating to financial reporting such as Group policies and the Husqvarna Accounting Manual are subject to regular reviews and updates. Changes in accounting procedures are

communicated and explained in newsletters from the Group's accounting function. Furthermore, to ensure the correct implementation of such changes, the Group has established internal networks with participation from key stakeholders in the area of financial reporting.

Monitoring activities

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

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

The Group Internal Audit function supports the development and improvement of internal control over financial reporting. Group Internal Audit was established by the Board as part of its monitoring role, and the Board has directed that the Internal Audit function should have a solid reporting line, in the first instance, to the Audit Committee. An annual internal audit plan based on an independent risk assessment is approved by the Board after an initial review by the Audit Committee. Based on this audit plan, Group Internal Audit performs independent and objective audits to evaluate and improve the effectiveness of Husqvarna Group's governance, risk management and internal control processes.

Board of Directors and auditors



Name	Tom Johnstone, CBE	Ingrid Bonde	Katarina Martinson	Bertrand Neuschwander
Function	Chair of the Board	Board member	Board member	Board member
Born	1955	1959	1981	1962
CV	M. A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, US. Hon. Doc. in Science, Cranfield University, UK. Member of the People & Sustainability Committee.	MBA, Stockholm School of Economics, Sweden. Chair of the Audit Committee.	M. Sc., Stockholm School of Economics, Sweden. Portfolio management for the Lundberg Family. Member of the Audit Committee.	Graduate engineer, Institut National Agronomique de Paris-Grignon, France, with an MBA from INSEAD. Member of the People & Sustainability Committee.
Other major assignments	Board Chair of Collegial AB, Combient AB, Wärtsilä Corporation and of the British-Swedish Chamber of Commerce. Board member of Investor AB, Northvolt AB and Volvo Cars.	Board Chair of Apoteket AB, Alecta and TBD30 AB. Vice Board Chair of Telia Company AB. Board member of Securitas AB.	Board Chair of Indutrade AB. Board member of L E Lundbergföretagen AB, Fastighets AB L E-Lundberg, Förvaltnings AB Lunden, L E Lundberg Kapitalförvaltning AB and Fidelio AB.	Board member of Serge Ferrari Group SA. Chair CPE.
Previous positions	President & CEO of AB SKF 2003–2014. Executive Vice President of AB SKF 1999–2003. President Automotive Division, AB SKF 1995–2003. Senior management positions within AB SKF since 1987.	Chair of Klimatpolitiska Rådet (Swedish Climate Policy Council) 2018–2020. CFO and deputy CEO, Vattenfall AB 2012–2017. CEO and President AMF Pensionsförsäkring 2008–2012. Director General Finansinspektionen 2003–2008.	Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, US 2006–2008, investment research at ISI, International Strategy & Investment Group, New York, US 2005–2006.	Chief Operating Officer, Groupe SEB, France 2014–2019, Senior Executive Vice President for Business Units Brands, Innovation & Strategy, Groupe SEB 2012–2014, Senior Executive Vice President for Business Units Brands & Innovation, Groupe SEB 2010–2012, CEO, Devanlay/Lacoste 2004–2009, Chair and Chief Executive Officer, Aubert Group 2001–2004.
Holdings in Husqvarna on December 31, 2021	990 A-shares, 14,800 B-shares, and 384,024 call options ¹	0 shares	113,478 A-shares, 378,737 B-shares	7,500 B-shares
Nationality/Elected	UK, SE / 2006	SE / 2021	SE / 2012	FR / 2016
Total fees 2021, SEK	2,160,000	875,000	775,000	685,000
Board meeting attendance	11/11	9/11 ²	11/11	11/11
People & Sustainability Committee attendance	3/3	—	—	3/3
Audit Committee attendance	—	4/5 ²	5/5	—
Independent of Husqvarna Group	Yes	Yes	Yes	Yes
Independent of major shareholders	No	Yes	No	Yes

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

² Ingrid Bonde was elected Board member on April 14, 2021.

Board of Directors and auditors, cont.



Daniel Nodhäll
Board member



Lars Pettersson
Board member



Christine Robins
Board member



Henric Andersson
Board member (and President & CEO)

Name	Daniel Nodhäll	Lars Pettersson	Christine Robins	Henric Andersson
Function	Board member	Board member	Board member	Board member (and President & CEO)
Born	1978	1954	1966	1973
CV	M. Sc., Stockholm School of Economics, Sweden. Managing Director, Head of Listed Companies at Investor AB. Member of the Audit Committee.	M. Sc. in Applied Physics, Material Sciences, Uppsala University, Sweden. Hon. Doc. at Uppsala University. Chair of the People & Sustainability Committee.	BBA in Marketing and Finance, University of Wisconsin, Madison, US and an MBA from Marquette University, Milwaukee, US. Business Unit CEO at Newell Brands.	M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. President & CEO of Husqvarna AB.
Other major assignments	Board member of Electrolux Professional AB (publ) and SAAB AB.	Board Chair of KP-Komponenter A/S. Board member of AB Industriärvden, Indutrade AB and L E Lundbergföretagen AB.		
Previous positions	Analyst focused on the engineering sector at Investor AB since 2002.	President & CEO of AB Sandvik 2002–2011 and various positions within AB Sandvik 1978–2002.	President & CEO of Char-Broil LLC, Columbus, US 2014–2019. President & CEO of BodyMedia, Pittsburgh, US 2009–2014. President & CEO of Philips Oral Healthcare, Seattle, US 2005–2009. Marketing and Finance positions within S.C. Johnson company 1988–2005.	Various positions in Husqvarna Group; President, Construction Division 2015–2020. Senior Vice President, Technology Office 2014–2015. Executive Vice President, Head of Product Management & Development 2011–2014. Vice President Construction Equipment 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.
Holdings in Husqvarna on December 31, 2021	10,000 B-shares	5,000 B-shares	American Depository Receipts (ADR) B 1,866	79,138 B-shares
Nationality/Elected	SE / 2013	SE / 2014	US / 2017	SE / 2020
Total fees 2021, SEK	775,000	745,000	600,000	—
Board meeting attendance	11/11	11/11	11/11	11/11
People & Sustainability Committee attendance	—	3/3	—	—
Audit Committee attendance	5/5	—	—	—
Independent of Husqvarna Group	Yes	Yes	Yes	No
Independent of major shareholders	No	No	Yes	Yes

Union Appointed Board Members and Deputies



Tina Helmke Hallberg
Employee representative



Anders Köhler
Deputy employee representative



Dan Byström
Employee representative



Daniel Tornberg
Deputy employee representative

Born	1979	1973	1971	1977
CV	Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 0 shares.	Representative of the Federation of Salaried Employees in Industry and Services. Holdings in Husqvarna: 30 A-shares, 1,050 B-shares.	Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 0 shares.	Representative of the Swedish Confederation of Trade Unions. Holdings in Husqvarna: 245 B-shares.

Auditors

KPMG AB, Joakim Thilstedt, Authorized Public Accountant. Born 1967. Other audit assignments include: Addtech, AFRY, Ahlsell, Concentric and Synsam. Holdings in Husqvarna: 0 shares.

Group Management



Name Function	Henric Andersson President & CEO	Glen Instone President, Husqvarna Forest & Garden Division, Chief Financial Officer, Senior Vice President, Finance, IR & Communication*	Karin Falk President, Husqvarna Construction Division	Brian Belanger General Counsel and Secretary to the Board	Leigh Dagberg Senior Vice President, People & Organization	Pavel Hajman Senior Vice President Global Information Services and CIO	Erik Winberg Senior Vice President, Strategy & Innovation	Pär Åström President, Gardena Division
Born	1973	1977	1965	1969	1970	1965	1967	1972
CV	M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Sweden. Employed 1997. Member of Group Management since 2012.	B.A. (Hons) in Accounting & Finance, University of Teesside, UK. Chartered Institute of Management Accountants (CIMA). Employed 2002. Member of Group Management since 2018.	B. Sc. Business Administration and Economics, School of Economics and Law, Gothenburg, Sweden. Employed 2020. Member of Group Management since 2020. Board Member of Wärtsilä Corporation.	J.D./LLM, Duke University School of Law. Employed 2006. Member of Group Management since 2015.	M. Sc. in Organizational Behaviour, University of London, UK. B.A. in History, University of California, Berkeley, US. Employed 2013. Member of Group Management since 2018.	M. Sc. in Industrial Engineering and Management, Linköping Institute of Technology, Sweden. Employed 2021. Member of Group Management since 2021.	BSc in Economics at Stockholm School of Economics, Sweden. Employed 2021. Member of Group Management since 2021.	M. Sc. in Industrial Engineering & Management, KTH Royal Institute of Technology, Stockholm, Sweden. Employed 2013. Member of Group Management since 2015.
Previous positions	Various positions in Husqvarna Group; President, Construction Division 2015–2020. Senior Vice President, Technology Office, 2014–2015. Executive Vice President, Head of Product Management & Development 2011–2014. Vice President Construction Equipment 2008–2011. Vice President Commercial Lawn & Garden and President, Husqvarna Turf Care 2004–2008. Various positions in product and business management, Husqvarna 1997–2004.	Various positions in Husqvarna Group; Vice President Global Sales & Services, Husqvarna Division 2016–2018, VP & CFO Husqvarna Division 2014–2017, VP & CFO EMEA, 2013–2014, VP & CFO Manufacturing, Logistics and Sourcing 2011–2013, VP & CFO Global Supply Chain 2009–2011.	Various positions in Volvo Group; Senior Vice President, Volvo Trucks Services & Customer Quality 2016–2020. Executive Vice President, Corporate Strategy & Brand Portfolio 2012–2016. President, Non-Automotive Purchasing 2008–2012. Volvo Car Corporation, Vice President, Volvo Car Customer Service 2006–2008. Volvo Car Corporation, President, Volvo Car Special Vehicles 2001–2006. Volvo Cars and Volvo Group, various positions 1988–2001.	Vice President Legal Affairs Husqvarna Asia/Pacific Region 2009–2012, with temporary additional assignments as Acting General Counsel Husqvarna Americas 2013 and acting Head of Asia/Pacific Sales Region 2014. Associate General Counsel, Husqvarna Americas, 2006–2009, Partner, Cohen & Grigsby, P.C. 2000–2006.	Vice President and Head of People & Organization, Husqvarna Group 2018. Vice President Talent Management, Husqvarna Group 2013–2018. Manager, PwC Consulting 2012–2013. Partner and Consultant, MindShift 2002–2012. Head of Research & Consulting, Manager, Universum 1997–2000. Research Specialist and Product Developer, Information Express 1992–1996.	Senior Vice President, Group Operations Development 2018–2020. President, Husqvarna Division 2014–2018. Executive Vice President, Head of Asia/Pacific, Husqvarna Group 2014. President Assa Abloy AHG Greater China 2013–2014. Various positions in Seco Tools, President Asia/Pacific, Senior Vice President Group Business Development, Regional Director CEE, 1990–2013.	Partner Normann Partners 2020–2021. Vice President Strategic Planning, Tetra Pak International 2011–2019. Vice President and Partner, Bain & Company Inc. Nordic 1996–2011.	Senior Vice President, Business Development, Husqvarna Group 2013–2018. Principal, Kearney Management Consultants 2007–2013. Kearney and Occam Associates Management Consulting 1998–2007
Holdings in Husqvarna on December 31, 2021	79,138 B-shares	39,927 B-shares	0 shares	43,155 B-shares	19,969 B-shares	71,957 B-shares	0 shares	79,160 B-shares

*Effective March 1, 2022, Terry Burke has been appointed CFO of Husqvarna Group.

Consolidated income statement

SEKm	Note	2021	2020
Net sales	3	47,059	41,943
Cost of goods sold	5, 6	-31,546	-29,367
Gross income		15,513	12,576
Selling expenses	5	-7,152	-6,596
Administrative expenses	5	-2,704	-2,335
Other operating income	5, 7	112	26
Other operating expenses	5, 7	-23	-2
Operating income	3, 4, 8	5,746	3,669
Financial income	9	42	38
Financial expenses	9	-294	-377
Financial items, net		-252	-339
Income after financial items		5,494	3,330
Income tax	10	-1,057	-835
Net income for the period		4,437	2,495
Net income for the period attributable to:			
Equity holders of the Parent Company		4,437	2,494
Non-controlling interests		0	1
Net income for the period		4,437	2,495
Earnings per share:			
Before dilution, SEK	11	7.76	4.36
After dilution, SEK	11	7.73	4.35
Average number of shares outstanding:			
Before dilution, millions	11	571.5	572.4
After dilution, millions	11	574.1	572.9

Consolidated Comprehensive Income Statement

SEKm	Note	2021	2020
Net income for the period		4,437	2,495
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements on defined benefit pension plans, net of tax		674	-27
Total items that will not be reclassified to the income statement, net of tax		674	-27
Items that may be reclassified to the income statement:			
Exchange rate differences on translating foreign operations			
Currency translation differences	19	1,632	-2,347
Net investment hedge, net of tax	19	-634	908
Cash flow hedges			
Result arising during the period, net of tax	19	43	50
Reclassification adjustments to the income statement, net of tax	19	-63	-27
Total items that may be reclassified to the income statement, net of tax		979	-1,416
Other comprehensive income, net of tax		1,653	-1,443
Total comprehensive income		6,090	1,051
Total comprehensive income attributable to:			
Equity holders of the Parent Company		6,089	1,050
Non-controlling interests		0	1
Total comprehensive income		6,090	1,051

Consolidated Balance Sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	7,309	6,324
Right of use assets	13	1,814	1,212
Goodwill	14	9,305	6,905
Other intangible assets	14	7,680	5,639
Investments in associated companies	15	36	44
Other non-current assets	16	892	570
Deferred tax assets	10	1,534	1,576
Total non-current assets		28,571	22,269
<i>Current assets</i>			
Inventories	17	14,030	9,734
Trade receivables	20	4,310	3,259
Derivatives	20, 26	324	929
Current tax receivables		194	53
Other current assets	18	1,283	1,122
Cash and cash equivalents	20	2,208	6,151
Total current assets		22,349	21,248
Total assets		50,920	43,517

SEKm	Note	31 Dec 2021	31 Dec 2020
Equity and liabilities			
<i>Equity attributable to equity holders of the Parent Company</i>			
Share capital	19	1,153	1,153
Other paid-in capital	19	2,605	2,605
Other reserves	19	325	-654
Retained earnings	19	17,549	13,955
Total equity attributable to equity holders of the Parent Company		21,633	17,059
Non-controlling interests	19	14	3
Total equity		21,646	17,062
<i>Non-current liabilities</i>			
Borrowings	20, 26	3,772	6,683
Lease liabilities	20, 26	1,362	991
Derivatives	20, 26	19	85
Deferred tax liabilities	10	2,237	1,497
Provisions for pensions and other post-employment benefits	21	2,192	2,637
Other provisions	22	634	588
Total non-current liabilities		10,217	12,480
<i>Current liabilities</i>			
Trade payables	20	6,990	4,815
Tax liabilities		1,636	1,006
Other liabilities	23	3,936	3,413
Borrowings	20, 26	4,442	2,853
Lease liabilities	20, 26	487	376
Derivatives	20, 26	686	449
Other provisions	22	878	1,064
Total current liabilities		19,056	13,976
Total equity and liabilities		50,920	43,517

Consolidated Cash Flow Statement

SEKm	Note	2021	2020	SEKm	Note	2021	2020
Cash flow from operations							
Operating income		5,746	3,669	Acquisitions subsidiaries/operations	27	-3,935	-410
Non cash items				Divestments of subsidiaries/operations	12	73	—
Depreciation/amortization and impairment	5, 12, 13, 14	2,241	2,537	Proceeds from sale of property, plant and equipment	14	8	12
Other non cash items		71	807	Investments in property, plant and equipment and intangible assets		-2,524	-1,994
Cash items				Investments and divestments of financial assets		2	-2
Paid restructuring costs		-192	-244	Cash flow from investments		-6,376	-2,395
Net financial items, received/paid		-180	-327				
Taxes paid		-198	-291				
Cash flow from operations, excluding change in operating assets and liabilities		7,487	6,150				
Change in operating assets and liabilities							
Change in inventories		-2,695	278	Proceeds from borrowings	26	2,100	2,601
Change in trade receivables		-528	55	Repayment of borrowings	26	-3,803	-2,609
Change in trade payables		1,476	1,014	Repayment of leases/liabilities	26	-478	-461
Change in other operating assets/liabilities		-76	584	Net investment hedge	26	63	1,003
Cash flow from operating assets and liabilities		-1,824	1,931	Change in other interest-bearing net debt excluding liquid funds	26	137	-529
Cash flow from operations		5,664	8,081	Dividend paid to shareholders		-1,375	-1,288
				Dividend paid to non-controlling interests		-2	—
				Cash flow from financing		-3,357	-1,284
				Total cash flow		-4,070	4,403
				Cash and cash equivalents at the beginning of the year		6,151	1,911
				Exchange rate differences referring to cash and cash equivalents		126	-162
				Cash and cash equivalents at year-end		2,208	6,151

Consolidated Statement of Changes in Equity

SEKm	Attributable to equity holders of the Parent Company					Non-controlling interests (Note 19)	Total equity
	Share capital (Note 19)	Other paid-in capital (Note 19)	Other reserves (Note 19)	Retained earnings (Note 19)	Total		
Opening balance January 1, 2020	1,153	2,605	763	12,760	17,281	2	17,283
Net income for the period				2,494	2,494	1	2,495
Other comprehensive income			-1,416	-27	-1,443		-1,443
Total comprehensive income			-1,416	2,467	1,050	1	1,051
Transactions with owners							
Share-based payment				17	17		17
Dividend to non-controlling interests							
Dividend SEK 2.25 per share				-1,288	-1,288		-1,288
Closing balance December 31, 2020	1,153	2,605	-654	13,955	17,059	3	17,062
 Net income for the period				4,437	4,437	0	4,437
Other comprehensive income			979	674	1,653		1,653
Total comprehensive income			979	5,110	6,089	0	6,090
Transactions with owners							
Share-based payment				194	194		194
Hedge for LTI-programs				-335	-335		-335
Acquisition of non-controlling interest						12	12
Dividend to non-controlling interests						-2	-2
Dividend SEK 2.40 per share				-1,375	-1,375		-1,375
Closing balance December 31, 2021	1,153	2,605	325	17,549	21,633	14	21,646

Note 1 Accounting principles

BASIS OF PREPARATION

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

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

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

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURES

In April 2021 the IFRS Interpretations Committee (IFRS IC) published an agenda decision on "cloud computing arrangement costs", ie costs for configuring or adapting software in a cloud-based solution. Husqvarna Group have analyzed the effects of the agenda decision and there are no material impact on Husqvarna Groups financial statements.

