

Corporate Governance Report 2013

Husqvarna AB is a publicly traded company listed on NASDAQ OMX Stockholm. Husqvarna applies the Swedish Code of Corporate Governance and presents its Corporate Governance Report 2013, in this section. The report was prepared by the company's Board of Directors and has been reviewed by the company's auditors. The review for 2013 did not result in any deviations from the code.

Husqvarna Group's corporate governance is based on external and internal regulatory frameworks, including Husqvarna AB's Articles of Association, the Swedish Companies Act, the NASDAQ OMX Stockholm Rule Book for Issuers, the Swedish Code of Corporate Governance, other applicable Swedish and foreign legislation and regulations, as well as internal codes, policies and guidelines.

Shareholders

Husqvarna Group's shares have been traded on the NASDAQ OMX Stockholm since June 2006. At year-end 2013, the share capital amounted to SEK 1,153m, represented by 126,593,868 A-shares and 449,749,910 B-shares, each with a par value of SEK 2.

Series A-shares carry one vote and series B-shares carry one tenth of a vote. According to the Articles of Association, holders of series A-shares are entitled to request conversion of series A-shares to series B-shares.

In 2013, 1,105,190 series A-shares were converted to an equivalent number of series B-shares.

At December 31, 2013, the number of shareholders was 57,912 (62,061). Of the total number of shares, foreign shareholders accounted for approximately 27 (24) percent. At the end of the year, 88 (88) percent of the total shares were owned by legal entities, 12 (12) percent by private individuals representing 90 (90) percent and 10 (10) percent, respectively, of the total number of votes. Investor AB is the single largest shareholder, with a holding of about 17 (17) percent of the capital and approximately 30 (30) percent of the votes as of December 31, 2013. Measured by the number of votes, L E Lundbergföretagen AB is the second-largest owner, with a holding of about 7 (7) percent of the capital and approximately 22 (22) percent of the votes as of December 31, 2013.

For further information on the share and shareholders, see page 108.

Annual General Meeting

The Annual General Meeting (AGM) must be held within six months of the close of the fiscal year. All shareholders who are listed in the share registry on the record date, and who have notified the company

of their participation in due time, are entitled to participate in the AGM and cast votes based on their total shareholding. Shareholders who are personally unable to attend may be represented by a proxy with a power of attorney.

The AGM was held in Jönköping, Sweden on April 11, 2013. The AGM was attended by about 680 shareholders, personally or by proxy, representing about 75 percent of the votes in the company and approximately 59 percent of the share capital. The meeting was also attended by the Board of Directors, members of Group Management and the external auditor.

The resolutions passed by the meeting included the following;

- Adoption of the income statements and balance sheets for 2012, the dividend and discharge of liability for the Board of Directors and the President.
- Re-election of Lars Westerberg, Magdalena Gerger, Tom Johnstone, Hans Linnarson, Ulla Litzén, Ulf Lundahl, Katarina Martinson and Anders Moberg. Daniel Nodhäll was elected as new member. Lars Westerberg was elected Chairman of the Board. Börje Ekholm had declined re-election.
- The Chairman of the Board will be paid a fee of SEK 1,650,000, and each AGM-elected member not employed by the company will be paid SEK 475,000. The Chairman of the Audit Committee will be paid SEK 175,000 and each of the Committee's two members will be paid SEK 75,000. The Chairman of the Remuneration Committee will be paid SEK 100,000 and each of the Committee's two members will be paid SEK 50,000.
- Auditors will be paid as invoices are approved.
- Principles of remuneration to senior executives.
- Rules for the appointment and work of the Nomination Committee.
- Authorization for the Board to repurchase and transfer own shares.
- Authorization for the Board to make resolutions concerning new share issues paid for by contribution in kind to enable acquisitions paid for with own shares.

For further information, see the Report by the Board of Directors, page 36.

Annual General Meeting 2014

The 2014 AGM will be held on April 10, 2014 at 4 p.m. at the Elmia Congress Centre in Jönköping, Sweden.

For further information regarding the AGM 2014, see page 59.

Nomination process

Board members

The process of nominating Board members whose names will be proposed for election at the 2014 AGM is conducted in accordance with the nomination process that was adopted at the 2013 AGM.

Husqvarna's Nomination Committee shall comprise representatives from each of the four largest shareholders with regard to the number of votes held, who have upon request expressed a wish to participate in the nomination committee work, together with the Chairman of the Board. The ownership structure on August 30, 2013 is used to determine the largest shareholders, as measured by votes. The names of the four shareholder representatives must be published no later than six months prior to the AGM. The term of office for the Nomination Committee shall be for the period until a new Nomination Committee is appointed. If the group of the largest shareholders changes during the nomination process, the composition of the Nomination Committee may be changed accordingly.

The composition of the Nomination Committee was announced on Husqvarna Group's website and by press release on September 17, 2013. The 2014 Nomination Committee held six meetings. Nomination Committee duties included evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee also considered other criteria such as the background, experience and diversity of Board members. In order to strive to attain diversity, the Nomination Committee has taken into consideration inter alia the objective to achieve a more equal composition of the Board, as regards gender representativity. The Chairman of the Board presented the Board's evaluation to the Nomination Committee.

The Nomination Committee for the 2014 AGM comprises:

- Petra Hedengran (Chairman), nominated by Investor AB
- Claes Boustedt, nominated by L E Lundbergföretagen AB
- Ramsay Brufer, nominated by Alecta
- Henrik Didner, nominated by Didner & Gerge Funds*
- Lars Westerberg, Chairman of Husqvarna's Board of Directors.

* As of December 5, 2013, Didner & Gerge Funds represented by Henrik Didner, decided at their own request to resign from Husqvarna's Nomination Committee.

