

## **Notice of Annual General Meeting of Husqvarna AB (publ)**

**The shareholders of Husqvarna AB (publ) are hereby invited to attend the Annual General Meeting, which will be held at 4 p.m. on Tuesday, April 21, 2015 at the Culture Center Spira, the Concert Hall, Kulturgatan 3, in Jönköping, Sweden.**

### **Registration and notification**

Shareholders who intend to attend at the Annual General Meeting must

- firstly be registered in the register of shareholders as maintained by Euroclear Sweden AB on Wednesday, April 15, 2015, and
- secondly notify the Company of their intention to attend no later than on Wednesday, April 15, 2015, by mail to Husqvarna AB, c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden, or by telephone at +46 36 14 70 10 between 9 a.m. and 4 p.m. (CET) weekdays or via the Company's website, [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm) and must include information of the number of assistants that will be attending.

The notification should include the shareholder's name, personal or company registration number, address and telephone number. The data received will be computerized and used solely for the purpose of the Annual General Meeting 2015. For shareholders wishing to participate through an authorized representative, the Company will provide proxy templates on the Company's website. Shareholders participating through an authorized representative should submit the proxy to the above address prior to the date of the Annual General Meeting.

Shareholders whose shares are registered in the names of bank or other nominees must temporarily register the shares in their own name in order to be entitled to attend the Annual General Meeting. To ensure that such registration is made on Wednesday, April 15, 2015 shareholders must inform the nominee well in advance of that date.

At the time of the issue of this notice, the total number of shares in the Company amounts to 118,474,829 A-shares and 457,868,949 B-shares, corresponding to 164,261,723.9 votes in total. The Company holds 3,374,755 B-shares at the same point in time.

### **Agenda**

1. Opening of the Annual General Meeting
2. Election of Chairman of the Meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of one or two minute-checkers
6. Determination as to whether the Meeting has been duly convened
7. Presentation of the Annual Report and the Audit Report as well as the Consolidated Accounts and the Audit Report of the Group and in conjunction therewith, the President's report on the business operations
8. Resolution concerning
  - a) adoption of the Profit and Loss Statement and the Balance Sheet as well as the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet;
  - b) allocation of the Company's profit or loss pursuant to the adopted Balance Sheet;
  - c) discharge from liability of the Directors and the President and CEO.

9. Determination of the number of Directors to be elected
10. Determination of remuneration to the Directors and the Auditors
11. Election of Directors and Chairman of the Board
12. Resolution on principles for remuneration for Group Management
13. Resolution regarding the adoption of a long term incentive program (LTI 2015)
14. Repurchase, sale and equity swaps of Husqvarna Class B-shares
  - a) Resolution on authorization to repurchase Husqvarna Class B-shares;
  - b) Resolution on authorization to sell Husqvarna Class B-shares;
  - c) Resolution on authorization to enter into equity swap arrangements to cover obligations under LTI 2015.
15. Resolution on authorization to resolve on issue of new shares
16. Closing of the Meeting

## **Proposals**

### ***Election of Chairman of the Meeting (item 2)***

The Nomination Committee proposes that Lars Westerberg is elected chairman of the Annual General Meeting.

### ***Proposed distribution of earnings (item 8 b)***

The Board of Directors proposes a dividend for the financial year 2014 of SEK 1.65 per share, to be paid in two installments, firstly SEK 0.55 per share with Thursday, April 23, 2015 as the first record day, secondly SEK 1.10 per share with Friday October 23, 2015 as the second record day. If the Annual General Meeting resolves in accordance with the Board of Directors' proposal, the estimated dates for payment from Euroclear Sweden AB are Tuesday, April 28, 2015 and Wednesday, October 28, 2015. The last day for trading in Husqvarna shares with right to the first part of the dividend is Tuesday, April 21, 2015 and with right to the second part of the dividend is Wednesday, October 21, 2015.

### ***Determination of the number of Directors to be elected (item 9)***

The Nomination Committee proposes that the Board of Directors shall comprise eight Directors to be elected by the Annual General Meeting, and no deputies.

### ***Determination of remuneration to the Directors and the Auditors (item 10)***

The Nomination Committee proposes a Board remuneration of SEK 5,260,000 in total (previously SEK 5,595,000), whereof SEK 1,725,000 (previously SEK 1,675,000) to the Chairman of the Board and SEK 500,000 (previously SEK 485,000) to each of the other Directors elected by the Annual General Meeting and not employed by the Company. For work within the Remuneration Committee, it is proposed that the Chairman shall receive an unchanged remuneration of SEK 100,000 and the two members an unchanged remuneration of SEK 50,000 each. For work within the Audit Committee, it is proposed that the Chairman shall receive an unchanged remuneration of SEK 175,000 and the two members shall receive a remuneration of SEK 80,000 (previously SEK 75,000) each.

