

Corporate Governance Report 2009

Husqvarna's overall objective is to create long-term value for its shareholders and other stakeholders. This requires effective corporate governance with an appropriate organizational structure, systems for internal control and risk management, as well as transparency.

Highlights of 2009

- A rights issue of approximately SEK 3 billion with preferential rights for existing shareholders was approved by an Extraordinary General Meeting in March.
- In October the Board of Directors authorized a number of structural changes related to production in Sweden and the US as well as the sales organizations in Europe and Asia/Pacific.
- A new Group organization was established as of 1 January 2010.

Husqvarna AB is a Swedish public limited liability company that was listed on NASDAQ OMX Stockholm in June 2006. The Group comprises 116 companies and a total of 147 operative entities in more than 40 countries. The Group is governed on the basis of internal and external regulations that include the Articles of Association of Husqvarna AB, the Swedish Companies Act, the NASDAQ OMX Stockholm's Rule book for issuers, including the Swedish Code of Corporate Governance, and other relevant Swedish and foreign laws and regulations as well as internal codes, policies and guidelines.

This corporate governance report has been prepared as a part of the Group's application of the Swedish Code of Corporate Governance. This report has not been reviewed by the Group's auditors. No deviations from the code were reported in 2009.

Ownership structure

The number of shareholders as of 31 December 2009 was 71,750, of which 67,510 in Sweden. About 68% of the total share capital was owned by Swedish institutions and mutual funds, about 18% by foreign investors, and about 14% by private Swedish investors.

Investor AB has been the largest single shareholder since the Group's listing in June 2006. The holding of Investor amounted as of 31 of December 2009 to 15.6% of the capital and 28.9% of the voting rights. Information on shareholders and the ownership structure is updated quarterly on the Group's web site, www.husqvarna.com.

Share capital and voting rights

The share capital in Husqvarna at year-end amounted to SEK 1,153m, comprising 147,570,030 A-shares and 428,773,748 B-shares. Each A-share carries one vote, and each B-share 1/10 of a vote. All shares entitle equal rights in terms of the company's assets and earnings, and carry equal rights to dividends.

Rights issue

An Extraordinary General Meeting held in March approved a rights issue with preferential rights for existing shareholders. The shareholders could subscribe for one new share for every two held. The subscription price was SEK 16. The issue was fully subscribed and involved an increase of SEK 383m in share capital. The number of A-shares increased by 49,190,010 to 147,570,030 and the number of B-shares increased by 142,016,873 to 428,773,748, for a total increase of 191,206,883 to 576,343,778 shares. Trading in the new shares started on 8 April.

General Meetings

The decision-making rights of shareholders in Husqvarna are exercised at the Annual General Meeting (AGM).

Participation in decision-making requires the shareholder's presence at the meeting, either in person or by proxy.

In addition, the shareholder must be registered in the share register as of the record date, i.e. five working days prior to the meeting, and must provide notice of participation in accordance with the notice of the meeting.

Decisions at the meeting are normally made by simple majority. However, for some issues the Swedish Companies Act stipulates that a proposal must be approved by a higher proportion of the shares and votes represented at the meeting.

According to the Swedish Companies Act, the Annual General Meeting must be held within six months after the end of the accounting year. The AGM decides on such issues as adoption of the annual accounts, dividends, election of Board members and of auditors when required, fees to Board members and auditors, principles for remuneration to management, and other important matters.

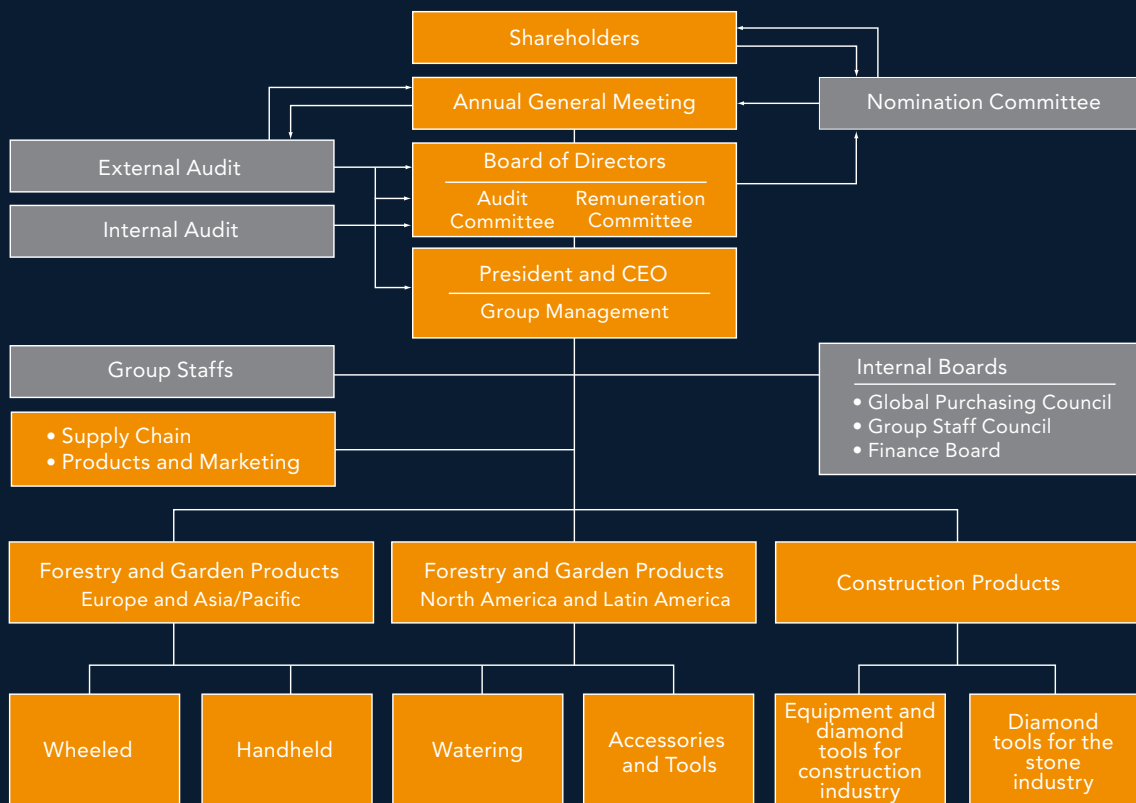
An Extraordinary General Meeting may be convened at the discretion of the Board of Directors or if requested by the auditors or by shareholders owning at least 10% of the shares.