Board of Directors

Attendance 2013

Name		Nationality	Independence ¹	Board meetings	Audit Committee	Remuneration Committee	Authorized fees, total in SEK ²	Holdings, number of A-shares ³	Holdings, number of B-shares ³
Lars Westerberg	Board Chairman Committee member	SE	Yes/Yes	11/11		3/4	1,700,000	–	270,000
Hans Linnarson ⁴		SE	No/Yes	7/8			–	n/a	n/a
Börje Ekholm ^{5,6}	Committee Chairman	U.S./SE	Yes/No	4/4	2/2		–	n/a	n/a
Magdalena Gerger		SE	Yes/Yes	10/11			475,000	3,100	–
Tom Johnstone	Committee Chairman	U.K.	Yes/No	10/11		4/4	575,000	990	4,800
Ulla Litzén	Committee Member	SE	Yes/Yes	10/11	6/6		550,000	–	10,000
Ulf Lundahl ⁷	Committee Chairman	SE	Yes/No	11/11	6/6		650,000	1,125	13,750
Katarina Martinson		SE	Yes/No	11/11			475,000	113,478	378,737
Anders Moberg	Committee member	SE	Yes/Yes	11/11		4/4	525,000	180	600
Daniel Nodhäll ⁸	Committee member	SE	Yes/No	7/7	4/4		550,000	–	5,000
Johan Ihrman ⁹	Employee representative	SE	–	7/9			–	–	–
Soili Johansson ¹⁰	Employee representative	SE	–	2/2			–	225	750
Annika Ögren	Employee representative	SE	–	11/11			–	–	–
Carita Spångberg ¹¹	Employee representative	SE	–	9/11			–	–	–
Lotta Widehäll ¹¹	Employee representative	SE	–	11/11			–	–	–
Total				11	6	4	5,500,000	119,098	683,637

¹ Refers to independence in relation to the company and management, and independence in relation to major shareholders.

² Board members are expected to engage themselves financially in Husqvarna shares within a period of five years, corresponding to one year's Board fee.

³ Refers to December 31, 2013 and includes related parties.

⁴ Resigned from the Board on July 22, 2013. President and CEO until June 30, 2013.

⁵ Resigned at the 2013 AGM, remuneration presented during 2012.

⁶ Committee Chairman until the 2013 AGM.

⁷ Committee Chairman as of the 2013 AGM.

⁸ Elected at the 2013 AGM.

⁹ Employee representative until September 11, 2013.

¹⁰ Employee representative as from October 23, 2013.

¹¹ Deputy.

The Nomination Committee's assignment is to prepare the below proposals to be submitted to the AGM for resolution:

- proposal regarding Chairman of the AGM,
- proposal regarding Directors of the Board,
- proposal regarding Chairman of the Board,
- proposal regarding Directors' fees to each of the Directors elected by the AGM and not employed by the company, distinguishing between the Chairman of the Board and the other members of the Board of Directors, and remuneration for committee work; stating the distribution between each member of the Board,
- proposal regarding Auditors (if applicable),
- proposal regarding Auditor's fees, and
- to the extent deemed necessary, proposals on amendments to the instruction for the Nomination Committee.

The Nomination Committee's proposals as well as a motivated opinion will be published not later than in connection with the notice of the 2014 AGM.

Members do not receive fees or remuneration for their work on the Nomination Committee.

Board of Directors

Composition of the Board

Husqvarna Group's Board of Directors shall consist of no less than five and no more than ten members, with no more than three deputies, all of whom are elected by the AGM for a period of one year. Swedish employee representative organizations also appoint two representatives, with two deputies.

Until July 22, 2013, the Board consisted of nine members elected by the AGM, which date the former President and CEO Hans Linnarson resigned from the Board.

Board members possess extensive competence and experience in areas such as industrial commerce, financial expertise, sales and marketing of consumer goods as well as a broad knowledge of the retail business and manufacturing.

Independence of the Board

The Board is deemed to comply with the independence requirements of the Swedish Code of Corporate Governance. Board members are not employed by the Group with the exception of the former President and CEO, Hans Linnarson, during the period March 28, 2012 – July 22, 2013.

The Nomination Committee's assessment as to whether each proposed

member fulfills the independence requirement will be announced in conjunction with the Nomination Committee submitting its proposals to the AGM.

See pages 56–57 for a presentation of the Board of Directors and Auditors.

Rules of procedures and written instructions

The Board has established rules of procedures that are reviewed once a year or when necessary. These rules involve allocation of tasks between the Board and the President, detailed instructions for the President, other corporate functions concerning matters requiring the Board's approval, and the financial reports and other information to be submitted to the Board.

Board activities in 2013

In 2013, the Board held ten scheduled ordinary meetings and one extraordinary meeting. Three of the ordinary Board meetings were held in Stockholm, two in Husqvarna, one in Aycliffe, U.K., and four were held by telephone.

The Board regularly addresses strategic matters relating to Husqvarna Group's operations and general direction, potential acquisitions, all investments in excess of

SEK 50m and changes in credit terms and conditions for major customers. All major investments are followed up at least once annually. The year-end report and the annual report are dealt with at the beginning of the year, as are the matters to be presented at the Annual General Meeting. Late in the year, the budget for the following year and the Group's long-term strategic plan, are addressed. After each quarter, the quarterly results are reviewed and interim reports are approved for release. Both Committees' work between meetings are also reported during each scheduled Board meeting. Current legal disputes as well as compliance matters are reviewed regularly, as is the corporate structure and capital structure.

