ANNUAL REPORT 2007

Global leader in outdoor power products

- Five complementary acquisitions
- Strong growth under Husqvarna brand®
- Continued high profitability

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Financial information from Husqvarna is available at www.husqvarna.com/ir

The above reports are also available on request by telephone +46 8 738 63 29 or by email at ir@husqvarna.se

Husqvarna in brief

Husqvarna is the global leader in outdoor power products for forestry, park maintenance and lawn and garden care, as well as cutting equipment and diamond tools for the construction and stone industries. The product range includes products for consumers* as well as professional users. Following the acquisition of Gardena, the range has been extended to include irrigation equipment for the consumer market. The Group's products are sold in more than 100 countries.

Group sales in 2007 amounted to SEK 33.3 billion and the average number of employees was approximately 16,000.

Consumer Products

LAWN AND GARDEN

Product range

- Lawn mowers, garden tractors, trimmers, chainsaws, leaf blowers, hedge trimmers and snow throwers.
- Products for irrigation and ponds as well as garden tools.

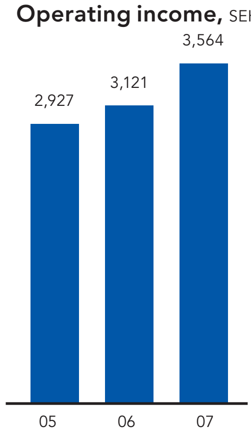
Market position

World's largest producer of lawn mowers and chainsaws, as well as handheld petrol-powered garden equipment such as trimmers and blowers. One of the two largest in garden tractors. Gardena is the market leader in Europe for irrigation products and garden tools.

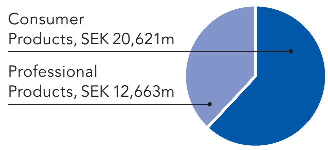
** White goods under the HUSQVARNA brand are produced and sold by the Electrolux Group.*

Net sales, SEKm

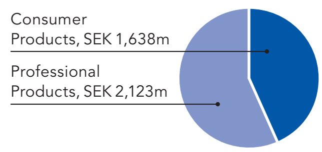
Operating income, SEKm



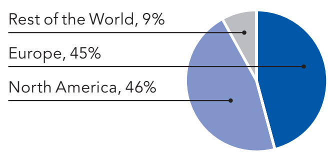
Net sales by business area, 2007



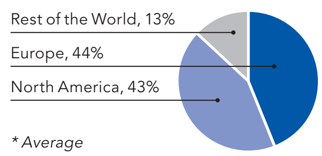
Operating income by business area, 2007



Net sales by geographical area, 2007



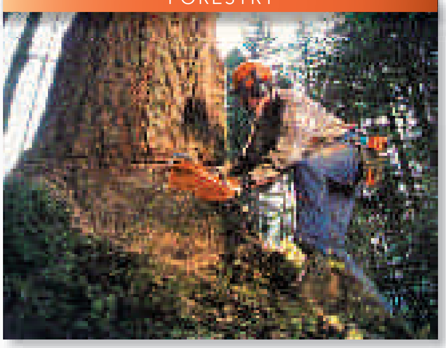
Employees by geographical area, 2007*



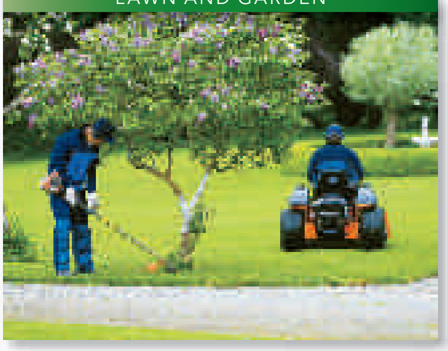
* *Average*

Professional Products

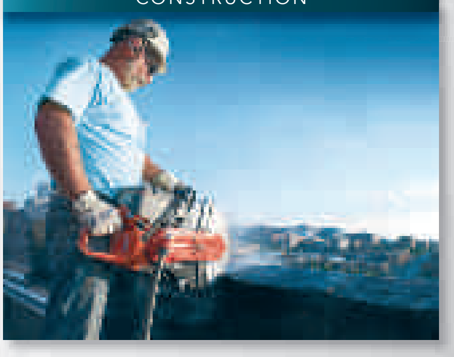
FORESTRY



LAWN AND GARDEN



CONSTRUCTION



Product offering

Forestry: High-performance chainsaws, clearing saws and accessories such as chains, blades, protective clothing and tools.

Lawn and Garden: Riders and walk-behind lawn mowers, zero-turn mowers, specialty turf-care equipment, trimmers, hedge trimmers and leaf blowers.

Construction: Floor-, wall and wire saws, tile and masonry saws, drill motors, machines for surface preparation, power cutters and diamond tools, diamond tools for the stone industry.

Market position

Forestry: HUSQVARNA and JONSERED are two of the top three leading brands for professional chainsaws in the global market, with a combined market share of approximately 40%.

Construction: World leader in diamond tools and cutting equipment for the construction and stone industries.

Husqvarna Jonsered KLIPPO ZENOAH DIAMANT BOART

Highlights of the year

- Sales rose by 13% to SEK 33,284m (29,402) and operating income by 14% to SEK 3,564m (3,121), mainly as a result of acquisitions. Excluding acquisitions and in comparable currencies, both sales and operating income rose by 3%.
- Operating margin improved to 10.7% (10.6). Excluding acquisitions and in comparable currencies, operating margin was 11.0%.
- Continued high growth for HUSQVARNA-branded consumer products in the dealer channel.
- Higher sales and operating income for Professional Products, margin remained at a high level.
- The Group strengthened its position during the year through several acquisitions, of which the German company Gardena and Zenoah in Japan were the largest with annual sales of SEK 3,800m and SEK 1,200m respectively.
- A bonus issue of 88,877,745 A shares was implemented in May and shares were distributed to holders of both A- and B-shares. The issue increased the proportion of A-shares from 3.2% to 25.5% of the capital, and from 24.9% to 77.4% of the voting rights.
- The Board of Directors proposes a dividend for 2007 of SEK 2.25 (2.25) per share, an increase of 29% adjusted for the bonus issue, for a total dividend payment of SEK 862m (667).

Report by the President

Lower demand in US within most product areas. Good growth in sales and income for both Consumer Products in Rest of the World and Professional Products. Group's position strengthened by acquisitions.

The US market showed lower demand for garden equipment and chainsaws, in both the consumer and the professional areas. The situation in Europe was varied, with a good season for lawn mowers and related products, while the rainy weather following the end of June was unfavorable for Gardena's irrigation systems. Demand for chainsaws remained good in Eastern Europe, particularly in Russia, but declined in several major markets in Western Europe. In terms of products for the construction industry, there were no major changes in demand in comparison with 2006.

Group sales and operating income improved considerably as a result of acquisitions. Adjusted for acquisitions, sales declined by 2% while operating income rose by 2%. Adjusted for acquisitions and exchange-rate effects both sales and operating income rose by 3%, and margin improved slightly to 11.0%.

The biggest change in comparison with 2006 refers to Consumer Products in the US. Despite substantially lower demand, sales were unchanged in dollars and the Group increased its market shares. Operating income declined substantially, however, as a result of higher costs for materials and components. Other Group operations reported an increase in total sales of approximately 6%, and an improvement of approximately 15% in operating income after adjustment for acquisitions and exchange rates.

Sales of HUSQVARNA-branded consumer products outside North America showed continued strong growth, rising by almost 20%, and now account for a substantial share of operating income for Consumer Products. It is gratifying to note that our efforts to achieve this strategically important development have generated such good results. Income was also favorably affected by increased utilization of the efficient American plants for manufacture of products for Rest of the World.

Professional Products showed a continued stable trend with good growth in income and a high margin, despite adverse exchange-rate effects for both chainsaws and products for the construction industry.

Long-term competitive position strengthened

In the course of the year we continued to work in various ways to strengthen the Group's long-term competitiveness.

As I have previously stated, investment in the HUSQVARNA brand has paid off for consumer products as well. In order to support a continued good performance we decided to increase our investment in marketing by SEK 100m annually during the next three years starting in 2008. We also implemented a shift to HUSQVARNA as the global brand for our products for the construction industry, which involved phasing out three other brands. The change was well-accepted by the market, and has strengthened our positions in these product areas.

During the year we completed several acquisitions which will successively contribute to higher organic growth. The largest of these was Gardena, which adds a new product area with good

Key data

	2007	2006 [1]	2005 [1]
Net sales, SEKm	33,284	29,402	28,768
Operating income, SEKm	3,564	3,121	2,927
Operating margin, %	10.7	10.6	10.2
Income after financial items, SEKm	2,889	2,692	2,448
Margin, %	8.7	9.2	8.5
Income for the period, SEKm	2,036	1,862	1,641
Earnings per share, SEK [2]	5.29	4.83	5.54
Return on capital employed, % [3]	17.6	23.8	24.1
Return on equity, % [3]	28.6	32.5	40.1
Dividend per share, SEK	2.25 [4]	2.25 [5]	–

1) Pro forma. 2) After dilution. 3) Calculated as 12 months figures. 4) Proposal 5) Before bonus issue of 88.9 million shares.

growth opportunities as well as a very strong brand. Synergy effects in terms of operating income from the acquisitions are expected after three years to correspond to approximately 5% of their sales at the date of acquisition, corresponding to a total of approximately SEK 300m.

Integration of recent acquisitions has proceeded very well to date. Despite differing circumstances and cultures, we've been able to create a good climate for our work on integration, and have identified solutions that are beneficial for the acquired operations as well as the Group as a whole. Husqvarna's previous experience of acquisitions has been an advantage.

Acquisitions also create a basis for faster and more efficient utilization of the potential for cost reductions in production and purchasing in low-cost countries. For example, during the year we decided to expand Zenoah's production in China, and to transfer some production of lawn mowers to the Gardena plant in the Czech Republic.

Focus in 2008

Work on integrating the acquisitions will have very high priority. This also applies to creating continued strong growth for both consumer and professional products under the HUSQVARNA brand. A large number of new products will be launched during the year, which will broaden and strengthen our offering. Work on expanding our dealer network will also continue, and as I said previously, we will increase investments in marketing, especially in the US.

Prior to the 2008 season we have been working on improving prices and mix within our various product categories, and this continues to have high priority. There are also good prospects for achieving greater cost-efficiency by improving productivity at our plants and increasing purchases from low-cost countries. Over the past few years we have transferred production to the US plants, which have low fixed costs and are very flexible. The Group is now a net exporter from the US, which means that we benefit from the weak dollar.

Bengt Andersson
President and CEO

Long-term goals and strategies

Husqvarna is the world's largest producer of outdoor power products. The Group is the global market leader within a number of product categories which account for approximately 85% of sales.

Husqvarna has a long history of stable growth and good profitability. Continued investment in product development and efficient utilization of brands, the global sales network, and economies of scale in production comprise a good foundation for a continued positive performance. The Group's strategy also includes strengthening operations through complementary acquisitions.

The Group's goal is to achieve organic growth of approximately 5% annually over the course of a business cycle. Acquisitions provide additional opportunities for growth. The operating margin shall be at least 10%.

Husqvarna intends to maintain a capital structure that enables access to capital for both organic growth and future acquisitions. Another goal is for the dividend to correspond to 25–50% of annual income.

Leading global market positions

• Chainsaws	No. 1
• Other handheld petrol-powered products, e.g. clearing saws and trimmers	No. 1
• Lawn mowers	No. 1
• Garden tractors	No. 1–2
• Cutting equipment and diamond tools for the construction and stone industries	No. 1

Long-term financial goals

Net sales
- Annual organic growth of approximately 5% over the course of a business cycle.
- Additional growth through complementary acquisitions.

Profitability
- Operating margin of more than 10% over the course of a business cycle.

Capital structure
- Capital structure should meet criteria for long-term credit rating corresponding to at least BBB. This is considered to require that seasonally adjusted net debt in relation to EBITDA should not exceed a multiple of 2.5 in the long term.

Dividend
- In the long term the dividend should correspond to 25–50% of income for the period.

Organic growth

See page 6–11

- Faster rate of new product launches.
- Utilize potential of brands, particularly HUSQVARNA and GARDENA.
- Reinforce and expand distribution network.

Complementary acquisitions

See page 12–14

- Synergies in e.g. distribution, brands or technologies.
- Rapid and successful integration in Group operations.

Maintain high operating margin

See page 15

- Focus on growing most profitable product categories.
- Greater cost-efficiency, e.g. through relocation of production and increased purchasing from low-cost countries.

Higher growth rate than market

Over the past ten years Husqvarna has achieved average annual sales growth of more than 6%, adjusted for exchange-rate effects, of which almost half refers to acquisitions. Average annual organic growth over the past five years was approximately 5%, despite a decline in the US market for garden equipment.

Husqvarna has achieved a higher rate of growth than the market on the basis of increased market shares, expansion of the product offering, and growth in new geographical markets.

It is expected that the Group in the same way can continue to maintain a higher growth rate than the market, on the basis of synergies from acquisitions. This will be achieved mainly through:

- Faster rate of launches for new, competitive products
- Investment in marketing in order to utilize the potential of brands, particularly HUSQVARNA and GARDENA
- Reinforcing and expanding the distribution network

Faster rate of new product launches

In terms of product development, Husqvarna has considerable resources and a high level of competence. In recent years the Group has achieved a faster pace for product launches without increasing development costs. It is estimated that this positive trend can continue on the basis of higher efficiency and contributions from acquisitions.

The Group has also strengthened its resources for design, which is a strategically important factor for development of new products.

High level of technical competence

Husqvarna has long maintained a high level of technical competence for 2-stroke engines. Development of own engines for handheld petrol-driven products has been decisive for achieving a leading position in the global market. High performance and low weight have been combined with reduced exhaust-gas emissions and lower energy consumption. The Group's expertise and patents in this area comprise a substantial competitive advantage.

Additional resources through acquisitions

Additional competence and resources for product development are being provided by recent acquisitions. Gardena launches innovative products at a very fast pace within its product areas. Zenoah has a high level of technical competence and substantial development resources in product categories that complement Husqvarna's offering, such as small light chainsaws, leaf blowers and trimmers.

Broadening the product offering

Although the Group currently has a broad product offering, it can be complemented and expanded to generate new business opportunities.

Acquisitions have contributed new product categories that enable exchanging products and complementing product ranges between different brands and markets. For example, the offering under the HUSQVARNA brand will be expanded already in 2008 to include a number of new products based on models from Zenoah. In 2009, the GARDENA product offering will expand to include products from the Group's range of garden products.

Reduced environmental impact

Husqvarna is the leader in several areas in terms of products with reduced environmental impact. The Group's new engines meet the strictest exhaust emission criteria in the US and Europe and are also considered to comply well with all currently known future regulations. Husqvarna launched environmentally adapted fuels and lubricants at an early stage.

The Group uses a mix of technological solutions, including catalyzers, to reduce exhaust emissions in order to achieve optimal performance. Chainsaws with the newest, patented X-TORQ engine feature substantially lower emissions and fuel consumption.

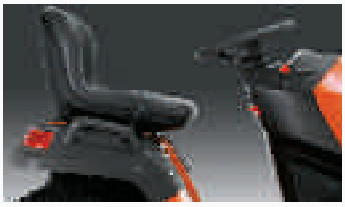
The new AUTOMOWER™ Solar Hybrid, the latest version of the Group's robotic lawn mower, is powered by both battery and solar cells and is unique in the market.

Over the next few years the Group will intensify the focus on both development and marketing of products with improved environmental performance.

The new HUSQVARNA 435 e-series: a lightweight, efficient all-around chainsaws scheduled for launch in the autumn of 2008. It weighs just over four kg, but features high power and performance. The unique X-TORQ engine enables reduced fuel consumption and lower exhaust emissions.

Husqvarna offers a wide range of garden tractors with new design as well as new features that contribute to greater comfort and enjoyable driving. One of the most advanced models is shown here, with a wide cutting deck and side ejection that make it ideal for large areas.

On the most exclusive models, the gear shift has been replaced by two pedals, for forward and reverse, which enables easier, more accurate steering. These models also feature cruise control.



New features include a wider step, which makes it easier and safer to climb on and off. The turning radius has been reduced, so that it's easier to maneuver the tractor around trees and other obstacles on the lawn.

Cutting height is easily adjustable with a lever to the left of the driver. Spring mountings ensure easier adjustment of the height of the deck.

Husqvarna also offers a wide range of time-saving accessories such as brushes, snow throwers and trailers.

In spring 2008 GARDENA will launch the AquaContour Automatic irrigation system, which ensures perfectly uniform watering of an entire lawn. The irrigation unit is either mobile, as shown at left, or a permanently installed pop-up. The system features 50 adjustable settings that enable matching the spray patterns to the contours of the lawn. The AquaContour Automatic covers up to 380 m^2, which makes it suitable for about 70% of private homes.

The robotic lawn mower AUTOMOWER™ is available in several versions. The latest, AUTOMOWER™ Solar Hybrid, is powered by solar cells and a battery. The solar panel enables the mower to operate twice as long on a single battery charge.

HUSQVARNA Riders feature a unique engineering concept that includes a front-mounted cutting deck and patented rear-wheel steering, which enables outstanding maneuverability and a minimum turning radius.

FLYMO Pac a Shredder is a foldaway quiet electric shredder. It is powerful, safe and easy to use.

The HUSQVARNA back-pack blowers are powered by an X-TORQ engine and feature a powerful fan that enables high capacity and high speed. The efficient air-filter ensures long operating time and trouble-free performance. The harness is ergonomically designed, with a wide hip belt and shoulder straps.

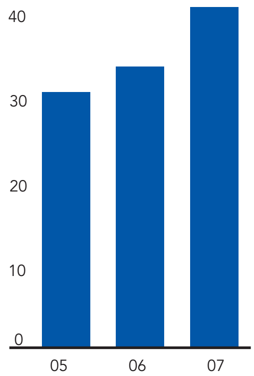
Utilizing the potential of brands

The Husqvarna Group has a strong portfolio of brands for specific customer segments and sales channels.

For many years, the HUSQVARNA brand has had a leading position in terms of products for professional users, primarily chainsaws and other handheld products. In recent years, the range of products under the HUSQVARNA brand has been successfully expanded to include high-performance products for demanding consumers. These products, which are sold mainly through servicing dealers, have shown average growth of approximately 20% annually over the past five years and now account for a substantial share of sales of consumer products. The Group continues to invest in expanding the product offering and utilizing the potential of the HUSQVARNA brand. Investment in marketing will increase during 2008 in order to further strengthen the position of the brand, particularly in the US.

The Group's brand portfolio has also been strengthened through recent acquisitions. GARDENA is the leading brand for irrigation and garden equipment in the European consumer market. Gardena has a very strong position in the high-price segment and brand awareness is very high among consumers. Good opportunities exist for achieving growth by expanding both the product offering and the brand's geographical presence in other markets, such as Eastern Europe.

Share of sales under the HUSQVARNA brand



In 2007 the HUSQVARNA brand was introduced for all products for the construction industry, which involved a phase-out of three other brands.

HUSQVARNA has been a strong brand for many years, primarily for chainsaws and other handheld high-performance products. The brand stands for technological leadership and high quality.

Reinforce and expand the distribution network

HUSQVARNA-branded products are sold almost exclusively through servicing dealers. The distribution network, currently comprising about 25,000 dealers world-wide, has been built over a long period of time and is growing steadily. Sales and support to dealers are managed by the Group's own global sales organization, which is a significant competitive advantage. Additional resources are continuously allocated to reinforcing and expanding the dealer network.

Consumer products for the mass market are sold mainly through large retail chains. The Group has maintained strong relations with the leading chains in both Europe and the US for many years.

Gardena has a very strong sales organization as well as leading positions for its product categories at most major retailers in Europe. The addition of Gardena gives the Group the broadest product offering on the market, which increases its presence among retailers and generates new sales opportunities.

The Group is increasing investments in marketing in order to reinforce the HUSQVARNA brand, particularly in the US. The current "Master Your Great Outdoors" campaign includes a range of media from TV to printed advertising.

The Group's German sales company was the first to launch a new web site for garden products, dedicated to demanding consumers. The new concept will be introduced successively in more than twenty countries.

Growth through acquisitions

Over the years Husqvarna has acquired operations which have enabled synergy effects that have contributed to organic growth. The Group's strategy includes continued complementary acquisitions that can contribute to growth and where synergies can be achieved in e.g. distribution, brands or technology.

Seven acquisitions since June 2006

Subsequent to the stock-exchange listing in June 2006, the Group has acquired seven operations that both reinforce existing product categories and add new ones.

