

# Pro forma financial information

(unaudited)

- Net sales for 2006 rose by 2% to SEK 29,402m (28,768)
- Sales were negatively impacted by lower demand for garden products
- Operating income rose by 7% to SEK 3,121m (2,927), operating margin improved to 10.6% (10.2)
- Sales for Consumer Products were unchanged from 2005 despite lower demand, operating income and margin improved
- Sales for Professional Products increased, income and margin improved
- Income for the period rose to SEK 1,862m (1,641), corresponding to SEK 6.29 (5.54) per share
- The Board of Directors proposes a dividend payment of SEK 2.25 per share, and a bonus issue to increase the number of A-shares

## Key data

SEKm, unless otherwise stated	2006	Change, %	Change in comparable currencies, % <sup>1)</sup>	2005
Net sales	29,402	2	2	28,768
Operating income	3,121	7	7	2,927
Operating margin, %	10.6	–	–	10.2
Income after financial items	2,692	10	–	2,448
Margin, %	9.2	–	–	8.5
Income for the period	1,862	13	–	1,641
Earnings per share, SEK <sup>2)</sup>	6.29	13	–	5.54
Return on capital employed	23.8	–	–	24.1
Return on equity, %	32.5	–	–	40.1
Net debt/equity ratio	0.68	–	–	1.11
Capital expenditure	890	–	–	1,259
Average number of employees	11,412	–	–	11,681

1) Including both transaction and translation effects.

2) Before dilution. To enable comparison, figures for both 2006 and 2005 are based on the number of shares as of 31 December 2006, i.e. 296,259,153.

For definitions, see Note 30 on page 69.

## Net sales and income – pro forma

### Net sales

Net sales in 2006 rose by 2% to SEK 29,402m as against SEK 28,768m in the previous year. After adjustment for exchange rate fluctuations, net sales also rose by 2%.

The low growth in sales as compared with the previous year is mainly explained by lower demand and a decline in sales of consumer garden products. Also, sales of chainsaws were particularly strong in 2005 due to hurricanes in the US and effects of storms in Scandinavia.

In terms of business areas, net sales for Consumer Products were largely unchanged from the previous year and amounted to SEK 18,335m (18,360). Net sales for Professional Products rose by 6% SEK 11,067m (10,408).

### Operating income

Operating income in 2006 rose by 7% to SEK 3,121m (2,927m) and operating margin improved to 10.6% (10.2). After adjustment for exchange rate fluctuations, operating income rose by 7%.

The improvement in operating income refers mainly to Professional Products, where Forestry, as well as Commercial Lawn and garden and Construction, reported higher operating income. Consumer Products also showed an improvement, mainly as a result of an improved mix in terms of both products and geographical markets, and greater cost efficiency.

Operating income for Consumer Products improved by 6% to SEK 1,415m (1,332), corresponding to a margin of 7.7% (7.3). Operating income for Professional Products rose by 8% to SEK 1,875m (1,739), corresponding to a margin of 16.9% (16.7).

### Effects of changes in exchange rates

Changes in exchange rates in comparison with the previous year, including both transaction and translation effects, had a total negative impact on operating income of approximately SEK -2m. Transaction effects, net of hedging contracts, had a negative impact of approximately SEK -25m, and referred mainly to the strengthening of the Swedish krona against the euro. Translation of income statements in subsidiaries had a positive impact of approximately SEK 23m, and is mainly explained by the weaker Swedish krona against the US dollar in the first half of the year.

### Net sales by business area

SEKm	2006	Change, %	Change in comparable currencies, % <sup>1)</sup>	2005
Consumer Products	18,335	0	-1	18,360
Professional Products	11,067	6	7	10,408
<b>Total</b>	<b>29,402</b>	<b>2</b>	<b>2</b>	<b>28,768</b>

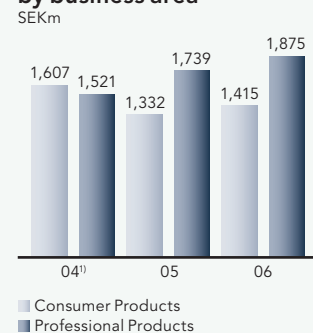
1) Including both transaction and translation effects.

