

**Proposals by the Board of Directors  
to be presented at the Annual General Meeting of shareholders  
of Husqvarna AB (publ) on Thursday April 11, 2013**

The below proposals correspond with the numbering set forth in the agenda proposed by the Board of Directors.

***Disposition in respect of the Company's profit (item 8 b)***

The Board of Directors proposes a dividend for the financial year 2012 of SEK 1.50 per share and Tuesday, April 16, 2013 as record date for the dividend. If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, the estimated date for payment of the dividend from Euroclear Sweden AB is Friday April 19, 2013.

***Resolution on principles for remuneration for the Group Management (item 13)***

For the Husqvarna CEO and other members of the Group Management (the "Group Management"), the principles for remuneration approved by the AGM 2012 applies. The Board of Directors proposes that the corresponding principles should be approved by the AGM 2013 for the period up to and including the AGM 2014.

These principles set forth in this item shall apply to remuneration and other employment conditions of the Group Management. The principles shall apply to contracts of employment entered into after the Annual General Meeting 2013 and also to amendments made thereafter to contracts of employment which are in force. Remuneration to the Group Management is determined by the Board of Directors based on proposals from the Board of Directors' Remuneration Committee.

***Principles***

The overall principles for remuneration to the 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 annually 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 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 business 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 Company. 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% of the fixed salary on attainment of the "target" level and a maximum of 100% of the fixed salary on attainment of "stretch" level, which also is the maximum 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 fixed 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 or share price based) should be proposed to the AGM.

#### *Pensions 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 the Group Management in the current employment agreements should be clear from note 27 in the Annual Report for 2012 with references.

#### *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.

#### *Estimated remuneration to CEO and other members of Group Management for the business year 2013*

Remuneration to the CEO and other members of Group Management comprise of fixed salary, variable salary in the form of short term incentive (STI) based on annual targets, long term incentive (LTI) and benefits such as pension etc.

Total remuneration for 2013 to members of Group Management is estimated to amount to between MSEK 32 and 76 depending on the degree to which the targets (entry-target-stretch) of the variable remuneration will be reached. Variable remuneration is thus estimated to amount to max MSEK 44.

#### *Previously decided remuneration which has not become payable*

In 2011 decisions were taken on payment of severance pay, with deduction for other income, to former members of Group Management who have been made redundant. These payments will be paid during 2012 and 2013. Severance pay which has not become payable amounts to a maximum of MSEK 7.

### ***Resolution regarding the adoption of a long term incentive program (LTI 2013) (item 14)***

#### *Summary of the program*

The Board of Directors proposes that the Annual General Meeting resolves to adopt a performance based long term incentive program, LTI 2013. The program is proposed to include a maximum of 50 senior managers within the Husqvarna Group. LTI 2013 implies that the participants must own shares in Husqvarna. Subject to the fulfilment of certain performance targets and conditions during a three year vesting period, matching share awards and performance based share awards, to be granted in 2013, will vest and give right to Class B-shares in Husqvarna in accordance with the following.

#### *The personal investment and share awards*

In order to participate in the program, the employees must own shares in Husqvarna. The employee is entitled to participate with such number of shares amounting to a minimum 5% and maximum 10% of his or her annual fixed salary in 2013, divided by the share price SEK 39.24<sup>1</sup>. The shares used for the personal investment can either be shares already held or shares purchased on the market in connection with the application to participate in LTI 2013.

For each share which the employee participates with within the framework of LTI 2013, the Company will grant one matching share award.

In addition, the Company will grant a number of performance based share awards. The grant of performance based share awards is linked to the participant's annual target income in 2013 (fixed salary plus variable salary at a target level).

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

- Are granted free of charge
- Are vested three years after grant (vesting period)
- Vesting of share awards and allocation of Class B-shares in Husqvarna requires that the participant is, with certain exceptions, still employed by the Husqvarna Group and has maintained the personal investment for three years from the date of grant
- Carry no right to compensation for dividends on the underlying shares
- Are non-transferable
- Can be granted by Husqvarna or any other company within the Husqvarna Group

The number of performance based share awards that vest and give right to Class B-shares further depend on the fulfilment of certain levels of increase of the Company's value creation (defined as Earnings Before Interest and Tax – Average Net Assets x Weighted Average Cost of Capital), during the calendar years 2013-2015, as determined by the Board of Directors. These levels are "Entry", "Target" and "Stretch", with a linear progression between each level. Entry constitutes a minimum level which must be exceeded in order for the performance based share awards to vest and give right to Class B-shares. The levels correspond to the following number of right to Class B-shares:

- Entry: Nil (only delivery under matching share awards)
- Target: 25% of annual target income / the share price SEK 39.24<sup>1</sup>
- Stretch: 40% of annual target income / the share price SEK 39.24<sup>1</sup>

If the price for the Class B-shares would increase more than 100% during the three year vesting period, the number of performance based share awards that vest and give right to Class B-shares will be reduced, whereby the maximum value to be received by each participant under LTI 2013 will be limited to the value of the maximum allocation at Stretch level at a share price increase of 100% during the vesting period. This limitation enables control and predictability over the maximum scope and cost of LTI 2013.