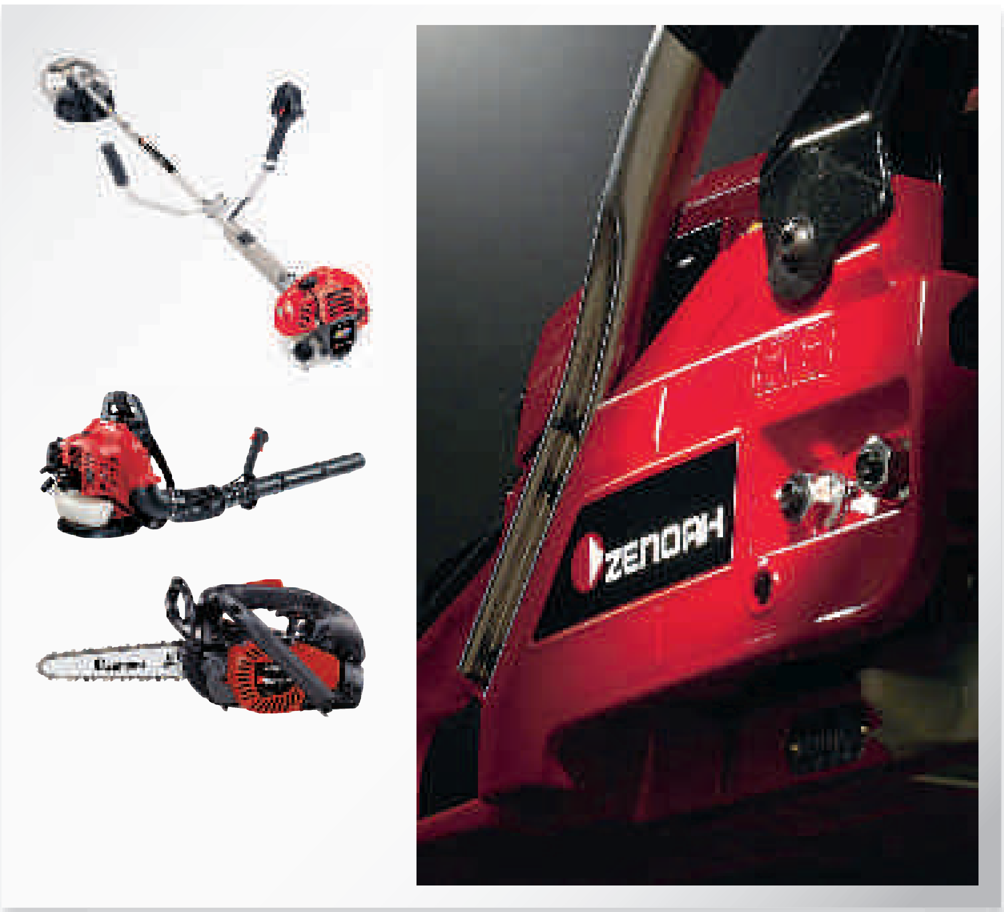
Acquisitions since June 2006

	Acquisition	Products	Annual sales, SEKm*	Synergies
Consumer Products	Gardena, Germany	Irrigation systems and garden equipment	3,800	Sales, R&D, purchasing, administration, production
Professional Products	Zenoah, Japan	Chainsaws, trimmers, blowers, etc.	1,200	Product development, purchasing, production, product exchanges
	Dixon, USA	Zero-turn mowers	400	Product development, production
	Klippo, Sweden	Lawn mowers	150	Purchasing, production, distribution
	Jikai, China	Diamond tools	160	Production, purchasing, product exchanges
	King Concepts, Australia	Grinding and polishing equipment for concrete floors	30	Product exchanges, distribution
	Soff-Cut, USA	Equipment for early sawing in concrete	240	Product exchanges, distribution

** Annualized as of acquisition date*

Zenoah

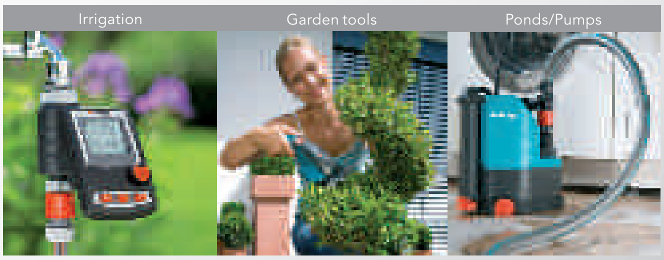
Zenoah, formerly a part of the Japanese Komatsu Group, strengthens the Group's product range for clearing saws, chainsaws, trimmers and leaf blowers. The company has extensive technical competence in 2-stroke engines. Zenoah has a strong market position in Japan, and gives the Group greater presence in Asia in terms of production and suppliers. Synergies are expected in product development, purchasing, production and product exchanges. A number of joint projects were initiated in 2007, including definition of common product platforms for various models of chainsaws and blowers.



GARDENA is the leading brand in the consumer market in Europe for irrigation products. The range includes everything from hoses and simple sprinklers to advanced systems with automatic control of both time and the volume of water.

Gardena

The largest of the acquisitions was Gardena of Germany, which has annual sales of approximately SEK 3,800m. Gardena is the leader in the European consumer market for irrigation systems, which is a new area for Husqvarna and has a good potential for growth. Gardena products complement the Group's range of power garden equipment. Gardena contributes a strong sales organization and good customer relations. Integration of the company in the Group has proceeded according to plan. In 2007, the focus was on coordinating the sales organizations as well as specifying and developing products for Gardena that are based on the Group's existing offering. Synergies will be achieved in sales, product development, administration, purchasing and production, and are expected to amount to approximately SEK 200m after three years.



GARDENA offers a broad range of products within irrigation, garden tools, as well as pumps and other equipment for ponds.

Soff-Cut is the leading producer of concrete saws for early entry concrete sawing.

The acquisition of KLIPPO strengthens the Group's position in lawn mowers in the Nordic market.

King Concepts and Soff-Cut

The acquisitions of King Concepts and Soff-Cut have involved expansion of the product range for the construction industry in areas with high growth. This equipment is sold to existing customers, and was introduced in Group's global distribution network during 2007.

Jikai

The acquisition of Jikai in China has given the Group access to the Chinese market as well as a cost-efficient base for production of diamond blades, grinding cups and drill bits for global distribution. This acquisition thus contributes to greater competitiveness in all markets.

Klippo

KLIPPO is a strong brand in lawn mowers and will strengthen Husqvarna's position in the Nordic market. This operation was integrated in the Group during 2007. Consolidation of production was initiated during the year and will be completed during 2008.

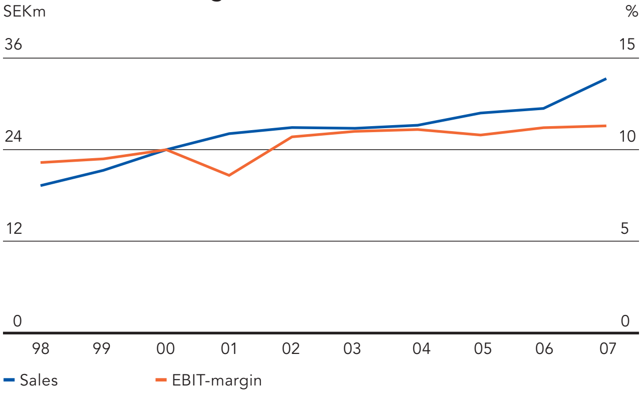
In 2008, KLIPPO has increased its commitment to environmentally adapted lawn mowers to include quieter, cleaner engines. KLIPPO now has eight models with the Nordic environmental label "Svanen".

MILJÖMÄRKT 340 010

Maintain a high operating margin

The Group's goal of an operating margin of at least 10% over a business cycle is in line with Husqvarna's performance over the past ten years. This goal should be seen as a minimum level. The extent to which the actual margin will exceed this goal depends on which areas of operations grow fastest as well as future acquisitions.

Sales and EBIT-margin 1998–2007*



** 1998–2004 according to Electrolux reporting for the Outdoor Product segment i.e. excluding corporate costs. For comparison, corporate costs have not been included 2005–2007.*

Growth in most profitable categories

Focusing on growth within the product categories that show the highest margins is important for improving the Group's operating margin and profitability. This includes investments aimed at broadening the range under the HUSQVARNA and GARDENA brands. HUSQVARNA-branded products have shown strong growth in recent years and currently account for a substantial share of operating income for Consumer Products.

More efficient production and purchasing

The Group's large plants, particularly in the US, are very competitive and are continuously being upgraded in terms of efficiency. During the past years production has been gradually moved from Europe to the US plants. The Group is today a net exporter from the US.

Acquisitions have given the Group new plants in China and the Czech Republic. They have also provided access to a network of suppliers which can be utilized for production at the other plants. This will enable faster and more efficient utilization of the potential for cost savings offered by these countries.

The share of components purchased from low-cost countries currently amounts to approximately 20%. This share will now increase rapidly.

In 2007 it was decided that production will be expanded in the newly acquired Zenoah operation. This will enable production in China of approximately one million chainsaws annually for the consumer market, mainly in Europe.

Changes in production are now expected to accelerate, but will not involve large restructuring costs, and will generate considerable cost savings over the next few years.

The goal for operating margin shall be achieved by:

- Focusing on growth in the most profitable product categories.
- Increasing cost-efficiency throughout the entire business process.
- Relocating production internally to plants with lower costs.
- Increasing purchases from low-cost countries.
- Relocating production to low-cost countries.

Consumer Products

Market position strengthened by acquisition of Gardena, which is expected to generate substantial synergy effects and a higher share of sales for this business area outside North America.

Husqvarna is the world's largest producer of lawn mowers, trimmers, leaf blowers and chainsaws, and is one of the two largest in garden tractors. The Group's global market shares in the major product categories are estimated at 20–40%. Gardena is the market leader in Europe in terms of irrigation systems and garden tools.

Operations in Consumer Products comprise two geographical areas – North America and Rest of the World. The operation in North America accounted for more than half of sales in 2007. Following the acquisition of Gardena, operations in Rest of the world have been divided into two sectors, one covering major retailers, i.e. mass-market channels, and the other focused on servicing dealers. Gardena became a member of the Group as of end of March 2007.

Highlights of 2007

- Sales in North America were unchanged in USD, despite lower demand.
- Substantially lower operating income for the North American operation, due to higher costs for materials and components.
- Continued good growth for HUSQVARNA-branded products sold to dealers.
- Gardena sales and operating income in line with 2006.

For additional information on operations in 2007, see the Report by the Board of Directors on page 29.

Key indicators

SEKm unless otherwise indicated	**2007[1)]**	**2006**	**2005**	**2004[2)]**	**2003[2)3)]**
Net sales	20,621	18,335	18,360	17,579	17,223
Share of Group sales, %	62.0	62.4	63.8	–	–
Operating income	1,638	1,415	1,332	1,607	1,493
Operating margin, %	7.9	7.7	7.3	9.1	8.7
Net assets	13,640	6,034	5,719	4,646	4,498
Capital expenditure	514	524	859	587	571
Average number of employees	8,851	5,751	6,054	6,041	5,633

1) Including Gardena as of end of March 2007.
2) According to Electrolux reporting for the Outdoor Products segment.
3) Not reported according to IFRS.

The market

The global market for garden equipment produced by the Group is estimated at approximately SEK 80 billion, of which approximately two-thirds in North America. Historically, growth in volume is estimated at approximately 2-3% annually. Considerable variations can occur year-on-year as well as between markets, as a result of weather conditions. High-performance products account for a growing share of the market.

Demand in Europe in 2007 is estimated to have increased over the previous year. On the other hand, the market in North America showed a decline, with the largest downturns in chainsaws and garden tractors.

FLYMO is the market leader for electric garden equipment in the UK and Scandinavia.

The Group is one of the two largest producers of garden tractors in the world.

Demand is driven by the general business cycle as well as trends for private consumption in terms of household capital goods, and interest in gardening. A substantial share of demand refers to replacement of used equipment. However, weather conditions and the length of the growing season are normally the most important factors.

The market features intense competition and downward pressure on prices. Historically, prices for identical products have been declining by an average of approximately 1-2% annually. High cost-efficiency and continuous product development are essential for profitability. Strong brands that are created by successful product development, high quality and sustained marketing are vital, and normally enable higher profit margins. Such brands include HUSQVARNA, FLYMO and GARDENA.

Market trends

Demand for garden equipment has been stimulated in recent years by increasing interest in garden care.

The market shows increased polarization to either simpler or advanced high-performance products.

Distribution channels

Consumer products for the mass market are sold mainly through major retail chains and DIY outlets. The US market is highly consolidated, with the four largest chains - Sears, Lowe's, Wal-Mart and Home Depot - accounting for approximately 70% of the market. The European market is more fragmented, with a number of major chains such as B&Q, Leroy Merlin, OBI, Bauhaus and K-Rauta.

HUSQVARNA-branded consumer products are sold mainly through servicing dealers, i.e. smaller independent retailers who also offer technical service.

The Group has strong positions among the leading retailers in both Europe and the US. These positions have been steadily reinforced through investments in product renewal and greater efficiency in the supply chain. Since the 1980s, the Group's operation in the US has been the main supplier to Sears, the world's largest retailer of outdoor products, under the Craftsman brand.

Considerable seasonal variations

The operations in Consumer Products show considerable seasonal variations, with the majority of sales during the first half of the year. The season for garden equipment peaks during the second quarter and is essentially over at the end of the third quarter. The fourth quarter features inventory build-ups in anticipation of the next season.

For Gardena, the share of sales and income during the first half of the year is larger than for the Group's other consumer products. The second quarter has thus become even more important for the Group.

Product offering

- Petrol-powered wheeled products such as lawn mowers, garden tractors and snow-throwers.
- Petrol-powered handheld products such as chainsaws and trimmers.
- Electrically powered products such as lawn mowers, including the robotic AUTOMOWER™, hedge trimmers and leaf blowers.
- Products for irrigation and garden ponds, as well as gardening equipment such as pruning shears, rakes, and shovels.

Brands

The Group has a portfolio of brands for specific channels and market segments.

In addition to sales to Sears for the Craftsman brand, the Group's products for mass-market channels in North America are sold under the POULAN and WEED EATER brands. In other countries, brands for sale of products through such channels include GARDENA, FLYMO, PARTNER and MCCULLOCH. FLYMO is the market leader for electrically powered products in the UK and Scandinavia. GARDENA is the European market leader for irrigation and garden tools, with a strong position in the high-price segment.

The HUSQVARNA and JONSERED brands represent high-performance products in high-price segments, and are sold through servicing dealers. HUSQVARNA-branded products account for a growing share of sales.

	North America	Rest of the World
Major brands	HUSQVARNA POULAN WEED EATER	HUSQVARNA GARDENA FLYMO PARTNER MCCULLOCH
Major plants	USA	Great Britain Germany Czech Republic
Major competitors	John Deere MTD Stihl Toro	Bosch GGP Hozelock Jenn Feng Stihl TTI

HUSQVARNA has a complete range of lawn mowers for homes and summer cottages. The mowers in the new 145 series are efficient and easy to handle with conveniently located controls and selectable cutting methods – collection, BioClip and side ejection. The mowers have been developed to meet the needs of demanding users who appreciate high performance, user-friendliness and smart design. These models are the Group's first with cutting heights as low as 20 mm, which is lower than most competing mowers in the consumer market.

All tractors can be used year-around thanks to a wide range of accessories that includes snow blades.

Professional Products

Expanded product offering and stronger position in product areas other than chainsaws. Increased investment in marketing aimed at strengthening the HUSQVARNA brand.

HUSQVARNA and JONSERED have been two of the three leading brands for chainsaws in the global market for many years, with a combined market share of approximately 40% in the professional segment. The Group is also the world leader in cutting equipment and diamond tools for the construction and stone industries.

The greater part of sales for this business area refers to HUSQVARNA-branded products. In addition to chainsaws, the product offering includes clearing saws, trimmers, leaf blowers, lawn mowers, riders, a range of special products for turf care, and accessories such as chains, blades and protective clothing. Products for the construction and stone industries include floor saws, wall and wire saws, drill motors and stands, power cutters and related diamond tools.

The Professional Products business area comprises three product areas -Forestry, Lawn and garden, and Construction. Forestry equipment accounted for approximately 40% of sales in 2007, while Lawn and garden and Construction accounted for approximately one third each.

In the course of the year the Group acquired Komatsu Zenoah's outdoor-product operation in Japan. This acquisition strengthens the Group's position in both forestry and lawn and garden equipment, and also provides a greater presence in the Asian market. Several complementary acquisitions were also completed within products for the construction and stone industries (see pages 12–14).

Key indicators

SEKm unless otherwise indicated	2007[1]	2006	2005	2004[2]	2003[2,3]
Net sales	12,663	11,067	10,408	9,623	9,596
Share of Group sales, %	38.0	37.6	36.2	–	–
Operating income	2,123	1,875	1,739	1,521	1,462
Operating margin, %	16.8	16.9	16.7	15.8	15.2
Net assets	6,790	4,714	4,626	3,905	4,117
Capital expenditure	342	366	400	453	352
Average number of employees	7,242	5,661	5,627	5,616	5,759

1) Figures include the acquisitions of Zenoah, King-Concepts, Soff-Cut and Klippo.
2) According to Electrolux reporting for the Outdoor Products segment.
3) Not reported according to IFRS.

Highlights of 2007

- Sales and operating income for chainsaws unchanged, despite lower demand in North America and Western Europe.
- Higher sales and considerably higher income for Lawn and garden.
- Lower sales for Construction in SEK and exclusive of acquisitions, but income was unchanged.

For additional information on operations in 2007, see the Report by the Board of Directors, page 29.

The HUSQVARNA 346XP has been developed on the basis of cooperation with the most demanding professional users. In 2008 a new version of this popular chainsaw will be launched, with features that include larger cylinder volume and higher power.

In 2008 HUSQVARNA will launch a new series of 55-cm³ clearing saws fitted with the patented X-TORQ engine.

The market

The total market for the Group's current range of professional products is estimated at approximately SEK 60 billion, of which half refers to equipment for the construction and stone industries.

Demand is driven by general business conditions as well as activities in forestry and the construction industry. Substantial variations in demand can arise for Lawn and garden equipment from year to year and within markets, depending on weather conditions.

The market for chainsaws in 2007 is estimated to have declined in volume in both North America and Western Europe, but to have risen in Eastern Europe and Latin America. Demand for Lawn and garden equipment is estimated to have declined in the US, but to have risen in Europe. In terms of equipment for the construction industry, demand within the Group's product categories is estimated to have been relatively unchanged in the US and somewhat higher in Europe. Demand within the stone industry continued to show good growth,

Market trends

Forestry in the Western world has for many years showed a trend to increased use of machines instead of manual felling. This involved a substantial decline in the market for chainsaws until the early 1990s. Since then the market has been growing on the basis of increasing demand in new markets such as Eastern Europe and Latin America. In addition, demand for high-performance professional chainsaws for private consumers has been increasing steadily.

For professional gardening equipment the trend, particularly in the US, shows that corporations, municipalities and private individuals are increasingly outsourcing landscape maintenance to companies that specialize in such services. These contractors thus comprise a growing customer segment.

Stricter criteria for reduction of exhaust-gas emissions from petrol-powered garden equipment and chainsaws were introduced in the US in 1997 and 2002. Those from the latter year are being phased in until 2010. Similar criteria are being phased in within the European market in 2007–2012. Other countries, such as Japan, are expected to introduce such criteria.

Distribution channels

Products for forestry and garden care are sold through servicing dealers or directly to end-users. The Group delivers to approximately 25,000 servicing dealers in more than 100 countries.

Diamond tools and equipment for the construction industry are sold mainly through rental companies and specialized dealers, but also directly to large contractors. Products for the stone industry are sold virtually exclusively direct to companies that quarry and/or process stone.

Seasonal patterns

Sales of Lawn and garden equipment refer mainly to the first half of the year, while most chainsaws are sold during the second half. Sales of equipment and diamond tools for the construction industry are spread more evenly over the year.

Product offering

- High-performance chainsaws, clearing saws and accessories such as chains, blades, tools and protective clothing.
- Riders, walk-behind lawn mowers, zero-turn mowers, specialty turf-care equipment, trimmers, hedge trimmers and leaf blowers.
- Floor saws, tile and masonry saws, wall and wire saws, concrete saws, drill motors and stands, polishing and grinding machines, power cutters and related diamond tools, and diamond tools for the stone industry.

Brands

The HUSQVARNA brand has had a strong global position for many years, particularly for chainsaws and other handheld products. JONSERED has a similar position and complements HUSQVARNA in specific markets.

The range of HUSQVARNA-branded products has expanded in recent years within Lawn and garden. The Group also sells equipment within this product area in the US under the DIXON, BLUEBIRD and YAZOO/KEES brands. The KLIPPO brand has a strong position in the Scandinavian market for professional lawn mowers.

ZENOAH has a strong market position for chainsaws in Japan as well as for other portable products such as clearing saws, trimmers and leaf blowers, and also sells products in the US under the REDMAX brand.

In 2007 the HUSQVARNA brand was introduced for all products for the construction industry, which involved a phase-out of three other brands. DIAMANT BOART is the leading brand in the global market for diamond tools for the stone industry.

	Forestry	Lawn and garden	Construction
Major brands	HUSQVARNA JONSERED ZENOAH	HUSQVARNA JONSERED KLIPPO DIXON REDMAX	HUSQVARNA DIAMANT BOART
Major plants	Sweden	Sweden US	Sweden US China
Major competitors	Stihl	John Deere Stihl Toro	Hilti Saint Gobain Tyrolit Wheelabrator

The HUSQVARNA range of riders satisfies advanced requirements for use by both professionals and private users. The unique rear-wheel steering provides superior maneuverability, and at full steering lock, the uncut circle is only about 20 cm in diameter.

The HUSQVARNA 325He4x pole hedge trimmer features an adjustable cutter bar and is designed for efficient trimming of high hedges.

DIAMANT BOART's newly developed wire for cutting granite enables higher cutting speed and greater productivity.

Husqvarna is the world leader in cutting equipment and diamond tools for the construction industry.

Report by the Board of Directors

The Husqvarna Group was established as of 31 May 2006, and listed on the OMX Nordic Exchange Stockholm as of 13 June 2006. The Husqvarna operations previously comprised the Outdoor Product segment within the Electrolux Group.

During 2006 Husqvarna published pro forma financial information as well as combined financial statements. The pro forma financial information was prepared in order to describe Husqvarna on a stand-alone basis, and was based on the assumption that Husqvarna was established and capitalized as of 1 January 2005 for the pro forma income statement and 31 December 2005 for the pro forma balance sheet. The combined financial statements represented the financial position, results of operations and cash flows of Husqvarna AB, its subsidiaries and other legal entities which were included in the former Outdoor Products segment within Electrolux.