### Net sales by business area



1) For 2004, according to Electrolux segment reporting.

### Operating income by business area



1) For 2004, according to Electrolux segment reporting.

### Operating income by business area

SEKm	2006	Change, %	Change in comparable currencies, % <sup>1)</sup>	2005
Consumer Products	1,415	6	2	1,332
Margin, %	7.7	–	–	7.3
Professional Products	1,875	8	12	1,739
Margin, %	16.9	–	–	16.7
<b>Total business areas</b>	<b>3,290</b>	<b>7</b>	<b>7</b>	<b>3,071</b>
Margin, %	11.2	–	–	10.7
Group common costs etc.	-169	–	–	-144
<b>Total</b>	<b>3,121</b>	<b>7</b>	<b>7</b>	<b>2,927</b>
Margin, %	10.6	–	–	10.2

1) Including both transaction and translation effects.

### Financial net

Net financial items for the year amounted to SEK -429m (-479). The financial net was negatively impacted by higher interest rates, which was more than compensated by reduced net borrowings.

### Income after financial items

Income after financial items increased by 10% to SEK 2,692m (2,448), corresponding to a margin of 9.2% (8.5).

### Taxes

Total taxes amounted to SEK -830m (-807), corresponding to 30.8% (33.0) of income after financial items.

### Earnings per share

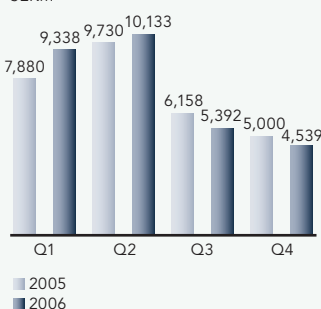
Income for the period rose by 13% to SEK 1,862m (1,641), corresponding to SEK 6.29 (5.54) per share before dilution.

### Seasonality in sales and income

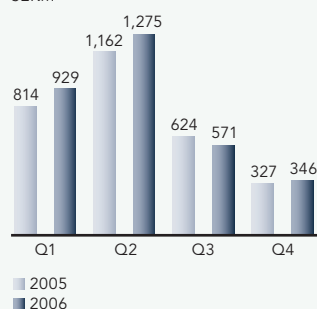
Husqvarna's sales and income are subject to marked seasonal variations, with significantly higher demand and sales during the first half of the year, with the second quarter normally the strongest. This refers particularly to Consumer Products but also for Commercial Lawn and garden within Professional Products.

In contrast, chainsaws are subject to stronger demand and show higher sales during the second half of the year. Equipment

### Net sales by quarter



### Operating income by quarter



for the construction industry normally shows a more even distribution throughout the year.

### Sensitivity analysis

Husqvarna's sales and earnings are impacted by numerous factors. The presentation below shows the effects on operating income from changes in selected key factors. The estimated effects should be viewed as income effects that could occur with an isolated change in each variable.

- A change in total sales volume of 5 percentage points would impact operating income by approximately SEK 300m.
- A decline of 10 percentage points in the rate for SEK against USD would impact operating income negatively in the amount of approximately SEK 75m, i.e. SEK 165m in negative transaction effects and SEK 90m in positive translation effects.
- A decline of 10 percentage points in the rate for SEK against EUR would impact operating income positively in the amount of approximately SEK 270m, i.e. SEK 240m in transaction effects and SEK 30m in translation effects.
- An individual decline of 10 percentage points in the rate for SEK against all other currencies, including USD and EUR, would have a positive impact on operating income in the amount of approximately SEK 560m, i.e. SEK 385m in transaction effects and SEK 175m in translation effects.
- A change in the borrowing rate of 1 percentage point would impact net income by approximately SEK 55m.

### Value created

Value created is a performance indicator for measuring and evaluating financial performance, and is the basis for variable remuneration to senior managers in the Group. The model links operating income and asset efficiency with the cost of capital employed in operations. Value created is measured by business area, sector, product line and regions.

Total value created in 2006 amounted to SEK 1,894m (1,815). The WACC rate for 2006 was computed at 10% (10). For information on value created as a basis for remunerations, see Notes 21 and 26.