There are no other new or amended standards adopted by Husqvarna Group as of January 1, 2021 that have had a material impact on the Group.

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

ACCOUNTING AND VALUATION PRINCIPLES

Principles applied for consolidation

Subsidiaries

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

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

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

Transactions with non-controlling interests

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

Foreign currency translations

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

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

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

The income statements and balance sheets for all Group companies, with functional currency other than the presentation currency of Husqvarna Group are translated to the Group's reporting currency. Assets and liabilities for each balance sheet presented are translated at the closing rate. Income and expenses for each income statement are translated at average year to date rates.

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

Segment reporting

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

Property, plant and equipment

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

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

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

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

Intangible assets

Goodwill

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

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

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

Brands

Brands that have been acquired separately are shown at historical cost. Brands that have been acquired through business combination are recognized at fair value at the acquisition date. All brands with finite useful lives are amortized on a straight-line basis during the useful life, estimated at 10 years. Brands are carried at cost less accumulated amortization and accumulated impairment. The acquired trade names within Gardena Division is reported as an intangible asset with indefinite useful life. No other brands are identified as having indefinite useful lives.

Product development expenses

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

Customer relationships

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

Other intangible assets

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

Cloud based arrangements

Within Husqvarna Group cloud based arrangements, also called Software-as-a-service(SaaS), exists. It means that Husqvarna Group receives access to a cloud based software, where access for example could be reached through internet but the supplier still have the control of the asset. Expenses for receiving access to the soft-

ware are accounted for over the period when Husqvarna Group receive access to the software. If expenses occur due to configuration or adapting the software where the supplier has control, the expenses are recognized when the services are received and if the service is distinct. Development costs could occur in order to make it possible for existing software (where Husqvarna Group has the control) to interact with the cloud based software (where the supplier has the control). In those cases, development costs on existing software could be capitalized if the criteria's for recognizing an intangible assets is fulfilled.

Associates

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

Impairment of non-financial assets

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

Financial instruments

Recognition and measurement of financial instruments

Regular purchases and sales of financial assets are recognized on trade date, the date on which Husqvarna Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

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

Offsetting financial instruments

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

Financial assets

Classification and subsequent measurement

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

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

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

Interest bearing assets

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

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

Amortized cost

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

Fair value through other comprehensive income (FVOCI)

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

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

Impairment and expected loss

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

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

Financial liabilities

Classification and subsequent measurement

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

Accounting of derivative financial instruments and hedging activities

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

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

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

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

Cash and cash equivalents

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

Inventories

Inventories and work in progress are valued at the lower of cost and net realizable value. The value of inventories is determined by using the weighted average cost formula. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to execute the sale at market value. Gains and losses previously deferred in equity on hedged forecast transactions are also included in the initial measurement cost of the inventory. The cost of finished goods and work in progress comprises raw material, direct labor, other direct cost and other related production overheads. Borrowing costs are not included in inventory.

Current and deferred tax

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

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

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

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

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

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

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

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

Pensions and other post-employment benefits

Pension obligations

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

Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

All other pensions and other post-employment benefit plans are defined benefit plans. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, depending on factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid, in most countries AA-rated corporate

bond indexes matching the duration of the pension obligation and in Sweden mortgage bonds. In countries without a deep market in such bonds, the market rate on government bonds is used.

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

Termination benefits

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

Share-based compensation

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

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

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

Provisions

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

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

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

Revenue recognition

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

Sale of finished products including spare parts and accessories

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

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

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

Services

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

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

License agreements

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

Interest income

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

Dividend income

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

Government grants

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

Leasing

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

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

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

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

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

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

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

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

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

Dividend distribution

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

Cash flow

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

Items affecting comparability

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

Note 2 Important accounting estimates and assessments

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

Impairment test of intangible assets with indefinite useful life

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

Inventory

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

Provisions for pensions and other post-employment benefits

The present value of the Group's net pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Assumptions used calculating the net pension liability comprise of for example; discount rate, inflation, mortality, future salary increases etc. Any changes in these assumptions will impact the carrying amount of the net pension liability. Sensitivity analysis of the effect from a change in the main assumptions and potential risks affecting the liabilities are included in note 21.

Note 3 Segment information

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

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

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

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

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

Note 3 – Segment information, cont.

SEKm	Husqvarna Forest & Garden Division		Gardena Division		Husqvarna Construction Division		Group common		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales ¹	29,217	26,607	10,537	9,427	7,210	5,844	94	64	47,059	41,943
Reported growth	9.8%	-3.3%	11.8%	13.0%	23.4%	-7.8%	—	—	12.2%	-0.8%
Organic Growth	15.4%	-2.4%	13.8%	13.5%	17.6%	-5.5%	—	—	15.4%	0.2%
Operating income	3,699	1,979	1,552	1,432	840	541	-345	-283	5,746	3,669
Operating margin, %	12.7%	7.4%	14.7%	15.2%	11.7%	9.3%	—	—	12.2%	8.7%
Financial items, net	—	—	—	—	—	—	—	—	-252	-339
Income tax	—	—	—	—	—	—	—	—	-1,057	-835
Net income for the period	—	—	—	—	—	—	—	—	4,437	2,495
Items affecting comparability ²	-2	-703	23	0	0	-92	41	-20	62	-815
Operating income excl. items affecting comparability	3,701	2,682	1,529	1,432	840	633	-386	-263	5,684	4,484
Operating margin excl. items affecting comparability	12.7%	10.1%	14.5%	15.2%	11.7%	10.8%	—	—	12.1%	10.7%
Depreciation, amortization and impairments	-1,381	-1,471	-440	-401	-408	-360	-9	-2	-2,238	-2,235
EBITDA excl. items affecting comparability	5,082	4,153	1,969	1,833	1,248	992	-377	-261	7,922	6,718
Change in inventories	-954	415	-1,344	-205	-397	69	—	—	-2,695	278
Change in trade receivables	-478	65	168	-68	-201	58	-17	-1	-528	55
Change in trade payables	680	565	532	287	262	164	2	-1	1,476	1,014
Investments	-1,150	-1,142	-1,026	-493	-317	-347	-31	-12	-2,524	-1,994
Direct operating cash flow	3,180	4,056	299	1,354	595	936	-424	-274	3,651	6,071
Inventories	7,387	6,039	4,601	2,171	2,042	1,525	—	—	14,030	9,734
Trade receivables	2,456	1,888	763	558	1,089	830	1	-16	4,310	3,259
Trade payables	-3,872	-3,027	-2,126	-1,095	-988	-691	-3	-2	-6,990	-4,815
Operating working capital	5,971	4,900	3,238	1,633	2,143	1,663	-3	-18	11,350	8,179
Operating working capital / net sales, %	21.2%	24.7%	18.8%	18.4%	29.2%	35.1%	—	—	21.8%	24.4%
Net assets	13,657	12,427	13,740	6,650	6,281	5,608	-2,408	-1,132	31,270	23,554
Whereof assets	20,422	18,155	17,395	9,229	7,994	6,874	1,771	1,679	47,581	35,937
Whereof liabilities	-6,765	-5,727	-3,655	-2,579	-1,713	-1,266	-4,179	-2,809	-16,312	-12,382
Net debt	—	—	—	—	—	—	—	—	9,623	6,491
Equity	—	—	—	—	—	—	—	—	21,646	17,062

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

² Regarding items affecting comparability, see page 39 in the Board of Director's Report.

Note 3—Segment information, cont.

Geographic information

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

SEKm	External sales		Non-current assets ¹	
	2021	2020	2021	2020
Germany	7,292	6,822	7,700	6,814
France	2,865	2,246	79	56
Sweden	2,253	1,940	6,195	6,217
Austria	1,569	1,358	32	32
Rest of Europe	12,643	10,715	2,088	1,558
Asia/Pacific	4,443	3,872	1,345	1,257
Canada	1,515	1,314	196	167
US	12,190	12,044	8,435	3,938
Latin America	1,704	1,365	33	34
Rest of the World	587	267	5	7
Total	47,059	41,943	26,108	20,080

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

Information on major customers

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

Net sales per product category

SEKm	2021	2020
Forest, park and garden products	39,754	36,035
Construction products	7,210	5,844
Other	94	64
Total	47,059	41,943

Note 4 Employees and employee benefits

Average number of employees

	2021			2020		
	Men	Women	Total	Men	Women	Total
Sweden	1,710	561	2,272	1,618	516	2,135
Germany	1,380	739	2,119	1,263	661	1,925
Czech republic	600	727	1,326	427	495	921
UK	301	93	394	297	91	388
Poland	270	204	474	155	133	288
Rest of Europe	1,381	489	1,870	1,092	530	1,622
Total Europe	5,642	2,813	8,455	4,853	2,427	7,279
China	642	301	943	516	252	768
Japan	265	42	306	277	56	333
Rest of Asia/Pacific	279	84	364	227	92	320
Total Asia/Pacific	1,186	427	1,613	1,020	400	1,421
US	2,309	987	3,295	2,033	1,166	3,199
Canada	89	45	134	78	62	140
Total North America	2,397	1,032	3,429	2,111	1,228	3,339
Brazil	158	67	226	140	58	199
Rest of Latin America	59	24	83	56	18	75
Total Latin America	217	91	309	196	77	273
Other markets	42	26	67	36	27	62
Total	9,484	4,389	13,873	8,216	4,159	12,374
Whereof:						
Board members	36	4	40	36	4	40
Presidents and other senior managers	24	2	26	34	4	38

Salary and remuneration

SEKm	2021	2020
Salary expenses	6,572	5,803
Social expenses	1,153	984
Pension expenses – defined benefit obligations	235	226
Pension expenses – defined contribution plans	196	203
Total	8,156	7,216
Whereof remuneration to Board, Presidents and other senior managers ¹		
Salary expenses	151	121
(whereof variable salary expenses)	-90	-43
Social expenses	46	31
Pension expenses	14	17

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

Note 4 – Employees and employee benefits, cont.

SEKt	2021						Total
	Fixed salary ¹	Variable salary	Pension costs	Cost of long term incentive programmes ²	Other benefits ³	Severance pay etc.	
President and CEO	10,115	9,405	3,960	9,845	24	0	33,349
Other members of Group Management ⁴	28,084	18,720	8,455	27,868	3,805	0	86,932
Total	38,199	28,125	12,415	37,713	3,829	0	120,281

¹ Including holiday pay.² The cost is calculated based on the principal in IFRS 2 and allocated over the vesting period. The cost is related to LTI 2019, LTI 2020 and LTI 2021.³ Refers to housing, travel, car, insurance and relocation benefits.⁴ Other members of Group Management comprise of eight individuals at year-end. One individual have joined and one individual have left Group Management during the year.

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

¹ Including holiday pay.² The cost is calculated based on the principal in IFRS 2 and allocated over the vesting period. The cost is related to LTI 2017, LTI 2018, LTI 2019 and LTI 2020.³ Refers to housing, travel, car, insurance and relocation benefits.⁴ Other members of Group Management comprise of seven individuals at year-end. Two individuals have joined and four individual have left Group Management during the year.**Remuneration to group Management**

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

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

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

Terms of employment for the President

The remuneration to the President and CEO comprises fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. The annual fixed salary to the President and CEO amounts to SEK 9,900t, effective January 1, 2021. The variable salary amounts to a maximum of 100%

of the fixed salary (50% at Target level). The President and CEO participates in the Group's long term incentive programs for 2019, 2020 and 2021 (LTI 2019, LTI 2020 and LTI 2021). For information on these programs, see "Long term incentive programs (LTI)" below.

Pension terms for the President

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

Terms of employment for other members of Group Management

As with the President and CEO, other members of Group Management receive a remuneration package comprised of fixed salary, variable salary based on annual targets, long term incentive programs and pension and insurance benefits. The variable salary amounts to a maximum of 80% of the fixed salary. Members of Group Management participate in the Group's long term incentive programs, for information on these programs, see "Long term incentive programmes (LTI)" below.

Pension terms for other members of Group Management

The members of Group Management employed in Sweden (7 out of 8) are covered by the collectively agreed ITP plan, the alternative rule of the plan. These individuals are also covered by the Husqvarna Executive Pension Plan, which is a defined contribution plan. The employer contribution to the plan is equivalent to 35% of the pensionable salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary. The pension age is 65 for the members of Group Management who are employed in Sweden. One of the members of Group Management who is employed in Sweden resides outside Sweden and is covered by a pension plan in the country of residence. The member of Group Management that is not employed in Sweden is covered by the Group's company retirement plan in the country of employment (Germany).

Note 4 – Employees and employee benefits, cont.

Fees to the Board of Directors

The Annual General Meeting 2021 authorized fees to the Board of Directors amounting to SEK 6,615t (6,290) in total, whereof SEK 2,075t (2,000) to the Chairman and SEK 600t (580) to each of the other Board members, not employed by the company, including additional total of SEK 940t (810) as fees for Board Committee work. No consulting fees were paid to Board members and no board fees are paid to Board members who are also employed by the Group.

SEKt	2021		2020	
	Fee for Board	Fee committee work	Total fee	Total fee
Tom Johnstone	2,075	85	2,160	2,080
Katarina Martinson	600	175	775	715
Bertrand Neuschwander	600	85	685	660
Daniel Nodhäll	600	175	775	820
Lars Pettersson	600	145	745	720
Christine Robins	600	—	600	580
Ingrid Bonde ¹	600	275	875	—
Henric Andersson	—	—	—	—
Ulla Litzén ²	—	—	—	715
Tina Helmke Hallberg	—	—	—	—
Dan Byström	—	—	—	—
Anders Köhler ³	—	—	—	—
Daniel Tornberg ³	—	—	—	—
Total	5,675	940	6,615	6,290

¹ Elected at the 2021 AGM. ² Resigned at the 2021 AGM. ³ Suppleant.

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

Long term incentive programmes (LTI)

The purpose of the long term incentive programmes is to influence and reward performance long term, align shareholders' and managements' interest, attract and retain key employees and to some extent provide variable remuneration instead of fixed salary. The Board of Directors will annually evaluate if a long-term incentive program (e.g. share-based or share-price based) should be proposed to the AGM. There are three on-going programmes that are under vest; LTI 2019, LTI 2020 and LTI 2021.

LTI 2019, LTI 2020 and LTI 2021

The Annual General Meetings 2019, 2020 and 2021 authorized the implementation of the incentive programmes LTI 2019, LTI 2020 and LTI 2021, which comprise a maximum of 100 participants. The vesting period for the programs is three years and the programs comprise of performance share awards.

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

The number of performance based share awards that vest and give right to Husqvarna Class B-shares further depend on the fulfilment of certain targets, determined by the Board of Directors, for operating margin (weight 40%), net sales (weight 30%) and capital efficiency (weight 30%) during the calendar years 2019–2021 regarding LTI 2019 while for LTI 2020 and LTI 2021, certain targets for value creation in the company during the calendar years 2020–2022 for LTI 2020 and during the calendar years 2021–2023 for LTI 2021 apply. There are three performance levels set for each performance measure, with a linear progression of the number of performance based share awards from Entry to Stretch/maximum level for each program. Final result shall be the average of the three calendar years, regarding LTI 2019, for each performance measure. The Entry level must have been reached in order for the performance based share awards to vest. The performance levels corresponds to the following number of B-shares:

Performance level	LTI 2019, LTI 2020 and LTI 2021
Entry	10% of target salary / share price ¹
Target	33% of target salary / share price ¹
Stretch	66% of target salary / share price ¹

¹ SEK 74.56 for LTI 2019, SEK 74.66 for LTI 2020 and 104.48 for LTI 2021 correspond to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the month of February 2019 for LTI 2019 and for LTI 2020 corresponds to the average closing price for Husqvarna B-shares on Nasdaq Stockholm during the months of December 2019 to February 2020 and during the months of December 2020 to February 2021 for LTI 2021.