#### *Design and administration*

The Board of Directors, or a committee established by the Board, shall be responsible for the detailed design and administration of the incentive program, in accordance with the presented terms and guidelines. 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 environment, would result in the resolved terms and conditions for LTI 2013 no longer being appropriate to apply.

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<sup>1</sup> Corresponding to the average closing price of the Company's Class B-share at NASDAQ OMX Stockholm, during the period February 14-27, 2013.

#### *Allocation*

In accordance with the above, LTI 2013 will comprise the following number of Class B-shares for the different categories of participants: the CEO, approximately 116,500 Class B-shares, other members of Group Management, each approximately an average of 42,100 Class B-shares, corresponding to a total of approximately 421,000 Class B-shares, and other participants, each approximately an average of 22,000 Class B-shares, corresponding to a total of approximately 858,000 Class B-shares. The above stated numbers are calculated assuming all participants participate with maximum personal investment and the fulfilment of performance level Stretch as described above.

#### *Scope and costs of the program*

LTI 2013 is estimated to comprise a maximum of 1,400,000 Class B-shares, which corresponds to 0.3% of the total number of shares. Considering the issued and outstanding options and rights to shares in accordance with previous incentive programs, the Company's incentive programs (LTI 2009, LTI 2010 and LTI 2011) correspond to approximately 0.2% of the total number of shares. For a description of the Company's other share related incentive programs, reference is made to the annual report for 2012, note 23, and the Company's website, [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

LTI 2013 will be accounted for in accordance with IFRS 2 – Share-based Payment. IFRS 2 stipulates that share awards should be expensed as personnel costs over the vesting period and will be reported directly against equity. Social security charges will be recorded as a personnel expense in the income statement by current reservations. The accounting cost for the program is estimated to MSEK 38 before tax, if the performance level Target is reached. The cost will be allocated over the years 2013-2016. The corresponding cost at performance level Stretch is estimated to MSEK 55. Social security charges are included in the estimated amounts. The estimation of cost above is based on the assumptions that the share price is SEK 40 at the time of grant of share awards, that each participant participates with a maximum personal investment, that the annual share price increase for the Company's Class B-shares is 5%, that social security charges amount to 25% and that the annual employee turnover is 5% among the participants of LTI 2013.

In order to limit the costs, including social security charges, for the program, the Board of Directors will adopt security measures, such as equity swaps with unrelated parties, or the repurchase of Husqvarna shares that can be transferred to the participants of the program on the condition that the Annual General Meeting resolves in accordance with item 15 on the agenda. The intention is to not issue new shares as a result of the program. At a possible repurchase of Husqvarna shares, already issued shares will be repurchased and then transferred to employees, or alternatively be sold on the market in order to cover the social security charges.

#### *The rationale for the proposal*

The purpose of LTI 2013 is to create conditions to retain and recruit competent managers, provide competitive remuneration and to align the interests of the managers with the interests of the shareholders. In light of the above, the Board of Directors believes that adopting the incentive program LTI 2013 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*

LTI 2013 is based on similar terms and conditions as the incentive program granted in 2011 (LTI 2011) and has in accordance with guidelines set out by the Remuneration Committee been prepared by the Group Management on consultation with external advisors. The incentive program has been reviewed at meetings of the Board of Directors in 2013.

**Authorization to repurchase and transfer Husqvarna B-shares (item 15)**

**a) Resolution on authorization to repurchase Husqvarna B-shares**

The Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to pass a resolution, on one or more occasions, for the period up until the next Annual General Meeting on repurchasing so many B-shares that the Company's holding does not at any time exceed 3% of the total number of shares in the Company. The purchase of shares shall take place on the NASDAQ OMX Stockholm and may only occur at a price within the share price interval registered at that time, where share price interval means the difference between the highest buying price and lowest selling price.

The purpose of the authorization is to hedge the Company's undertakings (including social security charges) for resolved incentive programs and to continuously adapt the number of shares held for these purposes.

**b) Resolution on authorization to transfer Husqvarna B-shares**

The Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to pass a resolution on one or more occasions for the period up until the next Annual General Meeting, on transfer of B-shares in Husqvarna on the NASDAQ OMX Stockholm. The number of shares to be transferred may not exceed the number of shares that the Company holds at the point in time of the Board's resolution. Transfer of shares may only be in consideration of cash payment at a price within the share price interval registered at that time.

The purpose of the authorization is to transfer repurchased shares to hedge costs for, including social security charges, resolved incentive programs and to continuously adapt the number of shares held in order to hedge the undertakings within the framework of the Company's incentive programs.