All meetings follow a preapproved agenda plan, to which matters are added as the need arises. The agenda is approved by the Chairman of the Board and is, together with documentation for each item on the agenda, sent to all Board members about one week before each meeting. Each Board meeting commences with a review of the preceding meeting minutes and open issues. Thereafter the President and CEO presents the Group's sales and earnings and the current business environ-

ment, including key business environment factors that may affect the Group's performance. The Husqvarna Group's CFO accounts for the Group's financial position in more detail, including requisite analyses and operating environment analysis. Members of Group management report on any open items from previous Board meetings or present plans and proposals. Updated reviews for each business unit's activities are presented according to an annual plan. In addition to the information provided in connection with Board meetings, the President and CEO sends a monthly report to Board members and is in frequent contact with the Chairman of the Board.

Assessment of the Board's work

The Chairman of the Board is responsible for assessing the Board's work including the performance of individual Board members. This is done on an annual basis pursuant to an established process. The assessment focuses on such factors as the availability of and requirements for specific expertise within the Board, commitment, the quality and timeliness of the Board material, working environment of the Board and the Board's effectiveness. An independent

assessment of the Chairman's work is also conducted, which is headed by the Chairman of the Remuneration Committee. This assessment is also reported to the Nomination Committee, and forms a basis for the Nomination Committee's proposal on Board members and remuneration to the Board.

Committees of the Board

The Board has established an Audit Committee and a Remuneration Committee. The members and the Chairmen of the Committees are appointed at the statutory Board meeting for a period of one year. The major tasks of these committees are preparatory and advisory, but the Board may delegate on occasion authorization for the Committees to determine in specific matters. The issues considered at committee meetings shall be recorded in minutes of the meetings and reported at the following Board meeting.

Audit Committee

The main task of the Audit Committee is to monitor the company's financial reporting, to secure that principles adopted for financial reporting, internal control, internal audit and risk assessment are observed and efficient.

Agenda items 2013

Board of Directors

January (extraordinary meeting)

- Update on the company's strategy.
- Authorization to sign for the company.
- Update on the company's financial objectives.

February (by telephone)

- Approval of the year-end 2012 report and press release.
- Separate press release regarding establishment of a new factory for manufacturing of chainsaw chains.
- Proposal to the AGM to pay a dividend of SEK 1.50 per share.

March

- Approval of the 2012 Annual Report.
- Report from the Auditors.
- Report from the Nomination Committee.
- Notice to the AGM, including:
 - Nomination Committee proposals
 - Proposal by the Board of Directors
 - Remuneration Committee's evaluation of remuneration for senior managers
- Divestment of shares in subsidiary.
- Quality review.
- Presentation on the company's design strategy.
- Program for the Board trip in May.

April

- Americas business unit update.
- Update on major sales contracts.
- Approval of credit limits for large customers.
- Information on closure of the company's subsidiary in Argentina.
- Update on larger projects.

April (statutory)

- Authorization to sign for the company.
- Adoption of Rules of Procedure.
- Election of Members to the Board's Committees.
- Decision on Board Meetings in 2014.

April (by telephone)

- Approval of the first quarter interim report and press release.
- Approval of refinancing of certain current loans.

May (2 days meeting)

- Decision on Medium Term Notes prospectus.
- Manufacturing & Logistics review of factories.
- EMEA business unit review.
- Decision on divestment of the minority shares in a subsidiary in Germany.
- Decision to appoint a new President and CEO as from July 1, 2013.
- Update on the company's quality strategy.

July (by telephone)

- Approval of the second quarter interim report and press release.
- Decision on the U.K. pension fund.

September

- Reflections from the new President and CEO on his first three months with the company.
- Authorization to sign for the company.
- Decision on adopting the revised Code of Conduct.
- Decision on new major lease agreement regarding a warehouse in the U.S.

- Presentation on the Group's strategy on customers and trademarks.
- Update on the company's improvement program.
- Board evaluation.
- Update on major ongoing projects.
- Report from the internal auditors and review of the company's Enterprise Risk Management program.

October (by telephone)

- Approval of the third quarter interim report and press release.

November

- Budget for the financial year 2014.
- Strategy update, especially for the U.S. business and the European consumer business.
- Update on the business unit Asia/Pacific.
- Short-term incentive target setting for senior executives.
- Review of the performance of the President and CEO and other members of Group Management.
- Approval of credit limits for customers.
- Decision on prolongation of several larger lease agreements.
- Annual investment follow-up.
- Update on major ongoing projects.
- Approval of acquisition of a business, including assets.

The 2013 Annual Report was approved at the Board meeting on March 6, 2014.

The Audit Committee is also tasked with supporting the Nomination Committee with proposals when electing external auditors and auditors' fees.

In 2013, the Audit Committee comprised Board members Börje Ekholm (until the AGM on April 11), Ulf Lundahl, Ulla Litzén and Daniel Nodhäll (as from the AGM on April 11).

The CFO, the Head of Group Staff Legal Affairs and the Head of Internal Audit, who is also the secretary of the Audit Committee, as well as the Group's auditors, attend the Audit Committee meetings.

After each meeting, the Audit Committee presents a report to the entire Board. Minutes are taken for each Committee meeting and the minutes including supporting material are available to all Board members and the auditors.

No fewer than three meetings shall be held each year. The Audit Committee convened six times in 2013.

Remuneration Committee

The Remuneration Committee's main responsibility is to prepare the Board's decisions on issues concerning principles for remuneration, remunerations and

other terms of employment for the President and CEO and for other members of Group Management of the company, and to monitor and evaluate targets and principals for variable remuneration and long-term incentive programs for Group Management. The Remuneration Committee has also the task to propose guidelines for the remuneration to the members of Group Management.

In 2013, the Remuneration Committee comprised Board members Tom Johnstone, who is also the Committee's chairman, Anders Moberg and the Chairman of the Board Lars Westerberg. Husqvarna Group's Head of Group Staff People & Organization was secretary of the Committee. No fewer than two meetings shall be held each year. The Remuneration Committee convened four times in 2013.

After each meeting, the Remuneration Committee presents a report to the entire Board. Minutes are taken for each Committee meeting and the minutes are available to all Board members and auditors.