The value of the programmes is calculated based on the fair value of the share on grant date, as was SEK 80.70 for LTI 2019, SEK 74.00 for LTI 2020 and SEK 113.50 for LTI 2021, adjusted for expected dividend.

Each program comprises a maximum of the following number of shares 1,812,477 in LTI 2020 and 1,502,217 in LTI 2021.

LTI 2019 result

The performance period for LTI 2019 ended December 31, 2021. The following table shows the targets determined by the Board of Directors and the actual result, the average of the three calendar years 2019 to 2021 for each performance measure.

Performance measure	Weight	Target level	Target level	Target level	Result
		Entry	Target	Stretch	
Operating margin	40%	9.0%	10.1%	10.7%	10.7%
Net sales	30%	1.0%	2.0%	3.0%	4.5%
Capital efficiency	30%	25.5%	25.0%	24.5%	24.4%

Total result in relation to number of shares at maximum level Stretch 100%

The following table shows the number of performance based share awards that vest April 26, 2022 and will then be exchanged for Husqvarna class B-shares to be awarded to participants, based on the result reported above and provided that the participant is still employed at that time.

Participants	Share awards LTI 2019	
	Number of shares	
President and CEO	43,127	
Other members of Group Management	183,416	
Other participants	1,232,054	
Total	1,458,597	

Outstanding share awards

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

Share awards	2021			2020		
	LTI 2021	LTI 2020	LTI 2019	LTI 2020	LTI 2019	LTI 2018
At Jan 1	—	2,138,215	1,719,136	—	2,025,550	1,449,104
Granted	1,534,542	—	—	2,200,539	-9,509	-121,231
Forfeited	-32,325	-325,738	-260,539	-62,324	-296,905	-981,339
Exercised	—	—	—	—	—	—
At Dec 31	1,502,217	1,812,477	1,458,597	2,138,215	1,719,136	346,534

The LTI programmes are expensed during the three years vesting period in line with the expected target fulfilment. During 2021, SEK 246m (23) has been charged to the income statement, whereof SEK 64m (7) refers to cost for employer social contributions. The total provision for employer social contributions in the balance sheet amounted to SEK 72m (12).

Note 5 Expenses by nature

SEKm	2021	2020
Costs for supplies and raw materials	19,938	18,390
Salary and remuneration	8,156	6,990
Amortization/depreciation and impairment	2,241	2,537
Other operating expenses	10,978	10,357
Total	41,313	38,274

Of the above costs, SEK 1,891m (1,711) refers to research and development.

SEKm	Property, plant and equipment		Intangible assets		Right of use assets	
	2021	2020	2021	2020	2021	2020
Cost of goods sold	987	1,255	594	643	100	100
Selling expenses	80	64	—	—	299	285
Administrative expenses	34	32	97	109	49	49
Total	1,101	1,351	691	752	448	434

Impairment for property, plant and equipment was recognized within cost of goods sold by SEK 22m (292) and within administrative expenses by SEK 1m (0).

Impairment for intangible assets is recognized within cost of goods sold by SEK 27m (66) and within administrative expenses by SEK 2m (41).

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

SEKm	2021	2020
Exchange rate gains and losses in cost of goods sold	68	66
Total	68	66

Cost of goods sold includes SEK 80m (23) of foreign exchange hedging result previously reported in other comprehensive income.

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

Note 7 Other operating income and operating expenses

SEKm	2021	2020
Other operating income		
Gain on divestment/liquidation of:		
Property, plant and equipment	33	26
Operations/subsidiaries	44	—
Insurance refund	35	—
Total	112	26
Other operating expenses		
Loss on divestment/liquidation of:		
Property, plant and equipment	-4	-2
Operations/Subsidiaries	-19	—
Total	-23	-2

Note 8 Fees to auditors

SEKm	2021	2020
KPMG		
Audit fees for the annual audit engagement		
Audit fees not included in the annual audit engagement	21	—
Tax advice	2	—
Other services	0	—
Total fees to KPMG	23	—
Audit fees to other auditors		
Total fees to auditors	23	—

SEKm	2021	2020
EY		
Audit fees for the annual audit engagement		
Audit fees not included in the annual audit engagement	3	23
Tax advice	—	2
Other services	—	0
Total fees to EY	3	27
Audit fees to other auditors		
Total fees to auditors	3	29

EY were the auditors for Husqvarna Group until the 2020 Annual General Meeting when KPMG was elected as the Company's auditors.

Note 9 Financial income and expenses

SEKm	2021	2020
Financial income		
Interest income on deposits measured at amortized cost	25	20
<i>Exchange rate differences</i>		
– on borrowings	-462	621
– on derivatives held for trading	478	-604
Other financial income	1	1
Total financial income	42	38
Financial expenses		
Interest expenses		
– on borrowings	-85	-144
– on cashflow hedges, interest rate derivatives	-19	-20
– on derivatives held for trading	-74	-73
– on lease liabilities	-41	-46
– net on pension assets/liabilities	-22	-28
<i>Exchange rate differences</i>		
– on borrowings	—	—
– on derivatives held for trading	—	—
Other financial expenses	-54	-66
Total financial expenses	-294	-377
Financial income and expenses, net	-252	-339

Note 10 Tax

SEKm	2021	2020
Current tax on income for the period	-693	-1,155
Deferred tax	-364	320
Total	-1,057	-835

Theoretical and actual tax rate

	2021	2020	
	Tax, %	Result	Tax, %
Income before taxes	—	5,494	—
Theoretical tax rate	-22.1	-1,216	-22.7
Non-taxable items	1.5	82	1.1
Items not deductible for tax purposes	-0.7	-39	-1.2
Change in valuation of current tax	-1.0	-54	-1.7
Utilization of previously unrecognized tax losses	-0.1	-6	0.1
Effect of tax rate change	-1.0	-57	-0.4
Withholding tax	-0.2	-10	—
Other*	4.4	243	-0.3
Actual tax rate	-19.2	-1,057	-25.1

*During 2021 other includes a tax effect of SEK 181m due to a favorable outcome in a tax dispute.

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

Tax loss carry-forwards

As of December 31, 2021, the Group has tax loss carry-forwards of SEK 795m (617), whereof SEK 136m (124) has not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows (gross amounts):

SEKm	2021	2020
Within a year	—	—
1–5 year	3	15
> 5 year	44	89
Without time limit	748	513
Total	795	617

Note 10 – Tax, cont.

Changes in deferred taxes

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

SEKm	Opening balance, Jan 1, 2020	Recognized in income statement	Recognized in comprehensive income statement	Exchange rate differences	Acquired and divested assets / subsidiaries	Closing balance, Dec 31, 2020
Non-current assets	-1,680	3	—	72	32	-1,573
Inventories	198	60	—	23	—	281
Current receivables	59	-43	—	-4	—	12
Provision for pensions and similar commitments	543	8	10	-14	—	547
Other provisions	180	117	—	-15	—	282
Financial and operating liabilities	227	263	-253	-25	—	212
Other items	95	115	—	-18	—	192
Tax losses carried forward	336	-203	—	-7	—	126
Deferred tax assets and liabilities, net	-42	320	-243	12	32	79

Tax items recognized in Other comprehensive income amounts to SEK -176 (10) for items related to remeasurements on defined benefit pension plans, SEK -11m (6) for cash flow hedges and SEK 179m (247) for net investment hedge.

Note 10 – Tax, cont.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Non-current assets	113	139	2,679	1,712	-2,566	-1,573
Inventories	308	333	41	52	267	281
Current receivables	34	26	2	14	32	12
Provisions for pensions and similar commitments	466	547	—	—	466	547
Other provisions	322	336	71	54	251	282
Financial and operating liabilities	296	215	3	3	293	212
Other items	335	215	25	23	310	192
Tax losses carried forward	244	126	—	—	244	126
Deferred tax assets and liabilities	2,118	1,937	2,821	1,858	-703	79
Set-off of tax	-584	-361	-584	-361	—	—
Deferred tax assets and liabilities, net¹	1,534	1,576	2,237	1,497	-703	79

¹ Deferred tax assets amounted to SEK 1,534 m (1,576), whereof SEK 242 m (103) is expected to be utilized within 12 months.

Deferred tax liabilities amounted to SEK 2,237 m (1,497), whereof SEK 25 m (15) are due within 12 months.

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

Note 11 Earnings per share

Basic

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

Basic

	2021	2020
Profit attributable to equity holders of the Parent Company (SEKm)	4,437	2,494
Weighted average numbers of ordinary shares outstanding (millions)	571.5	572.4
Earnings per share before dilution (SEK)	7.76	4.36

Diluted

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

Diluted

	2021	2020
Profit attributable to equity holders of the Parent Company (SEKm)	4,437	2,494
Weighted average numbers of ordinary shares outstanding (millions)	571.5	572.4
Adjusted for:		
– share savings program (millions)	2.6	0.5
Diluted weighted average numbers of ordinary shares outstanding (millions)	574.1	572.9
Earnings per share after dilution (SEK)	7.73	4.35

Note 12 Property, plant and equipment

SEKm	Land and land improvements		Buildings and leasehold improvements		Machinery and technical installations		Other equipment		Construction in progress and advances		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	398	437	3,404	3,548	12,254	13,089	1,713	1,660	1,062	1,269	18,831	20,003
Acquired companies	—	—	48	7	85	12	10	20	29	—	173	39
Investments	100	14	488	76	439	432	108	88	678	690	1,813	1,300
Sold, scrapped	—	-15	-84	-45	-480	-1,002	-130	-54	0	-1	-694	-1,116
Reclassification	-10	0	115	96	473	659	126	91	-670	-852	34	-6
Exchange rate differences	17	-38	129	-278	673	-937	65	-92	39	-44	924	-1,389
Closing accumulated acquisition value	506	398	4,099	3,404	13,444	12,254	1,893	1,713	1,139	1,062	21,080	18,831
Opening accumulated depreciation and impairment	121	132	1,924	1,985	9,117	9,778	1,343	1,312	2	2	12,507	13,209
Acquired companies	—	—	21	5	30	8	2	15	—	—	54	28
Depreciation ¹	9	13	132	127	798	783	138	135	—	—	1,078	1,059
Impairment ¹	—	—	18	1	5	288	—	2	0	—	23	292
Sold, scrapped	—	-12	-82	-34	-459	-1,000	-123	-52	—	—	-664	-1,097
Reclassification	0	—	0	0	-2	-4	35	3	—	—	34	0
Exchange rate differences	7	-12	119	-160	553	-738	61	-73	0	0	740	-984
Closing accumulated depreciation and impairment	137	121	2,133	1,924	10,043	9,117	1,457	1,343	2	2	13,771	12,507
Closing balance, December 31	368	277	1,966	1,479	3,401	3,137	437	370	1,137	1,060	7,309	6,324

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

Note 13 Right of use assets

SEKm	Land and buildings		Forklifts and machinery		Cars and other vehicles		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	965	1,306	70	71	164	183	13	25	1,212	1,585
New leases	678	42	9	39	95	85	2	—	784	167
Modifications Remeasurements	245	-5	-5	0	0	2	0	0	240	-3
Depreciation	-318	-302	-27	-33	-102	-91	-2	-7	-448	-434
Impairment	—	—	-1	—	—	—	—	—	-1	—
Reclassification	0	—	2	—	-2	—	—	0	0	0
Exchange rate difference	18	-77	3	-9	7	-14	-1	-2	26	-103
Closing balance, December 31	1,588	965	52	70	162	164	12	13	1,814	1,212

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

The total cash outflow for leases in 2021 was SEK 478m (461). In addition to the costs presented in the table above, Husqvarna Group has reported SEK 168m (58) regarding costs for short-term leases, low-value assets and variable lease expenses.

During 2019 the Group had a net gain arising from a sale and leaseback transaction of SEK 195m. The total cash flow effect from the transaction was SEK 282m and the leaseback agreement extends over the coming 1.75 years.

Note 14 Intangible assets

SEKm	Goodwill		Brands		Product development		Customer relationships		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	7,739	8,269	3,741	3,870	4,322	4,042	557	557	2,115	2,058	18,474	18,796
Acquired companies	1,991	78	833	35	—	—	915	—	122	119	3,861	232
Investments	—	—	—	0	471	490	—	—	240	205	711	695
Sold, scrapped	—	—	—	—	-120	-158	—	—	-17	-261	-136	-419
Reclassifications	—	-23	24	-54	—	40	—	—	-20	43	4	6
Exchange rate differences	438	-584	160	-111	62	-91	42	—	10	-49	712	-836
Closing accumulated acquisition value	10,169	7,739	4,757	3,741	4,736	4,322	1,514	557	2,451	2,115	23,626	18,474
Opening accumulated amortization and impairment	835	932	417	406	3,098	2,848	217	161	1,364	1,483	5,930	5,830
Acquired companies	19	—	—	—	—	—	—	—	5	—	24	—
Amortization	—	—	12	21	373	393	71	56	206	175	662	645
Impairment	—	—	—	—	26	107	—	—	4	0	29	107
Sold, scrapped	—	—	—	—	-83	-158	—	—	-17	-241	-99	-399
Reclassifications	—	—	—	—	6	0	0	—	0	-7	0	0
Exchange rate differences	10	-97	11	-16	62	-91	1	0	12	-46	94	-253
Closing accumulated amortizations and impairment	864	835	440	417	3,477	3,098	288	217	1,573	1,364	6,640	5,930
Closing balance, December 31,	9,305	6,905	4,317	3,324	1,259	1,224	1,226	340	878	751	16,986	12,544

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

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

Forecasted margin is partly based on previous results and partly on the expected market development. The pre-tax discount rate is based on the risk-free interest, market premium, beta value, capital structure and tax rate. External sources have been used as much as possible when determining these parameters, but the discount rate is still largely dependent on management's own assumptions. A common discount rate is used for all cash generating units since Group Treasury is centrally responsible for the handling of financing and capital structure. A pre-tax discount rate of 10% (11) has been used for 2021.

During 2021, value in use has exceeded the net book value for all cash generating units, and accordingly, no impairment has been recognized.

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

SEKm	2021	2020
Husqvarna Forest & Garden Division	3,576	3,420
Gardena Division ¹	7,551	4,596
Husqvarna Construction Division	2,216	2,043
Total	13,343	10,060

¹ Whereof SEK 4,178m (3,235) relates to the net book value of the brands, which Husqvarna Group has assigned indefinite useful life. This is because the brand has a strong position among consumers and Husqvarna Group intends to maintain and further develop the brands.

The following three sensitivity analysis have been made of the estimated value in use: 10% higher discount rate, 10% decreased gross margin and 10% decreased sales growth.

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

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

During 2020, impairment of approximately SEK 107m was done regarding product and development, primarily within the Husqvarna Forest & Garden Division and Husqvarna Construction Division.

Note 15 Investments in associated companies

The Group interests in individually immaterial associates amounts to SEK 36m (44). The Group did not receive any profit or loss from continuing operations, profit or loss from discontinued operations or any other comprehensive income during the year.

During 2021 Husqvarna Group has increased the ownership in one of the associated companies. The Group now owns more than 50% of the share and the company is now is classified as a subsidiary. Due to the remeasurement of the previously owned shares a loss of SEK -19m was recognized.

Note 16 Other non-current assets

SEKm	2021	2020
Long-term holdings in securities	400	355
Net pension assets	415	154
Other long-term receivables	77	61
Total	892	570

Pension assets refer to pension plans with a net surplus of SEK 415m (154).

For further information refer to note 21.

Note 17 Inventories

SEKm	2021	2020
Finished products	8,909	6,522
Supplies including raw materials	4,533	2,797
Work in progress	588	415
Total	14,030	9,734

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 25,623m (24,376).

Write down of inventories expensed during the year amount to SEK 77m (167), which is included in cost of goods sold. Write down reversed during the year amount to SEK 157m (52).

Inventories valued to net realizable value amounted to SEK 724m (515).

Note 18 Other current assets

SEKm	2021	2020
Value added tax	504	400
Miscellaneous short-term receivables	267	375
Prepaid rents and leases	25	21
Prepaid insurance premiums	43	20
Prepaid supplies	74	45
Other prepaid expenses	370	260
Total	1,283	1,121

Note 19 Equity

Share capital

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

Other paid-in capital

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

Other reserves

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented (SEK). The translation reserve also include net investments hedges.

The hedging reserve includes the effective portion of the accumulated net change in the fair value, related to the hedged risk, of cash-flow hedging instruments attributable to hedged items that have not yet occurred.

