

*The Board of Directors' proposals to the Husqvarna AB Annual General Meeting on April 19, 2007*

**Item 8b - Disposition in respect of the company's profit**

The Board of Directors proposes a dividend for the financial year 2006 of SEK 2.25 per share and Tuesday, April 24, 2007 as record date for the dividend. If the Annual General Meeting resolves in accordance with the Board of Director's proposal, the estimated date for the payment of the dividend is Friday, April 27, 2007.

**Item 13 - Principles for remuneration for the senior management of the company**

The Board of Directors proposes that the Annual General Meeting approves the principles below for remuneration and other conditions of employment for Husqvarna Group Management. These principles shall apply to remuneration and other conditions of employment for the CEO and President as well as for other members of Husqvarna AB's Senior Management (the "Group Management"). The principles shall apply to contracts of employment entered into after the Annual General Meeting 2007 and also to amendments made thereafter to contracts of employment which are in force. Remuneration to the Group Management is determined by the Husqvarna's Board of Directors based on proposals from the Board of Director's Remuneration Committee.

Guidelines

The overall principles for remuneration to the Group Management shall be based on the position, individual performance, Group performance, and remuneration shall be competitive in relation to the country of employment. Total remuneration to a member of Group Management shall consist of a fixed salary, variable salary in the form of short-term incentives based on yearly 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 "performance-related payment". This means that variable remuneration can constitute a substantial component of total remuneration.

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 (usually through an annual salary review) in order to ensure continued competitiveness and in order to correctly reward performance.

Variable salary (Short-term Incentive "STI")

Members of the Group Management shall receive STI in addition to the fixed salary. The emphasis in STI shall be on the financial result for the Group or for the sector or function for which the member is responsible. In addition, performance indicators can be used in order to focus on questions of special interest to the company. Clearly defined objectives for "target" and "stretch" levels of performance shall be stated at the start of every year and reflect the plans approved by the Board. STI shall be dependent on the position and may amount to a maximum of 50% of the salary on attainment of the "target" level and a maximum of 100% of the salary on attainment of "stretch" level, which also is the cap for the STI. In the USA, the STI component is normally higher and may in some cases amount to a maximum of 100 % on attainment of the "target" level and a maximum of 150% of the salary on attainment of the "stretch" level. The Board of Directors decide if the full 50/100/150% shall be utilised or if a lower number shall be used.

Long-term incentive

The Board of Directors will evaluate on a yearly basis whether or not a long-term incentive program (e.g. share or share price based) shall be proposed to the Annual General Meeting.

Pensions and insurance

Pension and sickness 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 within the country. If possible, pension plans shall be defined-contribution in accordance with the Group's 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 periods of notice 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 principal conditions for remuneration to the Group Management in the current contracts of employment may be seen in note 26 in the Annual Report for 2006 with references.

### Authority for the Board to deviate from the guidelines

If special circumstances exist, the Board of Directors shall be able to deviate from these guidelines. In the event of such a deviation, the next Annual General Meeting shall be informed of the reasons.

### **Item 14 - Amendment of the articles of association**

The Board of Directors proposes that the articles of association are amended by removal of the last paragraph of § 5. The paragraph has the following wording:

“When the share capital is increased by way of a bonus issue, new shares shall be issued of each class of shares in relation to the number of shares of the same class that already existed. Old shares of a certain class shall entitle the holder to new shares of the same class. This provision shall not mean a restriction of the possibility to, by way of a bonus issue, issue a new class of shares, provided the required amendments of the articles of association are made.”

For a valid resolution in accordance with the proposal above, a shareholder majority of two thirds of the votes and two thirds of the shares represented at the Annual General Meeting is required. In addition thereto, a valid resolution requires a shareholder majority of at least half of all the shares of class A and nine tenths of the shares of class A represented at the Annual General Meeting.

Shareholders representing 38.1 per cent of all the shares and 51.6 per cent of all the votes and 97.7 per cent of all the shares of class A have declared that they support the proposal from the Board.

### **Item 15 – Reduction of the share capital**

The Board of Directors proposes that the share capital is reduced by SEK 6, by way of a redemption of three shares of class B and that the reduction amount shall be transferred to a fund to be used in accordance with the decision of the Annual General Meeting. The Board proposes that the redemption is made from Investor AB, who has agreed to such redemption.