The difference between the pro forma information and the combined financial statements 2006 refers mainly to financial costs for borrowings and taxes, and to the capitalization of the Group, see Note 1 on page 44 and Note 27 on page 78. As the establishment of the Group was finalized by 31 May 2006 the income statement, balance sheet, equity statement and cash flow as of 1 June 2006 and onword represent the consolidated values of the Group.

In this Report by the Board of Directors, the comparison with 2006 in terms of the financial net, taxes, earnings per share and cash flow refers to pro forma figures. Figures according to the combined statements are given for reference in connection to the pro forma figures.

Key data 2007

- Net sales rose by 13% to SEK 33,284m (29,402) and operating income by 14% to SEK 3,564m (3,121), mainly as a result of the acquisitions.
- Excluding acquisitions and in comparable currencies, both sales and operating income rose by 3%.
- Operating income for Consumer Products declined in North America but showed a corresponding increase in Rest of the World, excluding acquisitions.
- Sales and operating income for Professional Products increased and margin remained high.
- Net borrowings increased as a result of acquisitions, net debt/equity ratio rose to 1.63 (0.68).
- Income for the period rose to 2,036m (1,862),[1] corresponding to SEK 5.29 (4.83)[1] per share.
- The Board of Directors proposes a dividend for 2007 of SEK 2.25 (2.25)[2] per share, an increase of 29% adjusted for the bonus issue, for a total dividend payment of SEK 862m (667).

SEKm, unless otherwise stated	2007	2006	Change, %	Change adjusted for currency and acquisitions %[3]
Net sales	33,284	29,402	13	3
EBITDA	4,645	3,957	17	4
EBITDA margin, %	14.0	13.5	–	–
Operating income	3,564	3,121	14	3
Operating margin, %	10.7	10.6	–	–
Income after financial items	2,889	2,692 [1]	7	–
Margin, %	8.7	9.2 [1]	–	–
Income for the period	2,036	1,862 [1]	9	–
Earnings per share, SEK[4]	5.29	4,83 [1]	9	–
Return on capital employed,%[5]	17.6	23.8 [1]	–	–
Return on equity, %[5]	28.6	32.5 [1]	–	–
Net debt/equity ratio	1.63	0.68	–	–
Capital expenditure	857	890	–	–
Average number of employees	16,093	11,412	–	–

[1] *Pro forma.*
[2] *Before bonus issue of 88.9 million shares.*
[3] *Including both transaction and translation effects, excluding acquisitions.*
[4] *After dilution. Based on an average of 384.6 million shares (385.1) for the full year. Earnings per share and no. of shares for 2006 adjusted for the bonus issue in May 2007.*
[5] *Calculated as rolling 12 months.*

Net sales and income

Net sales

Net sales for the full year 2007 rose by 13% to SEK 33,284m (29,402). The increase refers mainly to acquisitions during the year.
Adjusted for acquisitions, net sales declined by 2% in SEK and rose by 3% in comparable currencies.

Operating income

Operating income rose by 14% to SEK 3,564m (3,121) and operating margin amounted to 10.7% (10.6). The improvement in operating income refers mainly to acquisitions.

Adjusted for acquisitions, operating income rose by 2%. Operations outside North America reported a substantial improvement in operating income, while the consumer operation in North America showed a substantial decline due to higher costs for materials and components.

In comparable currencies and adjusted for acquisitions, operating income rose by 3%. Changes in exchange rates, including both transaction and translation effects, had a total negative impact on operating income of SEK -21m. Transaction effects net of hedging contracts had a positive impact of SEK 66m, and referred mainly to the weakening of the USD against SEK and CAD. Translation of income statements in subsidiaries had a negative impact of approximately SEK -87m.

Change in operating income

SEKm	
Operating income 2006	**3,121**
Acquisitions	375
Volume, price, mix	259
Cost of materials	-170
Changes in exchange rates	-21
Operating income 2007	**3,564**

Financial net

Net financial items for the full year 2007 amounted to SEK -675m (-429)*. The financial net was negatively affected by higher net borrowings related to the acquisitions.

Income after financial items

Income after financial items increased by 7% to SEK 2,889m (2,692)* corresponding to a margin of 8.7% (9.2).

Taxes

Total taxes amounted to SEK -853m (-830)*, corresponding to 29.5 % (30.8)* of income after financial items.

Earnings per share

Income for the period rose by 9% to SEK 2,036m (1,862)*, corresponding to SEK 5.29 (4.83)* per share after dilution.

** Pro forma.*

Difference between pro forma and combined

SEKm	2007	2006 Pro forma	2006 Combined	Adjustments[1]
Net sales	33,284	29,402	29,402	–
Operating income	3,564	3,121	3,121	–
Financial net	-675	-429	-378	-51
Income after financial items	2,889	2,692	2,743	-51
Taxes	-853	-830	-846	16
Income for the period	2,036	1,862	1,897	-35
Earnings per share	5.29	4.83	4.93	-0.10

[1] The pro forma income statement includes an adjustment for financial costs referring to the financing of borrowings which Husqvarna would have incurred as an independent Group.

Significant events in 2007

- In January the Group acquired Klippo AB, the leading producer of lawn mowers for professional users in Sweden, with annual sales of approximately SEK 150m and about 50 employees.
- The acquisition of Gardena AG in Germany was completed in March. Gardena is the leader in the European market for irrigation and gardening equipment. The company has annual sales of approximately SEK 3,800m and about 2,900 employees.
- Acquisition of Komatsu Zenoah's operation for outdoor products, headquartered in Japan, was completed in April. Zenoah has annual sales of approximately SEK 1,200m and about 700 employees. The acquisition strengthens the Group's position in professional chainsaws, clearing saws and blowers, and also provides a greater presence in Asia.
- In June the Group acquired Soff-Cut International Inc. in the US, which focuses on equipment for early sawing in new-laid concrete. The company has sales of approximately SEK 240m and about 70 employees. The acquisition strengthens Husqvarna's position as a supplier to the construction industry.
- A bonus issue of 88,877,745 A-shares was implemented in May and shares were distributed to holders of both A- and B-shares. The issue increased the proportion of A-shares from 3.2% to 25.5% of the capital, and from 24.9% to 77.4% of the voting rights.

Value created

Value created is a performance indicator for measuring and evaluating financial performance, and is the basis for variable remuneration to senior managers in the Group. The model links operating income and asset efficiency with the cost of capital employed in operations. Value created is measured by business area, sector, product category and regions.

Total value created in 2007 amounted to SEK 1,687m (1,894). The decline is due mainly to acquisitions during the year. The WACC rate for 2007 was 10% (10). For more information on value created as a basis for remuneration, see Note 24.

Seasonality in sales and income

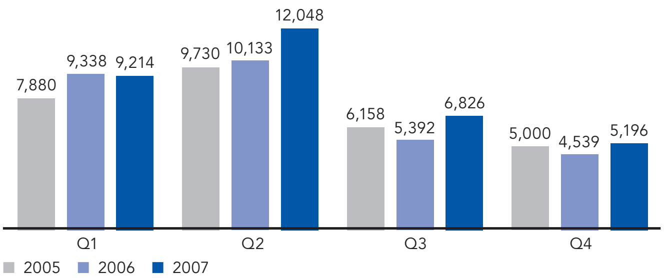
Demand for the Group's products is dependent on weather conditions. Dry weather tend to reduce demand for such products as lawn mowers and tractors, but increase demand for irrigation products. Demand for chainsaws normally increases after storms.

Husqvarna's sales and income are subject to marked seasonal variations, with significantly higher demand and sales during the first half of the year, the second quarter normally beeing the strongest. This refers particularly to Consumer Products but also to Commercial Lawn and garden within Professional Products.

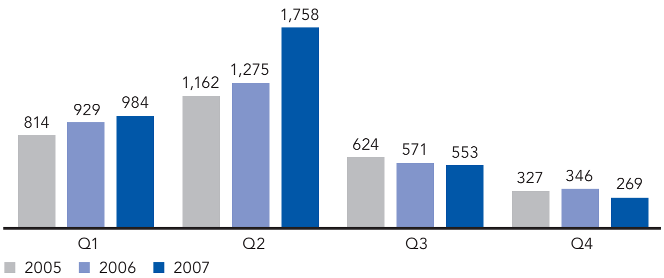
The newly acquired Gardena operation has a larger share of sales and operating income in the first half of the year than the rest of the Group's consumer products. Gardena has thus increased the seasonality of the Group and the importance of the second quarter.

In contrast to garden products, chainsaws are subject to stronger demand and show higher sales during the second half of the year. Equipment for the construction industry normally shows a more even distribution of sales throughout the year.

Net sales by quarter



Operating income by quarter



Sensitivity analysis

Husqvarna's sales and earnings are impacted by numerous factors. The effects on operating income of changes in selected key factors are shown below. These are estimated effects which could occur with an isolated change in each variable.

- A change of 5 percentage points in total sales volume would affect operating income by approximately SEK 350m.
- A decline of 10 percentage points in the rate for SEK against USD would affect operating income negatively in the amount of approximately SEK 110m, i.e. SEK 190m in negative transaction effects and SEK 80m in positive translation effects.
- A decline of 10 percentage points in the rate for SEK against EUR would affect operating income positively in the amount of approximately SEK 275m, i.e. SEK 245m in transaction effects and SEK 30m in translation effects.
- An individual decline of 10 percentage points in the rate for SEK against all other currencies, including USD and EUR, would have a positive effect on operating income in the amount of approximately SEK 700m, i.e. SEK 420m in transaction effects and SEK 280m in translation effects.
- A change of one percentage point in the borrowing rate would affect the financial net by approximately SEK 100m, based on borrowings at the end of 2007.
- A 10% rise or fall in the price of steel will affect operating income by approximately -/+SEK 300m.
- A 10% rise or fall in the price of alumnium would impact operating income by -/+SEK 100m, and a 10% change in the price of plastics would have a similar effect of SEK 100m.

Net sales and expenses, by currency

	Share of net sales, %	Share of expenses, %	Average exchange rate 2007	Average exchange rate 2006	Closing exchange rate 2007	Closing exchange rate 2006
SEK	4	12	–	–	–	–
USD	41	49	6.74	7.38	6.43	6.87
EUR	25	17	9.25	9.26	9.45	9.05
GBP	4	3	13.48	13.58	12.86	13.49
Other	27	19	–	–	–	–
Total	**100**	**100**				

Net sales by business area

SEKm	2007	2006	Change, %	Change, adjusted for currency and acquisitions, %[1]
Consumer Products	20,621	18,335	12	2
Professional Products	12,663	11,067	14	4
Total	**33,284**	**29,402**	**13**	**3**

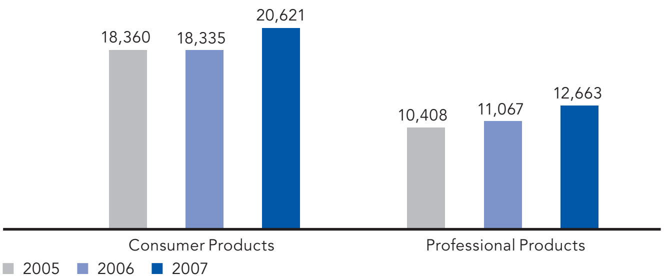
[1] *Including both transaction and translation effects, excluding acquisitions.*

Operating income by business area

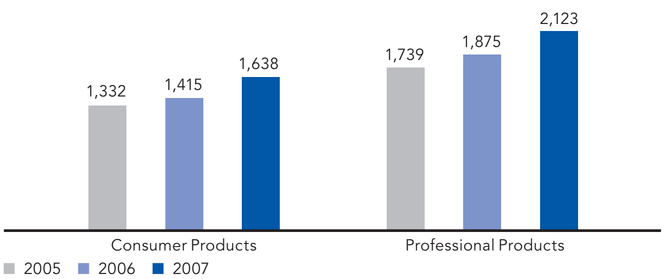
SEKm	2007	2006	Change, %	Change, adjusted for currency and acquisitions, %[1]
Consumer Products	1,638	1,415	16	-6
Margin, %	7.9	7.7	–	–
Professional Products	2,123	1,875	13	12
Margin, %	16.8	16.9	–	–
Total business areas	**3,761**	**3,290**	**14**	**4**
Margin, %	11.3	11.2	–	–
Group common costs etc.	-197	-169	-17	-19
Total	**3,564**	**3,121**	**14**	**3**
Margin, %	10.7	10.6	–	–

[1] *Including both transaction and translation effects, excluding acquisitions.*

Net sales by business area



Operating income by business area



Cash flow

Operating cash flow

Operating cash flow for the full year increased to SEK 1,843m (535). The improvement refers mainly to trade payables, which were at an exceptionally high level at the start of 2006. Higher inventories had a negative impact.

The build up of inventories in 2007 was aimed at improving delivery capability for the 2008 season and limiting the need for a strong increase in production in the first quarter of 2008.

Cash flow

SEKm	2007	2006 Pro forma	2006 Combined	Adjust-ments
Cash flow from operations, excluding changes in operating assets and liabilities	3,232	2,626	2,974	-348[1]
Changes in operating assets and liabilities	-576	-1,194	-920	-274[2]
Cash flow from operations	**2,656**	**1,432**	**2,054**	**-622**
Cash flow from investments	-813	-897	-897	–
Operating cash flow	**1,843**	**535**	**1,157**	**-622**
Acquisitions of operations	-8,876	-558	-558	–
Total cash flow from operations and investments	**-7,033**	**-23**	**599**	**-622**

1) The pro forma cash flow statement was adjusted for an estimation of taxes that would have been paid if Husqvarna had been established as an independent Group as of 1 January 2005.

2) The pro forma cash flow statement was adjusted for a one-time effect referring to transfer of funds from Electrolux captive companies to Husqvarna's captives.

Capital expenditure

Capital expenditure in 2007 amounted to 857m (890) corresponding to 3% (3) of net sales. The decline from the previous year is due to higher capital expenditure for IT equipment in 2006, in connection with the spin-off from Electrolux. Approximately 45% of capital expenditure in 2007 referred to new products, approximately 25% to rationalization and replacement of equipment in production, approximately 15% to expansion of capacity, and approximately 5% to IT-systems.

Investments related to new products include new models of chainsaws for both professional users and consumers, as well as new models of clearing saws, garden tractors, lawn mowers and blowers.

Research and development

The cost of research and development in 2007 amounted to SEK 480m (386), including capitalization of product development in the amount of SEK 159m (155). R&D costs thus corresponded to 1.4% (1.3) of net sales. The increase from the previous year refers to acquisitions.

Major R&D projects during the year referred mainly to products scheduled for launch in 2008 and 2009, and included new platforms for HUSQVARNA chainsaws and lawn mowers, new garden tractors and further development of AUTOMOWER™, the robotic lawn mower.

Financial Position

Operating working capital

Operating working capital at year-end increased to SEK 8,939m (6,062). The increase is due mainly to acquisitions made during 2007 and an increase in inventory due to reasons earlier explained.

Inventories amounted to SEK 7,758m (5,165), trade receivables to SEK 3,912m (3,106) and trade payables to SEK 2,731 (2,209).

Change in operating working capital

SEKm	
Year-end 2006	6,062
Acquisitions	1,774
Changes in exchange rates	-3
Inventories	1,254
Other changes	-148
Year-end 2007	**8,939**

Equity

Group equity as of 31 December 2007, excluding minority interest, amounted to SEK 7,349m (6,252), corresponding to SEK 19.11 (16.23) per share.

The net debt/equity ratio increased to 1.63 (0.68), while the equity/assets ratio declined to 25.7% (38.3).

Net borrowings

The Group's net borrowings as of 31 December 2007 increased to SEK 12,012m (4,250), mainly as a result of acquisitions.

Liquid funds at year-end amounted to SEK 1,306m (840).

The Group's committed revolving credit facility of SEK 8,000m was unutilized.

In connection with the acquisitions of Gardena and Zenoah a new credit facility of SEK 8,000m was entered. SEK 2,000m of this amount has been amortized.

Several loans were raised on the Swedish capital market in order to replace a loan of SEK 3,000m which was part of the original financing of the Group. Substantial amounts were also raised during the year in the form of Swedish corporate certificates.

At year-end the Group had unutilized committed credit facilities of SEK 8,000m.

Net borrowings

SEKm	2007	2006
Interest-bearing liabilities	13,318	5,090
Liquid funds	1,306	840
Net borrowings	**12,012**	**4,250**
Net debt/equity	1.63	0.68
Equity/assets ratio, %	25.7	38.3

Performance by business area

Operations in Husqvarna comprise two business areas – Consumer Products and Professional Products. Consumer Products is divided into two geographical areas, i.e. North America and Rest of the world. Professional Products comprises three areas, i.e. Forestry, Commercial Lawn and garden, and Construction.

Consumer Products

- Sales in North America were unchanged in USD, despite considerably lower demand.
- Substantial decline in operating income for the US operation, due to higher costs for materials and components.
- Rest of the World reports higher sales and a substantial improvement in operating income, even excluding Gardena.

Consumer Products

SEKm	2007	2006	Change, %	Change, adjusted for currency and acquisitions, %[1]
Net sales	20,621	18,335	12	2
Operating income	1,638	1,415	16	-6
Operating margin, %	7.9	7.7	–	–

[1] Including both transaction and translation effects, excluding acquisitions.

Industry shipments of garden equipment in the US in 2007 declined from the previous year, with the largest downturns for chainsaws and garden tractors. Sales for the Group's US operation were largely unchanged in USD, but were lower in SEK. Operating income for the full year showed a considerable decline as a result of higher costs for purchases of materials and components in comparison with 2006.

Demand in Europe is estimated to have increased for lawn mowers and other turf-care products as a result of favorable weather and a long lawn season. On the other hand, the market for irrigation equipment showed a decline for the full year due to rainy weather after the end of the second quarter. Demand for chainsaws in Eastern Europe remained good.

Sales for operations in Rest of the World increased, even if Gardena, which was consolidated as of the second quarter is excluded. Sales of HUSQVARNA-branded products to dealers showed good growth, as did electrical products under the FLYMO brand, particularly in the UK. Operating income and margin showed strong improvement, even excluding Gardena, on the basis of higher volumes, an improved product mix and a positive currency impact from products imported from the US operation. Gardena reported sales and operating income largely on a level with 2006. Integration of the company within the Group is proceeding according to plan and is expected to generate substantial synergy effects.

Total sales for the Consumer Products business area were higher than in 2006. Operating income improved and margin was somewhat higher.

Professional Products

- Sales and operating income for chainsaws unchanged, despite lower demand in North America and Western Europe.
- Higher sales and considerably improved income for Lawn and garden.
- Lower sales for Construction in SEK and exclusive of acquisitions, but income was unchanged.

SEKm	2007	2006	Change, %	Change, adjusted for currency and acquisitions, %[1]
Net sales	12,663	11,067	14	4
Operating income	2,123	1,875	13	12
Operating margin, %	16.8	16.9	–	–

[1] Including both transaction and translation effects, excluding acquisitions.

Demand for professional chainsaws is estimated to have declined in both North America and Western Europe, but to have risen in Eastern Europe and Latin America. Group sales rose in the latter markets, but declined in North America. Sales of accessories continued to show good growth. Excluding acquisitions, Forestry reported largely unchanged sales and operating income in comparison with the previous year, despite negative exchange-rate effects.

Demand for commercial lawn and garden equipment is estimated to have declined in the US and risen in Europe. Sales for this product area rose even excluding acquisitions, mainly on the basis of good growth in Europe for both riders and handheld products. Operating income rose considerably and margin improved.

Demand for diamond tools and cutting equipment for the construction industry is estimated to have been relatively unchanged in the US and somewhat higher in Europe. Exclusive of acquisitions, Group sales declined in SEK but rose in comparable currencies. Both operating income and margin were largely unchanged.

Total sales and operating income for the Professional Products business area were higher than in 2006, even excluding acquisitions. All acquired operations contributed to sales and income, in line with the plans established in connection with the acquisitions.

Other information

Husqvarna shares

At year-end 2007 the share capital in Husqvarna amounted to SEK 770m, comprising 98,380,020 A-shares and 286,756,875 B-shares. Each A-share carries one vote, and each B-share 1/10 of a vote. All shares entitle equal rights in terms of the company's assets and earnings.

There are no restrictions on transfer of shares, voting rights or the right to participate in the AGM. Nor is the company party to any significant agreements which might be affected, changed or terminated if control of the company were to change as a result of a public bid for acquisition of shares in the company.

The company is not aware of any agreements between shareholders which might limit the right to transfer shares. In addition, there are no stipulations in the Articles of Association regarding appointment or dismissal of Board members or agreements between the company and Board members or employees which require remuneration if such persons leave their posts, or if employment is terminated as a result of a public bid to acquire shares in the company.

As of 31 December 2007 the largest shareholders were Investor AB with 27.5% of the votes and Lundbergföretagen with 11.4% of the votes. For more information on major shareholders, see page 100.

Bonus issue of A-shares

The Annual General Meeting in 2007 resolved on a bonus issue of 88,877,745 A-shares, which increased the share capital by SEK 177,755,490. The amount was obtained through re-allocation of funds from unrestricted equity. The issue increased the proportion of A-shares from 3.2% to 25.5% of the capital, and from 24.9% to 77.4% of the voting rights.

The following conditions applied to the bonus issue:

- Each existing A- or B-share entitled to one (1) bonus share right for A-shares. Ten bonus share rights entitled to three (3) new A-shares.
- Shareholder's bonus share rights that were not multiples of ten were sold through the company and the funds received were allocated net of sales costs to the shareholders whose bonus share rights had been sold.
- The new shares entitle to dividend as of the financial year 2007.

Repurchase of own shares

The Annual General Meeting 2007 authorized the Board to acquire B-shares totaling up to 3% of the total number of shares, and to pay for the shares in cash.

The shares may be purchased on the OMX Nordic Exchange Stockholm in order to hedge the company's obligations, including employer contributions, pursuant to the long-term incentive programs for 2006 and 2007.