### Operating cash flow – pro forma

Operating cash flow for 2006 amounted to SEK 535m (949). The decline refers mainly to lower trade payables, while lower inventories had a positive impact. Trade payables were at an unusually high level in 2005 and were normalized during the year.

Operating cash flow shows a strong seasonal pattern. It is normally negative during the first quarter and part of the second quarter, as a result of the build up of inventories and trade receivables ahead of the lawn and garden season.

### Operating cash flow – pro forma

SEKm	2006	2005
Cash flow from operations, excluding changes in operating assets and liabilities	2,626	2,468
Changes in operating assets and liabilities	-1,194	-177
<b>Cash flow from operations</b>	<b>1,432</b>	<b>2,291</b>
Cash flow from investments	-897	-1,342
<b>Operating cash flow</b>	<b>535</b>	<b>949</b>
Acquisitions of operations	-558	-
<b>Total cash flow from operations and investments</b>	<b>-23</b>	<b>949</b>

### Capital expenditure

Capital expenditure in 2006 amounted to SEK 890m (1,259), corresponding to 3% (4) of net sales. The decline from the previous year is due to the fact that capital expenditure in 2005 was at a high level following the completion of a new platform for garden tractors within Consumer Products.

### Net sales and expenses, by currency

	Share of net sales, %	Share of expenses, %	Average exchange rate 2006	Average exchange rate 2005	Closing exchange rate 2006	Closing exchange rate 2005
SEK	3	13	-	-	-	-
USD	49	57	7.38	7.33	6.87	7.95
EUR	27	20	9.26	9.12	9.05	9.40
GBP	4	3	13.58	13.54	13.49	13.69
Other	17	7	-	-	-	-
<b>Total</b>	<b>100</b>	<b>100</b>				

## Financial Position – pro forma

### Operating working capital

Operating working capital at year-end increased to SEK 6,062m (5,367).

Inventories amounted to SEK 5,165m (6,264), trade receivables to SEK 3,106m (3,325) and trade payables to SEK 2,209m (4,222).

### Total capital employed

Total capital employed at year-end increased to SEK 11,354m (11,121). The return on capital employed decreased to 23.8% (24.1).

### Equity

The Group's equity as of 31 December 2006, excluding minority interest, amounted to SEK 6,252m (4,755), corresponding to SEK 21.10 (16.05) per share.

The net debt/equity ratio was 0.68 (1.11) and the equity/assets ratio rose to 38.3% (26.1).

### Net borrowings

The Group's net borrowings as of 31 December 2006 decreased to SEK 4,250m (5,262). Net borrowings were reduced by SEK 2,522m in the second half of the year.

#### Net borrowings

SEKm	2006	2005
Interest-bearing liabilities	5,090	6,366
Liquid funds	840	1,104
<b>Net borrowings</b>	<b>4,250</b>	<b>5,262</b>
Net debt/equity	0.68	1.11
Equity/assets ratio, %	38.3	26.1

### Liquid funds

Liquid funds at year-end amounted to SEK 840m (1,104). See note 30 for definition.

The unused portion of the Group's committed revolving credit facility of SEK 8,000m was SEK 6,350m.

## Performance by business area

### Consumer Products

- Lower demand for garden products, particularly in the US
- Sales in the US declined, but operating income improved due to a better mix in garden products and greater cost-efficiency
- Sales in Europe showed good growth, operating income and margin improved

#### Consumer Products

SEKm	2006	Change, %	Change in comparable currencies, % <sup>1)</sup>	2005
Net sales	18,335	0	-1	18,360
Operating income	1,415	6	2	1,332 <sup>2)</sup>
Operating margin, %	7.7	-	-	7.3

1) Including both transaction and translation effects.

2) Operating income in 2005 includes a provision of SEK 40m for closure of a plant in Italy.