Retained earnings

Retained earnings consist not only of accrued profits but also of the change in pension liability attributable to remeasurements of defined-benefit plans recognized in "Total other comprehensive income". Regarding changes in actuarial assumptions, see also note 21. The proposed dividend for 2021 is SEK 3.00 (2.40).

Non-controlling interests

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

Share capital

SEKm

On December 31, 2021, the share capital comprised:

111,088,990 Class A-shares, par value SEK 2	222
465,254,788 Class B-shares, par value SEK 2	931
Total	1,153

On December 31, 2020, the share capital comprised:

111,690,460 Class A-shares, par value SEK 2	223
464,653,318 Class B-shares, par value SEK 2	929
Total	1,153

Number of shares	Treasury shares	Outstanding shares	Total
Shares, December 31, 2020			
Class A-shares	—	111,690,460	111,690,460
Class B-shares	3,765,850	460,887,468	464,653,318
Long term incentive program 2018			
Class A-shares	—	—	—
Class B-shares	-344,521	344,521	—
Conversion of shares			
Class A-shares	—	-601,470	-601,470
Class B-shares	—	601,470	601,470
Hedge for LTI-programs			
Class A-shares	—	—	—
Class B-shares	2,500,000	-2,500,000	—
Shares, December 31, 2021			
Class A-shares	—	111,088,990	111,088,990
Class B-shares	5,921,329	459,333,459	465,254,788

Other reserves

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

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

Note 20 Financial risk management and financial instruments

FINANCIAL RISK MANAGEMENT

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

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

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

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

FINANCING RISK

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

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

The average adjusted time to maturity for the Group's financing was 1.9 years (2.5) at the end of 2021.

Capital structure

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

	2021	2020
SEKm		
Net pension liabilities	1,777	2,483
Other interest-bearing liabilities ¹	10,769	11,437
Less: liquid funds and other interest-bearing assets	-2,923	-7,427
Net debt	9,623	6,493
Net debt, excluding net pension liabilities	7,846	4,010
EBITDA	7,987	6,206
Net debt/EBITDA	0.69	1.34
Total equity	21,646	17,062
Total assets	50,920	43,517
Equity/assets ratio	42%	39%

¹ Lease liabilities of SEK 1,849 m (1,367) are included within other interest-bearing liabilities.

Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits. Husqvarna Group's goal is that the level of liquid funds, including unutilized committed credit facilities, shall equal at least 2.5% of rolling 12-month sales. At year-end, this ratio was 16.0% (28.8). In addition, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

Borrowings

The financing of Husqvarna Group is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various derivatives are used to convert the funds to the required currency. Financing is also undertaken locally, mostly in countries in which there are legal restrictions preventing financing through Group companies. The major part of the Group's financing is currently conducted through a Swedish Medium Term Note (MTN) program, other bond financing and bilateral loan agreements. In addition, the Group have unutilized SEK 5bn committed revolving credit facilities maturing in 2023. The facilities are unutilized as of December 31, 2021. During 2021 the Group has prepaid loans totaling SEK 1,000m, of which 500m with original maturity in 2024 and 500m with original maturity in 2025. Due to the nature of its business, the Group has seasonal variations in its funding needs. These variations are normally managed by utilizing the Group's commercial paper (CP) program and short-term bank loans. However, during 2021 these variations have been managed by cash. At year-end 2021, the Group's total interest-bearing liabilities, excluding pension liability, amounted to SEK 10,769m (11,437), of which SEK 3,772m (6,683) referred to long-term loans. Husqvarna Group has not breached any conditions in external loan agreements during the year.

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

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2021¹

SEKm	2022	2023	2024	2025	2026	>2027	Total
Lease liabilities	-539	-420	-323	-267	-151	-317	-2,017
Bonds, bank loans and other loans	-4,407	-1,656	-2,012	-74	-91	—	-8,239
Derivative liabilities, interest rate ²	-9	-1	1	0	—	—	-9
Derivative liabilities, foreign exchange ²	-732	-62	—	—	—	—	-794
Trade payables	-6,990	—	—	—	—	—	-6,990
Total financial liabilities	-12,677	-2,140	-2,333	-341	-242	-317	-18,049

¹ Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

² For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in this note.

Borrowings

SEKm	2021		2020	
	Total borrowings	Facility amount	Total borrowings	Facility amount
Medium Term Note Program	3,148	8,000	5,247	8,000
Other bond loans	91	—	82	—
Committed revolving credit facility	—	5,000	—	5,000
Committed credit facility	—	—	1,044	—
Long-term bank loans	534	—	310	—
Leasing liabilities	1,849	—	1,367	—
Commercial papers	2,100	7,000	—	7,000
Other short-term loans ¹	2,342	—	2,853	—
Derivative liabilities	706	—	534	—
Total	10,769	20,000	11,437	20,000

¹ Other short-term loans include bond loans within the Medium Term Note Program of SEK 1,100m.

Net debt per currency

SEKm	2021		2020	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
USD	392	6,269	464	4,417
EUR	1,410	4,902	1,408	2,216
SEK	8,352	-3,443	6,050	-705
GBP	-423	628	-151	179
JPY	175	430	162	333
CNY	-447	-129	-464	-191
AUD	-69	116	-46	60
RUB	-79	-79	-32	-32
CHF	78	35	65	0
Other	234	893	-963	217
Total	9,623	9,623	6,493	6,493

Market programs

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

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

INTEREST RATE RISK

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

Interest rate risk in liquid funds

The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The fixed interest term for these current investments was 13 days (11) at the end of 2021. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 22m (49) and the Group's equity by SEK 17m (38).

Interest-rate risk in borrowings

The Financial Policy states that the benchmark for the long-term loan portfolio is an average fixed interest term of 6 months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed interest term is 3 years. Derivatives, such as interest rate swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice versa. The average fixed interest term for the non-seasonal debt was 0.9 (1.5) years at year-end. On the basis of volumes and interest fixings at the end of 2021, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 30m (10) before tax. Interest rates with different maturities and different currencies may not change uniformly. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. The Group has seasonal debt for which the interest risk is not calculated due to its short-term nature. As per December 31, 2021 the average interest rate in the total loan portfolio was 1.9% (1.6). At year-end, Husqvarna Group had outstanding interest rate derivatives with a nominal amount of SEK 2,800m (4,222) hedging the interest rate risk.

FOREIGN EXCHANGE RISK

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

Transaction exposure from commercial flows

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

The table below shows the forecasted transaction flows (imports and exports) for 2022, hedges at year-end 2021 and comparative amounts for the previous year.

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

Commercial flows

Currency SEKm	2021		2020	
	2022 Forecasted flows	Total hedge amount	2022 Forecasted flows	Total hedge amount
EUR	4,446	-3,246	3,703	-3,073
AUD	958	-713	676	-485
CAD	911	-666	698	-504
NOK	825	-588	611	-420
PLN	794	-519	443	-353
DKK	737	-533	576	-414
CHF	673	-571	581	-517
Other	703	-89	673	-93
USD	-3,057	2,047	-1,879	1,350
SEK	-7,059	4,879	-6,082	4,508

The hedging effect on operating income amounted to SEK -6m (185) during 2021. At year-end, the unrealized exchange rate result on forward contracts, all maturing in 2022, amounted to SEK -6m (86).

Translation exposure on consolidation of entities outside Sweden

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

Exposure from net investments in foreign operations

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

Foreign exchange sensitivity from transaction and translation exposure

Husqvarna Group is particularly exposed to changes in the exchange rates of EUR and USD. Furthermore, the Group has exposures against a number of other currencies. Using a static calculation and disregarding any effects from hedges, a 10% increase or decrease in the value of all currencies against SEK would affect the Group's result before financial items and tax by approximately SEK +/- 1020m (885) for one year. A 10% increase of USD against SEK would affect the Group's result with SEK -265m (-125) and a corresponding increase of EUR with SEK 645m (505). This assumes the same distribution of earnings and costs as in 2021 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna Group's sales, these flows and results are not distributed evenly throughout the calendar year. For more information on risks related to currency exposure, see Risk Management section.

HEDGE ACCOUNTING

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

Hedge accounting of interest rate risk

The total market value for hedges of interest rate risk amounted to SEK -9m as of December 31, 2021 of which SEK -2m is reported in the hedge reserve. Assuming an unchanged market interest rate, the effects on income after financial items for 2022 would be SEK -2m for Q1, SEK 0m for Q2, SEK 1m for Q3 and SEK 0m for Q4. During the year no ineffectiveness has occurred in the hedging of interest rate risk.

The table "Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2021" shows the future cashflows of the interest rate hedges. The cashflows during 2022, assuming unchanged market interest rates, would be SEK -9m for Q1, SEK 0m for Q2, SEK 1m for Q3 and SEK 0m for Q4.

Hedge accounting of foreign exchange risk

The total market value for hedges of commercial flows amounted to SEK -9m as of December 31, 2021 of which SEK -6m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2022 would be SEK 11m for Q1, SEK -5m for Q2, SEK -12m for Q3 and SEK 0m for Q4.

As of December 31 2021, net investments in foreign operations were hedged with SEK 9 249m.

The total market value of derivatives for net investment hedging amounted to SEK -407m of which SEK -403m is reported in the hedge reserve. During the year no ineffectiveness has occurred in the hedging of currency risk.

Derivatives designated as hedging instruments

2021 SEKm	Nominal amount	Maturity	Average hedge rate
Net investment hedges			
Derivatives in net investments hedges of foreign operations	9,249	2022	n/a
– of which USD exposure against SEK	7,219	2022	8.57
– of which EUR exposure against SEK	1,539	2022	10.22
Cash flow hedges			
Derivatives in cash flow hedge of foreign currency risk	17,102	2022	n/a
– of which USD exposure against SEK	2,753	2022	8.55
– of which EUR exposure against SEK	5,841	2022	10.15
Derivatives in cash flow hedge of interest rate risk	2,800	2022–2024	0.32

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

Impact of hedging instruments on the financial statement

2021 SEKm	Nominal amount	Carrying amount	Line item in the financial statement	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve
Foreign exchange forward contracts	9,367	154	Current assets	-92	160
Foreign exchange forward contracts	7,734	162	Current liabilities	6	-166
Interest rate swap agreements	2,350	8	Non-current liabilities	62	-1
Interest rate swap agreements	450	1	Current liabilities	0	0
Forecasted cash flows from sales/purchases	17,102	n/a	n/a	n/a	n/a
Forecasted interest cash flows from floating rate borrowings	-86	n/a	n/a	n/a	n/a

COMMODITY PRICE RISK

Commodity price risk is the risk of increase in the cost of direct and indirect materials should underlying commodity prices rise on the global markets. Husqvarna Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposure, and indirect commodity exposure, which is defined as exposure arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A 10% rise or fall in the price of steel used in Husqvarna Group's products will affect the Group's results before financial items and tax by approximately SEK +/- 165m (130), everything else being equal. The same effect on the price of aluminum would impact the results by SEK +/- 35m (30) and a 10% change in the price of plastics would give an effect on results of SEK +/- 135m (105).

CREDIT RISK

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

Credit risk in trade receivables

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

SEKm	2021	2020
Low to moderate risk	2,848	2,253
Medium risk to elevated risk	1,237	894
High risk	224	112
Total	4,310	3,259

As of December 31, 2021 net trade receivables, after provisions for bad debt, amounted to SEK 4,310m (3,259), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, directly dependent upon the seasonal pattern of Husqvarna Group's sales. This means that credit exposure is significantly higher during the first six months of each calendar year. A provision for bad debt, based on a probability of default, is

recorded at inception of the trade receivables and adjusted during the lifetime of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Provisions for bad debt at the end of the financial year 2021 amounted to SEK 202m (180), of which SEK 199m (164) refer to invoices due.

Trade receivables past due

Trade receivables that were past due, but not yet impaired amounted to SEK 465m (292) as of December 31, 2021.

Aging analyses for past due trade receivables

Past due but not impaired, SEKm	2021	2020
Up to 1 month	133	46
1 to 3 months	130	78
>3 months	202	168
Total	465	292

Provisions for trade receivables

SEKm	2021	2020
Opening balance, January 1	180	223
New provisions	36	53
Reversed unused provisions	-5	-38
Impairment of trade receivables	-14	-32
Currency exchange rate differences	6	-26
Closing balance, December 31	203	180

The situation regarding past due receivables has deteriorated somewhat since previous year-end, taking the total volume of outstanding trade receivables into account. The fair value of collateral held for trade receivables due for payment was SEK 124m (68). A global credit insurance program is in place in a number of countries. As of December 31, 2021 total coverage amounts to SEK 9,336m.

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

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

Concentration of credit risk in trade receivables

Concentration of credit risk	2021		2020	
	Number of customers	% of total portfolio	Number of customers	% of total portfolio
Exposure <SEK 15m	Not available	76%	Not available	82%
Exposure SEK 15–100m	14	14%	12	9%
Exposure >SEK 100m	1	10%	1	9%

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

Credit risk in financial activities

Exposure to credit risk arises from the investment of liquid funds and through counterparty risks related to derivatives. In order to limit exposure to credit risk, a counterparty list has been created specifying the maximum approved exposure for each counterparty. Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term credit rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 13 days (11) at the end of 2021. A substantial part of the exposure arises from derivatives transactions.

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

Maturity, SEKm	2021		2020	
	2022	2023–	2021	2022–
Amount sold	43,155	482	35,406	—
Amount purchased	–43,541	–485	–34,948	—
Net settled derivatives (NDF)	–1	–60	–14	—
Net	–386	–63	444	—

Credit risk in other non-current assets

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

FAIR VALUE ESTIMATION

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

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

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

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

SEKm	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	161	161	70	70
– of which currency derivatives where hedge accounting for cash flow hedges is applied	154	154	258	258
– of which interest derivatives where hedge accounting for cash flow hedges is applied	5	5	—	—
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	9	9	601	601
Financial assets at fair value through other comprehensive income				
Trade receivables ¹	616	616	934	934
Financial assets measured at amortized cost				
Other non-current assets	477	477	416	416
Trade receivables	3,693	3,693	2,325	2,325
Other receivables	267	267	375	375
Cash and cash equivalents	2,208	2,208	6,151	6,151
Total financial assets	7,591	7,591	11,131	11,131

¹ Trade receivables not sold but part of factoring programmes.

SEKm	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– of which derivatives where hedge accounting is not applied	135	135	273	273
– of which currency derivatives where hedge accounting for cash flow hedges is applied	162	162	173	173
– of which interest derivatives where hedge accounting for cash flow hedges is applied	14	14	86	86
– of which currency derivatives related to net investments in foreign operations where hedge accounting is applied	395	395	2	2
Financial liabilities measured at amortized cost				
Trade payables	6,990	6,990	4,815	4,815
Other liabilities	306	306	285	285
Borrowings	8,215	8,249	9,536	9,609
Total financial liabilities	16,216	16,250	15,170	15,243

Note 21 Provisions for pensions and other post-employment benefits

In many of the countries in which Husqvarna Group has operations the employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The Group's most extensive defined benefit pension plans are in the UK, Sweden, Germany, the US and Japan (two plans). The pension plans in these countries are funded except for the plan in Germany and one of the plans in Japan. Funded plans imply that there are assets in legal entities that exist solely to finance benefits to employees and former employees.

The pension plan for the Group's employees in Germany is an unfunded cash balance plan. White collar employees in Sweden, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed through a pension fund.

The Group's defined benefit pension plans in the UK and in the US are closed for future pension accrual. Out of the Group's most extensive defined benefit plans, there are two in Japan (however, small in comparison to the Group's other defined benefit plans) that cover all employees. One of the plans is a funded cash balance plan and the other is an unfunded plan based on career-average salary.

The pension plans in Japan, UK, Sweden and the US are so called funded plans where the pension obligations are financed through pension funds whose operations are regulated by the legislation in the relevant country. The pension funds are separate legal entities with their own Board of Directors/Trustees etc., which might consist of representatives from both the company and the employees, which are responsible for the management of the pension fund asset.