Auditor

Auditing company is PricewaterhouseCoopers (PwC), reelected at the 2010 AGM

for a period of four years, headed by Johan Engstam (Auditor in charge).

Group Management and Structure

The organization encompasses business units and Group staff functions. In addition, the Heads of Brand Management & Global Marketing, Quality and Business Development are direct reporting functions to the President and CEO.

President and Group Management

Group Management comprises the President and CEO, the heads of the business units, and the heads of the Group staffs.

The President and 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 and input for decisions, and ensuring that commitments, agreements and other legal documents do not conflict with Swedish or foreign legislation or ordinances, including competition regulations. The President and CEO shall also ensure compliance with goals, policies and strategic plans, as well as updating these

Agenda items 2013

Remuneration Committee

February

- Result Short-term incentive (STI), STI 2012 and STI 2012 Plus.
- Result Long-term incentive (LTI), LTI 2010.
- Design and targets for LTI 2013.
- Information to the Annual General Meeting 2013.
- Separation terms for member of Group Management.
- Remuneration to new acting member of Group Management.

March

- LTI 2013 targets, documentation, accounting, and presentation to the largest shareholders.

September

- Status update on the STI 2013 and LTI programs.
- Structure for STI and LTI 2014.
- Confirmation of earlier approved employment agreement for new CEO.
- Remuneration to former CEO.
- Update on recruitment of new member of Group Management.

November

- Status update on the STI 2013 and LTI programs.
- Group Management remuneration 2014.
- Targets for STI 2014.
- Structure for LTI 2014.
- Proposal of remuneration to new member of Group Management.

Agenda items 2013

Audit Committee

February

- Auditors' report on auditing of Year-End account.
- Draft of Annual Report and the Year-End report 2012.
- Internal audit plan for 2013.

February (extraordinary meeting)

- Annual Report 2012.

April

- Draft of January–March 2013 Interim Report.
- External audit plan 2013.

July

- Draft of January–June 2013 Interim Report.
- Tender process external audit service providers.

October

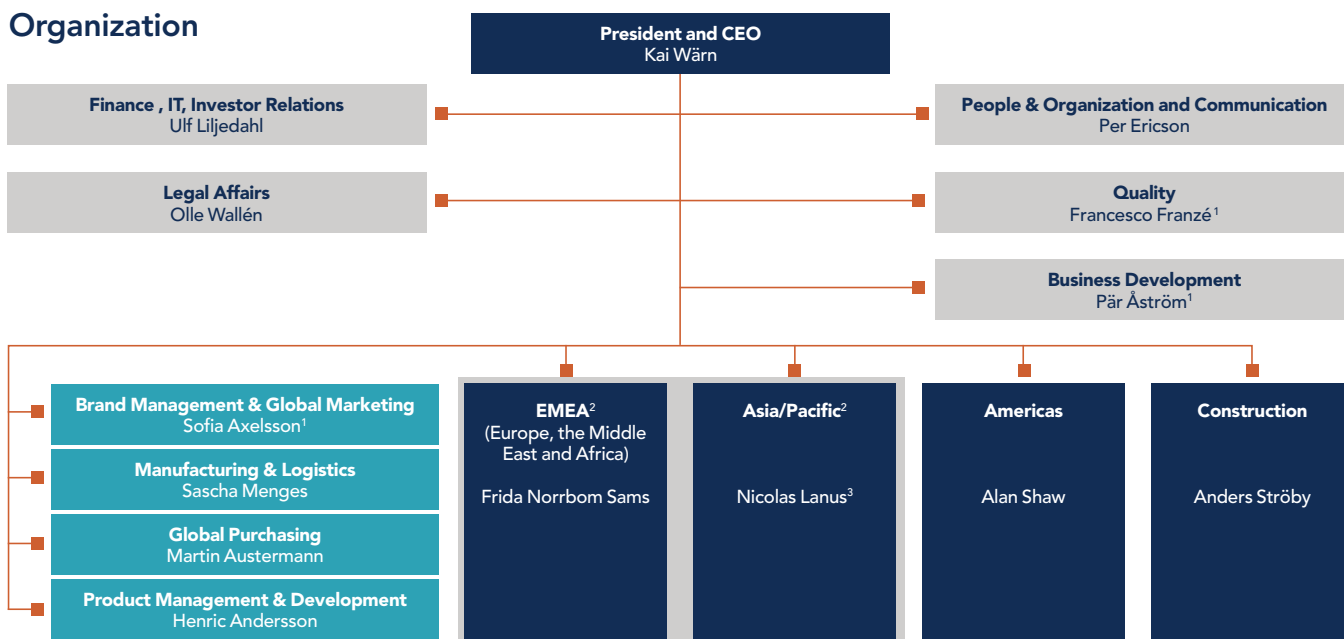
- Draft of January–September 2013 Interim Report.
- Report by auditors on hard-close audit as of September 30, 2013.

November

- Tender process external audit service providers.
- KPI reporting package.

Ordinary agenda points for all meetings are updates on: Internal Audit, Tax, Treasury, Compliance, and the Internal Control over Financial Reporting Project.

Organization



¹The position is not included in Group Management.

²EMEA and Asia/Pacific are reported as Europe & Asia/Pacific in the external financial reporting.

³Until December, 2013.

when necessary. The President and CEO appoints all members of Group Management.

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

Group staff functions 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, legal matters, risk management and insurance, health and safety, environmental and sustainability matters, compliance, personnel matters, internal communication as well as external communication with media and the capital market, quality and business development.

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 CEO and Group Management, Husqvarna Group 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 among the business units. The GPC ensures transpar-

ency 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, which consists of three of the Group Staff Heads, the CFO, the Head of Legal Affairs and the Head of People & Organization, convene when necessary and primarily decides 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 the organization and management of the Group's financial operations, permissible risk exposure, levels of risk, and the reporting thereof. The Finance Board comprises the President, the CFO and the Group Treasurer.