Industry shipments of garden products in the US in 2006 are estimated to have declined by 6–8% from the previous year. Sales for the Group's North American operation, which accounts for about two thirds of this business area, were somewhat lower than in 2005. Sales showed good growth in the first half of the year, but declined significantly in particularly the third quarter, following substantial inventory reductions by retailers in comparison with the previous year. Overall, the Group is estimated to have increased its market shares somewhat for garden products in the US. Operating income for the North American operation increased slightly for the full year. Operating margin improved, mainly as a result of a more favorable product mix within garden products and greater cost-efficiency. Operating income was adversely affected by costs for a recall of garden tractors. In 2005, both sales and income were positively impacted by strong demand for chainsaws following hurricanes in the US.

Demand in Europe was negatively impacted by unfavorable weather during the garden season, particularly in the UK. Sales for the Group's European operation showed good growth, however, mainly referring to chainsaws and other handheld products in particularly Russia and Eastern Europe as well as garden products in Scandinavia. Sales of Husqvarna branded products showed a continued positive trend. Operating income and margin improved, on the basis of a more favorable product mix, positive effects from previous restructuring and favorable impact of exchange rates on products imported from the US operation.

Overall, sales for the Consumer Products business area were largely unchanged from the previous year. Operating income and margin improved.

## Professional Products

- Demand largely unchanged from the previous year
- Continued strong performance for chainsaws
- Improved operating income for both Commercial Lawn and garden and Construction

### Professional Products

SEKm	2006	Change, %	Change in comparable currencies, % <sup>1)</sup>	2005
Net sales	11,067	6	7	10,408
Operating income	1,875	8	12	1,739 <sup>2)</sup>
Operating margin, %	16.9	–	–	16.7

1) Including both transaction and translation effects.

2) Operating income in 2005 includes a provision of SEK 46m for closure of a plant in France within Construction.

Demand for professional chainsaws is estimated to have increased slightly from the previous year. Group sales were somewhat higher overall, as lower sales in the US and Scandinavia were compensated by higher volumes in other markets such as Central Europe, Russia and Latin America. Operating income rose slightly, despite a less favorable mix and negative impact from changes in exchange rates. In 2005, both sales and income were positively impacted by hurricanes in the US and effects of previous storms in Scandinavia.

Sales for Commercial Lawn and garden rose substantially from the previous year. The increase is traceable mainly to a strong trend in sales for the Group's riders in Europe and the acquisition of Dixon Industries in the US, which was consolidated as of August 2006. Operating income improved from the previous year.

Demand for diamond tools and cutting equipment for the construction industry is estimated to have been largely unchanged in the US, and shown some growth in Europe. Group sales increased slightly from the previous year. Operating income and margin improved significantly, mainly as a result of lower restructuring costs than in 2005. Operating income was adversely affected by costs for the consolidation of brands and change to Husqvarna as the global brand for all products sold to the construction industry.

Total sales for the Professional Products business area rose from the previous year. Operating income and margin improved, despite a negative impact of changes in exchange rates.

## Consolidated income statement

Pro forma, unaudited

SEKm	2006	2005
<b>Net sales</b>	<b>29,402</b>	<b>28,768</b>
Cost of goods sold	-21,477	-21,109
<b>Gross operating income</b>	<b>7,925</b>	<b>7,659</b>
Selling expense	-3,727	-3,695
Administrative expense	-1,086	-1,037
Other operating income/expenses	9	0
<b>Operating income*</b>	<b>3,121</b>	<b>2,927</b>
Financial items, net	-429	-479
<b>Income after financial items</b>	<b>2,692</b>	<b>2,448</b>
Taxes	-830	-807
<b>Income for the period</b>	<b>1,862</b>	<b>1,641</b>
Income for the period attributable to:		
Equityholders of the Parent company	1,862	1,641
Minority interests in income for the period	0	0
	1,862	1,641
<i>Earnings per share</i>		
Before dilution, SEK	6.29	5.54
After dilution, SEK	6.29	5.54
Average number of shares, million	296.3	296.3

\* Group common costs for the full year 2005 were initially estimated at SEK -200m. In order to enable year-on-year comparison, these costs pro forma have been assumed to equal the outcome for 2006, excluding an insurance provision of SEK 25m relating to the Group's captive insurance companies.