Shareholders may communicate in writing with the Board regarding matters that pertain to the general meeting by e-mail to board@husqvarna.se. This address is also posted at the Group's web site, www.husqvarna.com.

Extraordinary General Meeting 2009

An Extraordinary General Meeting was held on 9 March in Stockholm due to the rights issue proposed by the Board. The General Meeting was attended by 333 shareholders, either personally or by proxy, and these represented 59.1% of the shares and 71.9% of the votes. The Extraordinary General Meeting decided to approve the proposed rights issue.

Governance structure



Major regulations affecting the governance of Husqvarna

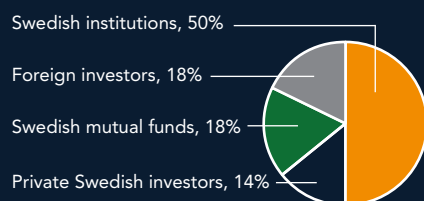
External regulations

- Swedish Companies act (2005:559)
- NASDAQ OMX Stockholm's Rule book for issuers
- Swedish Code of Corporate Governance
- Swedish Accounting Act
- International Financial Reporting Standards, IFRS
- Legislation of other relevant countries

Internal regulations

- Articles of Association
- Board of Director's rules of procedure, incl. instruction for the President and CEO
- Policies for Communication, Finance and Credit etc.
- Processes for internal control and risk management
- Husqvarna's Code of Conduct
- Manuals, incl. accounting

Ownership structure



The 10 largest shareholders

	Share of capital, %	Share of votes, %
Investor AB	15.6	28.9
Alecta Mutual Pension Insurance	9.9	6.7
Swedbank Robur Investment Funds	5.8	1.9
LE Lundbergföretagen	5.0	14.4
SEB Investment Funds & SEB Trygg Liv	3,3	1.7
AMF Insurance & Pension Investment Funds	2,6	2,1
Didner & Gerge Investment Funds	1.9	1.4
Nordea Investment Funds	1.9	1.0
The Norwegian State	1.5	1.1
Second Swedish National Pension Fund	1.3	0.4
Total, 10 largest shareholders	48.8	59.6
Total, Board of Directors and Group Management	<0.2	<0.1

Source: SIS Ägarservice as of 31 December 2009. Most of the shares owned by foreign investors are registered through trustees, which means that owner identity is not obtainable from Euroclear Sweden AB (formerly VPC). The largest foreign shareholders are therefore not reflected in the table above.

Annual General Meeting 2009

The 2009 AGM was held on 23 April in Jönköping. It was attended by approximately 350 shareholders, either personally or by proxy. They represented 47.4% of the shares and 60.9% of the votes. All Board members elected by the previous AGM were present, as were Group Management, and the auditor in charge. The President and CEO reported on the developments during the year and the main points concerning the long-term work of the Group.

Decisions by the AGM included:

- Adoption of the financial statements for 2008, discharge of responsibility for the Board and the President.
- No dividend to shareholders for 2008.
- Re-election of Board members Lars Westerberg, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg and Gun Nilsson. President and CEO Magnus Yngen was elected as a new member. Bengt Andersson declined re-election. Lars Westerberg was re-elected as Chairman of the Board.
- Fees to Board members was set at SEK 5,345,000, of which SEK 1,600,000 to the Chairman and SEK 460,000 to each member not employed by the Group. Fees to members of the Audit Committee was set at SEK 175,000 to the Chairman and 75,000 to other members. Fees to the Remuneration Committee was set at SEK 100,000 to the Chairman and SEK 50,000 to other members.
- Fees to the auditors in accordance with approved invoices.
- Approval of principles for remuneration and employment regarding the President and members of Group Management.
- Approval of a performance-based incentive program (LTI 2009) for top management.
- Approval of rules for the composition and tasks of the Nomination Committee.
- Re-purchase and redemption of own shares in order to fulfill commitments in current and approved incentive programs.

The minutes of the AGM are available at the Group's web site, www.husqvarna.com.