The Sustainability Council, an internal decision-making body, comprises the entire Group Management and convenes quarterly. Representatives for Communications, Environmental Affairs and the responsible for Health and Safety present proposals and reports on sustainability work in the Group. The Council was established to ensure that Husqvarna's operations are conducted in a responsible manner in order to achieve development that is economically, socially and ecologically sustainable. The Council's responsibilities includes all the Group's activities and processes, and is aimed at creating long-term value for shareholders, employees and other stakeholders who affect or are affected by the Group's operations.

Remuneration to the Board and senior executives

The following principles for remuneration to senior executives of the Husqvarna Group were approved at the 2013 AGM.

Principles

The overall principles for remuneration to Group Management shall be based on the position held, individual performance, Group performance and remuneration shall be on a competitive basis in the country of employment. The overall remuneration package for Group Management comprises fixed salary, variable salary 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.

Husqvarna shall aim to offer a competitive total remuneration level with a primary focus on "pay for performance".

Fixed salary

Fixed salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and shall reflect the degree of responsibility involved in the position. The salary levels shall be reviewed regularly (normally through an annual evaluation of salaries) in order to ensure continued competitiveness and in order to correctly reward performance.

Variable salary (Short-term incentive "STI")

Members of Group Management shall be entitled to STI in addition to the fixed salary. The STI shall be based on the financial result for the Group and/or for the busi-

ness unit for which the member of Group Management is responsible. In addition, performance indicators can be used in order to focus on improvement areas of special interest to the Group.

Clearly defined objectives for "target" and "stretch" levels of performance shall be stated in the beginning of the year and reflect the plans approved by the Board.

STI shall be dependent on the position and may amount to a maximum of 50 percent of the salary on attainment of the "target" level and a maximum of 100 percent of the salary on attainment of "stretch" level, which also is the maximum STI.

In the U.S., the STI component is normally higher and may amount to a maximum of 100 percent on attainment of the "target" level and a maximum of 150 percent of the salary on attainment of the "stretch" level.

The Board of Directors decides whether the maximum levels 50/100/150 shall be utilized or if a lower level shall be used.

Long-term incentive

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 Annual General Meeting.

Pension and insurance

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment and the value of the benefits shall match normally accepted levels in the country. If possible, pension plans shall be defined-contribution plans in accordance with the Group Pension Policy.

Other benefits

Other benefits can be provided in accordance with normal practice in the country where the member of Group Management is employed. However, these benefits shall not constitute a significant part of the total remuneration.

Notice of termination and severance pay

Members of Group Management shall be offered notice periods and levels of severance pay which are in line with accepted practice in the country where the member is employed. 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 payment may be applied also after the end of the notice period. Such non-compete obligation shall not apply for more than 24 months from the end of the notice period.

Previously determined remuneration which has not become payable

The main conditions for remuneration to Group Management in the current employment agreements should be clear from note 3.

Authority for the Board to deviate from the principles

Under special circumstances, the Board of Directors may deviate from these guidelines. In case of such deviation, the next AGM shall be informed of the reasons.

For more information concerning remuneration, see note 3.

Remuneration to the Board 2013

Remuneration to AGM-elected Board members is resolved by the AGM based on proposals from the Nomination Committee. The 2013 AGM resolved on fees of SEK 5,500,000.

Fees to the Board of Directors authorized by the AGM 2013 as below. No consulting fees were paid to Board members. No Board fees are paid to Board members who are also employed by the Group. For more information concerning remuneration, see note 3.

Auditors' fees

Auditors' fees are paid as invoices are approved. See note 6.

External information

Husqvarna regularly publishes information in the market concerning the Group's performance and financial position.

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

Financial information is regularly issued in the form of:

- Interim reports, published as press releases;
- Annual Report;
- Press releases concerning news and important issues;
- Presentations and telephone 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;
- Presentations for financial analysts and investors in connection with Capital Market Days and Road Shows etc.

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

Fees to the Board 2012–2013¹⁾

SEK	2013	2012
Authorized fees, total	5,500,000	5,500,000
Chairman	1,650,000	1,650,000
Board member	475,000	475,000
Chairman Audit Committee	175,000	175,000
Member Audit Committee	75,000	75,000
Chairman Remuneration Committee	100,000	100,000
Member Remuneration Committee	50,000	50,000

¹⁾ Refers to fees prior to the AGMs in 2014 and 2013 respectively.

Remuneration to Group Management 2012–2013¹⁾

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits	Severance pay etc	Total 2013	Total 2012
President and CEO	3,750	1,875	1,500	553	4	–	7,682	–
Former President and CEO	8,159	3,210	4,586	282	246	–	16,483	9,936
Other members of Group management	24,741	9,254	8,126	4,069	1,675	1,026	48,891	29,475
Total	36,650	14,339	14,212	4,904	1,925	1,026	73,056	39,411

¹⁾ For more information on the Remuneration to Group Management see note 3 on page 72.

Internal Control over Financial Reporting

Husqvarna Group'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 components; 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 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 51.

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 and CEO. This responsibility is in turn delegated to managers within their specific areas at various levels in the company. In addition, Husqvarna Group has an internal audit function that reports directly to the Board of Directors through its Audit Committee and to the Group's CFO.

Responsibility and authority are defined inter alia in instructions to the President, regarding the right to sign for the company, manuals, various policies, routines and codes. The Board defines the Group's major policies for communication, custom-

er credits, financing and risk management, as well as the Code of Conduct.

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

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

Risk assessment

Risks of material misstatements in financial reporting may exist in relation to recognition and measurement of assets, liabilities, revenue and cost or insufficient disclosure. Items in the balance sheet and the income statement that are based upon 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 intangible assets as well as provisions in captive insurance companies and pension provisions.