The Nomination Committee's proposal implies an increase of the remuneration equal to approximately 3% compared to the prior total remuneration for the Directors' work in relation to the Board of Directors related work, and an increase of the total remuneration for the Audit Committee members of approximately 7% compared to the remuneration for the Audit Committee, as resolved by the AGM 2014.

A separate remuneration for attending meetings is proposed to be paid in addition to the basic remuneration and compensation for travel related costs in accordance with the following principle: For attendance at a physical Board meeting in Sweden a remuneration per meeting in accordance with the below:

- a) For a Director with residence within the Nordic countries; no extra meeting remuneration;
- b) For a Director with residence outside the Nordic countries but within Europe; SEK 10,000;
- c) For a Director with residence outside Europe; SEK 20,000.

The Nomination Committee declares that it expects the Directors to engage themselves financially in Husqvarna by acquiring Husqvarna shares within a period of five years, corresponding to approximately one year's remuneration, calculated before tax.

The Nomination Committee proposes that the Auditors' fee shall be paid on the basis of approved invoice, in accordance with previous years.

***Election of Directors and Chairman of the Board (item 11)***

The Nomination Committee proposes re-election of Magdalena Gerger, Tom Johnstone, Ulla Litzén, David Lumley, Katarina Martinson, Daniel Nodhäll, Lars Pettersson and Kai Wärn. Lars Westerberg has declined re-election.

The Nomination Committee proposes that Tom Johnstone is appointed Chairman of the Board.

The proposed Directors are presented in more detail on the Company's website.

***Resolution on principles for remuneration for Group Management (item 12)***

For the President and CEO and other members of Group Management, the principles related to fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives, pension and other benefits apply. If special circumstances exist, the Board of Directors is able to deviate from these principles. In case of such deviation, the next Annual General Meeting shall be informed of the reasons. The Board of Directors proposes that the corresponding principles should be approved by the Annual General Meeting 2015 for the period up to and including the Annual General Meeting 2016.

The total remuneration to members of Group Management for 2015 is estimated to amount to between MSEK 58 and 100 depending on the degree to which the targets (entry-target-stretch) of the variable remuneration will be reached. The variable remuneration is thus estimated to amount to maximum MSEK 42.

Severance pay which has not become payable amounts to a maximum of MSEK 4.3.

***Resolution regarding the adoption of a long term incentive program (LTI 2015) (item 13)***

*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 2015. The program is proposed to include a maximum of 70 senior managers within the Husqvarna Group. LTI 2015 requires 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 share awards, to be granted in 2015, 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 participant must buy Class B-shares in Husqvarna to a value corresponding to minimum 5% and maximum 10% of his/her annual fixed salary in 2015.

For each Class B-share, which the participant purchases within the framework of LTI 2015, the participant will be allotted one matching share award.

In addition, the participant will be allotted a number of performance share awards. The allotment of performance share awards is linked to the participant's annual target income in 2015 (fixed salary plus variable salary at a target level).

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

- Are allotted free of charge
- Are vested three years after grant (vesting period)
- Vesting of share awards and allotment 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
- Carry no right to compensation for dividends on underlying shares
- Are non-transferable

The number of performance share awards that vest and give rights to receive 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 2015-2017, 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 share awards to vest and give right to Class B-shares. The levels correspond to the following number of Class B-shares:

- Entry: Nil
- Target: 25% of annual target income / the share price SEK 66.14<sup>1</sup>
- Stretch: 40% of annual target income / the share price SEK 66.14<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 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 2015 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 the program.

#### *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 2015 no longer being appropriate to apply.

#### *Allotment*

In accordance with the above principles and assumptions, LTI 2015 will comprise the following number of Class B-shares for the different categories of participants: the President and CEO, approximately 90,200 Class B-shares, other members of Group Management, each approximately an average of 26,200 Class B-shares, corresponding to a total of approximately 288,200 Class B-shares, and other participants, each approximately an average of 13,800 Class B-shares, corresponding to a total of

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<sup>1</sup> Corresponding to the average closing price of Husqvarna's Class B-share at Nasdaq Stockholm during the period February 16-27, 2015.

approximately 800,400 Class B-shares. The above stated numbers are calculated assuming all participants participate with maximum personal investment and the attainment of performance level Stretch as described above.