AGM 2010

The Annual General Meeting for 2010 will be held on 27 April 2010 at the Elmia Congress Centre in Jönköping, Sweden. Shareholders wishing to have an issue dealt with by the AGM should submit a proposal by e-mail to board@husqvarna.se.

Nomination Committee

In accordance with a decision by the AGM 2009, Husqvarna has a Nomination Committee that consists of one representative of each of the four largest shareholders in terms of voting rights, and the Chairman of the Board. The names of these representatives and the shareholders that they represent shall be announced publicly at least six months prior to the AGM.

Selection of the four shareholders is based on known holdings of voting rights as of 31 August 2009. In case of changes in major shareholders in the course of the nomination process, the composition of the Nomination Committee may be changed accordingly.

The Nomination Committee's tasks include preparing a proposal for the AGM regarding the following:

- Chairman of the AGM.
- Election of Board members.
- Election of auditors.
- Election of the Chairman of the Board.
- Fees to the Board, including the Chairman, and fees to members of committees.
- Fees to auditors.
- Composition of the Nomination Committee and its tasks for the coming year.

The Nomination Committee should also submit proposals for the election of auditors, and is then assisted by the Audit Committee which informs the Nomination Committee of the results of the evaluation of the audit work.

Shareholders wishing to submit proposals to the Nomination Committee may do so by e-mail to the following address: nominationcommittee@husqvarna.se. The committee's proposal shall be announced publicly in connection with or prior to the notice of the AGM.

Nomination Committee for the AGM 2010

The Nomination Committee for the AGM 2010 consists of the following members:

- Petra Hedengran, Investor AB, Chairman of the Nomination Committee.
- Claes Boustedt, LE Lundbergföretagen AB.
- Ramsay J. Brufer, Alecta Mutual Pension Insurance.
- Torgny Wännström, AFA Försäkring.
- Lars Westerberg, Chairman of the Husqvarna board.

The names of the shareholders' representatives were published on 23 October in the Interim Report for the third quarter of 2009.

The Nomination Committee's proposal to the AGM in 2010 includes the following:

- Unchanged number of Board members to be elected by the AGM (9 members).
- Re-election of Lars Westerberg, Peggy Bruzelius, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg, Robert F. Connolly, Magnus Yngen. Election of Ulla Litzén as new member. Gun Nilsson has declined re-election.
- Re-election of PricewaterhouseCoopers for the period until the end of Annual General Meeting 2014.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Unchanged Board fees totaling SEK 5,345,000, of which SEK 1,600,000 for the Chairman and SEK 460,000 for other members not employed by Husqvarna.
- Portion of fees to be paid in synthetic shares.
- Unchanged Committee fees, with SEK 100,000 to the Chairman in the Remuneration Committee and SEK 50,000 to each of the other members. SEK 175,000 to the Chairman in the Audit Committee and SEK 75,000 each to the other members.
- Unchanged principles for appointment of Nomination Committee for AGM 2011.

The full proposal as well as a report on how the Committee has conducted its work will be publicly announced no later than the notice date for the AGM, as well as on Husqvarna's web site, www.husqvarna.com.

Ensuring quality in financial reporting

The rules of procedure include detailed instructions regarding the type of financial and other reports that shall be submitted to the Board. In addition to interim reports and the annual accounts, the Board reviews and evaluates comprehensive financial information.

The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes to these principles. The tasks of the Audit Committee also include reviewing reports regarding the Group's internal control over financial reporting, as well as audit reports submitted by the Internal Audit function.

The Group's external auditors report to the Board as necessary, but at least once a year. At least one of these meetings is held without the presence of the President and CEO or any other member of Group Management.

Evaluation of the Board's work

The Board evaluates its activities annually with regard to the rules of procedure, the working climate, the alignment of the Board's work, and access to and need for special competence. The focus of the evaluation is on Husqvarna-specific items. The evaluation is then followed up by personal feedback meetings with the Chairman. The results of the evaluation are reported to the Nomination Committee and comprise input for the nomination procedure, in which the Nomination Committee evaluates the composition of the Board and the fees to members.

The work of the Board Chairman is also evaluated separately under the management of the Chairman of the Remuneration Committee.

Composition of the Board

The Husqvarna Board of Directors shall consist of not less than five and not more than ten members with not more than three deputies, all of whom are elected by the AGM for a period of one year. The Husqvarna Board currently comprises nine members elected by the AGM. Two additional members, with deputies, are appointed by the Swedish employee organizations, in accordance with Swedish labor laws.

The members of the Board of Husqvarna have a mix of competence and experience in terms of e.g. management of international industrial companies, financial expertise, sale and marketing of consumer goods, and knowledge of retailing business.

With the exception of Magnus Yngen none of the Board members is part of Group Management.

Two of the members elected by the AGM are not Swedish citizens, and two are women.

For additional information regarding Board members, see pages 110–111.

Requirements for independence

The Board is considered to be in compliance with the requirements for independence stipulated by NASDAQ OMX Stockholm's Rule book and the Swedish Code of Corporate Governance. None of the Board members is employed by the Group, with the exception of Magnus Yngen.

The Nomination Committee's assessment of whether each of the proposed Board members is in compliance with these independence requirements shall be published together with the Nomination Committee's proposal.

Synthetic shares

Synthetic shares are not financial instruments in the legal sense. They are a cash payment based on the trend for the trading price of the Husqvarna B-share. Fees to the Board are thus linked to the long-term development of the company.