The Group's finance function performs each year a risk assessment regarding the Group's balance sheet and income statement taking into consideration both qualitative and quantitative risks. The purpose of the risk assessment is to ensure that the internal control is satisfactory regarding the Group's most important risk areas.

Control activities

Control activities are designed to prevent, identify and correct errors and deviations in the financial reporting. Husqvarna Group 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 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.

The Group 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 business unit and Group level have corresponding responsibilities.

Country Officers

A Country Officer is appointed by Husqvarna Group 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.

Group Management meetings

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.

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 Group maintains information and communication systems to facilitate correct and complete financial reporting. The accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition, other policies 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 routines are communicated and explained in quarterly newsletters from the Group accounting function.

Whistleblower

Husqvarna Group has a global whistleblower system that receives calls in several languages for the entire Group.

It enables employees to contact an independent third party and report actions or events that involve violations or suspected violations of e.g. external laws and regulations or internal policies and guidelines. All calls are logged and a summary of the calls and the actions taken is periodically disclosed to the Audit Committee and made available to the Board.

Monitoring

Husqvarna Group maintains a comprehensive financial reporting system for the monitoring of operations, which enables identification of possible deviations in financial reporting.

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.

Financial reporting

Financial data is reported every month by approximately 130 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 operational perspectives, which generates quarterly legal reports, i.e. complete balance sheets and income statements for each company as well as consolidated, 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 business unit level. Interim reports are posted on the website, www.husqvarnagroup.com

Internal audit

The Internal Audit function supports the development and improvement of internal control over financial reporting. Internal Audit works according to an annual audit plan that is approved by the Board and conducts independent and objective audit engagements in order to evaluate and enhance the efficiency of internal controls, including internal control over financial reporting. The result of the audit engagements are presented to the Audit Committee and the Group's President and CEO and CFO.

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 internal control routines in accordance with the Husqvarna Accounting Manual.	Continuously	Country Officer, Internal Audit, Group Accounting Department
		■ Control of consolidated financial statements.	Monthly/ Quarterly	Group Management, Audit Committee
	Business unit	■ Analysis and monitoring of reported results.	Monthly	Group Management
		■ Preparation of budget and forecast.	Monthly	Group Management
Reporting units	Reporting units	■ Preparation of instructions for attestation.	Continuously	Group Staff Legal Affairs
		■ Ensure that financial information is correct and complete and delivered on time.	Monthly	Group Accounting Department
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	■ 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

Board of Directors and Auditors



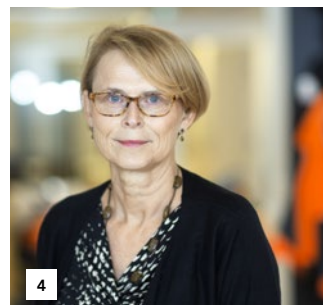
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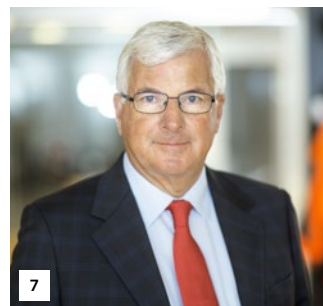
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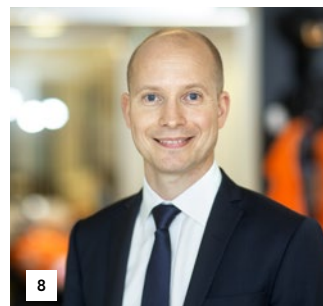
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1. Lars Westerberg

Chairman

Born 1948. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden, BBA, Stockholm University, Sweden.

Elected 2006. Member of the Remuneration Committee.

Other major assignments: Board member of AB Volvo, Meda AB, Sandvik AB, SSAB and Stena AB.

Previous positions: President and CEO and Board Member of Autoliv Inc. 1999–2011. President and CEO of Gränges AB 1994–1999. President and CEO of Esab AB 1991–1994.

Holdings in Husqvarna: 270,000 B-shares.

5. Ulf Lundahl

Board member

Born 1952. M. of Law and MBA, Lund University, Sweden.

Elected 2008. Chairman of the Audit Committee. Executive Vice President and deputy President of L E Lundbergföretagen AB.

Other major assignments: Board Chairman of Fidelio Capital. Board member of Holmen AB, Indutrade AB and Handelsbanken, Regional Bank Stockholm.

Previous positions: Senior adviser of L E Lundbergföretagen AB 2003–2004, President of Danske Securities 2001–2003, President of Östgöta Enskilda Bank/ Danske Bank Sverige 1992–2001.

Holdings in Husqvarna: 1,125 A-shares, 13,750 B-shares.

2. Magdalena Gerger

Board member

Born 1964. M. Econ., and MBA, Stockholm School of Economics, Sweden.

Elected 2010. President of Systembolaget AB.

Other major assignments: Board Chairman of IQ, subsidiary of Systembolaget AB. Board member of IFN (the Research Institute of Industrial Economics). Member of IVA (Royal Swedish Academy of Engineering Sciences).

Previous positions: Senior Vice President and responsible for Marketing & Innovation in the Nordic region, Arla Foods 2005–2009. Management consultant, Futoria AB 2004. Category Director (U.K. and Ireland) Nestlé U.K. Ltd 2000–2003, ICI Paints 1998–2000 and in Procter & Gamble 1996–1997.

Holdings in Husqvarna: 3,100 A-shares.

6. Katarina Martinson

Board member

Born 1981. Master of Science Program, Stockholm School of Economics.

Elected 2012. Portfolio management for the Lundberg Family.

Other major assignments: Board Chairman of Bellbox AB, Djursjukhusgruppen AB and Picadeli AB. Board member of L E Lundbergföretagen AB, Fastighets AB L E Lundberg, Karlsson & Wingsjö, Lundbergs Kapitalförvaltning and Fidelio Capital AB.