From the Board's proposal in item 16 follows that the Board has proposed an increase of the share capital in the amount of SEK 177,755,490. The Companies Register's (Sw. *Bolagsverket*) approval of the reduction will therefore not be required since the total effect on the company's share capital and restricted equity – provided that the Board's proposal is executed – will be that the share

capital is increased by SEK 177,755,484, i.e. SEK 177,755,490 minus SEK 6 and that the restricted equity otherwise will remain unchanged.

The reason for the proposal from the Board is that the reduction means that an even number of shares is obtained, which means that the bonus issue proposed by the Board can be effectuated. Due to the fact that the redemption is made without payment, all shareholders have not been afforded the opportunity to have their shares redeemed.

The proposal pursuant to this item 15 is conditional upon that the Annual General Meeting resolves in accordance with the Board's proposal in item 14 and a resolution pursuant to this item 15 is conditional upon that the Annual General Meeting resolves in accordance with the Board's proposal in item 16.

For a valid resolution in accordance with the proposal above, a shareholder majority of two thirds of the votes and two thirds of the shares represented at the Annual General Meeting is required.

Shareholders representing 38.1 per cent of the shares and 51.6 per cent of the votes have declared that they support the proposal from the Board.

### **Item 16 - Bonus Issue**

The Board of Directors proposes that the share capital is increased by SEK 177,755,490 by way of a bonus issue of 88,877,745 shares of class A. The increase amount is obtained through the re-allocation of SEK 177,755,490 from unrestricted equity according to the most recently adopted balance sheet. The following conditions shall apply to the bonus issue:

1. Each old share of class A or class B shall entitle to one (1) bonus share right for shares of class A. 10 bonus share rights shall entitle to three (3) new shares of class A.
2. The record date for the bonus issue shall be 16 May 2007.
3. Each shareholder's bonus share rights that are not evenly divisible by ten shall be sold through the company under Chapter 11 Section 9 of the Companies Act. This means that the funds, net of sales costs, received from such sales shall be allocated between the shareholders whose bonus share rights have been sold.
4. The new shares shall entitle to dividend from and including the current financial year.
5. The CEO is mandated to make such immaterial amendments to this resolution that may be necessary in order to register the bonus issue with the Companies Register and VPC AB.

The proposal in this item 16 is conditional upon that the Annual General Meeting resolves in

accordance with the Board of Directors' proposal in item 14 and 15. A resolution pursuant to this item 16 shall be conditional upon that the resolutions pursuant to item 14 and 15 are registered with the Companies Register.

Shareholders representing 38.1 per cent of the shares and 51.6 per cent of the votes have stated that they support the Board of Director's proposal.

### **Item 17 – Long term incentive program (“LTI 2007”)**

#### *Summary of the program*

The Board of Directors proposes that the Annual General Meeting resolves to adopt a performance based incentive program (LTI 2007). LTI 2007 is proposed to include in total approximately 50 senior managers within the Husqvarna Group. LTI 2007 entails that the participants will, at market price, invest in class B shares in Husqvarna. This personal investment will thereafter be matched by the company free of charge through grants so called matching share awards and performance based employee stock options, on the terms stipulated below.

#### *The personal investment*

In order to participate in the program, the employees shall purchase class B shares in Husqvarna corresponding to a value of a minimum of 5 per cent and a maximum of 10 per cent of their annual target income (fixed salary plus yearly performance bonus). The personal investment will be carried out through a central purchase by a bank.

The personal investment in class B shares will be matched by the company after three years subject to the participant maintaining the personal investment and the employment within the Group during the three year period. For each class B share which the employee purchases within the framework of LTI 2007, the company will grant at most 1.5 share awards and a number of employee stock options. The matching will be based on the amount of shares which the employee purchases, however the purchase price will be assumed to correspond to a minimum of SEK 80 per share, which means that the number of shares can amount to no more than 5-10 percent of the target salary divided by 80. This limitation as to the purchase price enables control and predictability over the maximum scope and cost of the incentive program. Each matching share award entitles the holder to one class B share free of charge, and each stock option entitles the holder to purchase one class B share.

#### *The matching share awards*

The matching share awards shall be governed by the following terms and conditions:

- Granted free of charge.
- May be exercised three years after grant.
- Carry no right to compensation for dividends on the underlying shares.
- Non-transferable.
- May only be exercised provided that the holder is still employed by the Husqvarna Group and has maintained the personal investment for three years from the day of grant.
- May be granted by Husqvarna or any other company within the Husqvarna Group.