Board members may opt to be paid in synthetic shares corresponding to either 25% or 50% of the Board fee before taxes, excluding fee for committee work. For administrative reasons, Board members who are resident outside Sweden can choose to obtain the total Board fee in cash.

After five years, i.e. in 2014, a holder of synthetic shares is entitled to receive a cash payment per share that corresponds to the average trading price of the B-share at the time of payment.

Board fees

Fees to the Board members are determined by the AGM. Board members who are not employed by the Company are not offered to participate in the company's long-term incentive programs. In accordance with the proposal by the Nomination Committee, the AGM 2009 approved total fees to the Board in the amount of SEK 5,345,000. The AGM also authorized payment of a portion of the fees in the form of synthetic shares.

For additional information on remuneration to the Board of Directors, see Note 24.

Fees to the board 2007–2009*

SEK	2009	2008	2007
Authorized fees, total	5,345,000	5,345,000	5,087,500
Chairman	1,600,000	1,600,000	1,500,000
Board member	460,000	460,000	437,500
Chairman Audit Committee	175,000	175,000	175,000
Member Audit Committee	75,000	75,000	75,000
Chairman Remuneration Committee	100,000	100,000	100,000
Member Remuneration Committee	50,000	50,000	50,000

* Refers to fees prior to the AGMs in 2010, 2009 and 2008 respectively. For information about the composition of the 2009 fees in terms of cash payment and synthetic shares, see Note 24.

The Board's activities in 2009

In the course of the year the Board held seven scheduled meetings and six extraordinary meetings. Four of the scheduled meetings were held in Stockholm, two in Huskvarna and one by telephone. Of the extraordinary meetings, two were held by telephone, two in Stockholm and two per capsulam. Four of them were related to the rights issue of the company.

The Board deals on a continuous basis with strategic questions that include Husqvarna's operations and orientation, acquisitions and monitoring of them, all investments greater than SEK 50m, and changes in the credit limits for major customers. The financial statements and the annual report are dealt with at the beginning of the year, as are the matters to be presented at the AGM. The budget for the following year and the Group's long-term plan are dealt with at the end of the year. A report on committee activities between meetings is presented at each scheduled meeting. Current litigation, if any, is reviewed quarterly.

In addition to the standard activities, in 2009 the Board also dealt with the following issues:

- A rights issue totaling approximately SEK 3 billion, with preferential rights for existing shareholders.
- Introduction of a new global organization comprising five operative units instead of the previous six business sectors.
- Restructuring of production, and of the sales organizations in Europe and Asia/Pacific.

All Board meetings followed an agenda, which together with documentation for each item was sent to all Board members approximately one week prior to each meeting.

Each scheduled Board meeting begins with a review by the President of the Group's results and the current business situation, including important external factors that could affect the Group's development. Husqvarna's CFO then reports on the Group's financial position, including cash flow and capital structure, and when appropriate presents economic analysis and overviews. Members of Group Management and members of Board committees report on open issues from previous meetings when appropriate, and also present plans and results.

In addition to the information provided at Board meetings, the President sends a monthly report to Board members and maintains continuous contact with the Chairman of the Board.

Committees

The Board has appointed a Remuneration Committee and an Audit Committee, whose activities are mainly preparatory and advisory. The Board may also delegate decision-making authority to a committee for specific issues.

Remuneration Committee

The duty of the Remuneration Committee is to propose principles for remuneration to members of Group Management. The Remuneration Committee presents proposals to the Board of Directors regarding targets and criteria for variable remuneration, the relationship between fixed and variable salary, changes in fixed or variable salary, long-term incentives, pension terms and other benefits.

The Remuneration Committee consists of three members, Tom Johnstone (Chairman), Anders Moberg and Lars Westerberg. The Committee's secretary is Lars Worsøe-Petersen,

Board of Directors

Agenda items 2009

9 February – extraordinary meeting in Stockholm

- Financing issues

19 February – scheduled meeting in Stockholm

- Financial statements and report on consolidated results for 2008
- Information and report from the auditors
- Decision on Extraordinary General Meeting regarding the proposed rights issue
- Proposals for the AGM
- Authorization of proposed rights issue
- Adoption of annual report for 2008

4 March – extraordinary meeting by telephone

- Authorization of terms for the rights issue

10 March – extraordinary meeting per capsulam (by letter)

- Approval of prospectus for the rights issue

19 March – extraordinary meeting in Stockholm

- Approval of prospectus for MTN program
- Strategic plan

1 April – extraordinary meeting per capsulam (by letter)

- Distribution of shares in the rights issue

23 April – scheduled meeting in Huskvarna, and constituent meeting following Annual General Meeting

- Authorization of signing rights for the company
- Revision of the Board's working procedures

8 May – extraordinary meeting by telephone

- Interim report for January–March 2009

4 June – scheduled meeting in Stockholm

- Approval of strategic business plan for the Group and for individual sectors

16 July – scheduled meeting by telephone

- Interim report for January–June 2009

22 October – scheduled meeting in Stockholm

- Interim report for January–September 2009
- Authorization of structural changes in production and sales
- Evaluation of the Board's performance

3 December – scheduled meeting in Stockholm

- Approval of credit limits for major customers
- Approval of the budget and the long-term plan

The annual report for 2009 was approved at a scheduled meeting on 23 February 2010.

head of Group Staff Human Resources. The Committee shall meet at least twice annually. Six meetings were held in 2009. See Agenda Items on page 104.