Previous positions: Analyst at Handelsbanken Capital Markets 2008, Vice President at Strategas Research Partners LLC, New York, U.S. 2006–2008, investment research at ISI, International Strategy & Investment Group, New York 2005–2006.

Holdings in Husqvarna: 113,478 A-shares, 378,737 B-shares.

3. Tom Johnstone

Board member

Born 1955. M.A., University of Glasgow, Scotland, Hon. Doc. in B.A., University of South Carolina, U.S. Hon. Doc. In Science, Cranfield University, U.K.

Elected 2006. Chairman of the Remuneration Committee. President and CEO and Board member of AB SKF.

Other major assignments: Board member of Investor AB.

Previous positions: Senior management positions within AB SKF since 1987. Executive Vice President of AB SKF 1999–2003. President Automotive Division 1995–2003.

Holdings in Husqvarna: 990 A-shares, 4,800 B-shares.

7. Anders Moberg

Board member

Born 1950.

Elected 2006. Member of the Remuneration Committee.

Other major assignments: Board Chairman of Clas Ohlson AB and OBH Nordica AB. Board member of Ahlstrom Corporation, Amor GmbH, Bergendahl & Son AB, Byggmax AB, Hema BV, ITAB AB, Rezidor AB, SLK OY and ZetaDisplay AB.

Previous positions: CEO of Majid Al Futtaim Group 2007–2008. President and CEO of Royal Ahold 2002–2007. Division President International of Home Depot, 1999–2002. President and CEO of IKEA Group 1986–1999.

Holdings in Husqvarna: 180 A-shares, 600 B-shares, 110,000 B-shares via capital insurance.

4. Ulla Litzén

Board member

Born 1956. M. Sc., Stockholm School of Economics, Sweden and MBA, Massachusetts Institute of Technology, U.S.

Elected 2010. Member of the Audit Committee.

Other major assignments: Board member of Atlas Copco AB, AB SKF, Boliden AB, Alfa Laval AB and NCC AB.

Previous positions: President of W Capital Management AB 2001–2005. Senior management positions and member of the Management Group, Investor AB 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB 1996–1998.

Holdings in Husqvarna: 10,000 B-shares.

8. Daniel Nodhäll

Board member

Born 1978. M.Sc., Stockholm School of Economics, Sweden.

Elected 2013. Member of the Audit Committee. Investment Manager and Head of Capital Goods at Investor AB.

Previous positions: Analyst focused on the engineering sector at Investor AB since 2002.

Holdings in Husqvarna: 5,000 B-shares.

Hans Linnarson was a member of the Board from January 1 to July 22, 2013. Holdings in Husqvarna as of December 31, 2013.

Employee representatives



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9. Soili Johansson

Employee representative

Born 1962. Representative of the Federation of Salaried Employees in Industry and Services.

Holdings in Husqvarna: 225 A-shares, 750 B-shares.

11. Carita Spångberg

Deputy employee representative

Born 1968. Representative of the Swedish Confederation of Trade Unions.

Holdings in Husqvarna: 0 shares.

10. Annika Ögren

Employee representative

Born 1965. Representative of the Swedish Confederation of Trade Unions.

Holdings in Husqvarna: 0 shares.

12. Lotta Widehäll

Deputy employee representative

Born 1976, Representative of the Federation of Salaried Employees in Industry and Services.

Holdings in Husqvarna: 0 shares.

Auditor

PricewaterhouseCoopers AB is appointed auditors for a four-year period until the Annual General Meeting 2014.

Johan Engstam

PricewaterhouseCoopers AB

Born 1966. Authorized Public Accountant. Auditor in charge.

Other audit assignments include:

Elekta AB and Transmode AB.

Holdings in Husqvarna: 0 shares.

Group Management



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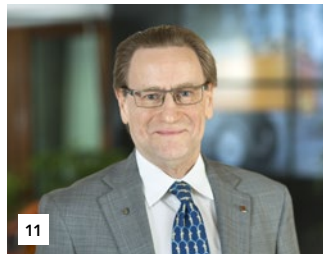
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1. Kai Wörn

President and CEO

Born 1959. M.Sc. in Mechanical Engineering, the Royal Institute of Technology, Stockholm, Sweden. Employed and member of Group Management since July 2013. **Previous positions:** Operations partner at IK Investment Partners 2011–2013. President and CEO of Seco Tools AB 2004–2010. Various positions at ABB 1985–2004.

Holdings in Husqvarna: 115,865 B-shares*.

5. Nicolas Lanus**

Executive Vice President, Head of Asia/Pacific

Born 1973. B.Sc. in Business Administration, UADE University, Argentina, Executive Program, London Business School, I.K. Member of Group Management since 2013.

Previous positions: Vice President Sales and service, Asia/Pacific region 2011–2013. Vice President Sales and Service, Latin America 2008–2011. Regional Director, Southern Europe 2006–2008. Various management positions in product management, sales and marketing, Electrolux Major Appliances and Electrolux Consumer and Professional Products, 1999–2006.

Holdings in Husqvarna: 10,934 B-shares.

9. Alan Shaw

Executive Vice President, Head of Americas

Born 1963. MBA, Indiana University and BS, University of Idaho. Employed and member of Group Management since August 2013.

Previous positions: President and CEO, Char-Broil LLC, US 2005–2013. President and CEO, Murray Group, US, 2003–2005. Various positions within Whirlpool Corporation 1987–2003.

Holdings in Husqvarna: 8,077 B-shares

2. Henric Andersson

Executive Vice President, Head of Product Management & Development

Born 1973. M. Sc. in Industrial Engineering & Management, Linköping Institute of Technology, Linköping, Sweden. Employed 1997. Member of Group Management since 2012.