The company has the right to adjust on an ongoing basis the number of shares that it holds as a hedge of the company's obligations pursuant to the implemented incentive programs. The participants in the incentive programs shall be entitled to receive a maximum number of shares in accordance with the conditions of the programs, and transfers of shares under the programs will be made without consideration.

The number of shares that may be transferred in connection with the programs will be subject to recalculation in case the company implements a bonus issue, a split, a rights issue or similar, all in accordance with the conditions of the programs.

Repurchases in 2007

In the third quarter of 2007 Husqvarna repurchased 1,969,000 own shares for a total of SEK 166m. The average purchase price was SEK 84.05. As of 31 December 2007, Husqvarna owned 0.5% of the total number of outstanding shares.

Incentive program for 2007

The Annual General Meeting in April 2007 adopted a new performance-based incentive program for 36 senior managers.

The conditions involved investment by the participants in Husqvarna B-shares at market price. For each B-share which the employee purchased within the framework of the program, the company will grant 1.5 share awards and a number of stock options. Each share award entitles the holder to one B-share free of charge, three years after grant.

Each stock option entitles the holder to purchase one B-share at a purchase price of SEK 112. The stock options may be exercised at the earliest four years and at the latest eight years from the day of the grant.

The number of stock options that may be exercised depends on the number of B-shares that the employee has purchased, as well as the development of the company's earnings per share during the period 2007–2009.

The program comprise a maximum of 1,800,000 B-shares. If all share awards and stock options are fully exercised, it is estimated that the 2007 program will comprise no more than 0.47% of the share capital.

Legal matters

Husqvarna is involved in disputes in its ordinary course of business. On the basis of currently known circumstances, Husqvarna estimates that none of the disputes in which the Group is presently involved or which have been settled recently have had, or may have, a material effect on Husqvarna's financial situation or profitability.

A description of current legal matters is given in Note 22 on page 72.

Environmental activities

Husqvarna operates 21 major plants, of which eleven are located in Europe, five in the US, one in Brazil, three in China and one in Japan. All plants have the environmental permits required for current operations.

In accordance with Swedish environmental legislation, permits are required for five plants in Sweden. Of these, the facility in Huskvarna is the largest and has the greatest environmental impact. The foundry in this plant generates emissions of particles, and surface treatment of components generates emissions of metals. Product testing generates emissions of several types of substances. This plant also handles a relatively large volume of chemicals and waste.

The Group also operates four small plants in Sweden for which environmental notification is required.

Employees

The average number of employees in 2007 was 16,093 (11,412), of whom 2,178 (2,457) were in Sweden. At year-end, the total number of employees was 17,362 (11,317).

Of the total average number of employees in 2007, 10,193 (7,418) were men and 5,900 (3,994) were women.

Salaries and remuneration in 2007 amounted to SEK 3,973m (3,033), of which SEK 874m (747) refers to Sweden. See also Note 19 on page 65.

Proposals to the Annual General Meeting in 2008

Dividend for 2007

The Board of Directors proposes a dividend for 2007 of SEK 2.25 (2.25) per share, corresponding to an increase of 29% adjusted for the bonus issue in 2007, and to a total dividend payment of SEK 862m (667). The bonus issue in 2007 comprised 88.9 million shares and was implemented as of May 16. The proposed dividend for 2007 corresponds to approximately 42% of income for the period.

The Group's long-term goal is for the dividend to correspond to 25–50% of income for the period.

Guidelines for remuneration of senior management

The Annual General Meeting in 2007 approved 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 ("Group Management"). The principles shall apply to contracts of employment entered into after the Annual General Meeting 2008 and also to amendments made thereafter to contracts of employment which are in force. Remuneration to Group Management is determined by the Board of Directors on the basis of proposals from the Board of Director's Remuneration Committee.

Overall principles

The overall principles for remuneration to Group Management shall be based on position, individual performance, and the Group's income for the period, and remuneration shall be competitive in 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, pensions, and other benefits. In addition, conditions apply to notice of termination and severance pay.

Husqvarna shall aim to offer competitive total remuneration 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. Salary levels shall be reviewed regularly (usually through an annual salary review) in order to ensure continued competitiveness and to correctly reward performance.

Variable salary (Short-term incentive "STI")

Members of Group Management shall receive STI in addition to the fixed salary. The emphasis in STI shall be on the financial results 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 shall 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 the stretch level, which also is the cap for the STI.

In the US, the STI component is normally higher and may 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 shall decide if the full 50/100/150% shall apply, or if a lower percentage is appropriate.

Long-term incentives

The Board of Directors shall evaluate on a yearly basis whether 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 health 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 plans 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 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 also apply after the end of the notice period. Such non-compete obligations 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 current contracts of employment are given in Note 24, with references.

Authority for the Board to deviate from the guidelines

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

Long-term incentive program for 2008

The Board of Directors proposes that the Annual General Meeting adopt a new performance-based incentive program for a maximum of 50 senior managers. The program is based on similar parameters as the program for 2007.

Participants will invest in Husqvarna B-shares at market price. For each B-share which the Husqvarna employee purchases within the framework of the program, the company will grant one share award and a number of stock options. Each share award entitles the holder to one B-share free of charge, three years after the grant.

Each stock option entitles the holder to purchase one B-share at a price corresponding to 110% of the closing price of the company's B-share during a period of 10 trading days prior to the day of the grant. The stock options may be exercised at the earliest four years and at the latest eight years from the day of the grant. The number of stock options that may be exercised depends on the number of B-shares that the employee has purchased, as well as the development of the company's earnings per share during the period 2008–2010.

Assuming a price of SEK 70 each for the shares purchased as part of the personal investment, the program will comprise a maximum of 3,700,000 B-shares. If all share awards and stock options are fully exercised, and hedges of social costs are unwound, it is estimated that the 2008 program will comprise no more than 0.97% of the shares outstanding.

Repurchase of own shares

The Board of Directors proposes that the Annual General Meeting authorize the Board to acquire B-shares totaling up to 3% of the total number of shares, and to pay for the shares in cash.

The shares may be purchased only on the OMX Nordic Exchange Stockholm, in order to hedge the company's obligations, including employer contributions, pursuant to the long-term incentive programs for 2006, 2007 and the proposed new 2008 program.

The company shall on an ongoing basis be able to adjust the number of shares that it holds as a hedge of the company's obligations pursuant to the implemented incentive programs.

The participants in the above incentive programs shall be entitled to receive a maximum number of shares in accordance with the conditions of the programs, and transfers of shares under the programs will be made without consideration.

Shares will be transferred in accordance with the stock options granted under the proposed 2008 plan at a price corresponding to 110% of the closing price of the company's B-share on the OMX Nordic Exchange Stockholm during a period of ten trading days prior to the grant of options.

The number of shares that may be transferred in connection with the programs will be subject to recalculation in case the company implements a bonus issue, a split, a rights issue or similar, all in accordance with the conditions of the programs.

Authorization of new share issue

The Board of Directors also proposes that the Annual General Meeting authorize the Board to issue not more than 38.5 million A- and B-shares, on one or more occasions, during the period until the Annual General Meeting in 2009. The purpose of the authorization is to give flexibilty to make acquisitions for which payment will be made in own shares. The price of the new shares shall be based on the prevailing market price of the Husqvarna share.

Full proposal

The full proposal will be publicly announced no later than the date of notification of the Annual General Meeting which is expected to be published on 19 March 2008.

Risk management

All business operations involve risks. Creating awareness of such risks enables them to be limited, controlled and managed, while business opportunities can be utilized in the interest of increasing income and profitability.

The risks involved for Husqvarna can be categorized as either operational, related to business operations, or financial, related to financing of these operations as well as to the fact that most of them are outside Sweden. External risks which may affect the Group include changes in laws and regulations.

Operational risks

Husqvarna's long-term profitability depends on the company's ability to successfully develop, launch and market new products. Other vital factors for profitability include flexible, cost-efficient production and the rational management of fluctuations in the prices of raw materials and components.

Product life cycles are becoming shorter, which makes product development increasingly important. Many of the Group's products require a good deal of time to develop from concept to final product, which means that it is essential to understand the actual needs of the end-users in order to ensure that the product will be in demand. In order to maintain competitiveness in existing markets and to expand into new markets, as well as into new product areas, the Group's new products must satisfy or preferably surpass the expectations of consumers and professional users. The Group must also be a leader in terms of more efficient and environmentally- adapted products, in order to differentiate the Group's offering from those of its competitors.

Weather conditions

Demand for the Group's products is also dependent on weather conditions. Unforseen or unusual weather in some areas or regions may have an adverse as well as positive impact on sales.

Dry weather tends to reduce demand for such products as lawn mowers and tractors, but increase demand for irrigation products. Demand for chainsaws normally increases after storms.

Markets and competition
Husqvarna operates in competitive markets, the majority of which are relatively mature, which means that the underlying demand is relatively stable. Price competition is intense, particularly for low-end products for the mass market. Husqvarna's strategy is based on product innovation and utilization of the Group's strong brands, which reduces risks related to price competition.

Seasonal variations and dependence on weather conditions can lead to short-term changes in demand and price competition, as supply may be greater or lesser than demand. If supply is greater than demand, competition may lead to lower prices. In order to minimize the risk of over-production, Husqvarna has established a flexible production structure with relatively low fixed costs and which can be adjusted at short notice to meet actual demand.

Customers
Consumer products for the mass market are sold mainly through large retail chains. This market is highly consolidated in North America, while in Europe consolidation is under way. This implies that the customers for consumer products are larger and fewer in number, which gives them greater bargaining power. However, this situation also provides Husqvarna with the opportunity to generate higher growth by exposing the Group's products in a large number of retail outlets in a wider geographical market. Consolidation has involved a greater degree of dependence on individual customers, which has resulted in increased trade receivables and credit risk levels.

Professional products are sold mainly through local servicing dealers or directly to end-users, which means that these customers purchase smaller volumes and are not significant individually for the Group. Husqvarna's strategy involves increasing the number of dealers selling Husqvarna-branded products, on the basis of a more active approach. Unit costs for sales to servicing dealers are higher than for e.g. retail chains but the level of risk on the receivables and credit is lower.

Production
The Group's production is comprised, to a large extent of the assembly of purchased components, and is sufficiently flexible to enable the Group to fulfill variations in demand due to seasonality and weather conditions. However, the Group manufactures its own engines for handheld products, such as chainsaws and clearing saws, which feature a higher proportion of in-house produced components.

Fixed costs represent approximately 18% of the Group's total costs, while the largest single cost item is for purchases of materials and components. In light of the seasonal variations in the Group's operations, a large part of employees are hired on a temporary basis.

Materials and components
In 2007, purchases of materials and components amounted to approximately SEK 18,260m, of which approximately SEK 5,320m referred to raw materials. The main raw material prices to which the Group is exposed are steel, aluminum and plastics. Cost variations can arise from price changes in the global markets and are also dependent on the ability of suppliers to deliver.

Husqvarna does not use financial instruments to hedge the prices of purchased raw materials. A small portion of these materials are purchased at spot prices. It is estimated that costs for raw materials and components increased by approximately SEK 170 m in 2007. The Group has compensated for the increase mainly by raising prices and cutting internal costs.

A significant portion of materials are provided by companies that are sole suppliers in the short term. The implications of delivery interruptions varies depending on materials and components. A supplier's inability to deliver may have negative effects on production and on the delivery of finished products.

Husqvarna's purchasing organization works closely with suppliers to manage deliveries of materials, and monitors their financial stability and quality-assurance systems, as well as the flexibility of their production.

Acquisitions
Husqvarna made several acquisitions in 2007. Although the Group has historically shown the ability to successfully integrate acquisitions, such integration always involves risks. Sales may be adversely affected, the costs of integration may be higher than anticipated, and synergy effects may be lower than expected.

Financial risks
Husqvarna's financial risks are covered by a financial policy and a credit policy which are annually updated by the Board of Directors. The management of such risks is largely centralized in the Group's Finance Department, which operates within established mandates and limits, for the most part on the basis of financial instruments. For details on accounting principles, risk management and risk exposure, see Notes 1 and 2.

Currency exposure
The goal of Husqvarna's currency management is to minimize the short-term adverse effects of exchange rate fluctuations on the Group's earnings and financial position. As Husqvarna sells its products in approximately 100 countries, the Group is exposed to currency fluctuations. These impact the Group's earnings in terms of translation of income statements in foreign subsidiaries, i.e. translation exposure, as well as the sale of products on the export market, i.e. transaction exposure.

Translation exposure is related primarily to earnings in USD, EUR, CAD and GBP. In addition, changes in exchange rates can affect the prices of materials purchased in foreign currencies. The Group's globally widespread production and sales enable exchange-rate effects to be offset, to a certain degree.

Changes in exchange rates also affect the Group's equity. The difference between the assets and liabilities of foreign subsidiaries in foreign currencies is affected by these changes, which generate translation differences impacting equity. At year-end 2007, the majority of foreign net assets were in USD and EUR.

Hedging of exchange rates
Husqvarna uses currency derivatives to hedge estimated transaction exposure on a horizon of 6 to 12 months. Normally, 75–100% of the invoiced and estimated currency flow for the next 6 months is hedged, and 50–75% for the next 6–12 months. Currency exposure and the translation of financial statements in foreign subsidiaries are not hedged. At year-end 2007 the market value of the

Groups hedging referring from transaction exposure amounted to SEK -101m.

In accordance with the Group's financial policy, certain foreign net assets are hedged through loans in the respective country's currency, as well as via currency derivatives. Currency gains and losses on net assets and hedges are booked directly under equity. Costs related to hedging are reported under net financial items. Costs for hedging of foreign net assets in 2007 amounted to SEK -12m.

Interest rate risks

At the end of 2007, Husqvarna had total interest-bearing liabilities totaling SEK 13,318m. These borrowings were primarily in SEK, EUR, and JPY. The average interest rate on the external loans at the end of the year was 5.2%. The average fixed interest rate period amounted, at the same point in time, to four months. On the basis of the volume of the loans and the fixed interest rate periods applying at year-end, a change in interest of one percentage point would impact the Group's financial net by SEK +/-106m.

Credit risks

The Group's credit risks are managed on the basis of standardized credit ratings, the active monitoring of credits, and routines for the follow-up of accounts receivable. The need for reserves for uncertain trade receivables is monitored continuously. Major credits are approved annually by the Board of Directors.

The Group's financial assets are used primarily for repayment of loans. Liquid funds are placed in highly liquid interest-bearing instruments issued by institutions with a credit rating of at least A-, according to Standard & Poor's or similar agencies.

Pension commitments

At year-end 2007, Husqvarna's commitment for pensions and other remuneration following terminated employment amounted to SEK 2,590m, of which SEK 819m referred to acquisitions during the year. The Group manages pension funds amounting to SEK 1,447m. At year-end 2007, 45% of these funds were placed in shares, 51% in bonds and 4% in e.g. liquid funds.

Annual changes in the value of assets and liabilities depend primarily on trends in the share prices and interest rates. Pension commitments are e.g. affected by changes in assumptions regarding average life expectancy and expected salary increases. The income statement for 2007 includes costs for pensions and remuneration as referred to above, amounting to SEK 143m. During 2007, SEK 62m was paid into the Group's pension funds.

In the interest of effective control and cost-efficient management of the Group's pension commitments, management is centralized in the Group's Finance Department, and is conducted in accordance with the pension policy adopted by the Board of Directors.

Changes in legislation

Husqvarna products are subject to national and international regulations regarding environmental impact and other issues arising from the use of the products, as well as the recycling of the products, such as exhaust emissions, noise and safety.

Husqvarna's products have improved steadily in this respect. The Group is the market leader in terms of e.g. development of 2-stroke engines, and is estimated to have sufficient resources for product development to meet stricter criteria in the future. The criteria which will be introduced over the next few years are currently known, and as long as these criteria will not be subject to drastic changes, it is estimated that they can be met by the Group's existing products, as well as those currently under development.

Product liability

In many countries, legislation may require Husqvarna to recall products in certain, specific circumstances. New and stricter regulations in this respect may be introduced in the future.

Husqvarna is also exposed to product liability in the event that products are claimed to have caused damage to persons or property. Husqvarna is ensured against such claims, partly through insurance in own captive subsidiaries, and partly through external insurers. However, there is no guarantee that such insurance cover is valid or sufficient in an individual case, or that claims regarding product liability may not have a clearly adverse effect on the Group's earnings and financial position.

The Group's Product Safety Committee includes representatives from operational units, as well as Group Staff Legal Affairs, including Risk Management. The tasks of the Committee include ensuring that product safety is integrated into the design, production and distribution of all of the Group's products.

Tax risk

Prior to the distribution of the Husqvarna shares, Electrolux received a private letter containing a ruling from the US Internal Revenue Service (IRS) with regard to the distribution and the US corporate restructuring that preceded it. The IRS ruling was based on the facts presented and representations made by Electrolux in the request for the ruling. The ruling confirms that the transactions did not entail any adverse US tax consequences for Electrolux, its US subsidiaries or the US shareholders in Electrolux who received Husqvarna shares. In accordance with IRS ruling policy, the IRS ruling does not address certain issues. With regard to those issues, Electrolux relied on an opinion of counsel, which is not binding on the IRS or any court.

If the IRS finds that the facts presented and representations made to it are incorrect or incomplete in any material respect, Electrolux may not rely on the IRS ruling. Similarly, if the facts presented and representations made to counsel in connection with the opinion are found to be incorrect or incomplete in any material respect, the opinion may cease to be valid. In either eventuality, the distribution of the Husqvarna shares or related transactions could subject the Electrolux US group, Electrolux, and the US holders of Electrolux shares who received Husqvarna shares, to US tax.

Additionally, future events that may or may not be within the control of Electrolux or Husqvarna, including extraordinary purchases by third parties of Husqvarna shares or Electrolux shares, could mean that the distribution of the Husqvarna shares fails to qualify as tax- free for Electrolux and/or for US holders of Electrolux shares.

Husqvarna has entered into a Tax Sharing and Indemnity Agreement with Electrolux. In this agreement Husqvarna covenanted and represented among other things, that during a two-year period following the distribution of the Husqvarna shares (i) Husqvarna and its US subsidiaries (Husqvarna Outdoor Products Inc and Husqvarna Professional Outdoor Products Inc) would both continue normal active conduct of trade, (ii) the US subsidiaries would not be liquidated and (iii) neither Husqvarna nor either of its US subsidiaries would sell or otherwise dispose of assets other than in the ordinary course of business. Husqvarna also covenanted and represented that its US subsidiaries would not participate in any negotiations or agreements pursuant to which one or more persons would acquire 50% or more of the stock of Husqvarna or its US subsidiaries (measured by reference to either value or voting power) if such negotiations or agreements might cause the distribution of the Husqvarna shares to become taxable.

Pursuant to the Tax Sharing and Indemnity Agreement, Husqvarna and its US subsidiaries have undertaken to indemnify Electrolux and its group of companies for certain US taxes, arising as a consequence of a breach of representation made by Husqvarna or its US subsidiaries in the Tax Sharing and Indemnity Agreement, a change in ownership in respect of Husqvarna or its US subsidiaries as described above, or an action or event subsequent to the distribution of the Husqvarna shares that is inconsistent with information and representations furnished in connection with the IRS ruling or the opinion of counsel.

The taxes to which Husqvarna´s indemnity relates include (i) taxes (US capital gains tax) resulting from the distribution of the Husqvarna shares or the US corporate restructuring preceding such distribution and (ii) any claims that Electrolux shareholders may assert with respect to US taxes relating to the distribution of the Husqvarna shares.