Audit Committee

The duty of the Audit Committee is to support the Board in monitoring the accounting and financial reporting processes, including the adequacy and the effectiveness of internal controls, as well as the effectiveness of disclosure controls and procedures for external reporting.

Remuneration Committee

Agenda items 2009

18 February – Stockholm

- Fixed salaries for 2009
- Long-term incentive program (LTI 2009)
- Goals to be achieved for variable remuneration, and LTI 2009
- Approval of distribution of the long-term incentive program in 2006 (PSP 2006)
- Pension benefits for Group Management in comparison with relevant markets

27 February – Stockholm

- Introduction of short-term incentive program for 2009, based on goals for cash flow
- Goals to be achieved for variable remuneration and LTI 2009

1 June – Stockholm

- Revision of terms for LTI 2007 and 2008, in light of rights issue in March 2009
- Review of variable remuneration for 2009, in light of the new organization

27 August – Stockholm

- Remuneration to new Group Management member

22 October – Stockholm

- Evaluation of long-term incentive programs
- Earlier date for annual revision of remuneration to senior management (at meeting in December, instead of Board meeting in February)
- EU guidelines
- Remuneration to new Group Management member

2 December – Stockholm

- Remuneration for 2010 to Group Management, and LTI for 2010
- Goals to be achieved for variable remuneration in 2010
- Remuneration to new Group Management member

The Audit Committee also assists the Board of Directors in monitoring the audit of the financial statements, including related disclosures. This includes reviewing the objectivity and independence of the external auditors, monitoring their work, evaluating their performance, and if necessary recommending their replacement. In addition, the Audit Committee is tasked

with supporting the Nomination Committee in preparing proposals for election of external auditors and for auditor's fees.

The Audit Committee also reviews the Group's Internal Audit function regarding organization, staffing, budget, plans, results and reports.

The Audit Committee comprises three Board members: Börje Ekholm (Chairman), Peggy Bruzelius and Gun Nilsson as members. The committee's meetings are attended by the Chief Financial Officer, the General Counsel and the head of Internal audit, who is also the committee's secretary. At least three meetings shall be held annually. Five meetings were held in 2009. See Agenda Items on page 105.

After each meeting the Audit Committee reports to the Board as a whole. Minutes are taken of all meetings and are available to Board members and auditors.

External auditors

At an Extraordinary General Meeting on 27 January 2006 PricewaterhouseCoopers AB (PwC) was appointed as the Company's external auditor, with Anders Lundin (auditor-in-charge) and Christine Rankin Johansson, for the period until the AGM 2010. The nomination Committee has proposed to the AGM the re-election of PwC, until the Annual General Meeting 2014.

PwC provides an audit opinion on the financial statements and the annual report for Husqvarna AB, the consolidated financial statements for the Husqvarna Group, the administration of Husqvarna AB, and the financial statements of Husqvarna's subsidiaries. The audit is conducted in accordance with the Swedish Companies Act and generally accepted Swedish auditing standards issued by FAR SRS, which are based on Generally Accepted Auditing Standards issued by the International Federation of Accountants (IFAC GAAS).

Audits of local statutory financial statements for legal entities outside of Sweden are performed in accordance with laws or other applicable regulations in the respective countries, and in accordance with IFAC GAAS, including issuance of audit opinions for the various legal entities when mandated.

The auditors attend the meetings of the Audit Committee and report to the Board of Directors when appropriate, but at least once annually.

In addition to the annual audit of the financial statements, in 2009 the auditors reviewed selected items in the balance sheets and income statements of major Group units as of

Remuneration to Group Management

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Total 2009	Total 2008	Total 2007
President and CEO	5,750	1,380	3,453	347	10,930	5,016	—
President and CEO, former*	0	—	0	—	0	16,989	15,607
Group Management, other	28,461	3,748	11,381	2,392	45,982	38,480	57,681
Total	34,211	5,128	14,834	2,739	56,912	60,485	73,288

* The former President, Bengt Andersson, retired 1 October 2008, but his employment continued until 30 June 2009 when he attained the retirement age of 65. The cost of his remuneration in 2009 has been taken in 2008. For more information on remuneration to Group Management, see Note 24.

Audit Committee**Agenda items 2009****13 February – Stockholm**

- Auditors' report on auditing of accounts
- Draft of annual report and consolidated results for 2008
- Implemented internal audits in Norway and the US
- Internal audit plan for 2009
- Two-year review of Klippo acquisition

29 April – Stockholm

- Draft of interim report January–March 2009
- External audit plan for 2009
- Implemented internal audits in Sweden, Czech Republic, China and Taiwan
- Two-year review of the King Concept acquisition
- Evaluation of performance of external auditors

13 July – by telephone

- Draft of interim report January–June 2009
- Long-term financing

19 October – Stockholm

- Draft of interim report January–September 2009
- Implemented internal audits in Belgium, Greece, Brazil, Venezuela and Argentina
- External audits, 2010–2013
- Two-year review of Soff-Cut, Meco and Hagby acquisitions

25 November – Stockholm

- Report by auditors on hard-close audit as of 30 September 2009
- Result of risk analysis regarding financial reporting
- Implemented internal audits in Sweden and Spain
- Investment policies for Group pension funds

30 September 2009, known as hard-close audit procedures, in order to identify possible auditing issues in good time prior to the year-end closing of accounts. The results of their review have been discussed with Group Management and reported to the Audit Committee. The interim report for January–September 2009 has been reviewed by the external auditors.