#### *The employee stock options*

The employee stock options shall be governed by the following terms and conditions:

- Granted free of charge.
- Each stock option entitles the holder to purchase one class B share in the company. The purchase price when exercising a stock option shall correspond to 110 per cent of the average volume weighted closing price of the company's class B share at the Stockholm Stock Exchange, during a period of 10 trading days prior to the day of grant.
- May be exercised at the earliest four years and at the latest eight years from the day of grant.
- Carry no right to compensation for dividends on the underlying shares.
- Non-transferable.
- May only be exercised provided that the holder is still employed by the Husqvarna Group, and has maintained the personal investment for three years from the day of grant.
- May be granted by Husqvarna or any other company within the Husqvarna Group.

The number of employee stock options that may be exercised depends on the number of class B shares that the employee has purchased within the framework of LTI 2007, as well as the company's earnings per share increasing, during 2007-2009, to certain levels determined by the Board of Directors. These determined levels are; Entry, Target and Stretch, with a linear progression between each performance level. Entry constitutes a minimum level which must be exceeded in order to enable exercise of the employee stock options. The levels correspond to the following numbers of stock options:

- Entry: 3 options / purchased class B share + 2,000 options
- Target: 7 options/ purchased class B share + 5,000 options
- Stretch: 12 options/ purchased class B share + 8,000 options

Consequently, the total number of stock options that may be exercised is limited to 12 options per purchased class B share plus an additional 8,000 options per participant.

### *Preparation and administration*

The Board of Directors, or a committee established by the Board, shall be responsible for preparing the detailed terms and conditions of the incentive program, in accordance with the terms and guidelines resolved by the Annual General Meeting. To this end, the Board of Directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The Board of Directors may also make other adjustments if significant changes in the Husqvarna Group, or its circumstances, would result in a situation where the decided terms and conditions for matching and for the possibility to exercise the share awards and employee stock options under the incentive program, become inappropriate to use.

### *Allocation*

LTI 2007 is proposed to comprise a maximum of 2,400,000 class B shares, assuming a price of SEK 100 each for the shares purchased as part of the personal investment. In accordance with the above, LTI 2007 will comprise the following number of class B shares for the different categories of participants: the CEO, approximately 110,000 class B shares, members of Group Management, each approximately an average of 81,000 class B shares, corresponding to a total of approximately 650,000 class B shares, and other participants, each approximately an average of 40,000 class B shares, corresponding to a total of approximately 1,640,000 class B shares. The above described numbers are conditional upon the participants investing 10 percent of their annual target salary and the fulfilment of Stretch as described above.

### *Scope and costs of the program*

At full exercise of all share awards and stock options, and assuming a price of SEK 100 each for the shares purchased as part of the personal investment, LTI 2007 is estimated to comprise no more than 0.81 per cent of the share capital. Considering the previously issued and outstanding options and rights to shares in accordance with previous incentive programs, the company's incentive programs correspond to approximately 0.97 per cent of

the total number of shares. Information on other incentive programs in the company can be found in **Appendix B.1**.

LTI 2007 will be accounted for in accordance with IFRS 2 – Share-based Payment. IFRS 2 stipulates that share awards and employee stock options should be expensed as personnel costs over the vesting period and will be reported directly against equity. Based on the assumptions that the share price is SEK 100 at the time of the personal investment, that each participant make a maximum personal investment, and that the annual employee turnover is 5 per cent among the participants of the program, the total cost for the program is estimated to approximately SEK 37 million before tax, if the performance level Target is reached. The cost will be allocated over the years 2007-2011. The corresponding cost at performance level Stretch is estimated to SEK 51 million. Social security charges are included in the estimated amounts.

In order to limit the costs, including social security charges, for the program, the board of directors will adopt security measures, such as share swaps, with unrelated parties and/or on the condition that the annual general meeting resolves in accordance with item 18 on the agenda regarding the repurchase of the company's own shares, which can be transferred to the participants of the program. The intention is to not issue new shares as a result of the program. At a possible repurchase of the company's own shares, already issued shares will be repurchased and then transferred to employees, or alternatively be sold on the market in order to cover the costs for social security charges.

### *The rationale for the proposal*

The purpose of the proposed incentive program is to maintain and recruit competent managers to the Group. LTI 2007 has been designed based on the view that it is desirable that managers within the Group become shareholders in the company to a larger extent than today, which is expected to have a positive impact on their long term performances. By connecting the employees' remuneration to the results and value increase of the company, employee loyalty is encouraged, which in turn promotes the long term value growth of the company. LTI 2007 is also designed with the aim to offer competitive remuneration for managers in comparison to other comparable companies in the industry. In the light of the above, the Board of Directors believes that adopting the incentive program will have a positive effect on the development of the Husqvarna Group and consequently that it will be beneficial to both the shareholders and the company.