Group income statement

SEKm	Note	2007	Combined 2006	Pro forma[1] 2006
Net sales	3, 4	**33,284**	**29,402**	**29,402**
Cost of goods sold		-23,509	-21,477	-21,477
Gross operating income		**9,775**	**7,925**	**7,925**
Selling expense		-4,927	-3,727	-3,727
Administrative expense		-1,303	-1,086	-1,086
Other operating income	5	21	14	14
Other operating expense	6	-5	-5	-5
Shares of income in associated companies		3	0	0
Operating income		**3,564**	**3,121**	**3,121**
Financial income	8	44	45	–
Financial expense	8	-719	-423	-429
Financial items, net		**-675**	**-378**	**-429**
Income after financial items		**2,889**	**2,743**	**2,692**
Taxes	9	-853	-846	-830
Income for the period		**2,036**	**1,897**	**1,862**
Income for the period attributable to:				
Equity holders of the Parent Company		2,029	1,897	1,862
Minority interests in income for the period		7	0	0
		2,036	**1,897**	**1,862**
Earnings per share[2]				
Before dilution, SEK		5.29	4.93	4.83
After dilution, SEK		5.29	4.93	4.83
Average number of shares[2]				
Before dilution, million	17	384.6	385.1	385.1
After dilution, million		384.6	385.1	385.1

[1] *Not audited.*
[2] *Earnings per share and number of shares 2006 adjusted for the bonus issue in May 2007.*

Group balance sheet

SEKm	Note	31 Dec 2007	31 Dec 2006
Assets			
Non-current assets			
Property, plant and equipment	7, 11	4,312	3,575
Goodwill	10	5,461	1,780
Other intangible assets	10	4,031	511
Investments in associates	26	12	6
Deferred tax assets	9	898	628
Financial assets	12	207	246
Total non-current assets		**14,921**	**6,746**
Current assets			
Inventories	13	7,758	5,165
Trade receivables	2	3,912	3,106
Derivatives	2	90	142
Tax receivables		256	112
Other current assets	14	650	386
Cash and cash equivalents	2	1,216	698
Total current assets		**13,882**	**9,609**
Total assets		**28,803**	**16,355**
Assets pledged	15	**44**	**38**
Equity and liabilities			
Equity attributable to equity holders in the Parent Company			
Share capital	17	770	593
Other reserves	16	9	114
Retained earnings		6,570	5,545
		7,349	**6,252**
Minority interest		40	12
Total equity		**7,389**	**6,264**
Non-current liabilities			
Long-term borrowings	2	2,911	4,683
Deferred tax liabilities	9	1,666	567
Provisions for pensions and other post-employment benefits	19	1,059	363
Other provisions	20	570	477
Total non-current liabilities		**6,206**	**6,090**
Current liabilities			
Trade payables		2,731	2,209
Tax liabilities		342	233
Other liabilities	21	1,520	1,096
Short-term borrowings	2	10,130	303
Derivatives	2	277	104
Other provisions	20	208	56
Total current liabilities		**15,208**	**4,001**
Total equity and liabilities		**28,803**	**16,355**
Contingent liabilities	22	**20**	**41**

Group cash flow statement

SEKm	Note	2007	Combined 2006	Pro forma[1)] 2006
Operations				
Income after financial items		2,889	2,743	2,692
Depreciation and amortization		1,081	836	836
Change in accrued and prepaid interest		29	1	1
Taxes paid		-767	-606	-903
Cash flow from operations, excluding change in operating assets and liabilities		**3,232**	**2,974**	**2,626**
Change in operating assets and liabilities				
Change in inventories		-1,468	716	716
Change in trade receivables		992	2	2
Change in trade payables		-15	-1,787	-1,787
Change in other operating assets/liabilities		-85	149	-125
Cash flow from operating assets and liabilities		**-576**	**-920**	**-1,194**
Cash flow from operations		**2,656**	**2,054**	**1,432**
Investments				
Acquisitions of operations	23	-8,876	-558	-558
Capital expenditure in property, plant and equipment	11	-698	-735	-735
Capitalization of product development and software	10	-159	-155	-155
Other		44	-7	-7
Cash flow from investments		**-9,689**	**-1,455**	**-1,455**
Total cash flow from operations and investments		**-7,033**	**599**	**-23**
Financing				
Change in short-term investments		0	-38	233
Change in short-term loans		10,157	80	–
Amortizations of long-term loans		-4,546	–	-224
Amortizations of long-term loans to Electrolux		–	-7,668	–
New long-term loans		2,778	4,029	–
Dividend		-667	–	–
Repurchase of shares		-166	–	–
Dividend/Group contribution to Electrolux		–	-777	–
Contribution from Electrolux		–	4,250	–
Cash flow from financing		**7,556**	**-124**	**9**
Total cash flow		**523**	**475**	**-14**
Cash and cash equivalents at beginning of year		698	267	729
Exchange rate differences referring to cash and cash equivalents		-5	-44	-17
Cash and cash equivalents at year-end		**1,216**	**698**	**698**

[1)] *Not audited.*

Statement of shareholders' equity – Group

SEKm	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the company					
Opening balance 1 Jan 2006	**495**	**529**	**1,392**	**2,416**	**0**	**2,416**
Cash flow hedges						
Gain/loss taken to equity		3		3		3
Transferred to income statement		51		51		51
Exchange differences on translation of foreign operations						
Revaluation of opening balance		-418		-418		-418
Equity hedge		7		7		7
Translation difference		-58		-58		-58
Share-based payment			**7**	**7**		**7**
Income for the period recognized directly in equity		**-415**	**7**	**-408**		**-408**
Income for the period			**1,897**	**1,897**		**1,897**
Total recognized income and expense for the period		**-415**	**1,904**	**1,489**		**1,489**
Unconditional shareholder contribution[1]			4,250	4,250		4,250
Transactions in equity, net[2]			-1,903	-1,903		-1,903
Total transactions with Electrolux			**2,347**	**2,347**		**2,347**
Bonus issue	98		-98	0		0
Other changes				0	12	12
Closing balance 31 Dec 2006	**593**	**114**	**5,545**	**6,252**	**12**	**6,264**
Available for sale instruments						
Gain/loss taken to equity		-3		-3		-3
Cash flow hedges						
Gain/loss taken to equity		-47		-47		-47
Transferred to income statement		-3		-3		-3
Exchange differences on translation of foreign operations						
Revaluation of opening balance		-33		-33		-33
Equity hedge		-52		-52		-52
Translation difference		33		33		33
Share-based payment			**6**	**6**		**6**
Income for the period recognized directly in equity	**0**	**-105**	**6**	**-99**	**0**	**-99**
Income for the period	**0**		**2,029**	**2,029**	**7**	**2,036**
Total recognized income and expense for the period	**0**	**-105**	**2,035**	**1,930**	**7**	**1,937**
Bonus issue	177		-177	0	0	0
Repurchase of shares			-166	-166	0	-166
Dividend SEK 2.25 per share			-667	-667	0	-667
Total transactions with equity holders	**177**	**0**	**-1,010**	**-833**	**0**	**-833**
Acquisition of minority				0	21	**21**
Closing balance 31 Dec 2007	**770**	**9**	**6,570**	**7,349**	**40**	**7,389**

[1] An unconditional shareholder's contribution of SEK 4,250m from Electrolux 15 May 2006 in order to adjust the capital structure of Husqvarna prior to distribution.
[2] Mainly effects of transfers of operations from Electrolux and dividend/Group contributions from Husqvarna to Electrolux.

Parent Company

The Parent Company Husqvarna AB (corporate identity number 556000-5331) comprises the functions of the Group's head office including Group Treasury as well as development, manufacturing, marketing and sales of motordriven products for forestry and garden care.

Net sales for the Parent Company in 2007 amounted to SEK 10,156m (9,404), of which SEK 7,750m (7,097) related to sales to Group companies and SEK 2,406m (2,307) to external customers. Income after financial items in 2007 amounted to SEK 2,208m (1,405). After appropriations of SEK -302m (-257) and taxes of SEK -358m (-338), income for the period was SEK 1,548 m (810). Investments in tangible and intangible fixed assets during the year were SEK 230m (224). Short-term investments at the end of the period amounted to SEK 199m (0) and cash and cash equivalents amounted to SEK 158m (32).

Undistributed earnings in the Parent Company at year-end amounted to SEK 7,738m (7,517).

Group contributions in 2007 amounted to SEK -356m (-349) and are reported in retained earnings.

For information on employees, salaries and remunerations, see Note 19 on page 65.

For information on shareholdings, net and participations, see Note 26 on page 77.

Income statement

SEKm	Note	2007	2006
Net sales	3	**10,156**	**9,404**
Cost of goods sold		-7,389	-7,020
Gross operating income		**2,767**	**2,384**
Selling expense		-902	-765
Administrative expense		-376	-298
Other operating income	5	0	4
Other operating expense	6	-2	-1
Operating income		**1,487**	**1,324**
Financial income	8	1,448	362
Financial expense	8	-727	-281
Income after financial items		**2,208**	**1,405**
Appropriations	18	-302	-257
Income before taxes		**1,906**	**1,148**
Taxes	9	-358	-338
Income for the period		**1,548**	**810**

Balance sheet

SEKm	Note	2007	2006
Assets			
Non-current assets			
Intangible assets	10	223	230
Tangible assets	11	524	529
Financial assets	12	4,308	3,413
Total non-current assets		**5,055**	**4,172**
Current assets			
Inventories	13	1,326	967
Receivables			
Receivables from subsidiaries		20,931	12,219
Trade receivables		365	314
Deferred tax assets		32	3
Tax-refund claim		1	0
Derivative instruments		131	156
Other receivables		88	79
Prepaid expenses and accrued income		30	75
		21,578	12,846
Short-term investments		199	0
Cash and cash equivalents		158	32[1]
Total current assets		**23,261**	**13,845**
Total assets		**28,316**	**18,017**
Assets pledged	15	**–**	**–**

[1] *2006 figures have been restated with a corresponding entry to receivables from subsidiaries.*

Equity and liabilities

SEKm	Note	2007	2006
Equity			
Restricted equity:			
Share capital	17	770	593
Statutory reserves		18	18
Revaluation reserve		4	3
Non-restricted equity:			
Fair value reserve		-63	1
Profit and loss brought forward		6,253	6,706
Income for the period		1,548	810
Total equity		**8,530**	**8,131**
Untaxed reserves	18	**963**	**661**
Provisions			
Provisions for pensions and similar commitments	19	32	34
Other provisions	20	30	29
Total provisions		**62**	**63**
Interest-bearing liabilities			
Payable to subsidiaries		3,971	2,613
Long-term loans		2,548	4,537
Short-term loans		9,826	54
Total interest-bearing liabilities		**16,345**	**7,204**
Current liabilities			
Payable to subsidiaries		1,100	850
Trade payables		547	640
Tax liabilities		65	63
Other liabilities	21	411	287
Derivative instruments		293	118
Total current liabilities		**2,416**	**1,958**
Total equity and liabilities		**28,316**	**18,017**
Contingent liabilities	22	**71**	**76**

Cash flow statement

SEKm	2007	2006
Operations		
Income after financial items	2,208	1,405
Depreciation according to plan charged against above	241	218
Adjustment for items not included in Cash flow	-61	5
Capital gain/loss included in operating income	2	-3
	2,390	1,625
Taxes paid	-280	-228
Cash flow from operations, excluding change in operating assets and liabilities	**2,110**	**1,397**
Change in operating assets and liabilities		
Change in inventories	-359	-18
Change in trade receivables	-52	-21
Change in current intra-Group balances	-7,112	-8,671[1]
Change in other current assets	60	-175
Change in current liabilities and provisions	207	192
Cash flow from operations	**-5,146**	**-7,296**
Investments		
Change in shares and participations	-899	-596
Capital expenditure in property, plant and equipment	-143	-158
Intangible assets	-87	-60
Cash flow from investments	**-1,129**	**-814**
Total cash flow from operations and investments	**-6,275**	**-8,110**
Financing		
Change in short-term loans	9,771	54
Change in long-term loans	-1,989	4,537
Change in short-term investments	-199	694
Shareholders' contributions	0	4,250
Repurchase own shares	-166	0
Dividend	-667	0
Group contribution paid	-349	-1,393
Cash flow from financing	**6,401**	**8,142**
Total cash flow	**126**	**32[1]**
Cash and cash equivalents at beginning of year	32	0
Cash and cash equivalents at year-end	**158**	**32**

[1] *2006 figures have been restated due to a reclassification of intragroup receivables.*

Change in equity

SEKm	Share capital	Restricted reserves	Fair value Reserve	Retained earnings	Total
Opening balance, 1 Jan 2006	**495**	**120**		**21**	**636**
Transfer between retained and restricted reserves		-1		1	0
Bonus issue	98	-98			0
Group contributions				-349	-349
Tax effect of Group contributions				98	98
Unconditional shareholders' contributions				6,931	6,931
Share-based payments				4	4
Change in hedge reserve			1		1
Income for the period				810	810
Closing balance, 31 Dec 2006	**593**	**21**	**1**	**7,516**	**8,131**
Transfer between retained and restricted reserves		1		-1	0
Bonus issue	177			-177	0
Group contributions				-356	-356
Tax effect of Group contributions				100	100
Dividend				-667	-667
Repurchase own shares				-166	-166
Valuation of available for sale investments			-3		-3
Change in hedge reserve			-61		-61
Share-based payments				4	4
Income for the period				1,548	1,548
Closing balance, 31 Dec 2007	**770**	**22**	**-63**	**7,801**	**8,530**

Notes

Amounts in SEKm, unless otherwise stated.

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements of Husqvarna AB are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. As required by IAS 1, entities within Husqvarna apply uniform IFRS rules as defined in the Husqvarna Accounting Manual. The policies set out below have been consistently applied to all years presented. Additional information is disclosed on the basis of the standard RFR 1.1 from the Swedish Financial Reporting Board.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2.1.

Principles applied for consolidation

Husqvarna applies the purchase method to account for acquisitions of subsidiaries not under common control, whereby the assets, liabilities and contingent liabilities in a subsidiary on the date of acquisition are valued at fair value to determine the acquisition value to the Group. If the cost of the business combination exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized as goodwill. If the fair value of the acquired net assets exceeds the cost of the business combination, Husqvarna reassesses the identification and measurement of the acquired assets. Any excess remaining after that reassessment is recognized immediately in the income statement. The consolidated income for the Group includes the income statements for the Parent Company and its directly and indirectly owned subsidiaries after.

- elimination of intra-group transactions and unrealized intra-group profits in stock, and
- depreciation and amortization of acquired surplus values.

During the end of 2005 and the first half of 2006 the Husqvarna business was transferred to Husqvarna AB as part of the process of AB Electrolux to spin-off the Husqvarna operations into a stand alone Group.

Combined historical financial statements were prepared representing the financial position and results of operations and cash flows of Husqvarna AB and its subsidiaries and other entities historically included in the former Outdoor segment within the Electrolux Group. The statements included assets, liabilities, revenues and costs of doing business in the past, even if the amounts were not historically allocated to Husqvarna or did not appear in the historical financial statements of Husqvarna AB and its subsidiaries. The combined financial statements were prepared as if the Husqvarna Group was formed as of 1 January 2004. The result and net assets of the entities within the Group, as well as related equity and provisions were aggregated. The extent of aggregation successively decreased in line with the Husqvarna entities being legally transferred to Husqvarna AB. As of 1 June 2006, the Group's income statement, balance sheet, equity and cash flow statement represent 100% of the consolidated Group. Quarter 3, 2006 was the first single quarter with consolidated values and 2007 is the first full financial year with consolidated values.

For all entities transferred to Husqvarna from Electrolux as part of the above described spin-off, the acquisitions have been accounted for as transactions under common control, thus Husqvarna has accounted for the acquired assets and liabilities at the same values as were recognized within the Electrolux Group, the so-called predecessor basis.

Definition of Group companies

The financial statements include Husqvarna AB and all companies in which the Parent Company has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than 50% of the voting rights referring to all shares and participations.

The following applies to acquisitions of companies not under common control and to divestments:

- Companies acquired are included in the consolidated income statement as of the date on which Husqvarna gains control.
- Companies divested are included in the consolidated income statement up to and including the date on which Husqvarna loses control.

No companies have been divested during the year.

Transactions with minority interests are treated as transactions with external parties to the Group. Disposals to minority interests result in gains and losses recorded in the income statement. Acquisitions from minority interests result in goodwill, corresponding to the difference between the consideration paid and the acquired portion of the carrying value of the net assets in the subsidiary.

At year-end 2007, the Group comprised 162 operating units, and 119 companies.

Associated companies

Associates are companies over which Husqvarna has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associated companies have been reported according to the equity method. Husqvarna's share of income after taxes in an associated company is reported in the income statement. Husqvarna's investments in associates are of operational nature which is the reason the result is reported as part of the operating income. Investments in an associated company are initially reported at cost, increased or decreased to recognize Husqvarna's share of the profit or loss of that associated company after the date of acquisition. When Husqvarna's share of losses in an associate equals or exceeds the value of its interest in that associate, Husqvarna does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognized in relation to the Group's participating interest in the associate.

Related party transactions

All transactions with related parties are carried out on an arm's length basis.

Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

The financial statements are presented in SEK, which is the Parent Company's functional currency and the presentation currency of the Husqvarna Group.

The balance sheets of foreign subsidiaries have been translated into SEK at year-end rates. Income statements have been translated at the average rates for the year. On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segment reporting

Husqvarna's primary segments (business areas) are based on the different business models for end-customers, consumers and professional users, which are the basis for identifying the predominant source and nature of risks and the differing rates of return facing the Group. The secondary segments are based on Husqvarna's sales per geographical market.

The segments are responsible for the operating result and the net assets used in their operations, whereas finance net and taxes as well as net borrowings and equity are not reported per segment. The operating results and net assets of the segments are consolidated using the same principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where some allocations of costs and net assets are made. Operating costs not included in the segments are shown under Husqvarna's common costs, which mainly include costs for Husqvarna's corporate functions.

Transactions between segments are carried out on strictly commercial terms, applying arm's length principles.

Accounting and valuation principles

Revenue recognition

Sales are recorded net of VAT (Value-Added Tax), specific sales taxes, returns and trade discounts. Revenues arise almost exclusively from sales of finished products. Sales are recognized when the significant risks and rewards associated with ownership of the goods have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods and when the amount of revenue can be measured reliably. This means that sales are recorded when the goods have been placed at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service, such as product repairs, has been performed.

Interest income is recognized on a time-proportion basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Government grants

Government grants relate to financial grants from governments, public authorities and similar local, national, or international bodies. These are recognized when there is a reasonable assurance that Husqvarna will comply with the conditions attaching to them and that the grants will be received. Government grants relating to assets are included in the balance sheet as deferred income and recognized as income over the useful life of the assets. Government grants relating to expenses are recognized in the income statement as a deduction of such related expenses.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Taxes

Taxes include current and deferred taxes applying the liability method (also known as the balance sheet liability method), meaning that deferred tax assets and liabilities are accounted for on all differences between the carrying amount of assets and liabilities in the balance sheet and the tax base. Deferred taxes are calculated using enacted or substantially enacted tax rates. Taxes incurred by Husqvarna are affected by appropriations and other taxable (or tax-related) transactions in the individual Group companies. They are also affected by the utilization of tax losses carried forward referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies. Deferred tax assets on tax losses and temporary differences are recognized to the extent it is probable that they will be utilized in future periods. Deferred tax is not provided for on temporary differences arising on investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and deferred tax liabilities are shown net when they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., have a legally enforceable right to set off tax assets against tax liabilities.

Monetary assets and liabilities in foreign currency

Monetary assets and liabilities denominated in foreign currency are valued at year-end exchange rates and the exchange-rate differences are included in the income statement, except when deferred in equity for the effective portion of qualifying net-investment hedges.

Intangible fixed assets

Goodwill

Goodwill is reported as an indefinite life intangible asset with an unlimited useful life at cost less accumulated impairment losses.

The value of goodwill is continuously monitored, and is tested annually for impairment or more regularly if there is an indication that the asset might be impaired. Goodwill is allocated to the cash generating units that are expected to benefit from the business combination.

Amounts in SEKm, unless otherwise stated.

Trademarks

Trademarks are reported at cost after any accumulated amortization and accumulated impairment. All trademarks with limited useful lives are amortized on a straight-line basis during the useful life, estimated at 10 years. The trademark GARDENA is reported as an intangible asset with unlimited useful life. No other trademarks are identified as having unlimited useful lives.

Product development expenses

Husqvarna capitalizes certain development expenses for new products provided that the level of certainty as to their future economic benefits and useful lives is high. An intangible asset is only recognized to the degree that the product is sellable on existing markets and if resources exist to complete the development. Only expenditure, which is directly attributable to the new product's development, is recognized. Capitalized development costs are amortized over their useful lives, ranging between 3 to 5 years. The assets are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired.

Other intangible assets

Other intangible assets include patents, licenses, computer software, customer relations and other rights. These assets are recognized at acquisition cost and are amortized on a straight-line basis during the estimated useful life. The estimated useful life recognized for computer software is 3 years. Patents, mainly recognized in connection with acquisitions during 2007 have an estimated useful life in the range between 10 and 13 years. During 2007 Husqvarna recognized customer relations with an estimated useful life of 12 years.

Property, plant and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation, adjusted for any impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and are of material value. All other repairs and maintenance are charged to the income statement during the period in which they are incurred. Land is not depreciated as it is considered to have an unlimited useful life. Depreciation is based on the following estimated useful lives:

Buildings and land improvements	10–40 years
Plant and machinery	3–15 years
Other equipment	3–10 years

The Group assesses the estimated useful lives at each balance sheet date as well as whether there is any indication that any of the company's fixed assets are impaired.

Impairment of long-lived assets

If there is an indication of impairment the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized by the amount by which the carrying amount of an asset exceeds its recoverable amount. The discount rates used reflect the cost of capital and other financial parameters in the country or region in which the asset is in use. For the purposes of assessing impairment, assets are grouped in cash-generating units, which are the smallest identifiable group of assets generating cash inflows that are substantially independent of the cash inflows from other assets or group of assets. The Group's cash generating units are Consumer North America, Consumer Rest of the world – Dealers, Consumer Rest of the world – Masstrade, Commercial Lawn and Garden, Forestry and Construction.

Classification of financial assets

Husqvarna classifies its financial assets according to the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investment was acquired. Management determines the classification of investments at initial recognition and reviews this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling the asset in the short-term or if the asset is designated as belonging to this category by management. Husqvarna has not applied the fair value option during 2007. Derivatives are categorized as held for trading and presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets with the exception of maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade receivables in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets as financial assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement of financial assets

Regular purchases and sales of investments (financial assets) are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the right to receive cash flows from the investments have expired or have been transferred and when the Group has transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets and financial assets recognized at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method less provision for impairment. Realized and unrealized gains and losses arising from changes in the fair value of the category "Financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise and are reported as part of the operating result. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities and reported as operating income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by utilizing different valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are of substantially the same type and nature, discounted cash flow analysis, and option-pricing models refined to reflect the issuer's specific circumstances.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement are not reversed through the income statement.

Leasing

A financial lease is a lease that transfers substantially all of the risks and rewards associated with ownership of an asset. Title may or may not be eventually transferred. Assets under financial leases in which the Group is a lessee are recognized in the balance sheet and the future leasing payments are recognized as loan. Expenses for the period correspond to the depreciation of the leased asset and interest cost of the loan. Financial leases are capitalized at the inception of the lease at the lower amount of either the fair value of the leased property or the present value of the minimum lease payments. The leased assets are depreciated over their estimated useful lives. If no reasonable certainty exists that the lessee will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter period of either the lease term or the useful life of the assets.

Apart from financial leases all other leases are categorized as operating leases. The payments made under operating leases are recognized in the income statement on a straight-line basis over the leasing period.

The Group rents certain production facilities, warehouses and office premises as well as certain office equipment under leasing agreements. Most leasing agreements in the Group are operational leases.