2021							
SEKm	UK	Sweden	US	Japan	Germany	Other	Total
Present value of obligation	1,403	1,963	491	189	987	334	5,367
Fair value of plan assets	-1,818	-1,050	-383	-151	—	-188	-3,590
Surplus/Deficit	-415	913	108	38	987	146	1,777
Funding level (%)	130	53	78	80	—	56	67
Duration	18	22	13	9	12	20	18
Actuarial assumptions (%)							
Discount rate	2.0	1.8	2.8/2.6	0.7	1.0	1.8	1.7
Inflation	3.2	1.8	n/a	n/a	1.7	0.5	2.2
Sensitivity analysis (%)							
Discount rate (-0.5%)	9.6	11.7	6.0	4.4	5.4	9.5	9.0
Discount rate (+0.5%)	-8.6	-10.2	-5.5	-4.2	-4.9	-6.2	-7.9
Inflation (+0.5%)	5.1	8.1	—	—	0.6	—	4.4

SEKm	2020						Total
	UK	Sweden	US	Japan	Germany	Other	
Present value of obligation	1,423	2,154	474	188	1,000	311	5,550
Fair value of plan assets	-1,577	-851	-327	-149	—	-163	-3,067
Surplus/Deficit	-154	1,303	147	39	1,000	148	2,483
Funding level (%)	111	40	69	86	—	52	56
Duration	18	23	12	9	12	20	18
Actuarial assumptions (%)							
Discount rate	1.4	1.1	2.5/2.1	0.9	0.7	1.7	1.1
Inflation	2.6	1.5	n/a	n/a	1.7	0.3	1.9
Sensitivity analysis (%)							
Discount rate (-0.5%)	9.7	12.4	6.3	4.4	5.7	9.5	9.5
Discount rate (+0.5%)	-8.5	-10.7	-5.7	-4.2	-5.1	-6.2	-8.2
Inflation (+0.5%)	5.3	8.3	—	—	0.7	0.1	4.7

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

SEKm	2021	2020
Present value of obligations for unfunded plans	1,165	1,169
Present value of obligations for funded plans	4,202	4,381
Fair value of plan assets	-3,590	-3,067
Net provisions for defined benefit plans	1,777	2,483

The schedules are showing the obligations of the defined benefit plans in Husqvarna Group and the assumptions used to determine these obligations. As well as the assets relating to the benefit plans, the amounts recognized in the income statement, other comprehensive income and balance sheet. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

The schedules include reconciliations of the opening and closing balances of the present value of the defined benefit obligation, as well as opening and closing balances of the fair value of plan assets and of the changes in net provisions during the year. In a few countries, the Group provides mandatory lump sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are included in the present value of the defined benefit obligation and amount at year-end to SEK 45m (45). Husqvarna Group has no post-employment medical plans. Further information regarding pension cost is available in note 4.

Note 21 – Provisions for pensions and other post-employment benefits, cont.

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

SEKm	2021			2020		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance, January 1	5,550	-3,067	2,483	5,440	-3,013	2,427
Current service cost	235	9	244	220	7	227
Past service costs and gains/losses on settlements	—	—	—	6	—	6
Interest expenses	64	-43	21	87	-56	31
	5,849	-3,101	2,748	5,753	-3,062	2,691
Remeasurements:						
Return on plan assets	—	-330	-330	—	-247	-247
Actuarial gains and losses due to changes in demographic assumptions	-10	—	-10	-2	—	-2
Experience assumptions	-24	—	-24	4	—	4
Actuarial gains and losses due to changes in financial assumptions	-486	—	-486	282	—	282
	-520	-330	-850	284	-247	37
Exchange rate differences on foreign plans	229	-202	27	-257	210	-47
Divestments and transfers	2	—	2	—	—	—
Contributions:						
– Employers	-88	-62	-150	-99	-80	-179
– Plan participants	7	-7	—	7	-7	—
Payments from plans:						
– Benefit payments	-112	112	—	-138	119	-19
Closing balance, December 31	5,367	-3,590	1,777	5,550	-3,067	2,483

Note 21 – Provisions for pensions and other post-employment benefits, cont.

Plan assets comprise of the following¹:

SEKm	2021		2020	
	SEKm	%	SEKm	%
Equity instruments				
– Equities	1,447	40.3	1,290	42.1
Interest-bearing securities				
– Government bonds	16	0.4	33	1.1
– Corporate bonds	528	14.7	425	13.9
– Index-linked bonds	265	7.4	467	15.2
– Interest rate funds	835	23.3	583	19.0
Properties	48	1.3	41	1.3
Liquid funds	158	4.4	21	0.7
Assets held by insurance company	293	8.2	207	6.7
Total	3,590	100.0	3,067	100.0

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

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

For the funded defined benefit pension plans (Sweden, UK and US represent around 90% of total pension assets) the Group's strategy is a combination of matching the assets with the liabilities and trying to achieve as high return as possible within the investment guidelines. This is partly done by investing in longer duration bonds designed to match the development of the debt and also by investing in corporate bonds, index-linked bonds and shares with the purpose of achieving a high return in various market conditions long term. As the maturity of the pension commitments decreases and/or the value of the assets reaches a satisfactory level in relation to the debt, the Group will gradually reduce the investment risk by shifting into assets with lower volatility.

Husqvarna Group is through its defined benefit obligations exposed to a number of risks, of which the following have the greatest impact on the Group's pension liability:

Discount rate

The discount rate reflects the estimated timing of benefit payments and is used for measuring the present value of the obligation. A fluctuation in the discount rate will have a material effect on the pension obligation but will also impact the interest income and expense reported in the finance net. To determine the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied in most countries. When valuing Swedish pension liabilities Husqvarna Group uses mortgage bonds when determining discount rate.

Inflation risk

Most of the obligations are linked to inflation and an increase in inflation leads to higher debt. The return of the majority of the plan assets has a low correlation with inflation, while the holdings of index-linked bonds are protected against a rise in inflation and thus compensates for the increase in the deficit that would occur otherwise.

Longevity risk

Since most of the pension obligations mean that those covered by the plan will receive benefits for life, higher life expectancy assumptions have a significant impact on the pension liabilities.

The company expects to make contributions of approximately SEK 154m (140) to the plans during 2022. The weighted average duration of the defined benefit obligation 18 years (18).

Note 22 Other provisions

SEKm	Restructuring	Warranty commitments			Other	Total
		Claims	Commitments	Other		
Opening balance, January 1, 2021	509	329	282	531	1,651	
Provisions made	111	484	0	110	705	
Provisions used	-279	-389	-9	-189	-866	
Unused amounts reversed	-19	-6	0	-12	-37	
Exchange rate differences	1	17	-11	51	59	
Closing balance, December 31, 2021	323	435	262	491	1,512	
Current provisions	321	320	—	238	878	
Non-current provisions	2	116	262	254	634	

Restructuring

Provisions for restructuring include the payments that are expected to occur in the coming years as a result of the Group's decision to close certain production facilities, rationalize production and reduce the number of employees. The amounts are based on the Group's best estimates and are adjusted when changes to these estimates occur. Provision for reduction of personnel is calculated on individual basis except foremost Blue Collar workers where negotiations are made collectively and are based on management's best estimate of the amount expected to be paid out.

Warranty commitments

Provisions for warranty comprise potential expenses for repairing or replacing products sold. Provisions are made when the products are sold and are normally limited to 24 months. The provision is estimated for each group of products and based on historical information and management's best estimate.

Claims

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

Other

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

Note 23 Other liabilities

SEKm	2021	2020
Accrued holiday pay	337	305
Other accrued payroll expenses	1,115	1,037
Accrued customer rebates	1,069	952
Other accrued expenses	903	652
Value added tax	69	79
Personnel taxes and other taxes	137	103
Other operating liabilities	306	285
Total	3,936	3,413

Note 24 Pledge assets and contingent liabilities

Pledge assets

SEKm	2021	2020
Pension obligations ¹	163	136
Real estate mortgages	23	22
Total	186	158

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

Contingent liabilities

SEKm	2021	2020
On behalf of external counterparties		
Guarantees and other commitments	114	105
Total	114	105

In addition to the above contingent liabilities, guarantees for fulfilment of contractual undertakings are provided as part of Husqvarna Group's normal course of business. There was no indication at year-end that any payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealer's bankruptcy, to buy back repossessed Husqvarna Group products from certain dealers financing their floor planning with an external financing company. During 2021 goods amounting to a value of SEK 3m (5) were bought back in connection with floor planning activities.

Note 26 Changes in financial liabilities

SEKm	January 1, 2021	Cash flows from financing ¹	Cash flow within operating income	Reclassification	Foreign exchange movement	Changes in Fair value	Other non-cash movement in financing	December 31, 2021
Current interest-bearing borrowings (excl. lease liabilities)	2,853	-694	—	2,236	47	—	—	4,442
Current lease liabilities	376	-464	—	313	15	—	246	487
Non-current interest-bearing borrowings (excl. lease liabilities)	6,683	-1,009	—	-2,236	-2	—	336	3,772
Non-current lease liabilities	991	-14	—	-313	31	—	668	1,362
Derivatives, net	-396	201	129	—	—	442	—	377
Total financial liabilities incl. net derivatives	10,507	-1,980	129	—	91	442	1,250	10,440

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

¹Cash flow from financial liabilities is included in the Group's consolidated cash flow statement under "Proceeds from borrowings", "Repayment of borrowings", "Repayment of lease liabilities", "Net investment hedge" and "Change in other interest-bearing net debt excluding liquid funds".

Husqvarna Group is involved in commercial, product liability and other disputes in the ordinary course of business. Such disputes involve claims for compensatory damages, property damages or personal injury compensation and occasionally also punitive damages. The company is self-insured to a certain extent, and is also insured against excessive liability losses for certain claims. Husqvarna Group continuously monitors and evaluates pending claims and disputes, and take action when deemed necessary. The Company believes that these activities help to minimize the risk. Due to complexity of these disputes, it is difficult to predict a favourable outcome of each claim and an adverse outcome affecting the consolidated financial position and result could occur.

Note 25 Transactions with related parties

Sales to related parties are carried out on market-based terms. See the Parent Company's directly owned subsidiaries in the Parent Company's note 16, Shares in subsidiaries. Information about the Board of Directors and Group Management and compensation to those are reported in note 4, Employees and employee benefits. No unusual transactions of any significance have occurred between Husqvarna Group and the Board of Directors or Group Management.

Note 27 Acquisition

Acquisitions 2021

Acquisition of Orbit

In November 2021, Husqvarna Group acquired 100% of the shares in Orbit Irrigation in the U.S., a leading provider of residential watering solutions in North America. Orbit now forms a part of Gardena Division, establishing a global leader in residential watering and creating growth opportunities for both brands. The acquisition provides an excellent position and the scale to continue to lead and transform the market towards smart, sustainable gardening solutions.

The purchase price corresponds to an enterprise value of USD 480m on a cash and debt-free basis. Orbit's net sales for 2021 amounted to USD 324m and operating income, adjusted for items affecting comparability, amounted to USD 28m. The items affecting comparability were mainly related to divestment expenses. Orbit contributed with net sales of SEK 184m and operating income of SEK -3m to Husqvarna Group's consolidated financial statements for 2021. The goodwill of SEK 1,907m, generated in connection with the acquisition, refers to future customers, market position and workforce.

Purchase price allocation

SEKm	
Acquisition, paid amount	4,233
Acquired net assets	
Deferred tax asset	143
Property, plants and equipment	77
Other non-current assets	12
Inventories	930
Trade receivables	341
Other current assets	11
Trade payables	-439
Other current liabilities	-64
Net acquired assets, total	1,011
Acquired surplus values	
Customer relationships	874
Trade names	840
Technology	134
Net deferred tax liability	-533
Goodwill	1,907
Surplus values, total	3,222

Orbit, based in Salt Lake City, Utah, has approximately 300 employees and generates over 95% of its revenues in North America. The Orbit product offering includes watering equipment sold through retail, garden centers, e-commerce and professional channels. In addition, the company's B-hyve® suite of smart products, with 1.4 million connected devices, helps consumers conserve water, promote plant health and save money.

Acquisitions 2020

Acquisition of Blastrac

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

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

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

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

Note 28 Subsequent events

Husqvarna Group in Ukraine – employee safety our number one priority

The Group is closely monitoring the developing situation in Ukraine and our priority is the health and safety of our employees and their families and are actively working to support by various means. There are 21 employees based in Ukraine. The Group has business operations, although no production, in Russia and Ukraine, with less than 2% of the Group's total net sales generated in 2021. It remains too early to be able to quantify the financial and commercial effects on the business and at present the Group has decided to pause operations in Russia.

Parent Company income statement

SEKm	Note	2021	2020
Net sales	3	21,335	18,341
Cost of goods sold	5	-14,623	-13,034
Gross income		6,712	5,307
Selling expenses	5, 6	-1,702	-1,439
Administrative expenses	5	-1,744	-1,308
Other operating income and operating expenses	7	1	0
Operating income	4, 8, 9	3,267	2,560
Income from financial items			
Income from participation in Group companies	10	2,518	308
Financial income	11	31	1,245
Financial expenses	11	-997	-318
Income after financial items		4,819	3,795
Appropriations	12	-842	-506
Income before taxes		3,977	3,290
Income tax	13	-280	-647
Net Income for the period		3,697	2,643

Parent Company comprehensive income statement

SEKm	2021	2020
Net Income for the period	3,697	2,643
Other comprehensive income		
<i>Items that may be reclassified to the income statement:</i>		
Cash flow hedges		
Result arising during the period, net of tax	21	83
Reclassification adjustments to the income statement, net of tax	-95	-55
Other comprehensive income, net of tax	-75	27
Total comprehensive income	3,622	2,670

Parent Company balance sheet

SEKm	Note	Dec 31, 2021	Dec 31, 2020
Assets			
<i>Non-current assets</i>			
Intangible assets	14	1,789	1,901
Property, plant and equipment	15	2,297	2,354
<i>Financial assets</i>			
Shares in subsidiaries	16	34,616	33,773
Derivatives	19	5	0
Other non-current assets	17, 19	280	38
Deferred tax assets	13	93	32
Total non-current assets		39,079	38,099
<i>Current assets</i>			
Inventories	18	2,266	2,038
Receivables			
Trade receivables	19	568	465
Receivables from Group companies	19	13,245	5,986
Derivatives	19	408	1,161
Other receivables	19, 20	145	110
Tax receivables		0	0
Prepaid expenses and accrued income	20	168	121
Cash and cash equivalents	19	561	4,596
Total current assets		17,361	14,476
Total assets		56,441	52,575

SEKm	Note	Dec 31, 2021	Dec 31, 2020
Equity and liabilities			
<i>Restricted equity</i>			
Share capital			1,153
Revaluation reserve			14
Statutory reserves			19
Reserve related to R&D expenses			1,493
<i>Non-restricted equity</i>			
Share-premium reserve			2,606
Fair value reserve			-29
Profit or loss brought forward			24,365
Net Income for the period			3,697
Total equity		33,318	31,211
<i>Untaxed reserves</i>			
	12		1,275
<i>Provisions</i>			
Provisions for pensions and other post-employment benefits	22		0
Other provisions	23		139
Total provisions		139	89
<i>Non-current liabilities</i>			
Borrowings	19, 27		3,608
Derivatives	19		19
Total non-current liabilities		3,627	6,606
<i>Current liabilities</i>			
Borrowings	19, 27		4,340
Liabilities to Group companies	19		8,712
Trade payables	19		2,160
Tax liabilities			954
Derivatives	19		903
Other liabilities	21		1,012
Total current liabilities		18,082	13,875
Total equity and liabilities		56,441	52,575

Parent Company cash flow statement

SEKm	Note	2021	2020
Cash flow from operations			
Income after financial items		4,819	3,795
Non cash items			
Depreciation/amortization and impairment	5, 14, 15	1,142	1,266
Capital gains and losses		0	0
Other non cash items		27	-58
Taxes paid		24	101
Cash flow from operations, excluding change in operating assets and liabilities		6,013	5,104
Change in operating assets and liabilities			
Change in inventories		-227	133
Change in trade receivables		-103	-10
Change in inter-company receivables/liabilities		-6,198	934
Change in other current assets		671	-471
Change in current liabilities and provisions		1,185	624
Cash flow from operating assets and liabilities		-4,674	1,210
Cash flow from operations		1,339	6,314

SEKm	Note	2021	2020
Investments			
Paid shareholder's contribution	16, 17	-852	-45
Funds from liquidation		0	57
Investments in intangible assets	14	-654	-745
Investments in property, plant and equipment	15	-344	-501
Sale of property, plant and equipment and intangible assets	26	17	
Cash flow from investments		-1,824	-1,217
Cash flow from operations and investments		-485	5,097
Financing			
New borrowings	27	2,135	2,600
Repayment of borrowings	27	-3,804	-2,574
Dividend paid to shareholders		-1,375	-1,288
Group contribution paid/received		-506	111
Cash flow from financing		-3,550	-1,151
Total cash flow		-4,035	3,946
Cash and cash equivalents at beginning of year		4,596	650
Cash and cash equivalents at year-end		561	4,596

Parent Company statement of changes in equity

SEKm	Share capital	Restricted reserves ³	Reserve related to R&D expenses	Share premium reserve	Fair value reserve ⁴	Profit or loss brought forward incl. profit of the year	Total
Opening balance January 1, 2020	1,153	21	1,276	2,605	19	24,727	29,801
Net income for the period	—	—	—	—	—	2,643	2,643
Other comprehensive income	—	—	—	—	27	—	27
Total comprehensive income	—	—	—	—	27	2,643	2,670
Share-based payments	—	—	—	—	—	17	17
Revaluation	—	12	—	—	—	—	12
Change of Restricted reserves related to capitalized R&D ¹	—	—	123	—	—	-123	—
Dividend SEK 2.25 per share ²	—	—	—	—	—	-1,288	-1,288
Closing balance December 31, 2020	1,153	33	1,399	2,605	46	25,975	31,211
Net income for the period	—	—	—	—	—	3,697	3,697
Other comprehensive income	—	—	—	—	-75	—	-75
Total comprehensive income	—	—	—	—	-75	3,697	3,622
Share-based payments	—	—	—	—	—	194	194
Hedge for LTI-programs	—	—	—	—	—	-335	-335
Revaluation	—	—	—	—	—	—	—
Change of Restricted reserves related to capitalized R&D ¹	—	—	94	—	—	-94	—
Dividend SEK 2.40 per share ²	—	—	—	—	—	-1,375	-1,375
Closing balance December 31, 2021	1,153	33	1,493	2,606	-29	28,062	33,318

¹ The reserve related to R&D and IT expenses is only applied in the Parent Company. Information about the accounting principle is available in the Parent Company's note 1.

