

Terms for Payment of Directors' Remuneration by Allocation of Synthetic Shares

1. Background and purpose

In Sweden, Directors' Remuneration has traditionally been defined and paid in cash, after authorization by the Annual General Meeting of the Shareholders ("AGM"). Lately, Husqvarna's Directors have followed a recommendation to acquire shares in Husqvarna corresponding to an amount of 25 per cent of the net (after-tax) individual Directors' Remuneration.

It is considered that Directors' long-term commitment and interest in a positive value development for Husqvarna AB (the "Company") would be enhanced by allocation of part of the Directors' Remuneration in the form of Synthetic Shares. The right to Synthetic Shares incurs a right to obtain a future payment corresponding to the market value of a series B share in the Company at the time of payment.

Synthetic Shares are comparable to promissory notes and are thus not bearers of any other rights than obtaining payment under these Terms.

2. Directors' Remuneration in the form of Synthetic Shares

The Board of Directors will obtain 75 per cent of their remuneration in cash and a number of Synthetic Shares, which in value corresponds to 25 per cent of the Directors' remuneration at the moment of allocation. The Directors can also, before the AGM, at which they are elected, request to obtain 50 per cent of their remuneration in cash and 50 per cent in the form of Synthetic shares.

Furthermore, foreign Directors can elect to not obtaining any remuneration at all in the form of Synthetic Shares. However, if the total remuneration is obtained in cash, such Directors are expected to invest 25 per cent of the net remuneration after tax in the Company's shares.

Such acquired shares shall, if feasible in the individual Director's reasonable judgment, be held as long as the Director is a member of the Company's Board.

The number of Synthetic Shares allocated to the Director is determined based on a volume-weighted average of the quoted series B share price during five trading days immediately following the announcement of the Company's first quarter report of the year, when the Director is elected or re-elected.

The Director shall inform the Company of his / her choice in writing, in a prescribed format. The choice is irrevocable and is valid for the whole term of office. The form shall be filed with the Company before the opening of the AGM resolving on Directors' remuneration in the form of Synthetic Shares.

3. Vesting period

The Directors' right to full allocation of Synthetic Shares depends on whether the Director remains a Board member for the whole term of office or only a part thereof. The vesting is made to 25 per cent per each commenced calendar quarter, during which the Director remains a Board member.

4. Payment

The Director's right to obtain payment arises, in respect of each 25 per cent of the allocated Synthetic Shares, after each announcement of the year-end and the three quarterly reports, during the fifth year after the shareholders' resolution on allocation of such Synthetic Shares. The amount is determined based on a volume-weighted average of the quoted series B share price during five trading days immediately following the announcement of the Company's year-end or quarterly reports, as applicable, and the amount shall be paid within five banking days after its determination.

Dividends paid on the Company's series B shares during the vesting period shall entitle the Director to an adjustment in the form of allocation of additional Synthetic Shares, based on a volume-weighted average of the quoted series B share price during five trading days immediately following the first day when the shares are quoted without the right to dividend. Payment pertaining to such additional Synthetic Shares shall be made on the fourth and last payment day.

5. Conversion

If the Company's share capital is increased or decreased, convertible bonds or options are issued, extraordinary dividends are made, or the Company is liquidated or merged, or similar changes are made, the number of Synthetic Shares and / or the value per Synthetic Share must be converted in order to assure the Director the same financial rights as if the Director had held actual series B shares since the allocation day or the dividend payment day in accordance with section 4, second paragraph, above. Thereby, Swedish market practice for conversion of similar instruments shall be applied as far as possible. In the event a conversion is not possible or an action or transaction regarding the Company is complicated due to that the Synthetic Shares are outstanding, payment related to, at that time outstanding Synthetic Shares, can be made in advance, based on the valid share price for the Company's series B shares at that point in time.

Conversion according to the paragraph above shall be made by a, from the Company, independent accounting company to be appointed by the Stockholm Chamber of Commerce. The conversion shall be binding for the Company and the Board of Directors.

6. Prepayment

In the event that the Director resigns as a Board member prior to the payment day as per above, the Director may, within three months of the resignation, request prepayment, which is due, in relation each to 25 per cent of all allocated Synthetic Shares, immediately after the announcement of the Company's year-end report or the three quarterly reports, as applicable, during the first year after the Director's resignation. The amount to be paid out shall be based on a volume-weighted average of the quoted series B share price during five trading days immediately following the announcement of the Company's year-end or quarterly reports, as applicable, and the amount shall be paid five banking days after its determination. The corresponding right to request prepayment shall apply for a deceased Director's estate.

7. Prohibition on pledging and assignment rights

The right accompanying the Synthetic Share cannot be mortgaged, pledged, assigned or otherwise disposed of. However, if a Director dies, the right is transferred to the estate of the deceased.

8. Changes and amendments

Any changes of these terms shall be approved by a General Meeting of the shareholders of the Company.

9. Disputes and applicable law

Disputes arising from the interpretation or the implementation of these terms shall be settled in accordance with the Swedish Arbitration Act in Stockholm and by application of Swedish law. The costs for arbitration shall be borne by the Company, except for such arbitration that according to the arbitration award has been initiated by a Director, without reasonable grounds.

These terms shall be governed by Swedish law.