Prior to the AGM 2009 the auditors reviewed the Board's proposal for remuneration and other terms of employment for Group Management in Husqvarna.

Fees to auditors*

SEK	2009	2008	2007
Audit fees, PwC	22	21	17
Non-audit fees, PwC	2	2	6
Audit fees, other auditors	1	1	7
Total	25	24	30

* Fees to PwC for non-audit assignments refers primarily to tax consultancy.

For further information on fees paid to the auditors, see Note 25. For information about the auditors and their other audit assignments, see page 110.

Internal auditors

Husqvarna maintains a function for internal audit that reports directly to the Audit Committee and the Chief Financial Officer. For more information on internal audit activities, see pages 107–109.

Management and corporate structure

The Group's structure is decentralized, and overall management of operations is exercised largely through the quarterly reviews of operations, monthly Group Management meetings and weekly telephone meetings.

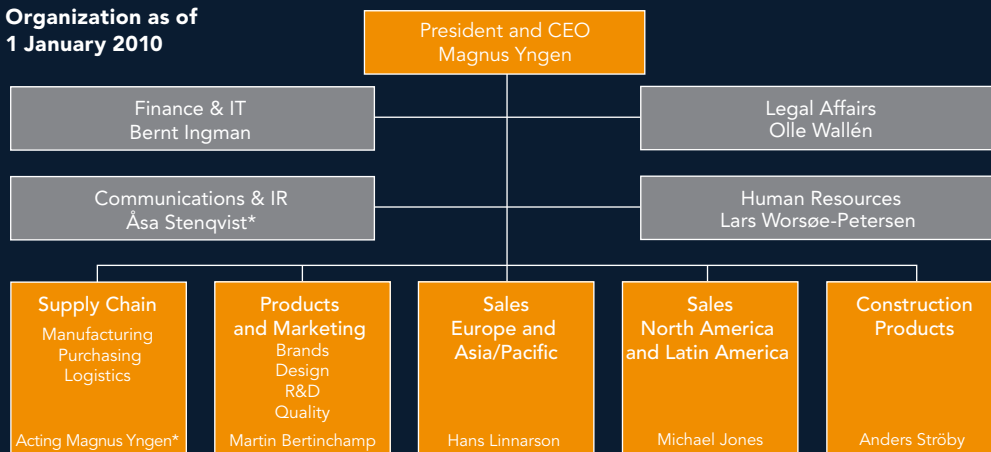
The corporate culture is non-bureaucratic in order to enable rapid decision-making, and features cost-efficiency as well as a focus on products and customers.

Operations shall be conducted with due regard for the environment, society and ethical principles.

New organization

A new functional organization was established as of 1 January 2010. The previous six product-based business sectors were replaced by five business units: Supply Chain, Products and Marketing, Sales in Europe and Asia/Pacific, Sales in North America and Latin America, and Construction Products. There are four Group staffs, in which no changes have been made.

The goal of the organizational change is to eliminate overlapping and duplication, create clearly defined areas of responsibility, and increase operational efficiency.

Organization as of 1 January 2010

* Thomas Andersson assumed the position as Head of Supply Chain as of 22 February 2010. Boel Sundvall assumed the position as Head of Communications & Investor Relations (IR) as of 8 March 2010. She succeeded Åsa Stenqvist, who has retired in accordance with the terms of employment for Husqvarna Group Management.

For information on members of Group Management, see pages 36 and 113.

Global processes

In order to achieve greater internal efficiency, several common global processes have been established within the Group. The key processes that have been identified to date are Purchasing, Demand flow, i.e. management of flows between the Group, suppliers and customers, Lean production, i.e. measures for continuous improvement in production, and Product development. For additional information, see page 14.

The President and Group Management

Group Management includes the President, the heads of the five business units, and the heads of the four Group staffs.

The President is appointed by the Board and is responsible for ongoing management of the company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that commitments, agreements and other legal documents do not conflict with Swedish or foreign laws and regulations, including those related to competition. The President shall also ensure compliance with goals, policies and strategic plans, as well as updating of these when necessary. The President appoints all members of Group Management.

The heads of the business units are responsible for revenues, costs and use of capital in their respective operations. Overall management of the business areas is exercised through the quarterly meetings for reviewing of operations. In addition to the President, who directs the meetings, the heads of business units participate along with relevant representatives from the units.

Group staffs are responsible for coordination of general issues of importance to the Group, development of policies and guidelines, and support for the business units that apply them. The tasks of the staffs include consolidation and reporting of financial results, financing, risk management, legal matters, and contact with stakeholders such as employees, as well as the media and the capital market.

Group Management holds monthly meetings to review the previous month's results, update forecasts and plans, and discuss strategic issues. In addition, weekly meetings are held by telephone.

