

### Long-term incentive program 2006

The Electrolux Annual General Meeting on 24 April 2006 approved the Husqvarna Board of Directors' proposed long-term incentive program, which covers about 40 senior managers. The program is a performance-based share program based on value creation targets for Husqvarna that are established by the Board. If the set targets for value creation are reached or exceeded after a three-year period, shares of series B will be allocated. Allocation of shares under the program is determined on the basis of three levels of value creation, "entry", "target" and "stretch". If the entry level is not reached, no allocation will take place. If stretch level is reached, a maximum number of shares will be allocated and that number may not be exceeded regardless of the value created during the period. The number of shares allocated at stretch level is 50% greater than the number of shares that are allocated at target level. The shares will be allocated free of charge after the end of the three-year period. Participants are permitted to sell allocated shares to cover personal income tax, but the remaining shares must be held for at least two years. Participants in the program are divided in four groups; the President, other members of Group Management, and two groups of other senior managers and key employees. For each of the four groups a target value is set in SEK. Each target value is converted into a number of shares. The values are shown in the table below:

Position/Group	Target number of B-shares <sup>1</sup>	Target value in SEK
President and CEO	24,000	1,800,000
Other members of Group Management	12,000	900,000
Other senior managers, category A	8,000	600,000
Other senior managers, category B	6,000	450,000
<b>Total target value and number of shares for all participants, approximately<sup>2</sup></b>	<b>320,000</b>	<b>24,000,000</b>

There are currently no hedging costs or similar costs for the program. There is no right for the participants or Husqvarna to renegotiate the conditions of the incentive program.

<sup>1</sup> Each target value is subsequently converted into a number of shares. The conversion rate is SEK 75, based on the average last price paid for series B-shares during the 10 trading days on the Stockholm Stock Exchange preceding the date on which the offer of participation in the program was made (adjusted for the discounted value of future dividends).

<sup>2</sup> The maximum number of shares that can be allocated in the program is 480,000 shares and is calculated as target value SEK 24,000,000 divided by 75 and multiplied by 1.5 (assuming that stretch level is reached).

*Accounting principles*

The program is accounted for in accordance with IFRS 2 Sharebased Payment. The Group provides for the employer contributions that are expected to be paid when the shares are distributed. The provision is periodically revalued based on the share market price at each balance sheet date. The total cost charged to the income statement for 2006 amounted to SEK 9 m whereof SEK 2m refers to employer contribution. The total provision for share-based compensation amounted to SEK 2m.

*Incentive Compensation*

Historically, Husqvarna operations have been included in the Electrolux Group. Over the years, Electrolux has implemented several long-term incentive programs (LTI) which senior managers (approximately 30) within Husqvarna have participated in. During 2006, before the spin off from Electrolux, all options in Electrolux that were held by Husqvarna's employees were exercised and no members of the Group Management or any other of Husqvarna's employees longer hold such options. The Husqvarna Board has decided to compensate for the remaining shortfall periods existing after the split on 1 January 2006, of the old Electrolux Performance Share Programs (PSP) initiated in 2004 and 2005. Participation in PSP 2004 gives 1/3 of the award level for 2006 and participation in PSP 2005 gives 1/3 of the award level for 2006 and 1/3 for 2007. There are four award levels (SEK): 1,200,000 / 900,000 / 600,000 / 450,000. The Husqvarna Board has decided to use short-term incentive plans for 2006 and 2007 as compensation solution. These plans are based on Group value creation and the following principles.

- Employees covered must remain employed in Husqvarna until 31 December 2007 to be entitled. In addition to the original award level, 50% of said award level will be added as a "retention bonus".
- Final payout for 2006 and 2007 will be made in the first quarter 2008, subject to the Husqvarna Board approval of actual Value Creation.

Total cost for 2006 was approximately SEK 15m. The total cost charged for the Electrolux PSP 2005 amounted to SEK 13m.

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