² Total dividend 2021 amounts to SEK 1,383m (1,297), of which Husqvarna AB (publ) received SEK 8m (9) for B-shares in third party share swap agreement.

³ Restricted reserves relates to revaluation reserve together with statutory reserves.

⁴ Relates to result and reclassification adjustments to the income statement for Cash flow hedges, net of tax, which are recognized in other comprehensive income.

Information regarding the Parent Company's shares, share capital and share premium reserve is available in the Group's note 19.

Note 1 Parent Company's Accounting principles

Husqvarna AB's (publ) Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2. The Parent Company follows the International Financial Reporting Standards (IFRS) adopted by EU, to the extent possible within the framework for the Swedish Annual Accounts Act and Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen), and considering the relationship between accounting and taxation. The Parent Company is following the same principles as described in the Group note 1, with the below exceptions.

Segments

Information is reported in accordance with the Swedish Annual Accounts Act and contains disclosures of net sales divided by geography and per product category.

Intangible assets

The Parent company amortize all brands on a straight-line basis during the useful life, which according to group policy is estimated at 10 years.

Property, plant and equipment

The Parent Company uses methods for depreciations described in the section "Property, plant and equipment" in the Group's note 1 with some exception, which is described below.

The Parent Company accounts for tax depreciation in accordance with the Swedish tax law as appropriations in the Income statement. These depreciations are accounted for in addition to the depreciation described in the section "Property, plant and equipment" in the Group's note 1 and are reported as untaxed reserves in the Balance sheet.

Shares in subsidiaries

Shares in subsidiaries are reported at cost deducted for impairment. Expenses and potential additional purchase price, related to an acquisition are included in the acquisition value of the investment. Investments are tested annually for impairment or if there is an indication of that the book value of the investment is higher than the recoverable amount. Dividends are reported as income.

Pensions

Husqvarna Group applies IAS 19 Employee Benefits for pension assets and liabilities. The Parent Company applies the Swedish Safe-guarding of Pension Commitments Act (Tryggandelagen).

Group contributions

Husqvarna AB (publ) applies the alternative rule in RFR 2, and accounts for both group contribution received and paid as appropriations in the income statement.

Contingent liabilities

The Parent Company has signed guarantees in favour of subsidiaries which in accordance with IFRS are classified as a financial guarantee. However, the Parent Company applies RFR 2 and recognizes these guarantees as contingent liabilities.

Leasing

The Parent Company applies RFR 2 and recognizes all leasing as a linear cost over the lease period.

Reserve related to R&D expenses

The parent company capitalizes R&D and IT in the balance sheet. From 2016 and forward, a restricted reserve is presented for internally generated R&D and IT, where an amount equal to this year's capitalization reduced with amortization is transferred from free reserves to restricted reserves. The restricted reserve dissolves in line with the amortizations.

Note 2 Financial risk management

Husqvarna Group applies common risk management for all units through the Group Treasury functions in Sweden and Ireland. The description of financial risk management available in the Group's note 20 is in all material aspects applicable also for the Parent Company.

Note 3 Net sales distribution

Net sales are distributed on the following geographic markets

	2021	2020
SEKm		
Europe	15,562	13,143
North America	2,421	2,263
Rest of the World	3,352	2,935
Total	21,335	18,341

Net sales amounted to SEK 21,335m (18,341), of which SEK 16,268m (14,336) referred to sales to Group companies and SEK 5,067m (4,005) to external customers.

Net sales distribution per product category

	2021	2020
SEKm		
Forest-, park- and garden products	17,731	15,213
Construction products	3,521	3,128
Other	83	0
Total	21,335	18,341

Note 4 Employees and employees benefits

Average number of employees

	2021			2020		
	Men	Women	Total	Men	Women	Total
Board, President and CEO and Group Management	13	6	19	13	6	19
Sweden	1,693	557	2,250	1,637	524	2,161
Total	1,706	563	2,269	1,650	530	2,180

Salary and remuneration

SEKm	2021			2020		
	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses	Salaries and remunerations (whereof bonuses)	Social expenses	Pension expenses
Board, President and CEO and Group Management	101 (57)	36	10	75 (28)	28	12
Other employees	1,558	548	146	1,391	464	125
Total	1,659	584	156	1,466	492	137

For further information regarding remunerations to the Board of Directors, President and CEO and the Group Management together with the Group's long term incentive program see the Group's note 4.

Note 5 Expenses by nature

SEKm	2021	2020
Costs for supplies and raw materials	10,112	8,793
Salary and remuneration	2,399	2,095
Amortization/depreciation and impairment	1,142	1,266
Other	4,416	3,627
Total	18,069	15,781

Note 6 Exchange rate gains and losses in operating income

SEKm	2021	2020
Exchange rate gains and losses in operating income ¹	58	66
Total	58	66

¹ Included in selling expenses within operating income.

Operating income includes SEK 121m (59) of foreign exchange hedging result previously reported in other comprehensive income. Information related to the accounting of fair value in financial instruments is presented in the Group's note 1.

Note 7 Other operating income and operating expenses

SEKm	2021	2020
Other operating income		
Gain on sale of:		
– Property, plant and equipment	1	—
– Operations and shares	—	—
Total	1	—
Other operating expenses		
Loss on sale of:		
– Property, plant and equipment	—	0
Total	—	0

Note 8 Fees to auditors

SEKm	2021	2020
KPMG		
Audit fees for the annual audit engagement	5	—
Audit fees not included in the annual audit engagement	1	—
Tax advices	—	—
Other services	—	—
Total fees to KPMG	6	—

SEKm	2021	2020
EY		
Audit fees for the annual audit engagement	—	6
Audit fees not included in the annual audit engagement	—	0
Tax advices	0	1
Other services	0	0
Total fees to EY	0	7

EY were the auditors for Husqvarna Group until the 2020 Annual General Meeting when KPMG was elected as the Company's auditors.

Note 9 Operating leases

There are no material contingent expenses or restrictions among the Parent Company's operating leases. Expenses for rental payments for facilities, machinery etc. (minimum lease payments) amounted to SEK 97m (92) in 2021.

Future minimum lease payments are allocated as follows:

SEKm	2021	2020
Within 1 year	95	85
1–5 years	186	141
> 5 years	0	2
Total	281	228

Note 10 Income from participation in Group companies

SEKm	2021	2020
Dividends	2,518	308
Profit/Loss on sales of shares in Group	—	0
Total	2,518	308

Note 11 Financial income and expense

SEKm	2021	2020
Financial income		
Interest income		
– from subsidiaries	29	42
– from others	2	24
whereof <i>Interest income</i>		
– on deposits	31	44
– on derivatives held for trading	0	22
Exchange rate differences		
– on borrowings	0	294
– on derivatives held for trading ²	0	885
Total financial income	31	1,245
Financial expenses		
Interest expense		
– to subsidiaries	–5	–12
– to others	–183	–279
whereof <i>Interest expense</i>		
– on borrowings	–85	–141
– on cashflow hedges, interest derivatives	–3	0
– on derivatives held for trading ¹	–96	–150
Exchange rate differences		
– on borrowings	–163	0
– on derivatives held for trading ²	–630	0
Other financial expenses	–17	–27
Total financial expenses	–997	–318
Financial income and expenses, net	–966	927

¹ Interest expense on derivatives held for trading includes interest expense on derivatives for hedging net investments SEK –28m (–109).

² Currency exchange rate difference on derivatives held for trading includes currency exchange rate differences on derivatives for hedging net investments SEK –799m (1,155).

Note 12 Appropriations and untaxed reserves

SEKm	Appropriations		Untaxed Reserves	
	2021	2020	2021	2020
Group contribution, received	—	—	—	—
Group contribution, paid	-361	-506	—	—
Accumulated depreciation in excess of plan on	29	—	—	—
Tax allocation reserv 2021	-510	—	—	—
Machinery and equipment	—	—	765	399
Brands and other intangible assets	—	—	—	395
Other untaxed reserves	—	—	510	—
Total	-842	-506	1,275	794

Note 13 Tax

SEKm	2021		2020	
	Tax, %	SEKm	Tax, %	SEKm
Current tax on income for the period		-320		-603
Deferred tax income/expense		41		-43
Total		-280		-647

Theoretical and actual tax rate

	2021		2020	
	Tax, %	SEKm	Tax, %	SEKm
Profit before tax	—	3,976	—	3,290
Theoretical tax rate	-20,6	-819	-21,4	-704
Non-taxable income statement items	13,2	525	2,0	67
Non-deductable income statement items	-0,0	-2	-0,2	-5
Change in valuation of deferred tax	0,3	11	—	—
Effect of tax rate change	—	—	-0,1	-2
Withholding tax	-0,1	-3	-0,1	-3
Other	0,2	9	—	—
Actual tax rate¹	-7,3	-280	-19,7	-647

¹ Actual tax rate in the Parent Company is explained by a non-taxable dividend from subsidiaries of SEK 2518m (308) and a result from shares of SEK 0m (-1) as well as impairment of shares in subsidiaries SEK 0m (0).

Changes in deferred taxes

SEKm	Balance, 1 Jan, 2021	Recognized in income statement		Reclassifi- cation	Balance, Dec 31, 2021
		Recognized in compre- hensive income statement	Reclassifi- cation		
Non-current assets	-4	7	—	—	3
Provision for pensions and similar commitments	33	7	—	—	40
Other provisions	15	28	—	—	43
Financial and operating liabilities	-12	—	19	—	7
Tax losses carried forward	0	—	—	—	—
Deferred tax assets and liabilities, net	32	41	19	—	93

SEKm	Balance, 1 Jan, 2020	Recognized in income statement		Reclassifi- cation	Balance, Dec 31, 2020
		Recognized in compre- hensive income statement	Reclassifi- cation		
Non-current assets	-4	0	0	0	-4
Provision for pensions and similar commitments	33	0	0	0	33
Other provisions	58	-38	0	-5	15
Financial and operating liabilities	-4	0	-8	0	-12
Tax losses carried forward	0	-5	0	5	0
Deferred tax assets and liabilities, net	83	-43	-8	—	32

Tax items recognized in Other comprehensive income amounts to SEK 19m (-8) for items related to cash flow hedges.

Deferred tax assets and liabilities

SEKm	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Non-current assets	3	—	—	4	3	-4
Provisions for pensions and similar commitments	40	33	—	—	7	33
Other provisions	43	15	—	—	28	15
Financial and operating liabilities	7	—	—	12	19	-12
Tax losses carried forward	—	0	—	—	—	—
Deferred tax assets and liabilities	93	48	—	16	93	32
Set-off of tax	—	-16	—	-16	—	—
Deferred tax assets and liabilities, net	93	32	—	—	93	32

Note 14 Intangible assets

SEKm	Product development		Brands		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	3,503	3,054	1,544	1,544	1,583	1,363	6,631	5,962
Investments	471	487	—	—	183	258	654	745
Sold, scrapped	-42	-38	—	—	-12	-38	-54	-76
Closing accumulated acquisition value	3,932	3,503	1,544	1,544	1,754	1,583	7,231	6,631
Opening accumulated amortization and impairment	2,329	1,897	1,425	1,295	976	821	4,730	4,013
Amortization ¹	370	404	105	130	219	174	695	708
Impairment	71	63	—	—	—	—	71	63
Sold, scrapped	-51	-35	—	—	-3	-19	-54	-54
Closing accumulated amortization and impairment	2,719	2,329	1,530	1,425	1,192	976	5,442	4,730
Closing balance, December 31	1,213	1,174	14	119	562	608	1,789	1,901

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 391m (435), within selling expenses by SEK 14m (0) and within administrative expenses by SEK 290m (273).

Note 15 Property, plant and equipment

SEKm	Land and land improvements ²		Buildings and leasehold improvements		Machinery and technical installations		Other equipment		Construction in progress and advances		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Opening accumulated acquisition value	11	11	413	368	2,944	2,459	262	253	565	714	4,195	3,804
Investments	—	—	5	10	174	232	10	3	155	256	344	501
Sold, scrapped	—	—	-4	-16	-126	-65	-7	-4	—	—	-137	-85
Reclassification	—	—	35	51	171	318	7	10	-261	-405	-46	-26
Closing accumulated acquisition value	11	11	449	413	3,163	2,944	272	262	459	565	4,356	4,194
Opening accumulated depreciation and impairment	5	5	195	191	1,450	1,089	191	174	—	—	1,840	1,458
Depreciation ¹	—	0	22	19	314	279	21	22	—	—	358	320
Impairment	—	—	—	—	18	175	—	—	—	—	18	175
Sold, scrapped	—	—	-3	-15	-148	-93	-7	-5	—	—	-158	-113
Reclassification	—	—	—	—	—	—	1	—	—	—	1	—
Closing accumulated depreciation and impairment	5	5	214	195	1,633	1,450	206	191	—	—	2,059	1,840
Closing balance, December 31	6	6	235	218	1,530	1,494	68	71	459	565	2,297	2,354

¹ In the income statement depreciation is accounted for within cost of goods sold by SEK 348m (313), within selling expenses by SEK 3m (0) and within administrative expenses by SEK 7m (7).

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

Note 16 Shares in subsidiaries

Country	Subsidiaries	Registration number	Holding, %	Net book value, SEKm	Net book value, SEKm
				2021	2020
Belgium	Husqvarna Belgium SA	0400.604.654	100	486	486
Canada	Husqvarna Canada Corp.	82354277RT0001	100	271	271
Colombia	Husqvarna Colombia S.A.	900.047.189-0	95	1	1
Denmark	Husqvarna Commercial Solutions Danmark A/S	41829184	100	1	1
Denmark	Husqvarna Danmark A/S	26205328	100	16	16
Estonia	Husqvarna Eesti Osaühing	11159436	100	0	0
Finland	Oy Husqvarna Commercial Solutions Finland Ab	3175257-1	100	0	—
Germany	Husqvarna Commercial Solutions Germany GmbH	HRB 741377	100	0	0
Germany	Husqvarna Real Estate Germany GmbH	HRB 742955	100	0	—
India	Husqvarna (India) Products Private Limited	U74999TN2007FTC112630	100	0	0
Ireland	Husqvarna Finance Ireland Ltd	611319	100	9,816	9,816
Kenya	Husqvarna Kenya Ltd	PVT-DLU8KXM	100	0	0
Latvia	SIA Husqvarna Latvija	40 003 760 065	100	3	3
Norway	Husqvarna Commercial Solutions Norway AS	925918261	100	0	—
Slovakia	Husqvarna Slovensko s.r.o.	36 437 115	100	—	—
South Africa	Husqvarna South Africa (Proprietary) Limited	2005.025971.07	100	19	19
Sweden	Husqvarna Commercial Solutions AB	556745-5893	100	0	0
Sweden	Husqvarna Holding Aktiebolag	556037-1964	100	12,499	12,499
Sweden	McCulloch Trademark Holding AB	556199-0683	100	0	0
Sweden	Husqvarna Direct AB	559170-2609	100	0	0
Sweden	Gardena Flymo AB	559170-2617	100	0	0
Sweden	Mariehov 5:38 AB	559288-5379	100	9	—
U.S.	Millhouse Insurance Company	20-4233540	100	79	79
U.S.	Husqvarna U.S. Holding, Inc.	34-1946153	100	11,415	10,581
Total			34,616	33,773	

During 2021 a capital injection was made to Husqvarna U.S. Holding, Inc. with SEK 834m.

During 2020 the subsidiary Husqvarna Försäkrings AB has been liquidated.

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

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

Note 17 Other non-current assets

SEKm	2021	2020
Receivables Group	244	12
Other long-term receivables	36	26
Total	280	38

Note 18 Inventories

SEKm	2021	2020
Supplies including raw materials	573	535
Products in progress	12	12
Finished products	1,673	1,487
Advances to suppliers	8	4
Total	2,266	2,038

Provisions for obsolescence are included in the value of the inventory and amounts to SEK 114m (107). Provision made during the year amount to SEK 137m (112) and SEK 130m (88) has been reversed. Inventories valued to net realizable value amounted to SEK 97m (78) referring to finished products.