Previous positions: Vice President Construction Equipment, Husqvarna 2008–2011. Vice President Commercial Lawn & Garden and President Husqvarna Turf Care 2004–2008. Vice President Riders & Robotic Mowers 2002–2004. Several leadership positions in product & business management, Husqvarna 1997–2001

Holdings in Husqvarna: 19,167 B-shares.

6. Ulf Liljedahl

Senior Vice President, Head of Group Staff Finance, IT, Investor Relations

Born 1965. B.Sc. in Business Administration and Economics, Lund University, Sweden. University of Pennsylvania – The Wharton School (Advanced Management Program), U.S. Employed and member of Group Management since 2011.

Previous positions: Executive Vice President and CFO, Cardo Group 2007–2011. Various positions within Finance at Alfa Laval 1992–2007.

Holdings in Husqvarna: 9,041 B-shares.

10. Anders Ströby

Executive Vice President, Head of Construction

Born 1953. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden. Employed 1980. Member of Group Management since 2006.

Previous positions: Head of Garden Equipment and Construction Products, Electrolux 1996–2002.

Holdings in Husqvarna: 11,268 A-shares, 106,348 B-shares.

3. Martin Austermann

Senior Vice President, Head of Global Purchasing

Born 1957. Dipl. Ing., RWTH University of Aachen, Germany. Employed 2008. Member of Group Management since 2011.

Previous positions: Chief Procurement Officer, Husqvarna 2008–2011. Vice President Group Purchasing, Grammer AG 2002–2008. Vice President Supply Chain Management, Metabo AG 1996–2002.

Holdings in Husqvarna: 8,784 B-shares.

7. Sascha Menges

Executive Vice President, Head of Manufacturing & Logistics

Born 1971. M.Sc. in Ind. Engineering & Management, Swiss Federal Institute of Technology, Zurich, Switzerland. MBA, INSEAD, France. Employed 2004. Member of Group Management since 2011.

Previous positions: Various leadership positions in Supply Chain Management and Operations, Husqvarna 2007–2011. Vice President Supply Chain Management, Gardena AG 2004–2007. Associate Principal Management Consulting, McKinsey & Company, Inc 1996–2004.

Holdings in Husqvarna: 30,351 B-shares.

11. Olle Wallén

Senior Vice President, Head of Group Staff Legal Affairs, Husqvarna Board Secretary

Born 1953. M. of Law, Stockholm University, Sweden. Employed 1993. Member of Group Management since 2006.

Other major assignments: Advisory Board Member, FM Global Europe

Previous positions: General Counsel, Electrolux Europe 2002–2005. General Counsel, Electrolux North America 2000–2001.

Holdings in Husqvarna: 4,842 A-shares, 29,486 B-shares.

4. Per Ericson

Senior Vice President, Head of Group Staff People & Organization and Group Staff Communications

Born 1963. Forest Engineer, U.S. Forestry Studies. Studies in Change Management in Organisation and Social Systems. Employed and member of Group Management since 2011.

Previous positions: Executive Vice President Human Resources, Haldex 2006–2011. Various executive positions, most recently as Executive Vice President Human Resources, Stora Enso 1987–2006.

Holdings in Husqvarna: 10,800 B-shares.

8. Frida Norrbom Sams

Executive Vice President, Head of EMEA (Europe, Middle East and Africa)

Born 1971. M.Sc. in Business Administration, Uppsala University, Sweden. Member of Group Management since 2013.

Previous positions: Vice President Sales and service Europe Asia/Pacific, Nordic and Baltic regions 2011–2013. Managing Director North Europe/Senior Vice president Sales & Marketing, Sanitec Corporation, 2009–2011. Chief Information Officer/Executive Vice President, Sanitec Corporation, 2007–2009. Senior Manager, Bearingpoint, 2002–2007. Manager, Andersen Business Consulting, 1999–2002.

Holdings in Husqvarna: 6,183 B-shares.

* Holdings in Husqvarna as of February 10, 2014.

** Nicolas Lanus was employed until December 31, 2013.

Holdings in Husqvarna as of December 31, 2013.

Annual General Meeting 2014

The Annual General Meeting of Husqvarna AB (publ) will be held at 4 pm on Thursday April 10, 2014, at the Elmia Congress Centre, the Hammarskjöld Hall, Elmiavägen 15, Jönköping, Sweden.

Financial information 2014

April 10	Annual General Meeting
April 24	Interim report Jan–March
July 16	Interim report Jan–June
October 22	Interim report Jan–Sep

Participation

Shareholders who intend to participate in the AGM must:

- Be registered in the share register kept by Euroclear Sweden AB on Friday April 4, 2014.
- Give notice of intent to participate, thereby stating the number of assistants attending, to Husqvarna no later than Friday April 4, 2014.

Notice of participation

Notice of intent to participate can be given:

- By mail to Husqvarna AB, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden.
- By telephone at +46 36 14 70 10 between 9 am and 4 pm weekdays.
- At www.husqvarnagroup.com/agm

Notice should include the shareholder's name, personal 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 AGM 2014. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Husqvarna prior to the AGM.

Shares registered by nominees

Shareholders, whose shares are registered in the names of nominees, must have their shares temporarily registered in their own name on Friday April 4, 2014, in order to participate in the AGM. To ensure that such registration is made prior to Friday April 4, 2014 shareholders must inform the nominee well in advance of that date.

Dividend

The Board of Directors has proposed a dividend of SEK 1.50 per share, and Tuesday April 15, 2014 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Tuesday April 22, 2014. The last day for trading in Husqvarna shares with right to dividend for 2013 is Thursday April 10, 2014.



The Annual Report is distributed to new shareholders and to those who have explicitly requested one. The Annual Report and other financial reports are also available at www.husqvarnagroup.com/ir. Printed copies can be ordered from the Group's website.