Internal boards

As support for the President and Group Management, Husqvarna has established internal boards in the following areas:

The Global Purchasing Council (GPC) is a decision-making forum that coordinates the Group's purchasing globally and across business sectors. The GPC ensures transparency in the purchasing process as well as uniformity in terms of working methods, purchasing tools, contracts and processes throughout the organization.

The Group Staff Council comprises the staff heads who meet regularly and decide primarily on administrative, policy and personnel issues as well as pensions.

The Finance Board is an internal board which ensures that the financial policy authorized by the Board of Directors is communicated and complied with throughout the Group. This policy includes guidelines for organization and management of the Group's financial operations, permissible risk exposure, levels of risk, and how they are to be reported. The Finance Board comprises the President, the Chief Financial Officer and the Head of Group Treasury.

Principles for remuneration of Group Management

The general principles for remuneration to Group Management are based on the position held, individual performance, Group income for the period, and maintaining competitive remuneration in the country of employment.

The overall remuneration package for senior managers comprises fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives, pensions and other benefits.

Husqvarna aims at offering a competitive total remuneration with a focus on "pay for performance". This means that variable remuneration represents a significant proportion of total remuneration.

Variable remuneration to the President, the heads of the business units Supply Chain and Products and Marketing as well as the staff heads is based on the value created for the Group. One-quarter of the variable remuneration to the heads of the other three business units are based on value created for the Group, and three-quarters on the value created for the business unit. For additional information on remuneration, see Note 24.

Value creation

The concept of value creation links operating income and tied-up capital with the cost of the capital employed in operations, and is measured as operating income less the weighted average cost of capital (WACC) in relation to average net assets. Value created is measured for the three business units as well as by product category.

Financial reporting and disclosure

Husqvarna provides the market with information about the development of the Group and its financial position on an ongoing basis.

The Board has adopted an Information Policy that complies with the requirements for such a policy in the NASDAQ OMX Stockholm's Rule book for issuers. The policy applies to the Board and Group Management, and covers both written and oral information.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases.
- The Husqvarna Annual Report.
- Press releases on news and important issues.
- Presentations and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news.
- Presentations for financial analysts and investors in connection with Capital Market days, Road Shows, etc.

All reports, presentations and press releases are published simultaneously at the Group's web site, www.husqvarna.com.

Information available at www.husqvarna.com includes:

- The Company's Articles of Association
- The Husqvarna Code of Conduct
- Information from previous AGMs, e.g. notices, minutes
- Corporate Governance reports from previous years
- Annual reports, Interim reports
- Presentations

Internal control over financial reporting

Husqvarna's process for internal control is designed to manage and minimize the risk of inaccuracy in financial reporting.

Description and evaluation of the Group's internal control activities is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five areas, i.e. the control environment, risk assessment, control activities, information and communication, and monitoring.

The organization of internal control is described below. The description is limited to internal control over financial reporting.

Control environment

Internal control over financial reporting is based on the overall control environment. This involves clear definitions of organizational structure, decision-making paths and authority, which are communicated in the form of internal control documents such as policies, guidelines, manuals and codes. The control environment also includes laws and external regulations.

The Board of Directors is ultimately responsible for internal control over financial reporting. Efficient performance by the Board is thus the basis for satisfactory internal control. The Husqvarna Board has established rules of procedure and clear instructions for its work, which also include the activities of the Audit and Remuneration Committees.

The overall duty of the Audit Committee is to support the Board's supervision of the auditing and reporting processes, and to ensure the quality of such reports and processes. The activities of the Audit Committee during the year are described in greater detail on page 105.

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 President. This responsibility is in turn delegated to managers within their specific areas at various levels in the company. Husqvarna's internal audit function reports directly to the Audit Committee and to the Group's Chief Financial Officer.

Responsibility and authority are defined inter alia in instructions to the President, instructions regarding the right to sign for the company, manuals, various policies, routines and codes. The Board defines the Group's major policies for communication, customer credits, financing and risk management, as well as the Code of Conduct.

Group Management defines other policies and instructions, and the relevant Group staffs issue guidelines and also monitor implementation of all policies and instructions.

Group rules for auditing and reporting are stipulated in an accounting manual that is available for all personnel in economy and finance. These internal control documents are reviewed and updated regularly with reference to e.g. changes in legislation, auditing standards and listing requirements.

Risk assessment

Items in the balance sheet and the income statement that are based on estimates or generated by complex processes are relatively more exposed to the risk of error than are other items. Major items in this respect include goodwill and other immaterial assets as well as provisions in captive insurance companies and allocations to pension funds. The Group's internal audit function performs an annual risk analysis to identify such items and quantify risks. The results of risk analysis and evaluation are reported to the Audit Committee and are subsequently taken into account in the annual internal audit plans.

Control activities

Control activities are designed to prevent, identify and correct errors and deviations. Husqvarna has defined internal control standards, i.e. specifications of the control activities that must be included in each business process in order to ensure and maintain a uniform level of internal control over financial reporting within the Group. Control activities are integrated in Husqvarna's processes for accounting and financial reporting, and include routines for authorization and signing for the company, reconciliation of bank balances and accounts, analysis of results, Segregation of Duties, automatic controls integrated in IT-systems, and control of the basic IT environment.