### *Preparation*

The Group Executive Board has, in consultation with external advisors, prepared the incentive program in accordance with guidelines set out by the Remuneration Committee. The incentive program has been reviewed at meetings of the Board of Directors during the spring of 2007.

### *Majority requirement*

For a valid resolution in accordance with this proposal, a shareholder majority of nine tenths of the shares as well as the votes represented at the Annual General Meeting is required.

### **Item 18 – Acquisitions and transfer of own shares**

#### A. Acquisition of the company's own shares

The Board of Directors proposes that the Annual General Meeting authorises the Board to resolve to acquire the company's own shares until the next Annual General Meeting in accordance with the following.

1. The company may acquire a number of shares of class B so that the company holds no more than 3 per cent. of the total number of shares in the company after each acquisition.
2. The shares shall be acquired at the Stockholm Stock Exchange.
3. The acquisitions of shares over the stock exchange may only take place at a price within the registered spread at any given time.
4. Payment for the shares shall be made in cash.

The acquisitions may only take place in order to hedge the company's obligations (including social charges) pursuant to 1) the Husqvarna Performance Share Plan 2006, and 2) the program proposed in item 17.

#### B. Transfer of the company's own shares

The Board of Directors proposes that the Annual General Meeting authorises the Board to resolve to transfer the company's own shares until the next Annual General Meeting in accordance with the following.

1. The company may transfer such own shares of class B that the company holds at the time of the Board of Directors' decision.
2. The shares shall be transferred at the Stockholm Stock Exchange.
3. The transfers of shares over the stock exchange may only take place at a price within the registered spread at any give time.
4. Payment for the shares shall be made in cash.

The reason for the Board of Director's proposal is that the company shall have the opportunity

to, on an ongoing basis, adapt the number of shares that is held by the company as a hedge of the company's obligations pursuant to implemented incentive programs.

#### C. Transfer of own shares by reason of Husqvarna Performance Share Plan 2006 and the program proposed in item 17

The Board of Director's proposes that the Annual General Meeting resolves to transfer the company's own shares in accordance with the following.

1. At most 2,880,000 shares may be transferred.
2. The participants in the abovementioned programs (the "Participants") shall be entitled to receive the shares. Each Participant shall be entitled to a maximum number of shares in accordance with the conditions of the programs.
3. A Participants right to receive shares is conditional upon that all conditions in the respective program are fulfilled.
4. Transfers of shares under the Husqvarna Performance Share plan 2006 and in accordance with share awards granted under the proposed plan in item 17 will be made without consideration.
5. Transfers of shares in accordance with the employee stock options granted under the proposed plan in item 17 will be made at a price corresponding to 110 % of the close price of the company's Class B share on the Stockholm Stock Exchange during a period of 10 trading days prior to the grant of options.
6. The number of shares that may be transferred in connection with the programs will be subject to recalculation in case the company carries out a bonus issue, a split, a rights issue or similar, all in accordance with the conditions of the programs.

The transfer of own shares is a part of 1) the performance share program for Husqvarna, resolved by the Annual General Meeting of AB Electrolux (publ) in 2006 and 2) the incentive program proposed by the Board in item 17.

#### Majority Requirements

For a valid resolution in accordance with the Board of Directors' proposal pursuant to item A and B above, a shareholder majority of two thirds of the votes and two thirds of the shares represented at the Annual General Meeting is required. For a valid resolution in accordance with the Board of Directors' proposal pursuant to item C above, a shareholder majority of nine tenths of the votes and nine tenths of the shares represented at the Annual General Meeting is required.

**Item 19 – Authorisation for the Board to resolve on new issues of shares**

The Board of Directors proposes that the Annual General Meeting authorises the Board to resolve to issue not more than 38,500,000 shares of class A and class B for payment in kind, on one or several occasions during the period until the next Annual General Meeting.

The division between shares of class A and class B shall substantially correspond to the division of shares at the time of the issue of new shares.

The price for the new shares shall be based on the market price of the company's shares. The purpose of the authorisation is to facilitate acquisitions where the consideration will be paid with own shares.

Shareholders representing 31.4 per cent of the shares and 45.4 per cent of the votes have stated that they support the Board of Directors' proposal.