**c) Resolution to transfer Husqvarna B-shares in relation to LTI 2013**

The Board of Directors proposes that the Annual General Meeting resolves that not more than 1,400,000 B-shares, which are held by the Company, may be transferred free of charge to employees in accordance with the terms of LTI 2013. The number of shares that may be subject to transfer under LTI 2013 may be recalculated as a result of bonus issues, splits, rights issues and similar measures, under the terms of the program.

The transfer of shares is part of the Company's fulfilment of its obligations in accordance with LTI 2013.

**Resolution on authorization to resolve on issue of new shares (item 16)**

The Board of Directors proposes that the Annual General Meeting authorizes the Board to resolve to issue not more than 57,634,377 B-shares, which represents 10% of the shares in the Company, as payment in kind, on one or several occasions, during the period until the next Annual General Meeting.

The price for the new shares shall be based on the market price of the Company's B-shares. The purpose of the authorization is to facilitate acquisitions where the consideration will be paid with Husqvarna shares.

**Majority Requirements**

For a valid resolution in accordance with the proposals pursuant to items 14 and 15 c) above, a shareholder majority of nine tenths of the votes cast and nine tenths of the shares represented at the Annual General Meeting is required. For a valid resolution in accordance with the proposals pursuant to items 15 a) and 15 b) above, a shareholder majority of two thirds of the votes cast and two thirds of the shares represented at the Annual General Meeting is required.

The Board of Directors' reasoned statement is set forth in **appendix A**.

**The Board of Directors' statement in accordance with Chapter 18 Section 4 and Chapter 19 Section 22 of the Swedish Companies Act (2005:551)**

**Background**

The Board of Directors hereby presents the following statement in accordance with Chapter 18 Section 4 and Chapter 19 Section 22 of the Companies Act.

The reasons for the Board of Directors view that the proposed dividend and the proposed authorization of the Board of Directors to repurchase Husqvarna shares are compliant with the provisions of Chapter 17 Section 3 Paragraphs 2 and 3 of the Companies Act are the following.

The assets and liabilities have been valued at actual value pursuant to Chapter 4 Section 14a of the Annual Reports Act (1995:1554). If the valuation had not been made at actual value, the equity would have been SEK 47,196,000 higher.

**The nature, scope and risks of the business**

The nature and scope of the Company's and the Group's business are set out in the Articles of Association and previous annual reports. The business carried out by the Company and the Group does not entail greater risks than risks that exist or is likely to exist in the industry or such risks which are generally associated with running business operations. As regards material events, reference is made to the Report by the Board of Directors in the Annual Report for 2012. The Company's and the Group's dependence on business cycles does not deviate from what is otherwise common in the industry.

**The financial position of the Company and the Group**

The financial position of the Company and the Group as of 31 December 2012 is described in the most recent Annual Report. The Annual Report also states the accounting principles that have been applied for valuation of assets, reserves and liabilities.

From the Board of Directors' dividend proposal, it follows that the Board of Directors proposes a dividend of SEK 1.50 per share. The proposed dividend represents 4.6% of the Company's equity and 7.4% of the Group's equity. The Board of Directors has also proposed that the Board of Directors shall be authorized to resolve upon acquisition of B-shares in the Company to such extent that the Company, following each acquisition, holds maximum of 3% of the total number of shares in the Company.

The Annual Report shows that the Company's equity/debt ratio amounts to 48.7% and the Group's equity/debt ratio is 41.3%. The Company's and the Group's equity/debt ratio does not differ from what is common within the industry. The proposed dividend and a full utilization of the proposed authorization to repurchase the Company's own shares do not jeopardize the investments which are deemed necessary for the business.

The proposed dividend and full utilization of the proposed authorization to acquire the Company's own shares do not affect the Company's and the Group's ability to fulfill its current and future payment obligations in a timely manner. The Company's and the Group's liquidity forecast comprises a readiness to handle variations in the ordinary payment obligations of the Company.

The Company's and the Group's financial position does not give rise to any other conclusion than that the Company will be able to continue its business and that the Company and the Group can be expected to fulfill its obligations on both a short and long-term basis.

The Board of Directors makes the assessment that the size of the Company's and the Group's equity is reasonable in relation to the scope of the Company's and the Group's business and the risks tied to the Company's business when taking into account the proposed dividend and a full utilization of the proposed authorization to repurchase the Company's own shares.

**Conclusion**

With reference to the above, and to what otherwise has been brought to the attention of the Board of Directors, the Board of Directors is of the opinion that the dividend and the authorization to repurchase the Company's own shares is justifiable in light of the provisions of Chapter 17 Section 3 Paragraph 2 and 3 of the Swedish Companies Act.

Stockholm in March 2013  
Husqvarna AB (publ)  
The Board of Directors