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

LTI 2015 is estimated to comprise a maximum of 1,300,000 Class B-shares, which corresponds to less than 0.3% of the total number of outstanding shares. The Company has approximately 576 million 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 2013 and LTI 2014) correspond to approximately 0.5% of the total number of outstanding shares. The Company's incentive programs' effect on important key figures is only marginal. For a description of the Company's other share related incentive programs, reference is made to the annual report for 2014, note 4, and the Company's website, [www.husqvarnagroup.com](http://www.husqvarnagroup.com).

LTI 2015 will be accounted for in accordance with IFRS 2 – Share-based Payment. IFRS 2 stipulates that the share awards should be expensed as personnel costs over the vesting period and will be reported directly against equity. Estimated social security charges will be recorded as a personnel expense in the income statement by current reservations. The cost for the program is estimated to amount to MSEK 51 before tax, if the performance level Target is reached, and is allocated over the years 2015-2018. The corresponding cost at performance level Stretch is estimated to MSEK 74. Financing costs and 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 65 at the time of grant of the 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 2015.

In order to limit the costs, including social security charges, for LTI 2015, the Board of Directors will adopt hedging measures, such as equity swaps with third parties that can be transferred to the participants of the program provided that the Annual General Meeting resolves in accordance with Item 14 on the agenda. The hedging options are described below under Item 14 of the agenda. The intention is to not issue new shares as a result of the program.

#### *The rationale for the proposal*

The purpose of LTI 2015 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 2015 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 2015 is based on similar terms and conditions as the incentive program granted in 2014 (LTI 2014) and has in accordance with guidelines set out by the Remuneration Committee been prepared by Group Management in consultation with external advisors. The incentive program has been reviewed at meetings of the Board of Directors in 2015.

#### **Repurchase, sale and equity swaps of Husqvarna Class B-shares (item 14)**

##### **a) Resolution on authorization to repurchase Husqvarna Class 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 up to a number of Class B-shares so that the Company's holding does not at any time exceed 1% of the total number of outstanding shares in the Company. The purchase of Class B-shares shall take place on Nasdaq 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 sell Husqvarna Class 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 selling of Class B-shares in Husqvarna on Nasdaq Stockholm. The number of Class B-shares to be sold may not exceed the number of Class B-shares that the Company holds at the point in time of the Board's resolution. Sale of Class B-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 be able to sell repurchased Class B-shares to hedge costs for social security charges and other costs in relation to resolved incentive programs and to continuously adapt the number of Class B-shares held in order to hedge the undertakings within the framework of the Company's incentive programs.

***c) Resolution on authorization to enter into equity swap arrangements to cover obligations under LTI 2015***

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, to direct the Company to enter one or more equity swap agreements with a third party (e.g. a bank), on terms and conditions in accordance with market practice, to hedge the obligations of the Company under the LTI 2015. Under such equity swap arrangements, in exchange for certain fees paid by the Company, the third party would be obligated to acquire (in its own name) such number of Husqvarna Class B-shares as are necessary to cover the Company's obligations under the LTI 2015 and then, upon the instructions of the Company, to transfer such shares to the participants per the terms of the LTI 2015.

***Resolution on authorization to resolve on issue of new shares (item 15)***

The Board of Directors proposes that the Annual General Meeting authorizes the Board to resolve to issue not more than 57,634,377 Class B-shares, which represents 10% of the total number of shares in the Company, against 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 own shares.

**Other information**

For a valid resolution in accordance with the proposals pursuant to items 14 a) and 14 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. For all other agenda items above (except elections), a shareholder majority of half of the votes cast at the Annual General Meeting is required.

The Board of Directors and the President and CEO shall, upon request of a shareholder, and the Board deems this can be done without causing major harm to the Company, inform about matters which might affect the assessment of an item on the agenda or circumstances affecting Husqvarna's or its subsidiaries' financial situation or about Husqvarna's relation to another Group entity, or in relation to the consolidated Annual Report.

The Annual Report and the Audit Report as well as the Board of Directors' and the Nomination Committee's complete proposals pursuant to items 2 and 8-15 above as well as the Board of Director's reasoned statement pursuant to the Swedish Companies Act will be available at the Company, Husqvarna AB, Regeringsgatan 28, SE-111 53 Stockholm, Sweden and on the Company's website, [www.husqvarnagroup.com/agm](http://www.husqvarnagroup.com/agm), and will, on request, be sent to shareholders at the address given, as from March 31, 2015, at the latest.

Stockholm in March 2015  
Husqvarna AB (publ)  
THE BOARD OF DIRECTORS

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**Factory tour**

We are offering a guided tour of the Husqvarna factory in Huskvarna in close conjunction with the Annual General Meeting. Shareholders who wish to participate shall give a corresponding notice when notifying the Company of their intention to participate at the Annual General Meeting.