Inventories

Inventories and work in progress are valued at the lower amount of either the acquisition cost or the net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to execute the sale at market value. The value of inventories is determined by using the weighted average cost formula. Gains and losses previously deferred in equity on hedged forecast transactions are also included in the initial measurement cost of the inventory. Appropriate provisions have been made for obsolescence.

Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Husqvarna will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in the amount of the provision is recognized in selling expense.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and other short-term highly liquid investments with maturities of three months or less.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranties are recognized at the date of sale of the products covered by the warranty and are calculated on the basis of historical data for similar products.

Restructuring provisions are recognized when the Group has adopted a detailed formal plan for the restructuring and has either started the implementation of the plan or communicated its main features to those affected by the restructuring.

Pensions and other post-employment benefits

Pensions and other post-employment benefit plans are classified as either defined contribution or defined benefit plans.

Under a defined contribution plan, the company pays fixed contributions into a separate entity and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. Contributions are expensed when they are due.

All other pensions and other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. The calculations are made annually using actuarial assumptions determined close to the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions are treated as actuarial gains or losses and are amortized over

Amounts in SEKm, unless otherwise stated.

the employees' expected average remaining working lifetime in accordance with the so called corridor approach.

Differences between the expected and actual return on plan assets are treated as actuarial gains or losses.

Net provisions for post-employment benefits in the balance sheet represent the present value of the Group's obligations at year-end less the market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

Borrowings

Borrowings are initially recognized at fair value net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Accounting of derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of highly probable forecast transactions (cash-flow hedges), or hedges of net investments in foreign operations.

When hedges are entered into the Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk-management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at the hedging inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair-value hedge

Changes in the fair value of derivatives that are designated and which qualify as fair-value hedges are recorded as financial items in the income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortized to profit or loss over the period of maturity. Currently there are no fair-value hedges in the Group.

Cash-flow hedge

The effective portion of change in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Amounts accumulated in equity are reversed in the income statement in the periods in which the hedged item will affect profit or loss (for instance when the forecast sale which is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Net investment hedge

Hedges of net investments in foreign operations are treated similarly to cash-flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement as financial items.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of, or in the event of a partial disposal.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement as financial items.

Share-based compensation

IFRS 2 is applied for the share-based compensation programs granted in 2006 and 2007. The instruments granted are shares and options. An estimated cost of the granted instruments, based on the instruments' fair value at grant date, and the number of instruments expected to vest is charged to the income statement over the vesting period. The fair value of the instruments is the market value at grant date, adjusted for the discounted value of future dividends which employees will not receive. Husqvarna classifies its share-based compensation programs as equity-settled programs, which means that the cost of the granted instruments' fair value at grant date is recognized over the vesting period. At each balance sheet date, the Group revises the estimates of the number of instruments that are expected to vest. Husqvarna recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, the Group provides for employer contributions expected to be paid in connection with the share-based compensation programs. The costs are charged to the income statement over the vesting period. The provision is periodically revalued on the basis of the fair value of the instruments at each closing date.

Cash flow

The cash-flow statement has been prepared according to the indirect method.

Parent Company's accounting and valuation principles

The accounting principles described above are applied by the Parent Company Husqvarna AB with only a few exceptions and additions. Husqvarna Group applies IAS 19 Employee Benefits while the Parent Company applies the principles of FAR's recommendation No 4 "Accounting of pensions liabilities and pension costs". The differences are described in Note 19.

In addition to the depreciation described above in Property, plant and equipment, the Parent Company reports additional fiscal depreciation, permitted by Swedish tax law, as appropriations in the income statement. In the balance sheet, these are included in untaxed reserves.

Investments in associated companies are reported at historical cost.

Group contributions are reported in accordance with UFR 1 (Swedish Financial Reporting Board). Group contributions paid or received to reduce the Group tax-burden are reported directly against retained earnings, after adjustment for the current tax.

New accounting principles as from 2007

The IASB has issued one new standard as well as interpretations and amendments to standards applicable for Husqvarna as from 2007.

IFRS 7 Financial Instruments: Disclosures. This standard supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and states principles for recognizing, measuring, and presenting financial assets and liabilities that complement those included in IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement.

Amendment to IAS 1 Capital Disclosures requires that an entity shall disclose information that enables users of its financial statement to evaluate the entity's objectives, policies, and processes for managing capital.

IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies, which provides guidance on how to apply the requirements of IAS 29 for a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. IFRIC 7 has had no impact on the Group's accounts.

IFRIC 8 Scope of IFRS 2 which requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. IFRIC 8 has had no impact on the Group's accounts.

IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. IFRIC 9 has had no impact on the Group's accounts.

IFRIC 10 Interim Financial Reporting and Impairment. IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

New accounting principles from 2008 and onwards

The following standards, amendments and interpretations have not yet come into effect. The Group is in the process of evaluating the complete effect of the implementation of these standards.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions. The interpretation clarifies the treatment of the classification of share-based payments when the company purchases treasury shares to settle commitments, and of the accounting of share option plans in subsidiaries applying IFRS.

IFRIC 13 Customer Loyalty Programs (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.

IFRIC 14 IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction. IFRIC 14 addresses three issues: how entities should determine the limit placed by IAS 19, Employee Benefits, on the amount of a surplus in a pension plan they can recognize as an asset: how a minimum funding requirement affects that limit; when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19. This interpretation is effective for annual periods beginning on or after 1 January 2008.

IFRS 8 Operating segments. The interpretation is effective for annual periods beginning on or after 1 January 2009. The standard addresses the division of the company's operations into different segments. According to the standard, the company is to base this division on its internal reporting structure and is to determine the reportable segments on the basis of this structure. Management is at present assessing whether any changes of its reportable segments will occur as a result of adopting this new standard.

IAS 1 Presentation of Financial Statements (Revised)
The revision of the standard aim at improving the usage of financial statements. The standard is effective for annual periods beginning on or after 1 January 2009.

IAS 23 Borrowing costs (Revised)
The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. The standard is effective for annual periods beginning on or after 1 January 2009.

Amounts in SEKm, unless otherwise stated.

Critical accounting policies and key sources of estimation uncertainty

Use of estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in order to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

The discussion and analysis of Husqvarna's results of the operations and financial position are based on Husqvarna's financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The preparation of these financial statements requires management to apply certain accounting methods and policies that may be based on difficult, complex or subjective judgments. Management applies estimates on the basis of experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at balance sheet date as well as affecting the reported amounts of net sales and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. Summarized below are those accounting policies that require more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain.

Asset impairment

All assets with long useful lives, including goodwill, are evaluated for impairment yearly or whenever events or changes in circumstances indicate that, the carrying amount of an asset may not be recoverable. An impaired asset is written down to its recoverable amount on the basis of the best information available. Different methods have been used for this evaluation, depending on the availability of information. When available, market value has been used and impairment charges have been recorded when this information has indicated that the carrying amount of an asset is not recoverable. If market value has not been available the fair value has been estimated by using the discounted cash flow method based on expected future results. Differences in the estimation of expected future results and the discount rates used could have resulted in different asset valuations.

Long-lived assets, excluding goodwill and other intangible assets with indefinite lives, are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant, and equipment are estimated between 10–40 years for buildings, 3–15 years for plant and machinery and technical installations and 3–10 years for other equipment. The net book value for property plant, and equipment within the Group 2007 amounted to SEK 4,312m. The net book value for goodwill and other intangible assets at year-end amounted to SEK 9,492m. Management regularly remeasures the useful life of all significant assets. Management believes that any reasonably assessed possible changes in the key assumptions on which the assets' recoverable amounts are based would not result in their carrying amounts exceeding their recoverable amounts.

Deferred taxes

In the preparation of the financial statements, the Group estimates the income taxes in each of the taxing jurisdictions in which Husqvarna operates as well as any deferred taxes based on temporary differences. Deferred tax assets relating mainly to tax loss carryforwards and temporary differences are recognized in those cases in which future taxable income is expected to allow for the recovery of those tax assets. Changes in assumptions in the projection of future taxable income as well as changes in tax rates could result in significant differences in the valuation of deferred taxes. As of 31 December 2007, the Group reports a net amount of SEK -768m recognized as deferred taxes. Tax loss carry-forwards and other deductible temporary differences of SEK 1,324m have not been included in computation of deferred tax assets.

Pensions and other post-employment benefits

The Group sponsors defined benefit pension plans for certain of its employees in certain countries. The pension calculations are based on assumptions concerning expected return on assets, discount rates and future salary increases. Changes in assumptions directly affect the service costs, interest costs and expected return on asset components of the expense. Gains and losses arising from when actual returns on assets differ from expected returns, and when actuarial liabilities are adjusted due to experienced changes in assumptions, are subject to amortization over the expected average remaining working life of the employees using the corridor approach. The average expected return on assets used in 2007 was 6.5% based on historical results. A reduction of 1% would have increased the net pension expenses in 2007 by approximately SEK 14m. The average discount rate used to estimate liabilities at the end of 2006 and the calculation of expenses during 2007 was 4.7%. A decrease of 0,5% in this rate would have increased the service cost component of the expense by approximately SEK 8m.

Claims reserves

Husqvarna maintains third-party insurance coverage and is insured through wholly-owned insurance subsidiaries (captives) as regards a variety of exposures and risks, such as property damage, business interruption and product liability claims. Claims reserves in the captives, mainly for product liability claims, are calculated on the basis of a combination of case reserves and reserves for claims incurred but not yet reported. Actuarial calculations are undertaken to assess the adequacy of the reserves based on historical loss development experience, benchmark reporting and payment patterns. These actuarial calculations are based on several assumptions and changes in these assumptions could result in significant differences in the valuation of the reserves.

Contingent liabilities

The Group is involved in different disputes arising from time to time in its ordinary course of business. Husqvarna estimates that none of the disputes in which Husqvarna is presently involved in or that have been settled recently have had, or may have, a material effect on Husqvarna's financial situation or profitability. However the outcome of complicated disputes is also difficult to foresee, and it cannot be ruled out that a disadvantageous outcome of a dispute may result in a material adverse effect on the Group's earnings and financial situation.

Note 2 Financial risk management and financial instruments

Financial instruments are defined in accordance with IAS 32, Financial Instruments: Presentation and presented in accordance with IFRS 7 Financial Instruments: Disclosure. Additional and complementary information is presented in the Note 1, Accounting and valuation principles, disclosing the accounting and valuation policies adopted.

Financial risk management

The financial risk management for Husqvarna's entities has been undertaken in accordance with the Husqvarna Group Financial Policy. Described below are the financial risk management principles applicable to Husqvarna.

Husqvarna is exposed to a number of risks relating to financial instruments including, for example, liquid funds, trade receivables, trade payables, borrowings, and derivative instruments. The risks associated with these instruments are, primarily:

- Financing risks in relation to the Group's capital requirements.
- Interest-rate risks on liquid funds and borrowings.
- Foreign-exchange risk on export and import flows plus earnings and net investments in foreign subsidiaries.
- Commodity-price risk affecting the expenditure on raw materials and components for goods produced.
- Credit risk relating to financial and commercial activities.

The Board of Directors of Husqvarna has approved a financial policy, as well as a credit policy, for the Husqvarna Group to manage and control these risks. Amongst others, these risks are to be managed by the use of derivative financial instruments according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets.

The management of financial risks has largely been centralized to Husqvarna Group Treasury. The measurement of risk within Group Treasury is performed by a separate risk controlling function on a daily basis. Furthermore, there are guidelines in the Husqvarna Group's policies and procedures for managing operating risk relating to financial instruments by, e.g. segregation of duties and powers of attorney.

Proprietary trading in currencies and interest-bearing instruments is permitted within the framework of the Financial Policy. The primary aims of such trading are to maintain a flow of high quality information and market knowledge, as well as to contribute to the proactive management of the Group's financial risks.

Capital structure

The target is that the capital structure of Husqvarna should correspond to a long-term creditworthiness equivalent to, at least, BBB rating, according to Standard & Poor's or a similar agency's principles for credit assessment. Currently, this is interpreted to imply that seasonally adjusted net debt, taking pension liabilities into account, in relation to the earnings before interest, tax, depreciations and amortizations (EBITDA) should not be higher than 2.5 in the long-term. If the macroeconomic situation changes, the target for financial indebtedness could be adjusted.

Husqvarna defines its equity as the sum of share capital, other reserves and retained profits less minority interests. Financial debt, when assessing the capital structure, is defined as net debt adjusted for pension liabilities. Given the seasonality of the business, this key ratio varies substantially during the year. Husqvarna has not breached any external capital requirements during the year.

	31 Dec 2007	31 Dec 2006
Interest-bearing liabilities	13,318	5,090
Less: liquid funds	-1,306	-840
Net debt	12,012	4,250
Total equity capital	**7,349**	**6,252**
Total assets	**28,803**	**16,355**
Pensions liabilities	1.059	363
Adjusted financial debt	13,071	4,613
EBITDA (12m)	4,645	3,957
Adjusted financial indebtedness/EBITDA	2.81	1.17
Equity/assets ratio	25.5%	38.2%

Borrowings and Financing risk

Borrowings

The debt financing of Husqvarna is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various swap instruments are used to convert the funds to the required currency. Short-term financing is also undertaken locally, mostly in countries in which there are capital restrictions. The bulk of the Group's financing is currently conducted through two syndicated bank facilities, a SEK 8,000m facility, currently unutilized, maturing in 2012 and one SEK 6,000m term loan maturing in July 2008 and a Swedish Commercial Paper program and a Swedish Medium Term Note program.

Financing risk

Financing risk refers to the risk that the financing of the Group's capital requirements and refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed available liquidity. Non-seasonal debt shall be long-term, according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least two years, and an even spread of maturities. A maximum of SEK 2,000m in borrowings is normally allowed to mature in the next 12-month period. When Husqvarna assesses the refinancing risk, the maturity profile is adjusted for available unutilized committed credit facilities.

In addition, seasonality in the cash flows is an important factor in the assessment of the financing risk. Consequently, Husqvarna always takes into account the fact that the financial planning must include future seasonal fluctuations.

Amounts in SEKm, unless otherwise stated.

Maturity profile of loans and other financial instruments as of 31 December 2007[1)]

	2008	2009	2010	2011	2012	2013	Total
Commercial papers	3,786						3,786
Financial leases	48	45	45	44	45	267	494
Bond loans	181	1,224	512	51	546	633	3,147
Bank and other loans	6,268	75					6,343
Derivate liabilities, balance sheet[2)]	277						277
Total	**10,560**	**1,344**	**557**	**95**	**591**	**900**	**14,047**
Committed credit facilities covering short-term financing	-8,000				8,000		
Adjusted maturity profile	2,560	1,344	557	95	8,591	900	14,047
Liquid funds	-1,306						-1,306
Trade receivables	-3,912						-3,912
Trade payables	2,731						2,731
Net	73	1,344	557	95	8,591	900	11,560

[1)] Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the carrying amounts in the balance sheet.
[2)] For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in Note 2 on page 55.

The average adjusted time to maturity for the Group's financing was 3.5 years (2.9) at the end of 2007, taking unutilized committed credit facilities into account. Long-term loans of SEK 4,546m matured or were amortized in 2007.

Interest-bearing liabilities

At year-end 2007, the Group's total interest-bearing liabilities amounted to SEK 13,318m (5,090), of which SEK 2,911m (4,683) referred to long-term loans. The major portion of the long-term borrowings pertains to Medium Term Notes issued in the domestic market. The short-term portion of previously long-term loans was SEK 6,047m, which is higher than last year, but shall be compared to the entirely unutilized revolving credit facility of SEK 8,000m (6,350). These outstanding amounts are the remaining portion of the new credit facility of SEK 8,000m that was entered into in connection with the acquisitions of Gardena and Zenoah. SEK 2,000m of this amount has been amortized. Furthermore, Husqvarna has fully amortized a previous bank loan of SEK 3,000m.

The majority of the total borrowings were raised at Parent Company level. In addition to the syndicated bank facilities, the Group has uncommitted bilateral bank facilities. Husqvarna has substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 5,000–7,000m in excess of year-end borrowings, taking the yearly dividend into account.

The table below sets out the carrying amount of the Group's interest-bearing liabilities divided into different funding sources.

Market programs

Husqvarna has established a Medium Term Note program (MTN), denominated in SEK, to issue long-term debt in the capital markets. A number of transactions, with a total aggregated nominal value of SEK 2,550m were executed during the year. The total size of the program is SEK 5,000m. In addition, Husqvarna has a domestic Commercial Paper program (CP). The total amount of the program is SEK 5,000m. The table below shows outstanding amounts under these two programs.

Market programs

Issued–Maturity	Program	Nominal amount	Currency	Coupon
2007–2008	CP	3,786	SEK	
2007–2009	MTN	550	SEK	STIBOR+0.25%
2007–2009	MTN	550	SEK	4.30%
2007–2010	MTN	100	SEK	STIBOR +0.28%
2007–2010	MTN	350	SEK	STIBOR +0.29%
2007–2012	MTN	250	SEK	STIBOR +0.39%
2007–2012	MTN	250	SEK	4.875%
2007–2015	MTN	500	SEK	STIBOR +0.46%

Borrowings	Total borrowings 2007	Facility amount 2007	Total borrowings 2006	Facility amount 2006
Medium Term Note Program	2,548	5,000	0	0
Other bond loans	64		69	
Revolving credit facility	0	8,000	1,650	8,000
Long-term bank loans	0		2,890	
Financial leases	315		74	
Commercial papers	3,757	5,000		
Other short-term loans	6,357		303	
Fair value derivate, liabilities	277		104	
Total	**13,318**		**5,090**	

Currency composition
The currency composition of Husqvarna's borrowings is dependent on the currency distribution of the Group's assets. Currency swaps are used to obtain the preferred currency distribution.

Net borrowings

	2007-12-31		2006-12-31	
	Net borrowings excl. currency swaps	Net borrowings incl. currency swaps	Net borrowings excl. currency swaps	Net borrowings incl. currency swaps
SEK	6,147	-264	5	1,737
EUR	4,785	6,017	-198	-1,517
JPY	602	643	0	-3
USD	389	4,307	4,458	3,414
AUD	-25	311	-8	350
BRL	38	183	-3	142
CAD	-49	272	-13	106
CZK	50	112	-25	-25
Other	75	431	34	46
Total	**12,012**	**12,012**	**4,250**	**4,250**

Liquid funds
Liquid funds consist of cash and cash equivalents and other short-term deposits including derivative assets at fair market value. Husqvarna's goal is that the level of liquid funds, including unutilized committed credit facilities, shall correspond to, at least, 2.5% of rolling 12-month sales. At year-end, this ratio was 27.7% (24.6%). In addition to this liquidity, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months. Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 17 days (1) at the end of 2007.

Interest-rate risk on liquid funds and borrowings
Interest-rate risk refers to the adverse effects of changes in interest rates on the Group's income. The main factor determining this risk is the interest-fixing period.

Interest-rate risk in liquid funds
Group Treasury manages the interest-rate risk of the investments in relation to a benchmark position defined as a one-day holding period. Any deviation from the benchmark is limited by a risk mandate.

Derivative financial instruments, such as Futures and Forward-Rate-Agreements, are used to manage the interest-rate risk. The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The interest fixing period for liquid funds was 13 days (1) at the end of 2007. A downward shift in the yield curves of one percentage point would reduce the Group's interest income by approximately SEK 12m (7) and the equity capital by SEK 8m (5).

Interest-rate risk in borrowings
The Financial Policy states that the benchmark for the long-term loan portfolio is an average interest-fixing period of 6 months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed-rate period is 3 years. Derivatives, such as interest swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice-versa. The average interest fixing period for the non-seasonal debt was 0.3 (0.2) years at the end of the year. On the basis of volumes and interest fixings at the end of 2007, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 106m (43). This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. Husqvarna acknowledges that the interest rates on different maturities and different currencies may not change uniformly. In addition to this, the Group has seasonal debt for which the interest risk is not calculated due to its short-term nature.

As per 31 December 2007, the average interest rate in the total loan portfolio was 5.2% (4.4). At year-end, Husqvarna did not have any outstanding interest rate derivatives hedging the financial indebtedness.

Foreign exchange risk
Foreign exchange risk refers to the adverse effects of changes in foreign exchange rates on Husqvarna's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally.

The major currencies to which Husqvarna is exposed are the USD, the EUR, the CAD, the GBP and the SEK against a range of currencies.

Transaction exposure from commercial flows
The Financial Policy stipulates the hedging of forecasted sales and purchases in foreign currencies, taking into consideration the price fixing periods and the competitive environment. Normally, 75–100% of the invoiced and forecast flows are hedged up to 6 months, while forecast flows for 6–12 months are hedged between 50% and 75%. Group subsidiaries cover their risks in commercial currency flows mainly through Group Treasury. Group Treasury assumes the currency risks and covers such risks externally by utilizing currency derivatives, for which hedge accounting is applied.

The table on page 54 shows the forecasted transaction flows (imports and exports) for the 12-month period of 2008 and hedges at year-end 2007.

The amounts hedged during 2008 depend on the hedging policy for each flow, considering the existing risk exposure.

Amounts in SEKm, unless otherwise stated.

Commercial flows

Currency	2008 Forecast Flow SEKm	31 Dec 2007 Total hedge amount SEKm	2007 Forecast Flow SEKm	31 Dec 2006 Total hedge amount SEKm
EUR	2,460	-1,914	2,442	-2,423
CAD	1,064	-677	765	-647
GBP	546	-339	401	-287
PLN	476	-332	302	-184
Other	1,499	-810	1,603	-835
USD	-1,867	1,358	-1,661	1,457
SEK	-4,178	2,715	-3,852	2,919

The effect of hedging on operating income amounted to SEK -152m (-15) during 2007. At year-end 2007, unrealized exchange-rate result on forward contracts amounted to SEK -86m (5), all of which will mature in 2008.