Husqvarna maintains the following control processes for financial reporting:

Controlling

Each operative unit has a controller whose responsibilities include ensuring that the unit's internal controls comply with Group standards, as well as compliance with Group guidelines and principles as stated in Husqvarna's Accounting Manual. The controller is also responsible for ensuring that financial information is correct and complete and is delivered on time. In addition, controllers at sector and Group level have corresponding responsibilities.

Country Officers

A Country Officer is appointed by Husqvarna in each country where the Group operates subsidiaries. The officer's duties include safeguarding the interests of the Group's owners as well as identifying and reporting risks in such areas as fiscal regulations and other legislation.

Letter of representation

Since 2007 Husqvarna has a system for confirmation of the final accounts, according to which each company head and the controllers for various reporting units sign a letter of representation confirming that the financial report package presents a true and accurate picture of the units financial position and has been prepared in accordance with the Group's accounting standards.

Group Management

The monthly meetings of Group Management include a review of the monthly results for the Group and for operative units, as well as updated forecasts, plans and strategic issues.

Self-Assessment

Each reporting operative unit submits an annual Control Self-Assessment regarding the status of its area of responsibility that is subject to internal control. The Self-Assessment report

Structure of control over financial reporting within the Husqvarna Group

Responsible function	Level in Group	Control Activity	Periodicity	Responsibility for monitoring
Controller	Group	• Ensure observance of control routines in accordance with the Husqvarna Accounting Manual.	Continuously	Country Officer, Internal Audit, Group Accounting Department
		• Control of consolidated financial statements.	Monthly	Group Management Audit Committee
	Sector unit	• Analysis and monitoring of reported results.	Monthly	Group Management
• Preparation of budget and forecast.		Monthly	Group Management	
	Operative units	• Control Self Assessment.	Annually	Internal Audit
		• Preparation of instructions for attestation.	Continuously	Internal Audit, Group Staff Legal Affairs
		• Ensure that financial information is correct and complete and delivered on time.	Monthly	Group Accounting Department, Internal Audit
Internal Audit	Group	• Preparation of risk analysis, financial reporting.	Annually	Audit Committee
		• Collection of Letters of Representation from all units.	Annually	Audit Committee
Country Officer	All subsidiaries within the country	• Ensure that interests of owners are safeguarded.	Continuously	Group CFO
		• Identify and report on risks related to fiscal and other and legislation.	Continuously	Group Tax Officer, Group Staff Legal Affairs
Group Management	Group Operative units	• Review of monthly results, updated forecasts, plans and strategic issues.	Continuously	Board of Directors, Audit Committee
		• Definition of policies and guidelines.	Continuously	Board of Directors, Audit Committee
Audit Committee	Group	• Evaluation of acquisitions.	12 and 24 months subsequent to acquisition	

is signed by the controller. The assessment is based on a comprehensive questionnaire designed to measure the extent of compliance with defined requirements. The unit measures its own compliance. The results of Self-Assessment are collated at Group level for evaluation of control routines, and are submitted to the Audit Committee.

Routines related to acquisitions

Husqvarna has established guidelines and routines designed to ensure that acquisitions of operations are accurately analyzed in terms of financial, operational and environmental consequences.

Acquisitions are evaluated at 12- and 24-month intervals following the transaction. Evaluations are reported to the Audit Committee and the Board.

Information and communication

Husqvarna maintains information and communication systems to ensure that financial reporting is correct and complete. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition to other policies that are relevant to internal control over financial reporting, such as investment routines and credit policy, can be accessed on the Group's intranet by all relevant personnel. Changes in accounting are communicated and explained in quarterly newsletters from the Group accounting function.

Whistle Blower line

For several years the Group's operation in the US has maintained an Alert Line, also known as a Whistle Blower line, that enables employees to contact an independent third party and report actions or events that involve violations or suspected violations of e.g. laws or guidelines. During 2009 a global Alert Line was established in several languages for the entire Group.

Monitoring

Husqvarna maintains a comprehensive financial reporting system for monitoring of operations, which enables identification of possible deviations in financial reporting at an early stage.

Husqvarna applies IFRS. This is defined in the Husqvarna Accounting Manual, which includes rules for accounting and evaluation principles that are mandatory for all companies within the Group, as well as instructions for reporting. The manual is reviewed and updated quarterly. Compliance with the Accounting Manual is monitored continuously at Group and sector level. During the year letters of representation confirming compliance with the manual and other policies and instructions were received from all subsidiaries.

Financial reporting

Detailed financial data is reported every month by approximately 150 reporting units, in accordance with the standardized routines for reporting that are stipulated in Husqvarna's accounting manual. These reports are the basis for the Group's consolidated financial reporting. Consolidation is performed from both legal and operative perspectives, which generates quarterly legal reports and monthly operative reports. All consolidation is centralized. All financial reports are stored in a central database from which data is retrieved for analysis and monitoring at Group, business-area and sector level. Interim reports are posted on the Group's web site, www.husqvarna.com.

Internal audit

The internal audit function is tasked with developing and improving internal controls over financial reporting. The work of the auditors conforms with the annual plan by the Audit Committee, which includes both scheduled and unscheduled audits. The function reports to the Audit Committee and the Group's Chief Financial Officer.

The Group's function for internal audit performs independent and objective reviews in order to evaluate and enhance the efficiency of internal controls. This function also completed special assignments in 2009. The internal auditors report to the Audit Committee regarding their observations and recommendations for improvement of internal control over financial reporting.