Note 19 Financial assets and liabilities

Financial assets and liabilities per category	Financial assets for which hedge accounting is applied			Other financial assets	Total
	Financial assets valued at fair value				
SEKm					
2021					
Assets					
Derivatives	268	145	—	—	413
Receivables Group companies ¹	—	—	—	13,489	13,489
Trade receivables	—	—	—	568	568
Other receivables	—	—	—	130	130
Cash and cash equivalents	—	—	—	561	561
Total	268	145	—	14,748	15,161

2020

Assets	Derivatives	Receivables Group companies ¹	Trade receivables	Other receivables	Cash and cash equivalents	Total
Derivatives	797	364	—	—	—	1,161
Receivables Group companies ¹	—	—	—	—	5,998	5,998
Trade receivables	—	—	—	—	465	465
Other receivables	—	—	—	—	12	12
Cash and cash equivalents	—	—	—	—	4,596	4,596
Total	797	364	—	—	11,071	12,232

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

Note 19 – Financial assets and liabilities, cont.

Financial assets and liabilities per category, cont.

SEKm	Financial liabilities valued at fair value	Financial liabilities for which hedge accounting is applied	Other financial liabilities	Total
2021				
Liabilities				
Borrowings	—	—	7,948	7,948
Liabilities to Group companies	—	—	8,712	8,712
Trade payables	—	—	2,160	2,160
Derivatives	742	181	—	923
Other liabilities	—	—	88	88
Total	742	181	18,908	19,831
2020				
Liabilities				
Borrowings	—	—	9,281	9,281
Liabilities to Group companies	—	—	7,563	7,563
Trade payables	—	—	1,455	1,455
Derivatives	267	306	—	573
Total	267	306	18,299	18,872

Future undiscounted cashflows of loans and other financial liabilities as of December 31, 2021¹

SEKm	2022	2023	2024	2025	2026	>2027	Total
Bonds, bank loans and other loans	-4,386	-1,656	-2,004	-7	—	—	-8,054
Liabilities to Group Companies	-8,712	—	—	—	—	—	-8,712
Derivative liabilities, interest rate	-9	-1	1	—	—	—	-9
Derivative liabilities, foreign exchange	-914	—	—	—	—	—	-914
Trade payables	-2,160	—	—	—	—	—	-2,160
Total financial liabilities	-16,182	-1,657	-2,003	-7	—	—	-19,850

¹ The table includes the forecast future nominal interest payment and, thus, does not correspond to the net book value in the balance sheet.

Derivatives

The main part of the Group's derivatives is held by the Parent Company. Disclosures regarding the derivatives are available in the Group's note 20.

Trade receivables

Husqvarna AB's trade receivables amount to SEK 568m (465) as per December 31, 2021.

Trade receivables past due but not impaired amount to SEK 4m (17) as of December 31, 2021.

Aging analysis for past due, but not impaired trade receivables

SEKm	2021	2020
<3 months	1	13
>3 months	3	4
Total past due but not impaired	4	17

Provision for overdue accounts receivables

SEKm	2021	2020
Opening balance, January 1	18	18
New provisions	4	8
Reversed unused provisions	-3	-6
Write off accounts receivables	-1	-2
Closing balance, December 31	18	18

The credit risk in financial assets is described in the Group's note 20.

Borrowings

The main part of the borrowings in Husqvarna Group is reported within the Parent Company. For disclosures regarding fair value and interest exposure, see the Group's note 20.

Note 20 Other current assets

SEKm	2021	2020
Value added tax	118	85
Miscellaneous short-term receivables	27	25
Prepaid rents and leases	14	13
Prepaid insurance premiums	7	6
Other prepaid expenses	147	102
Total	313	231

Note 21 Other liabilities

SEKm	2021	2020
Accrued holiday pay	198	181
Other accrued payroll expenses	435	441
Accrued customer rebates	90	90
Other accrued expenses	201	217
Personnel taxes and other taxes	88	68
Total	1,012	997

Note 22 Provisions for pensions

Specification of the net provision for pensions

SEKm	2021	2020
Present value of the funded pension obligations	870	809
Fair value of plan assets	-1,056	-859
Surplus/deficit of the pension fund	-186	-50
Surplus of the pension fund, not recognized	186	50
Net provision for pensions	0	0

Specification of the change in the net provision for pensions

SEKm	2021	2020
Opening balance, January 1	0	1
Costs for pensions recognized in the income statement	27	25
Benefits paid	-27	-26
Closing balance, December 31	0	0

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

Pension costs recognized in the income statement

SEKm	2021	2020
Own pensions		
Current service costs	0	-1
Benefits paid	27	26
Pension costs	27	25
Insured pensions		
Insurance premiums	128	109
Total net expenses for pensions	155	134

Of total net expenses of SEK 155m (134), SEK 74m (64) is recognized in cost of goods sold, SEK 28m (20) in selling expenses and SEK 53m (50) in administration expenses. The expected payments 2022 for own pensions amounts to SEK 27m.

Principal actuarial assumptions at balance sheet date

%	2021	2020
Discount rate	1,80	1,75

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

%	2021	Return	2020	Return
Equity instruments	46	57	47	33
Debt instruments	54	-1	53	2
Total	100	23	100	35

The employees are covered by pension plans in addition to statutory social security insurance. Such pension plans are classified as either defined contribution plans or defined benefit plans. The pension plans are funded which imply that there are assets in a legal entity that exist solely to finance benefits to employees and former employees. White collar employees, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The old-age pension benefit of the plan is financed primarily through a pension fund. Employees born 1979 or later are covered by ITP 1, which is a defined contribution pension plan. More information about pensions are presented in Group notes 4 and 21.

Note 23 Other provisions

SEKm	Provisions for re-structuring	Warranty commitments	Other	Total
Opening balance January 1, 2021	28	32	29	89
Provisions made	20	34	60	114
Provisions used	-25	-19	-20	-64
Closing balance, December 31, 2021	23	47	69	139
Current provisions	18	36	42	96
Non-current provisions	5	11	27	43

Provisions for restructuring

See the Group's note 22 for further information regarding Husqvarna Group's restructuring programmes.

Warranty commitments

Provisions for warranty comprises all potential expenses for repairing or replacing products sold and are normally limited to 24 months.

Note 24 Pledged assets and contingent liabilities

Pledged assets

SEKm	2021	2020
Pension obligation ¹	155	136
Total	155	136

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

Contingent liabilities

SEKm	2021	2020
On behalf of Group companies		
Pension obligation	465	423
On behalf of external counterparties		
Bank guarantee	97	89
Pension obligation	17	16
Total	579	528

As described in note 24 to the Group's Financial Statements, the Group is exposed to certain contingent liabilities regarding commercial guaranties, commercial litigation, and related disputes. Husqvarna AB (publ), as the parent company of the Group, may be directly liable for such obligations (for example, if it is directly named in such a lawsuit) and/or may have indirect liability for the same, such as when an intra-company guaranteee is in place. Please refer to the Groups note 24 for more details.

Note 25 Related party transactions

Sales to related parties are carried out on market-based terms. Information about the Board of Directors and Group Management and compensation to those are reported in Group note 4, Employees and employee benefits. No unusual transactions have occurred between Husqvarna Group and the Board of Directors or Group Management. The value of those business transactions are insignificant.

Note 26 Subsequent events

Husqvarna Group in Ukraine – employee safety our number one priority

The Group is closely monitoring the developing situation in Ukraine and our priority is the health and safety of our employees and their families and are actively working to support by various means. There are 21 employees based in Ukraine. The Group has business operations, although no production, in Russia and Ukraine, with less than 2% of the Group's total net sales generated in 2021. It remains too early to be able to quantify the financial and commercial effects on the business and at present the Group has decided to pause operations in Russia.

Note 27 Changes in financial liabilities

SEKm	Opening balance, January 1, 2021	Cash flows ¹	Reclassification	Foreign exchange movement	Other non-cash movement	Closing balance, December 31, 2021
Current interest-bearing borrowings	2,760	-656	2,236	—	—	4,340
Non-current interest-bearing borrowings	6,521	-1,014	-2,235	—	336	3,608
Total financial liabilities	9,281	-1,669	0	—	336	7,948

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

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

Note 28 Proposed distribution of earnings

The Board of Directors proposes a dividend for 2021 of SEK 3 per share (2.40) corresponding to a total dividend payment of SEK 1,711m (1,377) based on the number of outstanding shares at the end of 2021. It is also proposed that the dividend will be paid in two instalments to better match the Group's cash flow profile, with one payment of SEK 1 per share in April and the remaining SEK 2 per share in October.

The proposed record dates are April 11, 2022 for the first payment and October 11, 2022 for the second payment.

SEKt	2021
The following profits are at the disposal of the AGM:	
Share premium reserve	2,605,747
Retained earnings	24,364,968
Net income for the period	3,696,847
Total	30,667,562

SEKt	2021
The Board proposes the following allocation of available profits:	
Dividend to the shareholders of SEK 3.00 per share ¹	1,711,267
To be carried forward	28,956,295
Total	30,667,562

¹ Calculated on the number of outstanding shares as per December 31, 2021.

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

Declaration by the Board of Directors and the President & CEO

The Board of Directors and the President & CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 14, 2022

Tom Johnstone
Chair of the Board

Ingrid Bonde
Board member

Katarina Martinson
Board member

Bertrand Neuschwander
Board member

Daniel Nodhäll
Board member

Lars Pettersson
Board member

Christine Robins
Board member

Henric Andersson
President & CEO
and Board member

Tina Helmke Hallberg
Board member and
employee representative

Dan Byström
Board member and
employee representative

Our audit report was issued on March 14, 2022
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Husqvarna AB (publ) corp. id 556000-5331

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Husqvarna AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 37–111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Matter

The audit of the annual accounts for year 2020 was performed by another auditor who submitted an auditor's report dated 10 March 2021, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Acquisition of Orbit Irrigation Products LLC

See disclosure 27 and accounting principles on pages 68–72 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In November 2021 all the shares in Orbit Irrigation Products LLC were acquired for a total purchase price of SEK 4,233 million. Following a business combination, the acquired operations should be accounted for in the consolidated accounts which requires acquired assets and liabilities to be identified and measured at fair value at the acquisition date. The difference between the purchase price and the identified assets and liabilities is goodwill.

The purchase price allocation requires judgements to be made regarding which assets to account for in the consolidated accounts – in particular intangible assets may be difficult to assess – including the assigned fair values in the consolidated accounts. These judgments will affect the group's future profits, partly depending on whether the identified assets are to be amortized or not in the consolidated accounts.

Response in the audit

We have analyzed the purchase price allocation in order to assess whether it has been prepared in accordance with commonly prescribed methods and that all assets, in particular intangible assets, and liabilities have been identified. We have received and assessed the documentation that management has prepared with assistance from external experts.

Furthermore, we have focused on whether the techniques used to measure the acquired assets and liabilities to fair value are in accordance with the prescribed framework and established valuation techniques. In the purchase price allocation intangible assets consisting of customer relationships, brands and technology amounting to SEK 1,848 million have been identified in addition to what was recorded in Orbit Irrigation Products LLC. Goodwill amount to SEK 1,907 million.

We have also assessed the disclosures relating to the business combination included in the annual accounts and the consolidated accounts.

Valuation of goodwill, trademarks and customer relations and parent company's shares in subsidiaries

See disclosure 14 to the consolidated accounts and disclosure 16 to the parent company accounts and accounting principles on pages 68–72 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The book value of goodwill, trademarks and customer relations amount to SEK 14,848 million as of 31 December 2021, representing 30% of total assets. Goodwill and trademarks with an indefinite useful life should be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified.

Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, churn-rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.

The parent company's interests in group companies amount to SEK 34,616 million as of 31 December 2021. If the book value of the interests exceeds the equity in the respective group company, an impairment test is performed following the same methodology and using the same assumptions as for the tests in the consolidated accounts.

Response in the audit

We have obtained and assessed the group's and parent company's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.

Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome.

An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis.

We have also analyzed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36 and 116–123. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Husqvarna AB (publ.) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consoli-

dated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Husqvarna AB (publ.) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #Lfnt1WxuzqfdVts= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Husqvarna AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Husqvarna AB (publ.) by the general meeting of the shareholders on the 14th of April 2021. KPMG AB have been the company's auditor since 14 April 2021.

Stockholm 14 March, 2022
KPMG AB

Joakim Thilstedt
Authorized Public Accountant

Financial definitions

This report includes financial measures as required by the financial reporting framework applicable to Husqvarna Group, which is based on IFRS. In addition, there are other measures (alternative performance measures) used by management and other stakeholders to analyze trends and performance of the Group's operations that cannot be directly read or derived from the financial statements. Husqvarna stakeholders should not consider these as substitutes, but rather as additions, to the financial reporting measures prepared in accordance with IFRS. Please note that the alternative performance measures as defined, may not be comparable to similarly titled measures used by other companies. Refer below for a list of definitions of all measures and indicators used, referred to and presented in this report.

Computation of average amounts	The computation of key ratios are based on averages of capital balances the last 12 months.
Roundings	All items are stated in SEKm and, accordingly, rounding differences can occur
Last twelve months (LTM)	An average of the last twelve months has been used to assist stakeholders in their analysis of seasonal variation in the market Husqvarna Group operates in.
Alternative performance measures	
Profitability measures	Description and reason for use
Organic growth	Organic growth is the change in net sales compared to the same period of the previous year excluding acquisitions and divestments and adjusted for currency translation effects. The measure is important in order to understand the underlying performance of the operations and increases the comparability between periods.
Gross margin	Gross income as a percentage of net sales.
EBITDA	EBITDA is a measure of earnings before interest, taxes, depreciation, amortization and impairment charges. EBITDA measures Husqvarna Group's operating performance and the ability to generate cash from operations, without considering the capital structure of the Group or its fiscal environment.
EBITDA margin	EBITDA as a percentage of net sales.
Operating margin	Operating income as a percentage of net sales The operating margin is a key profitability measure.

Capital indicators	Description and reason for use
Capital employed	Total equity and liabilities less non-interest-bearing debt including deferred tax liabilities. This measure shows the amount of capital that is used in the operations and is an important component for measuring the return from operations.
Capital expenditure	Investments in property, plant and equipment, right of use assets and intangible assets.
Capital turnover rate	Net sales during the last twelve months divided with average net assets. Shows how effectively capital is managed and is a key measure for monitoring value creation.
Equity / assets ratio	Equity attributable to equity holders of the Parent Company as a percentage of total assets. A measure for showing financial risk, expressing the percentage of total assets that is financed by the owners.
Liquid funds	Cash and cash equivalents, short-term investments and fair value derivative assets. Shows the ability to repay short term commitments.
Net assets	Total assets excluding liquid funds and interest-bearing assets less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.
Net debt	Net debt is defined as total interest-bearing liabilities plus dividend payable, less liquid funds and interest-bearing assets. The key performance indicator shows the Group's indebtedness
Net debt / EBITDA excluding Items affecting comparability	Average net debt in relation to EBITDA last twelve months, excluding items affecting comparability. A financial measure that shows the company's capacity to repay its debt, adjusted for the impact of items affecting comparability.

Capital indicators (cont.)	Description and reason for use	Other measures	Description and reason for use
Net debt /equity ratio	Net debt in relation to total equity Shows financial risk and is a useful measure to monitor the level of the company's indebtedness.	Direct operating cash flow	EBITDA, excluding items affecting comparability, adjusted for change in trade payables, inventory and trade receivables and investments in property, plant and equipment and intangible assets.
Operating working capital	Inventories and trade receivables less trade payables This measure shows how much working capital is tied up in the operations and can be put in relation to sales to understand how efficient working capital is managed.		Direct operating cash flow provides a measure of the cash generated by the Groups operating business.
Operating working capital /net sales	Average operating working capital as a percentage of net sales last twelve months. This measure is an important indicator for how efficient working capital is managed.	Items affecting comparability	Under Items affecting comparability, Husqvarna includes items that have the character of being non-recurring, such as restructuring costs, and are relevant when comparing earnings for one period with those of another. Separate reporting of items affecting comparability between periods provides a better understanding of the company's underlying operating activities.
Return on capital employed (ROCE)	Operating income during the last twelve months as a percentage of average capital employed. A central ratio for measuring return on capital tied up in operations.	Operating cash flow	Operating cash flow is defined as cash flow from operations and investments, excluding acquisitions and divestments of subsidiaries/operations, divestments of property plant and equipment and investments/divestments of financial assets.
Return on equity (ROE)	Net income attributable to equity holders of the Parent Company last twelve months as a percentage of average equity attributable to equity holders of the Parent Company. The indicator shows how shareholders' capital yields interest during the period.		Operating cash flow is a measure of the amount of cash generated by the Group's ordinary business operations that the units have control over themselves.
Share-based measures	Description and reason for use		
Earnings per share, after dilution	Earnings per share is expressed as net income attributable to equity holders of the parent company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution. Earnings per share is a good measure of the company's profitability and is used to determine the value of the company's outstanding shares.		
Equity per share, after dilution	Equity attributable to equity holders of the Parent Company divided by the weighted average number of shares outstanding (net of treasury shares), after dilution. A measure of the amount of equity that exists per outstanding share and is used for measuring the share against the share price.		