Translation exposure on consolidation of entities outside Sweden
Changes in exchange rates also affect the Group's income on translation of income statements of foreign subsidiaries into SEK. Husqvarna does not hedge such exposures. The translation exposure arising from income statements of foreign subsidiaries is included in the sensitivity analysis mentioned below.

Foreign exchange sensitivity from transaction and translation exposure
Husqvarna is particularly exposed to changes in the exchange rates of SEK and USD. Furthermore, the Group has significant exposures to EUR, CAD, GBP and a number of other currencies. For example, a 10% increase or decrease in the value of the USD, EUR and CAD against the SEK would affect the Group's income before financial items and tax by approximately SEK +/- 287m (285) for one year, using a static calculation. The model assumes the distribution of earnings and costs effective at the year-end 2007 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna's sales, these flows and results are not distributed evenly throughout the calendar year.

Exposure from net investments (balance sheet exposure)
The net assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, hedging is conducted based on borrowings and foreign exchange derivative contracts. This means that the decline in value of a net investment, resulting from a rise in the exchange rate of the SEK, is offset by the exchange gain on the Parent Company's borrowings and foreign exchange derivative contracts, and vice versa. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. The effect of the hedging is included in the analysis of the currency composition of the Group's borrowings as shown in table on page 53.

Hedge accounting of currency risk
Husqvarna applies hedge accounting for the commercial flows and for the hedging of net investments in foreign currency. During the year, no inefficiency has occurred in relation to the commercial flows but a certain degree of inefficiency has been found in the hedging of net investments. A total amount of SEK 0.3m (0) has negatively affected profit and loss. See Note 16 for the effect on the equity of hedge accounting.

Commodity price risks
Commodity price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise on the global markets. Husqvarna is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposures, which refer to pure commodity exposures, and indirect commodity exposures, which are defined as exposures arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A ten per cent rise or fall in the price of steel will affect the Group's results before financial items and tax by approximately -/+ SEK 300m, everything else being equal. The same effect on the price of aluminum would impact the results by -/+ SEK 100m and a 10% change in the price of plastics gives an effect on results of SEK 100m.

Credit risk
Credit risk in trade receivables
Husqvarna sells to a substantial number of customers including large retailers, buying groups, independent stores and professional users. Sales are made on the basis of normal delivery and payment terms. Customer Financing solutions are also normally arranged by third parties. The Credit Policy of the Group ensures that the management process for customer credits includes customer rating, credit limits, decision levels and management of bad debts. The Board of Directors decides on customer credit limits exceeding SEK 100m.

Husqvarna uses an internal classification of the creditworthiness of its customers. The classification has different levels, from Low Risk to High Risk. In the table below, trade receivables have been divided into three different intervals.

Credit portfolio	2007
Total	3,912
Low to Moderate Risk	2,918
Medium Risk to Elevated	620
High Risk	374

No material change in customers' general credit ratings has been noted in 2007.

As of 31 December 2007, net trade receivables, after provisions for doubtful accounts, amounted to SEK 3,912m (3,106), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, directly dependent on the seasonal pattern of Husqvarna's sales. This means that the credit exposure is significantly higher during the first six to nine months of each year. Provisions for doubtful accounts at the end of the financial year amounted to SEK 112m (86), of which SEK 102m refers to invoices due.

Overdue trade receivables
A provision for impairment of trade receivables is established when there is objective evidence that Husqvarna will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade receivables that were due but not yet written down amounted to SEK 694m as of 31 December 2007.

Ageing analyses for overdue trade receivables:

	2007
Due but not written down	Due for payment
Up to 1 month	327
1 to 3 months	172
>3 months	195
	694

The situation regarding overdue receivables has not changed significantly since previous year-end. The fair value of collateral held for trade receivables due for payment was SEK 225m.

A plan for repayment is normally first designed for customers with overdue receivables at the same time as the account is placed under special surveillance. At a later stage, unpaid products may be repossessed or other security be enforced.

Concentration of credit risk in trade receivables

Concentration of credit risk	Number of customers	Percent of total portfolio
As of 31 Dec 2007		
Exposure <SEK 15m	N/A	73%
Exposure SEK 15–100m	16	13%
Exposure >SEK 100m	3	14%

Husqvarna has substantial exposure towards a smaller number of large customers, primarily in the US and Europe. Through the acquisition of Gardena, the concentration of credit risk in Europe has increased somewhat during the year.

Credit risk in financial activities
Exposure to credit risks arises from the investment of liquid funds and through counterparty-risks related to derivatives. In order to limit exposure to credit risk, a counterparty list has been created specifying the maximum permissible exposure for each counterparty. Normally, transactions are executed only with counterparties having a long-term credit rating of at least A-. A substantial part of the exposure arises from derivatives transactions. The table below shows the gross volume of outstanding derivative transactions.

	31 Dec 2007		31 Dec 2006	
Maturity	2008	2009–	2007	2008–
Amount sold	-16,570	–	-17,801	-138
Amount purchased	16,408	–	17,919	141
Net settled derivatives (NDF)	26	–	-4	
Net	-136	–	114	3

Fair value of financial instruments

The book value on interest-bearing assets and liabilities in the balance sheet can deviate from the fair value, e.g. as a result of changes in market interest rates. To determine fair value on financial assets and liabilities, market quotations have been used for those assets and liabilities for which there is an active market.

When reliable market quotations are not available, fair value has been determined by discounting future payment flows using current market interest rates and currency rates for similar instruments. Changes in credit spreads have been disregarded when determining fair value of loans and financial liabilities. For financial instruments as trade receivables, trade payables and other non-interest bearing assets and liabilities, booked at accrued acquisition value less any depreciation, the fair value is determined as corresponding to the book value.

	2007		2006	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets held for trading valued at fair value				
– of which currency derivatives where hedge accounting is not applied	67	67	54	54
– of which currency derivatives where hedge accounting for cash flow hedges is applied	22	22	88	88
– of which currency derivatives where hedge accounting for net investment in foreign currency is applied	1	1		
Financial assets available for sale				
– Equity instruments	12	12	13	13
Loan and trade receivables				
– Trade receivables	3,912	3,912	3,106	3,106
– Other receivables	406	406	251	251
– Cash and bank	1,216	1,216	698	698
Total financial assets	**5,636**	**5,636**	**4,210**	**4,210**

Amounts in SEKm, unless otherwise stated.

Note 2 continued

	2007		2006	
	Book value	Fair value	Book value	Fair value
Financial liabilities				
Financial liabilities that are held for trading at fair value				
– of which derivatives where hedge accounting is not applied	90	90	6	6
– of which currency derivatives where hedge accounting for cash flow hedges is applied	123	123	93	93
– of which currency derivatives related to net investments in foreign currency where hedge accounting is applied	64	64	5	5
Other financial liabilities				
– Trade payables	2,731	2,731	2,209	2,209
– Other liabilities	211	211	292	292
– Financial leases	315	385	74	73
– Loans	12,726	12,735	4,912	4,920
Total financial liabilities	**16,260**	**16,339**	**7,591**	**7,598**

Parent Company
As previously mentioned, Husqvarna Group Treasury performs practically all financial risk management within the Parent Company. The description of the financial risks and positions is consequently also relevant for the Parent Company. The main difference concerns all group internal transactions that are eliminated on the group level.

Note 3 Segment information

Segment reporting is classified into primary and secondary segments, in which the business areas serve as primary segments and the geographical areas as secondary segments. Financial information for the Parent Company is classified into geographical segments as IAS 14 does not apply. Information about the acquisitions can be found in the Board of Director's report, page 25 and in Note 23 Business Combinations.

Primary reporting format – Business areas

The operations are classified in two segments: Consumer Products and Professional Products. Consumer Products comprises garden equipment and light-duty chainsaws. Professional Products comprises high performance chainsaws, brush cutters and professional lawn and garden equipment, as well as power cutters, diamond tools and related equipment for cutting material such as concrete and stone.

Financial information related to the above segments is reported below:

	Net sales		Operating income	
	2007	2006	2007	2006
Consumer Products	20,621	18,335	1,638	1,415
Professional Products	12,663	11,067	2,123	1,875
Total	**33,284**	**29,402**	**3,761**	**3,290**
Group common costs			-197	-169
Total	**33,284**	**29,402**	**3,564**	**3,121**

	Assets		Liabilities		Cash flow[2]	
	2007	2006	2007	2006	2007	2006
Consumer Products	17,027	7,789	3,388	1,755	1,547	363
Professional Products	9,346	6,921	2,556	2,207	1,802	1,812
Total	**26,373**	**14,710**	**5,944**	**3,962**	**3,349**	**2,175**
Other[1]	1,124	805	2,152	1,039	-93	-35
	27,497	15,515	8,096	5,001	3,256	2,140
Liquid funds	1,306	840	–	–	–	–
Interest-bearing receivables	–	–	–	–	–	–
Interest-bearing liabilities	–	–	13,318	5,090	–	–
Total equity	–	–	7,389	6,264	–	–
Acquisitions	–	–	–	–	-8,876	-558
Financial items	–	–	–	–	-646	-377
Taxes paid	–	–	–	–	-767	-606
Total	**28,803**	**16,355**	**28,803**	**16,355**	**-7,033**	**599**

[1] *Includes deferred taxes and common Group services such as Holding, Treasury and Risk Management.*
[2] *Cash flow from operations and investments.*

	Capital expenditure Tangible assets		Capital expenditure Intangible assets		Depreciation/ amortization	
	2007	2006	2007	2006	2007	2006
Consumer Products	433	427	81	97	664	509
Professional Products	265	308	78	58	417	327
Total	**698**	**735**	**159**	**155**	**1,081**	**836**

Management of the operational assets is carried out on a segment basis and the performance of the respective segments is measured according to the same criteria, while the financing is managed by Husqvarna Group Treasury at Group or country level. Consequently, liquid funds, interest-bearing receivables, interest-bearing liabilities and equity are not allocated to the business segments.

Secondary reporting format – Geographical areas
Husqvarna's business segments operate in three geographical areas of the world; Europe, North America and the Rest of the world. Sales by market are presented below and show Husqvarna's sales per geographical market, regardless of where the goods were produced.

External sales, per geographical market

	2007	2006
Europe	15,456	11,589
North America	15,106	15,989
Rest of the world	2,722	1,824
Total	**33,284**	**29,402**

Assets and capital expenditure, per geographical area

	Assets		Capital expenditure Tangible assets		Capital expenditure Intangible assets	
	2007	2006	2007	2006	2007	2006
Europe	17,356	7,385	362	291	119	72
North America	9,075	7,999	290	426	40	83
Rest of the world	2,372	971	46	18	–	–
Total	**28,803**	**16,355**	**698**	**735**	**159**	**155**

Parent Company information

Net sales, Parent Company	2007	2006
Europe	8,232	7,492
North America	1,049	1,152
Rest of the world	875	760
Total	**10,156**	**9,404**

Amounts in SEKm, unless otherwise stated.

Note 4 Net sales and operating income

Net sales for the Group amounted to SEK 33,284m (29,402). The Group's reported net sales mainly refer to revenues from sales of finished products. Net sales in Sweden amounted to SEK 1,167m (944). Exports from Sweden during the year amounted to SEK 9,675m (8,859), of which SEK 7,907m (7,260) was to entities within the Group. Operating income for the Group amounted to SEK 3,564m (3,121). Operating income includes net exchange-rate differences which amounted to SEK 84m (35). Costs for research and development for the Group amounted to SEK 322m (232) and are included in Cost of goods sold.

Depreciation and amortizations for the year amounted to SEK 1,081m (836). Salaries, remuneration and employer contributions amounted to SEK 4,858m (3,815) and expenses for pensions and other post-employment benefits amounted to SEK 143m (117).

Note 5 Other operating income

	Group		Parent Company	
	2007	2006	2007	2006
Gain on sale of				
Property, plant and equipment	21	13	0	4
Operations and shares	–	1	–	–
Total	**21**	**14**	**0**	**4**

Note 6 Other operating expense

	Group		Parent Company	
	2007	2006	2007	2006
Loss on sale of				
Property, plant and equipment	-5	-5	-2	-1
Total	**-5**	**-5**	**-2**	**-1**

Note 7 Leasing

Operating leases

There are no material contingent expenses or restrictions among Husqvarna's operating leases.

Expenses for rental payments (minimum leasing fees) amounted to SEK 280m (229) in 2007.

The future amount of minimum lease payment for operating lease is distributed as follows:

2008	277
2009–2012	569
2013–	64
Total	**910**

Financial leases

Within Husqvarna no financial non-cancellable contracts are sub-let. Neither are there any contingent expenses in the period's results, nor any restrictions in the contracts related to the leasing of facilities. The minimum lease fee comprises a capital portion and an interest portion. The interest portion is variable and follows market interest existing in each country.

The present value of the future lease payments is SEK 315m.

At 31 December 2007, Husqvarna's financial leases, recognized as non-current assets, consisted of:

	2007	2006
Acquisition costs		
Buildings	370	75
Machinery and other equipment	11	3
Closing balance, 31 Dec	**381**	**78**
Accumulated depreciation		
Buildings	179	3
Machinery and other equipment	4	1
Closing balance, 31 Dec	**183**	**4**
Net book value, 31 Dec	**198**	**74**

The increase in financial leases, recognized as non-current assets is related to the acquisitions.

Liabilities pertaining to financial leasing – minimum lease fees	
Within 1 year	48
After 1 year	446
	494
Future financial costs for financial leasing	-179
Present value of future minimum lease fees	**315**

Present value of financial leasing liabilities	
Short-term liabilities	24
Long-term liabilities	291
	315

Note 8 Financial income and expense

	Group		Parent Company	
	2007	2006	2007	2006
Financial income				
Interest income				
from subsidiaries	–	–	793	352
from others	39	45	12	9
Dividends				
from subsidiaries	–	–	643	–
from others	–	–	–	1
Other financial income				
from subsidiaries	–	–	–	–
from others	5	–	–	–
Total financial income	**44**	**45**	**1,448**	**362**
Financial expenses				
Interest expense				
to subsidiaries	–	–	-51	-28
to others	-667	-410	-606	-249
whereof				
on loans	*-597*	*-428*	*-536*	*-267*
on hedges for foreign net investments	*-12*	*-1*	*-12*	*-1*
on derivatives held for trading	*-58*	*19*	*-58*	*19*
Exchange-rate differences	-27	5	-51	11
whereof				
on loans	*-237*	*66*	*-237*	*74*
on hedges for foreign net investments	*–*	*–*	*-72*	*10*
on cashflow hedges	*-6*	*-4*	*-6*	*-4*
on derivatives held for trading	*216*	*-57*	*264*	*-69*
Other financial expenses	-25	-18	-19	-15
Total financial expenses	**-719**	**-423**	**-727**	**-281**
Financial income and expenses, net	**-675**	**-378**	**721**	**81**

Note 9 Taxes

	Group		Parent Company	
	2007	2006	2007	2006
Current taxes	-667	-661	-365	-326
Deferred taxes	-186	-185	7	-12
Total	**-853**	**-846**	**-358**	**-338**

For the Parent Company 2007 calculated taxes on Group Contribution are included with SEK -100m (-98). The deferred tax assets in the Parent Company amounted to SEK 32m (3) and relate to temporary differences.

The Group accounts include deferred tax liabilities of SEK -270m (-198) related to untaxed reserves in the Parent Company. Current taxes include costs of SEK -3m (-4) related to previous years.

Theoretical and actual tax rates

	Group	
%	2007	2006
Theoretical tax rate	33.0	33.2
Losses for which deductions have not been made	2.0	2.6
Non-taxable income statement items, net	-0.9	-1.6
Timing differences	-0.4	-0.1
Utilized tax loss carry-forwards	-0.5	-0.4
Dividend tax	0.1	0.1
Other	-3.8	-3.0
Actual tax rate	**29.5**	**30.8**

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group's net sales per country, multiplied by the local statutory tax rates. There were no major changes in statutory tax rates during 2007.

Tax loss carry-forwards

As of 31 December 2007, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 1,324m (510), which have not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows:

	2007	2006
2008	3	2
2009	–	–
2010	–	–
2011	–	12
2012	63	–
And thereafter	74	32
Without time limit	1,184	464
Total	**1,324**	**510**

The increase in tax losses carry forwards mainly relates to the newly acquired Gardena operations in Germany.

The change from previous year in deductible temporary difference excluding unused tax losses not recognized in the balance sheet amounted to SEK 110m.

As of 31 December 2007, the Group had deferred taxes recognized in equity of SEK 38m (-29). Deferred taxes recognized in the income statement amounted to SEK -186m (-185). Exchange-rate differences amounted to SEK 7m (23). Acquired companies during 2007 have increased deferred tax liabilities with SEK 688m.

Amounts in SEKm, unless otherwise stated.

Changes in deferred taxes

	2007	2006
Net deferred taxes and liabilities, 1 Jan	**61**	**252**
Recognized in equity	**38**	**-29**
Hedge accounting	43	-1
Fixed assets	–	-21
Other	-5	-7
Recognized in the income statement	**-186**	**-185**
Non-current assets	-77	-174
Inventories	13	97
Current receivables	-9	14
Provision for pensions and similar commitments	-20	14
Other provisions	13	30
Financial and operating liabilities	-13	-19
Other items	-93[1]	-137[1]
Recognized unused tax losses	–	-10
Exchange-rate differences	**7**	**23**
Non-current assets	16	42
Inventories	3	7
Current receivables	1	-1
Provision for pensions and similar commitments	-4	-12
Other provisions	-2	-6
Financial and operating liabilities	-4	-11
Other items	-3	4
Acquired companies	**-688**	**–**
Non-current assets	-940	–
Inventories	-6	–
Current receivables	25	–
Provision for pensions and similar commitments	44	–
Other provisions	10	–
Financial and operating liabilities	72	–
Recognized unused tax losses	107	–
Net deferred tax assets and liabilities, 31 Dec	**-768**	**61**

[1] Other items include tax allocation reserves of SEK -163m (-80) relating to the Parent Company and its subsidiaries in Sweden.

Deferred tax assets amounted to SEK 898m, whereof SEK 225m will be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,666m, whereof 41m will be utilized within 12 months.

The items below mainly reflect the deferred tax effects of excessive depreciation, intangible assets, tax allocation reserve, fair value gains, provisions for pensions, provisions for restructuring, obsolescence allowance and tax losses.

Deferred tax assets and liabilities

	Group					
	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Non-current assets	501	386	1,585	469	-1,084	-83
Inventories	119	87	100	78	19	9
Current receivables	70	30	29	6	41	24
Provisions for pensions and similar commitments	138	114	42	35	96	79
Other provisions	77	53	23	20	54	33
Financial and operating liabilities	140	86	2	3	138	83
Other items	24	–	163[1]	84[1]	-139	-84
Recognized unused tax losses	107	–	–	–	107	–
Deferred tax assets and liabilities	**1,176**	**756**	**1,944**	**695**	**-768**	**61**
Set-off of tax	-278	-128	-278	-128	–	–
Net deferred tax assets and liabilities	**898**	**628**	**1,666**	**567**	**-768**	**61**

[1] Other items include tax allocation reserves of SEK -163m (-80) relating to the Parent Company and its subsidiaries in Sweden.

Note 10 Intangible assets

	Group					Parent Company
	Goodwill	Trade-mark	Product development	Other	Total	Product development and other
Acquisition costs						
Opening balance, 1 Jan 2006	**1,728**	**164**	**390**	**118**	**2,400**	**474**
Acquired during the year	–	–	–	4	4	–
Development	–	–	155	–	155	60
Acquired companies	302	55	–	3	360	–
Fully amortized	–	–	–	-5	-5	–
Exchange-rate differences	-250	-6	-23	-4	-283	–
Closing balance, 31 Dec 2006	**1,780**	**213**	**522**	**116**	**2,631**	**534**
Acquired during the year	–	–	–	26	26	–
Development	–	–	159	–	159	87
Acquired companies	3,779	3,050	195	488	7,512	–
Fully amortized	–	–	-4	-87	-91	–
Exchange-rate differences	-98	37	-13	-8	-82	–
Closing balance, 31 Dec 2007	**5,461**	**3,300**	**859**	**535**	**10,155**	**621**
Accumulated amortization[1)]						
Opening balance, 1 Jan 2006	**–**	**58**	**111**	**49**	**218**	**228**
Amortization for the year	–	19	99	14	132	76
Fully amortized	–	–	–	-5	-5	–
Impairment	–	–	1	–	1	–
Exchange-rate differences	–	-3	-4	1	-6	–
Closing balance, 31 Dec 2006	**–**	**74**	**207**	**59**	**340**	**304**
Amortization for the year[1)]	–	25	129	51	205	94
Acquired companies	–	–	77	127	204	–
Fully amortized	–	–	-4	-87	-91	–
Impairment	–	–	4	–	4	–
Exchange-rate differences	–	3	-5	3	1	–
Closing balance, 31 Dec 2007	**–**	**102**	**408**	**153**	**663**	**398**
Carrying amount, 31 Dec 2006	**1,780**	**139**	**315**	**57**	**2,291**	**230**
Carrying amount, 31 Dec 2007	**5,461**	**3,198**	**451**	**382**	**9,492**	**223**

[1)] *In the income statement the amortization is mainly accounted for within Cost of goods sold.*

Intangible assets with indefinite useful lives

The goodwill as per 31 December 2007 amounts to SEK 5,461m, whereof SEK 3,980m relates to Consumer Products and SEK 1,481m to Professional Products. Husqvarna has assigned the GARDENA trademark indefinite life, with a total carrying amount of SEK 3,009m. All intangible assets with indefinite useful lives are tested for impairment at least once every year and individual assets can be tested more regularly in cases where there are indications of impairment. The recoverable amounts of the operations have been determined based on value in use calculations. Value in use is estimated using the discounted cash-flow model on the strategic plans that are established for each cash-generating unit covering the coming three years, i.e. 2008 to 2010. These plans are used for the impairment tests made in the fall of 2007. The cash flow of the third year is normally used for the fourth year and onwards with no estimated growth rate included. The pre-tax discount rate used in 2007 was 10%. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amounts are based would not cause their carrying amounts to exceed their recoverable amount.