## Consolidated balance sheet

SEKm	Pro forma	
	31 Dec 2006 <sup>1)</sup>	31 Dec 2005 <sup>2)</sup>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,575	3,846
Goodwill	1,780	1,728
Other intangible assets	511	454
Investments in associates	6	9
Deferred tax assets	628	756
Financial assets	246	166
<b>Total non-current assets</b>	<b>6,746</b>	<b>6,959</b>
<b>Current assets</b>		
Inventories	5,165	6,264
Trade receivables	3,106	3,325
Derivatives	142	104
Tax receivables	112	32
Other current assets	386	564
Short-term investments	0	271
Cash and cash equivalents	698	729
<b>Total current assets</b>	<b>9,609</b>	<b>11,289</b>
<b>Total assets</b>	<b>16,355</b>	<b>18,248</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Parent company</b>	<b>6,252</b>	<b>4,755</b>
Minority interests	12	-
<b>Total equity</b>	<b>6,264</b>	<b>4,755</b>
<b>Non-current liabilities</b>		
Long-term borrowings	4,683	6,220
Deferred tax liabilities	567	504
Provisions for pensions and other post-employment benefits	363	373
Other provisions	477	468
<b>Total non-current liabilities</b>	<b>6,090</b>	<b>7,565</b>
<b>Current liabilities</b>		
Trade payables	2,209	4,222
Tax liabilities	233	103
Other liabilities	1,096	1,329
Short-term borrowings	303	0
Derivatives	104	146
Other provisions	56	128
<b>Total current liabilities</b>	<b>4,001</b>	<b>5,928</b>
<b>Total equity and liabilities</b>	<b>16,355</b>	<b>18,248</b>

1) Actual and audited.

2) Unaudited.

## Consolidated cash flow statement

Pro forma, unaudited

SEKm	2006	2005
<b>Operations</b>		
Income after financial items	2,692	2,448
Depreciation and amortization	836	827
Change in accrued and prepaid interest	1	0
Taxes paid	-903	-807
<b>Cash flow from operations, excluding changes in operating assets and liabilities</b>	<b>2,626</b>	<b>2,468</b>
<b>Changes in operating assets and liabilities</b>		
Change in inventories	716	-19
Change in trade receivables	2	-132
Change in other current assets	141	15
Change in trade payables	-1,787	324
Change in operating liabilities and provisions	-266	-365
<b>Cash flow from operating assets and liabilities</b>	<b>-1,194</b>	<b>-177</b>
<b>Cash flow from operations</b>	<b>1,432</b>	<b>2,291</b>
<b>Investments</b>		
Acquisitions of operations	-558	-
Capital expenditure in property, plant and equipment	-735	-1,111
Capitalization of product development and software	-155	-148
Other	-7	-83
<b>Cash flow from investments</b>	<b>-1,455</b>	<b>-1,342</b>
<b>Total cash flow from operations and investments</b>	<b>-23</b>	<b>949</b>
<b>Financing</b>		
Change in short-term investments	233	-
Change in interest-bearing liabilities	-224	-949
<b>Cash flow from financing</b>	<b>9</b>	<b>-949</b>
<b>Total cash flow</b>	<b>-14</b>	<b>0</b>
Cash and cash equivalents at beginning of year	729	729
Exchange-rate differences	-17	0
<b>Cash and cash equivalents at year-end</b>	<b>698</b>	<b>729</b>

## Net sales and income by quarter

Pro forma, unaudited

SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	2006	9,338	10,133	5,392	4,539	29,402
	2005	7,880	9,730	6,158	5,000	28,768
Operating income	<b>2006</b>	<b>929</b>	<b>1,275</b>	<b>571</b>	<b>346</b>	<b>3,121</b>
	Margin, %	9.9	12.6	10.6	7.6	10.6
	2005	814	1,162	624	327	2,927
	Margin, %	10.3	11.9	10.1	6.5	10.2
Income after financial items	<b>2006</b>	<b>792</b>	<b>1,154</b>	<b>467</b>	<b>279</b>	<b>2,692</b>
	Margin, %	8.5	11.4	8.7	6.1	9.2
	2005	676	1,020	516	236	2,448
	Margin, %	8.6	10.5	8.4	4.7	8.5
Income for the period	<b>2006</b>	<b>546</b>	<b>797</b>	<b>322</b>	<b>197</b>	<b>1,862</b>
	2005	453	683	346	159	1,641
Earnings per share, SEK	<b>2006</b>	<b>1.84</b>	<b>2.69</b>	<b>1.09</b>	<b>0.66</b>	<b>6.29</b>
	2005	1.53	2.31	1.17	0.54	5.54