Five-Year Review

Income and key ratios, SEKm	2021	2020	2019	2018 ¹	2017 ^{1,5}
Net sales	47,059	41,943	42,277	41,085	39,394
Husqvarna Forest & Garden Division	29,217	26,607	27,506	27,156	27,221
Gardena Division	10,537	9,427	8,343	8,118	7,151
Husqvarna Construction Division	7,210	5,844	6,340	5,762	5,015
Gross income	15,513	12,576	12,529	10,502	11,472
Gross margin, %	33.0	30.0	29.6	25.6	29.1
EBITDA*	7,987	6,206	5,779	4,000	5,105
EBITDA margin, %	17.0	14.8	13.7	9.7	13.0
Operating income	5,746	3,669	3,690	2,070	3,790
Operating income excl. items affecting comparability*	5,684	4,484	3,915	3,241	3,790
Operating margin, %	12.2	8.7	8.7	5.0	9.6
Operating margin excl. items affecting comparability, %*	12.1	10.7	9.3	7.9	9.6
Husqvarna excl. items affecting comparability, %*	12.7	10.1	8.8	7.8	10.0
Gardena excl. items affecting comparability, %*	14.5	15.2	10.2	8.0	9.3
Construction excl. items affecting comparability, %*	11.7	10.8	13.2	12.4	12.9
Income after financial items	5,494	3,330	3,122	1,561	3,290
Net Income for the period	4,437	2,495	2,528	1,213	2,660
Of which depreciation, amortization and impairment	-2,241	-2,537	-2,089	-1,930	-1,315

Cash flow, SEKm	2021	2020	2019	2018 ¹	2017 ^{1,5}
Operating cash flow*	3,140	6,087	2,676	-248	1,847
Capital expenditure	2,524	1,994	2,232	2,235	1,892
Other key ratios	2021	2020	2019	2018 ¹	2017 ^{1,4}
Earnings per share after dilution, SEK	7.73	4.35	4.42	2.12	4.62
Equity per share after dilution, SEK	37.7	29.8	30.2	28.0	27.3
Average number of shares after dilution, millions	574.1	572.9	572.4	572.3	574.2
Dividend per share, SEK ³	3.00	2.40	2.25	2.25	2.25
Dividend pay-out ratio, % ⁴	39	55	51	106	48
Salaries and remunerations, SEKm	6,572	5,803	5,833	5,712	5,121
Average number of employees	13,873	12,374	12,708	13,206	13,252

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

² The definition of Return on capital employed has been changed and restated. Refer to "Financial definitions".

³ As proposed by the Board.

⁴ Dividend pay-out ratio is defined as total dividend in relation to the net income excluding non-controlling interest.

⁵ Restatement of 2017 due to IFRS 15 transition, reclassification of certain exchange rate effects, and reclassification of certain sales between segments.

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

Financial position and key ratios, SEKm	2021	2020	2019	2018 ¹	2017 ^{1,4}
Total assets	50,920	43,517	41,981	38,607	35,418
Net assets	31,270	23,555	28,565	25,883	22,866
Husqvarna Forest & Garden Division	13,657	12,427	15,371	10,547	8,885
Gardena Division	13,740	6,650	7,733	6,965	6,394
Husqvarna Construction Division	6,281	5,608	5,833	5,366	4,596
Operating working capital	11,350	8,179	10,379	10,058	8,831
Total equity	21,646	17,062	17,283	16,009	15,667
Net debt*	9,623	6,493	11,315	9,875	7,199
Return on capital employed*, % ²	17.9	10.9	11.7	7.3	14.6
Return on equity, %	22.2	13.5	14.7	7.3	17.4
Capital turn-over rate, times	1.9	1.6	1.5	1.6	1.7
Net debt/equity ratio	0.44	0.38	0.65	0.62	0.46
Equity/assets ratio, %	42	39	41	41	44

Quarterly Data

Income, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net sales	2021	14,030	14,614	10,180	8,234	47,059
	2020	12,208	13,482	9,570	6,683	41,943
	2019	13,651	13,789	8,429	6,408	42,277
Operating income	2021	2,293	2,659	926	-132	5,746
	2020	1,424	2,191	997	-944	3,669
	2019	1,644	2,125	414	-493	3,690
Operating income excl. items affecting comparability*	2021	2,293	2,645	926	-180	5,684
	2020	1,424	2,191	997	-129	4,484
	2019	1,686	2,125	414	-310	3,915
Operating margin excl. items affecting comparability, % *	2021	16.3	18.1	9.1	-2.2	12.1
	2020	11.7	16.3	10.4	-1.9	10.7
	2019	12.3	15.4	4.9	-4.8	9.3
Net income for the period	2021	1,659	2,001	631	146	4,437
	2020	992	1,567	653	-718	2,495
	2019	1,140	1,506	269	-387	2,528
Earnings per share after dilution, SEK	2021	2.89	3.48	1.10	0.26	7.73
	2020	1.73	2.74	1.14	-1.26	4.35
	2019	1.99	2.63	0.47	-0.67	4.42
Financial position, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Net debt*	2021	5,323	3,365	2,615	9,623	9,623
	2020	11,629	7,737	4,457	6,493	6,493
	2019	13,548	11,340	11,609	11,315	11,315
Operating working capital	2021	10,802	10,577	9,966	11,350	11,350
	2020	12,324	11,652	8,667	8,179	8,179
	2019	13,889	12,224	11,238	10,379	10,379

Net sales by division, SEKm	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna Forest & Garden Division	2021	8,820	8,836	6,331	5,231	29,217
	2020	8,001	8,042	6,069	4,496	26,607
	2019	9,506	8,688	5,204	4,108	27,506
Gardena Division	2021	3,506	3,851	2,031	1,148	10,537
	2020	2,708	4,011	1,948	761	9,427
	2019	2,630	3,373	1,630	710	8,343
Husqvarna Construction Division	2021	1,680	1,904	1,795	1,830	7,210
	2020	1,487	1,413	1,541	1,403	5,844
	2019	1,494	1,720	1,575	1,551	6,340
Operating margin by division, %	Year	Q1	Q2	Q3	Q4	Full year
Husqvarna Forest & Garden Division	2021	17.4	17.4	8.8	1.3	12.7
	2020	12.2	13.4	8.9	-13.6	7.4
	2019	12.5	14.0	1.6	-5.5	8.2
Gardena Division	2021	18.7	25.4	9.6	-24.1	14.7
	2020	14.7	26.3	14.1	-38.7	15.2
	2019	14.1	20.8	7.4	-49.0	10.2
Husqvarna Construction Division	2021	12.2	13.7	12.9	7.9	11.7
	2020	8.9	9.9	15.3	2.3	9.3
	2019	11.8	15.5	14.6	6.8	12.3

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

The Share

Listing and trading volume

The Husqvarna AB shares have been listed on Nasdaq Stockholm since June 2006. A total of 314 million shares (563) were traded in 2021, with a total value of SEK 38bn (42), corresponding to an average daily trading volume of 1.2 million shares (2.2) or SEK 151m (168). The turnover velocity for the B-share was 65 percent (113) in 2021. During 2021, the price of the B-share increased 35 percent to SEK 144.85 (107). According to the EU Markets in Financial Instruments Directive (MiFID), a share can also be traded on a "Multilateral Trading Facility" (MTF), i.e. on markets other than the stock exchange where it is listed. The Husqvarna AB share is traded on several MTFs including BATS Chi-X and Turquoise. However, the Nasdaq Stockholm exchange accounts for the majority of trading.

Dividend and dividend policy

The Board has proposed a dividend of SEK 3.00 per share (2.40) for 2021, divided into two payments. SEK 1.00 to be paid in April, 2022 and SEK 2.00 to be paid in October, 2022.

Share swap agreement

At year-end, the total number of Husqvarna AB shares held by a third party as a share swap agreement amounted to 5,921,329 B-shares (3,765,850) corresponding to 1.0 percent (0.7) of the total number of outstanding shares. The purpose of the share swap agreement is to hedge obligations under the Group's long-term incentive programs.

Conversion of shares

Shareholders who hold A-shares are entitled to convert their A-shares into B-shares. 601,470 A-shares were converted to B-shares in 2021.

Analyst coverage

There are currently around 10 analysts who analyze and follow Husqvarna Group and give recommendations on the share.

ADR

Husqvarna Group sponsors a Level 1 American Depository Receipt (ADR) program in the US. The ADRs, which each represent two ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a USD denominated security and the associated dividends are paid to investors in USD. Citibank is ADR depositary bank.

Key facts

Husqvarna AB shares

Listing: Nasdaq Stockholm

Number of shares: 576,343,778

Market capitalization at year-end 2021: SEK 83bn

Ticker codes: Bloomberg: HUSQA SS, HUSQB SS
Thomson Reuters: HUSQa.ST, HUSQb.ST
Nasdaq Stockholm: HUSQ A, HUSQ B

ISIN codes: A-share SE0001662222
B-share SE0001662230

Husqvarna ADR

Ticker code: HSQVY

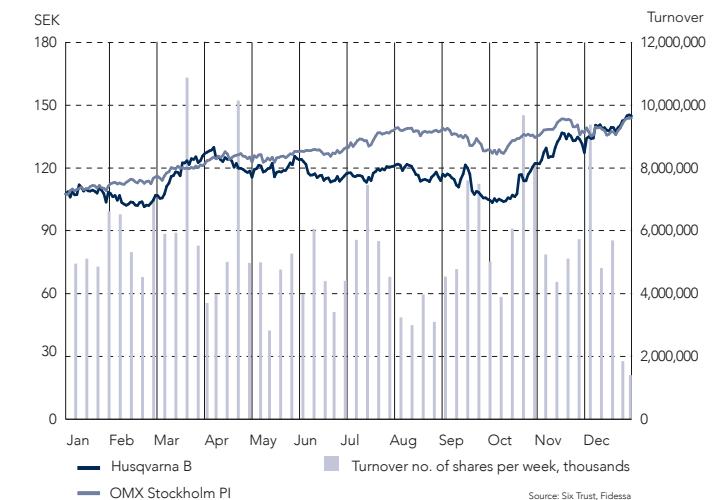
ISIN code: US4481031015

Ratio: Two ordinary B-shares equal one ADR

Husqvarna B, price development 2017–2021



Husqvarna B, price development 2021



Share capital and number of shares

	Share capital, SEK	Quotient value, SEK	Number of A-shares	Number of B-shares	Total number of shares
Husqvarna before listing 2006	495,000,000	100			4,950,000
2006: stock-split and bonus issue	592,518,306	2	9,502,275	286,756,878	296,259,153
2007: bonus issue	770,273,790	2	98,380,020	286,756,875	385,136,895
2008: no transactions	770,273,790	2	98,380,020	286,756,875	385,136,895
2009: rights issue	1,152,687,556	2	147,570,030	428,773,748	576,343,778
2010: conversion from A-shares to B-shares	1,152,687,556	2	134,755,087	441,588,691	576,343,778
2011: conversion from A-shares to B-shares	1,152,687,556	2	129,460,339	446,883,439	576,343,778
2012: conversion from A-shares to B-shares	1,152,687,556	2	127,699,058	448,644,720	576,343,778
2013: conversion from A-shares to B-shares	1,152,687,556	2	126,593,868	449,749,910	576,343,778
2014: conversion from A-shares to B-shares	1,152,687,556	2	122,425,469	453,918,309	576,343,778
2015: conversion from A-shares to B-shares	1,152,687,556	2	113,694,826	462,648,952	576,343,778
2016: conversion from A-shares to B-shares	1,152,687,556	2	113,393,909	462,949,869	576,343,778
2017: conversion from A-shares to B-shares	1,152,687,556	2	112,513,001	463,830,777	576,343,778
2018: conversion from A-shares to B-shares	1,152,687,556	2	112,437,551	463,906,227	576,343,778
2019: conversion from A-shares to B-shares	1,152,687,556	2	112,015,629	464,328,149	576,343,778
2020: conversion from A-shares to B-shares	1,152,687,556	2	111,690,460	464,653,318	576,343,778
2021: conversion from A-shares to B-shares	1,152,687,556	2	111,088,990	465,254,788	576,343,778

Share data

	2021	2020	2019
Earnings per share, SEK	7.76	4.36	4.42
Earnings per share after dilution, SEK	7.73	4.35	4.42
Operating cash flow per share, SEK	5.49	10.63	4.64
Operating cash flow per share, after dilution, SEK	5.47	10.62	4.64
Equity per share after dilution, SEK	37.7	29.8	30.2
Dividend per share, SEK ¹	3.00	2.40	2.25
Yield, % ²	2.1	2.3	3.0
Dividend payout ratio, %	39	55	51
Year-end price, A-share, SEK	144.20	107	75
Highest price, A-share, SEK	145.40	110	92
Lowest price, A-share, SEK	100.00	39	64
Year-end price, B-share, SEK	144.85	107	75
Highest price, B-share, SEK	145.85	109	92
Lowest price, B-share, SEK	99.14	38	64
Number of shareholders	74,207	68,749	63,153
Market capitalization, SEKm	83,483	61,436	43,237

¹ Dividend 2021 as proposed by the Board.² Dividend/year-end share price.

Source: Holdings/Euroclear as of December 31, 2021.

Largest shareholders in Husqvarna AB

Owner	Capital, %	Votes, %
Investor	16.8%	33.2%
Lundbergföretagen AB	7.6%	25.3%
Swedbank Robur Fonder	4.3%	1.6%
BlackRock	2.8%	1.0%
Handelsbanken Fonder	2.3%	0.9%
Vanguard	2.3%	1.0%
Didner & Gerge Fonder	1.7%	1.7%
Länsförsäkringar Fonder	1.6%	0.6%
Norges Bank	1.5%	1.4%
Fjärde AP-fonden	1.4%	0.5%
Sum for ten largest holders	42.4%	67.2%
Other	57.6%	32.8%
Total	100.0%	100.0%

Shareholding by size in Husqvarna AB

Size of holding	Capital, %	Votes, %
1 – 1,000	2.4%	2.4%
1,001 – 10,000	3.9%	3.6%
10,001 – 100,000	2.7%	1.9%
100,001 – 1,000,000	10.2%	4.6%
1,000,001 –	69.5%	82.7%
Anonymous ownership	11.3%	4.7%
Total	100.0%	100.0%

Distribution of shareholders by country

- Sweden 58.2%
- US 12.5%
- Norway 2.9%
- Netherlands 2.2%
- Other countries 12.9%
- Anonymous ownership 11.3%

**Further information concerning the share**

The following information, and more, is available on www.husqvarnagroup.com

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital

2022 Annual General Meeting

The 2022 AGM of Husqvarna AB (publ) will be held on Thursday, April 7, 2022. Due to the ongoing Covid-19 situation, the AGM will be conducted pursuant to a so called mail-in procedure, meaning no shareholders, proxy holders or other external persons will attend the AGM in person.

Participation

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

- Be registered in the register of shareholders maintained by Euroclear Sweden AB as of Wednesday, March 30, 2022.
- Notify attendance at the AGM no later than Wednesday, April 6, 2022. The exercise of voting rights in accordance with the mail-in procedure will be considered as a notification from the shareholders to attend the meeting.

Notice of participation and advance voting

Notice of intent to participate and vote in advance can be given at www.husqvarnagroup.com.

Notice should include the shareholder's name, social security number or company registration number if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the 2022 AGM. Shareholders may vote by proxy, in which case a power of attorney must be submitted to Husqvarna AB prior to the AGM.

Shares registered by nominees

To participate in the AGM, shareholders whose shares are nominee registered must have their shares temporarily registered in their own name on Friday, April 1, 2022. To ensure that such registration is made prior to Friday, April 1, 2022, shareholders must inform the nominee well in advance of this date.

Dividend

The Board has proposed a dividend for financial year 2021 of SEK 3.00 per share to be paid in two installments, firstly SEK 1.00 per share with Monday, April 11, 2022 as the first record day, secondly SEK 2.00 per share with Tuesday, October 11, 2022 as the second record day. Assuming the AGM resolves in accordance with the Boards' proposal, the estimated date for payment of the dividend from Euroclear Sweden AB is Thursday, April 14, 2022 for the first part of the dividend and Friday, October 14, 2022 for the second part.

The last day for trading in Husqvarna AB shares with a right to the first part of the dividend is Thursday, April 7, 2022. The last day for trading in Husqvarna AB shares with a right to the second part of the dividend is Friday, October 7, 2022.

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

Financial calendar 2022

April 7	Annual General Meeting
April 21	Interim Report January–March
July 15	Interim Report January–June
October 21	Interim Report January–September

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Market data, statistics and market shares are estimates made by Husqvarna Group.

Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements comprise, among other things, financial goals, goals of future business and financial plans. These statements are based on present expectations and are subject to risks and uncertainties that may give rise to major deviations of the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna Group operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction of sales by important distributors, any success in developing new products and in marketing, outcome of any product responsibility litigation, progress when it comes to reach the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, and to integrate these into the existing business and successful achievement of goals to make the supply chain more efficient.

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