## Net sales by business area per quarter

Consumer Products	<b>2006</b>	<b>6,540</b>	<b>6,993</b>	<b>2,774</b>	<b>2,028</b>	<b>18,335</b>
	2005	5,417	6,841	3,583	2,519	18,360
Professional Products	<b>2006</b>	<b>2,798</b>	<b>3,140</b>	<b>2,618</b>	<b>2,511</b>	<b>11,067</b>
	2005	2,463	2,889	2,575	2,481	10,408
<b>Total</b>	<b>2006</b>	<b>9,338</b>	<b>10,133</b>	<b>5,392</b>	<b>4,539</b>	<b>29,402</b>
	2005	7,880	9,730	6,158	5,000	28,768

## Operating income by business area per quarter

Consumer Products	<b>2006</b>	<b>503</b>	<b>734</b>	<b>164</b>	<b>14</b>	<b>1,415</b>
	Margin, %	7.7	10.5	5.9	0.7	7.7
	2005	421	687	190	34	1,332
	Margin, %	7.8	10.0	5.3	1.3	7.3
Professional Products	<b>2006</b>	<b>455</b>	<b>576</b>	<b>447</b>	<b>397</b>	<b>1,875</b>
	Margin, %	16.3	18.3	17.1	15.8	16.9
	2005	422	510	474	333	1,739
	Margin, %	17.1	17.7	18.4	13.4	16.7
Group common costs etc.*	<b>2006</b>	<b>-29</b>	<b>-35</b>	<b>-40</b>	<b>-65</b>	<b>-169</b>
	2005	-29	-35	-40	-40	-144
<b>Total</b>	<b>2006</b>	<b>929</b>	<b>1,275</b>	<b>571</b>	<b>346</b>	<b>3,121</b>
	Margin, %	9.9	12.6	10.6	7.6	10.6
	2005	814	1,162	624	327	2,927
	Margin, %	10.3	11.9	10.1	6.5	10.2

\* In order to enable year-on-year comparison, Group common costs for 2005 have been adjusted to equal actual costs for the first, second, third and fourth quarters of 2006 excluding an insurance provision of approximately SEK 25m taken in the fourth quarter of 2006.

# Auditor's Report on Pro Forma Financial Information

To the shareholders in Husqvarna AB (publ)  
Corporate Identity Number 556000-5331

We have examined the pro forma financial information set out on pages 16–22 in the printed version of Husqvarna AB's annual report for 2006.

The pro forma financial information has been prepared for illustrative purposes only to provide information about how the income statements and balance sheets for the Husqvarna Group would have been presented for the financial years 2005 and 2006, if the formation of the Husqvarna Group had taken place as per 1 January 2005.

## The Board of Directors' and the Managing Director's responsibility

It is the Board of Directors' and Managing Director's responsibility to prepare the pro forma financial information.

## The auditor's responsibility

Our responsibility is to provide an opinion based on our audit. We provide no other opinion on the pro forma financial information or any of its constituent elements. We accept no responsibility for any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom any reports on that financial information were addressed by us at the date(s) of issue.

## Work performed

We performed our work in accordance with generally accepted auditing standards in Sweden. Our work, which did not include an independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with source documentation, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the company. Our work did not include an independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the pro forma financial information has been compiled on the basis stated on pages 67–69.

As the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial results or position, we can express no opinion as to whether the actual results and position reported would have corresponded to those shown in the pro forma financial information. The differences may prove to be material.

## Opinion

In our opinion, the pro forma financial information has been properly compiled on the basis stated on pages 67–69 and in accordance with the accounting principles applied by the company.

Stockholm 28 February 2007

PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in Charge

Christine Rankin Johansson  
Authorized Public Accountant