Amounts in SEKm, unless otherwise stated.

Note 11 Property, plant and equipment

	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Group Total
Acquisition costs						
Opening balance, 1 Jan 2006	**155**	**1,810**	**6,527**	**324**	**583**	**9,399**
Acquired companies	3	19	63	7	0	92
Acquired during the year	3	48	338	32	314	735
Transfer of work in progress and advances	5	19	502	-2	-524	0
Adjustment to opening balance	–	84	–	–	–	84
Sales, scrap, etc.	-2	-15	-201	-25	0	-243
Exchange-rate differences	-11	-155	-626	-21	-90	-903
Closing balance, 31 Dec 2006	**153**	**1,810**	**6,603**	**315**	**283**	**9,164**
Acquired companies	53	674	1,850	507	16	3,100
Acquired during the year	3	33	386	90	186	698
Transfer of work in progress and advances	38	-12	184	23	-233	0
Sales, scrap, etc.	-3	-2	-897	-85	0	-987
Exchange-rate differences	0	-33	-253	13	-19	-292
Closing balance, 31 Dec 2007	**244**	**2,470**	**7,873**	**863**	**233**	**11,683**
Accumulated depreciation						
Opening balance, 1 Jan 2006	**23**	**654**	**4,629**	**247**	**–**	**5,553**
Depreciation for the year[1)]	3	79	602	20	–	704
Adjustment to opening balance	–	106	–	–	–	106
Sales, scrap, etc.	-1	-14	-186	-19	–	-220
Exchange-rate differences	-2	-63	-473	-16	–	-554
Closing balance, 31 Dec 2006	**23**	**762**	**4,572**	**232**	**–**	**5,589**
Acquired companies	10	307	1,378	374	–	2,069
Depreciation for the year[1)]	3	97	705	71	–	876
Sales, scrap, etc.	-1	-1	-888	-77	–	-967
Exchange-rate differences	2	-21	-187	10	–	-196
Closing balance, 31 Dec 2007	**37**	**1,144**	**5,580**	**610**	**–**	**7,371**
Carrying amount, 31 Dec 2006	**130**	**1,048**	**2,031**	**83**	**283**	**3,575**
Carrying amount, 31 Dec 2007	**207**	**1,326**	**2,293**	**253**	**233**	**4,312**

[1)] In the income statement the depreciation is mainly accounted for within Cost of goods sold.

The carrying amount for land was SEK 170m (98).

The tax assessment value for the Swedish Group companies was SEK 271m (205) for buildings, and SEK 49m (37) for land. The corresponding carrying amounts for buildings were SEK 133m (137), and SEK 14m (12) for land.

Accumulated impairments at year-end on buildings and land were SEK 8m (8).

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs						
Opening balance, 1 Jan 2006	**16**	**252**	**956**	**51**	**23**	**1,298**
Acquired during the year	–	7	112	2	43	164
Transfer of work in progress and advances	–	–	49	–	-49	0
Sales, scrap, etc.	-1	-2	-126	-1	–	-130
Closing balance, 31 Dec 2006	**15**	**257**	**991**	**52**	**17**	**1,332**
Acquired during the year	3	3	103	4	31	144
Transfer of work in progress and advances	–	–	39	–	-39	0
Sales, scrap, etc.	–	–	-85	-1	–	-86
Closing balance, 31 Dec 2007	**18**	**260**	**1,048**	**55**	**9**	**1,390**
Accumulated depreciation						
Opening balance, 1 Jan 2006	**5**	**134**	**610**	**33**	**–**	**782**
Depreciation for the year	1	6	134	1	–	142
Sales, scrap, etc.	-1	-1	-118	-1	–	-121
Closing balance, 31 Dec 2006	**5**	**139**	**626**	**33**	**–**	**803**
Depreciation for the year	–	6	136	4	–	146
Sales, scrap, etc.	–	–	-82	-1	–	-83
Closing balance, 31 Dec 2007	**5**	**145**	**680**	**36**	**–**	**866**
Carrying amount, 31 Dec 2006	**10**	**118**	**365**	**19**	**17**	**529**
Carrying amount, Dec 31 2007	**13**	**115**	**368**	**19**	**9**	**524**

The tax assessment value for the Parent Company was SEK 238m (175) for buildings, and SEK 44m (32) for land. The corresponding book values were SEK 115m (118) for buildings, and SEK 12m (10) for land.

Note 12 Financial assets

	Group		Parent Company	
	2007	2006	2007	2006
Shares in subsidiaries	–	–	4,290	3,398
Long-term holdings in securities[1]	12	13	12	15
Other long-term receivables	33	21	–	–
Pension assets[2]	162	212	6	–
Total	**207**	**246**	**4,308**	**3,413**

[1] *Available for sale financial assets are included with an amount of SEK 12m (13).*
[2] *Pension assets are related to US, Sweden and Switzerland. See Note 19 on page 65.*

A specification of shares and participations is provided in Note 26 on page 77.

Note 13 Inventories

	Group		Parent Company	
	2007	2006	2007	2006
Raw materials	1,693	1,195	286	249
Products in progress	325	91	15	15
Finished products	5,737	3,879	1,022	703
Advances to suppliers	3	0	3	0
Total	**7,758**	**5,165**	**1,326**	**967**

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 23,072m (21,280). Provisions for obsolescence are included in the value for inventory.

Write-downs totaled SEK 62m (45) and previous write-down have been reversed by a total of SEK 27m (44).

Inventories valued to net realizable value amount to SEK 190m.

Amounts in SEKm, unless otherwise stated.

Note 14 Other current assets

	Group	
	2007	2006
Value added tax	230	124
Miscellaneous short-term receivables	193	78
Provision for doubtful accounts	-17	-16
Prepaid rents and leases	17	3
Prepaid insurance premiums	21	8
Other prepaid expenses	206	189
Total	**650**	**386**

Note 15 Assets pledged for liabilities to credit institutions

	Group		Parent Company	
	2007	2006	2007	2006
Real-estate mortgages	34	38	–	–
Other	10	–	–	–
Total	**44**	**38**	**–**	**–**

The real estate mortgages are related to a bond financing issued by the local US Industrial Development Authority.

Note 16 Other reserves in equity

	Available-for sale instruments	Hedging reserve	Currency translation reserve	Total Other reserves
Opening balance 1 Jan 2006	**–**	**-51**	**580**	**529**
Available for sale instruments				
Gain/loss taken to equity	–	–	–	–
Cash flow hedges				
Gain/loss taken to equity	–	5	–	5
Tax on hedge		-2	–	-2
Transferred to profit and loss on sale	–	51	–	51
Exchange difference on translation of foreign operations				
Revaluation of opening balance	–	–	-418	-418
Translation difference	–	–	-58	-58
Equity hedge	–	–	10	10
Tax on hedge			-3	-3
Transactions recognized directly in equity	**–**	**54**	**-469**	**-415**
Closing Balance, 31 Dec 2006	**0**	**3**	**111**	**114**
Available for sale instruments				
Gain/loss taken to equity	-3	–	–	-3
Cash flow hedges				
Gain/loss taken to equity	–	-65	–	-65
Tax on hedge	–	18	–	18
Transferred to profit and loss on sale	–	-3	–	-3
Exchange difference on translation of foreign operations				
Revaluation of opening balance	–	–	-33	-33
Translation difference	–	–	33	33
Equity hedge	–	–	-72	-72
Tax on hedge	–	–	20	20
Transactions recognized directly in equity	**-3**	**-50**	**-52**	**-105**
Closing Balance, 31 Dec 2007	**-3**	**-47**	**59**	**9**

Note 17 Share capital and number of shares

Share capital, SEKm[1]	
On 31 December 2007, the share capital comprised	
98,380,020 Class A-shares, par value SEK 2	196
286,756,875 Class B-shares, par value SEK 2	574
Total	**770**

[1] *31 December 2006 the number of shares was 296,259,153 with a par value of SEK 2 equal to a total share capital of SEK 593m.*

Number of shares	Owned by Husqvarna	Owned by other shareholders	Total
Shares, 31 Dec 2006			
Class A-shares	–	9,502,275	9,502,275
Class B-shares	–	286,756,878	286,756,878
Repurchased shares			
Class A-shares	–	–	–
Class B-shares	1,969,000	-1,969,000	–
Sold shares			
Class A-shares	–	–	–
Class B-shares	–	–	–
Bonus issue			
Class A-shares	–	88,877,745	88,877,745
Class B-shares	–	–	–
Cancelled shares			
Class A-shares	–	–	–
Class B-shares	–	-3	-3
Shares, 31 Dec 2007	**1,969,000**	**383,167,895**	**385,136,895**

The share capital in Husqvarna AB consists of class A-shares and class B-shares. A class A-share entitles the holder to one vote and a class B-share to one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

Note 18 Untaxed reserves, Parent Company

	31 Dec 2007	Appro-priations	31 Dec 2006
Accumulated depreciation in excess of plan on			
Brands etc.	34	-21	55
Machinery and equipment	278	7	271
Buildings	26	-1	27
Tax allocation reserve	**582**	**316**	**266**
Other financial reserves	**43**	**1**	**42**
Total	**963**	**302**	**661**

Other financial reserves include fiscally permissible appropriations referring to receivables in companies in politically and economically unstable countries.

Note 19 Employees and employee benefits

Number of employees, salaries, other remuneration and employer contributions

	Average number of employees	Men	Women
2007			
Parent Company	1,879	1,465	414
Group companies	14,214	8,728	5,486
Total Group	**16,093**	**10,193**	**5,900**
2006			
Parent Company	2,210	1,690	520
Group companies	9,202	5,728	3,474
Total Group	**11,412**	**7,418**	**3,994**

A detailed specification of the average number of employees by country and gender has been submitted to the Swedish Companies Registration Office and is available on request from Husqvarna AB, Investor Relations.

Amounts in SEKm, unless otherwise stated.

Average number of employees by geographical area

Geographical area	2007	2006
Europe	7,057	4,750
North America	6,948	5,923
Rest of the world	2,088	739
Total Group	**16,093**	**11,412**

Of the Board members and other senior management in the Group, 86 (96) were men and 12 (10) women, of whom 13 (13) men and 5 (5) women were in the Parent Company.

Salaries, other remuneration and employer contributions to Board, President and other senior management

	2007	2006
Parent Company		
Salaries and other remuneration	42	31
(of which variable salaries)	(17)	(10)
Pension costs	20	9
Group Companies		
Salaries and other remuneration	68	63
(of which variable salaries)	(13)	(11)
Pension costs	5	4

Salaries and other remuneration for the total Group amounted to SEK 3,973m (3,033). This includes salaries and remuneration to Board, President and other senior management of 110m (94). Employer contributions excluding pension costs for the Group amounted to SEK 886m (782). The Group's total pension costs amounted to 143m (117) according to IAS 19.

Salaries and other remuneration for the Parent Company amounted to SEK 782m (677). This includes salaries and remuneration to the Board, President and other senior management of 42m (31). Employer contributions excluding pension costs for the Parent Company amounted to SEK 255 m (262). Pension costs for the Parent Company, according to Swedish GAAP, amounted to SEK 79m (57).

For more information about fixed and variable salaries, remuneration and pension costs for Board of Directors, President and other members of Group Management, see Note 24. For presentation and composition of Board members and Group Management, see pages 90–93.

In accordance with the regulations in the Swedish Annual Accounts Act absence due to illness for employees in the Parent Company and its subsidiaries in Sweden is reported in the table below. The Parent Company comprises the Group's head office as well as a number of units and plants, and employs the majority of the Group's personnel in Sweden.

Employee absence due to illness

	2007		2006	
%	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
Total absence due to illness, as a percentage of total normal working hours	**4.4**	**4.7**	**4.6**	**4.9**
Of which 60 days or more	47.6	48.8	47.4	48.7
Absence due to illness, by category[1]				
Women	6.5	6.9	6.8	7.1
Men	3.8	4.1	4.0	4.2
29 years or younger	2.9	3.1	3.1	3.4
30–49 years	4.6	4.8	5.0	5.2
50 years or older	5.9	6.1	5.6	5.8

[1] % of total normal working hours within each category, respectively.

Pensions and other post-employment benefits

Husqvarna has pension obligations in many of the countries in which the Group has operations. Pension plans are classified as either defined contribution plans or defined benefit plans.

The Group's most comprehensive defined benefit pension plans are in the UK, Germany, Sweden, the US, Norway and Japan. The pension plans in these countries are funded except for the plans in Germany where the main plan is unfunded. Funded plans imply that there are pension assets in legal entities that exist solely to pay or fund employee benefits.

In the UK the employees are covered by either a final salary plan, which was closed at the end of 2003, or the career-average salary plan which applies for employees hired after 2003. The mortality assumptions used to value the pension obligations have been changed in 2007, owing to increased length of life.

The acquisition of Gardena brought along defined benefit plans in Germany into the Group. The plans are of the type career-average salary plans.

White collar employees in Sweden, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP 2). For white collar employees born 1979 or later a new defined contribution plan (ITP 1) was launched in 2007. The retirement provision of the defined benefit plan is financed through a pension fund. In two subsidiaries, with small numbers of employees, the ITP multi-employer plan is insured with an insurance company. The insurance company does not separate the pension assets for each member company, i.e. does not provide the information needed for the accounting of the plan as a defined benefit plan and therefore it has been treated as a defined contribution plan. The mortality assumptions used to value the pension obligation have been changed in 2007 owing to increased average lifetimes. New pension plans have been introduced for the members of

Group Management employed in Sweden. For more information of these plans see Note 24.

The defined benefit pension plan in the US has been closed for employees hired after 2003. At the end of 2007 approximately 50 Highly Compensated Employees (earnings larger than USD 100,000) were taken out of the plan and the plan benefits were frozen, i.e. they are not entitled to pension accruals in the plan in the future. The post-retirement Welfare plan benefits in the US have been cancelled as of 1 October 2007.

Owing to the acquisition of Zenoah, there are four new defined benefit plans included in the Group in Japan. The largest plan covering all full-time regular employees is a cash balance plan which is funded. The other plan covering all employees is unfunded and based on career-average salary or similar. There is also an early retirement plan and a plan for directors, both unfunded.

In Norway the employees are covered by a final salary plan, which is insured with an insurance company. Husqvarna also provides early retirement benefits called the AFP-plan, an unfunded arrangement. Owing to increased average lifetimes, the mortality assumptions used to calculate the pension obligation have been changed in 2007. The supplementary pension plan for senior managers in Norway has been terminated and the members were entitled to paid-up insurance policies.

The table below shows the present value of obligations as well as the fair market value of plan assets regarding the Group's most comprehensive defined benefit plans.

Country	Present value of defined benefit obligation	Fair value of plan assets
UK	890	716
Sweden	398	311
US	249	193
Germany	715	28
Japan	127	74
Norway	111	83
Sum	**2,490**	**1,405**
Share of total	96%	97%

Set forth below are schedules showing the obligations of the plans in Husqvarna, the assumptions used to determine these obligations and the assets relating to the benefit plans, as well as the amounts recognized in the income statement and balance sheet. The schedules include reconciliations of the opening and closing balances of the present value of the defined benefit obligation, as well as opening and closing balances of the fair value of plan assets and of the changes in net provisions during the year. Husqvarna's policy for recognizing actuarial gains and losses is to recognize in the income statement that portion of the cumulative unrecognized gains or losses in each plan that exceeds 10% of the greater of the defined benefit obligation and the plan assets. This portion of gains or losses in each plan is recognized over the expected average remaining working lifetime of the employees participating in the plans.

In some countries, the employees are entitled to a compulsory lump sum payment at retirement. These obligations are shown below as Other post-employment benefits.

Specification of net provisions for pensions and other post-employment benefits recognized in the balance sheet.

	2007			2006		
	Pensions defined benefit plans	Other post-employment benefits	Total	Pensions defined benefit plans	Other post-employment benefits	Total
Present value of obligations for unfunded plans	840	27	867	167	45	212
Present value of obligations for funded plans	1,723	–	1,723	1,534	–	1,534
Fair value of plan assets	-1,447	–	-1,447	-1,342	–	-1,342
Unrecognized actuarial gains/losses	-239	-2	-241	-249	2	-247
Unrecognized past-service cost	-5	–	-5	-6	–	-6
Net provisions for pensions and other post-employment benefits	**872**	**25**	**897**	**104**	**47**	**151**
Whereof reported as prepaid pension cost	162	–	162	212	–	212
Provisions for pensions and other post-employment benefits	**1,034**	**25**	**1,059**	**316**	**47**	**363**

Amounts in SEKm, unless otherwise stated.

Expenses for pensions and other post-employment benefits recognized in the income statement

	2007	2006
Current service cost	74	65
Interest cost	108	74
Expected return on plan assets	-85	-76
Amortization of actuarial losses / gains	15	12
Amortization of past service cost	1	-22
Effect of any curtailments and settlements	-38	13
Expenses for defined benefit plans and other post-employment benefits	**75**	**66**
Expenses for defined contribution plans	68	51
Total expenses for pensions and other post-employment benefits	**143**	**117**

For Husqvarna, the total expenses for pensions and other post-employment benefits have been recognized as operating expenses and classified as manufacturing, selling or administrative expense depending on the function of the employee.

Change in the present value of the defined benefit obligation

	2007			2006		
	Pension benefits	Other post-employment benefit	Total	Pension, benefit	Other post-employment benefits	Total
Opening balance	**1,701**	**45**	**1,746**	**1,799**	**65**	**1,864**
Acquisitions	819	–	819	–	–	–
Current service cost	73	1	74	61	4	65
Interest cost	106	2	108	71	3	74
Plan amendments	1	5	6	-6	–	-6
Curtailments	-17	-23	-40	–	–	–
Settlements	–	–	–	-50	–	-50
Exchange differences on foreign plans	-47	1	-46	-77	-6	-83
Benefits paid	-72	-5	-77	-41	-7	-48
Employee Contributions	8	–	8	8	–	8
Actuarial losses (gains)	-9	1	-8	-64	-14	-78
Closing balance	**2,563**	**27**	**2,590**	**1,701**	**45**	**1,746**

Change in the fair value of plan assets

	2007 Pension, benefits	2006 Pensions, benefits
Opening balance	**1,342**	**1,296**
Acquisitions	93	–
Expected return	85	76
Employer Contributions	62	71
Employee Contributions	8	8
Exchange differences on foreign plans	-44	-49
Benefits paid	-78	-34
Actuarial gains and (losses)	-21	-26
Closing balance	**1,447**	**1,342**

The major categories of plan assets as a percentage of the total fair value of plan assets are:

%	Defined benefit pension plans
Equity instruments	44.7
Debt instruments	50.9
Property	1.0
Other	3.4

Actual return on plan assets was SEK 64m (50).

Historic information	2007	2006	2005
Present value of defined benefit obligation	2,590	1,746	1,864
Fair value of plan assets	1,447	1,342	1,296
Funded status	**1,143**	**404**	**568**
Experience adjustment on plan liabilities	35	-3	-8
Experience adjustment on plan assets	-21	-26	59

Principal actuarial assumptions at the balance sheet date (expressed as a weighted average)

%	31 Dec 2007	31 Dec 2006
Discount rate		
Europe	5.2	4.5
North America	5.9	5.7
Rest of the world	1.6	1.8
Expected long-term return on assets		
Europe	6.5	6.4
North America	6.3	7.0
Rest of the world	3.8	4.8
Expected salary increases		
Europe	3.3	3.4
North America	4.0	4.0
Rest of the world	3.5	3.5

When determining the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied. If no suitable corporate bonds are available government bonds are used to determine the discount rate. To determine the expected return, return on equity and equity related instruments are based on the historical risk premium for equities and current bond yields. Return on fixed income and fixed income related investments are based on current bond yields. The weighting of asset classes is determined by using the respective scheme's benchmark asset allocation, which for all major schemes is set out in the Group's financial policy. An increase or decrease with one percentage point in the assumed medical cost trend rate would not materially affect the Group's current service cost or post-employment benefit obligation.

The company expects to make contributions of approximately SEK 57m (41) to the plans during 2008.

Reconciliation of changes in net provisions for pensions and other post-employment benefits

	Pensions, defined benefit plans	Other post-employment benefits	Total
Net provision for pensions and other post-employment benefits, 31 Dec 2006	**104**	**47**	**151**
Acquisitions	726	–	726
Pension expenses	93	-18	75
Employer contributions and benefits paid directly by the Company	-55	-5	-60
Exchange differences	4	1	5
Net provision for pensions and other post-employment benefits, 31 Dec 2007	**872**	**25**	**897**

Parent Company

According to Swedish accounting principles adopted by the Parent Company, defined benefit liabilities are calculated on the basis of officially provided assumptions, which differ from the assumptions used in the Group under IFRS. The pension benefits are secured by insurance policies, contributions to a separate fund or recorded as a liability in the balance sheet. The accounting principles used in the Parent Company's separate financial statements differ from the IAS/IFRS principles, mainly in the following areas:

- The pension liability calculated according to the Swedish accounting principles does not take into account future salary increases.
- The discount rate used in the Swedish calculations is established by the Swedish Financial Supervisory Authority.
- Changes in the discount rate and other actuarial assumptions are recognized immediately in the income statement and the balance sheet.
- Any deficit must be either immediately settled in cash or recognized as a liability in the balance sheet.
- Surplus cannot be recognized as an asset but may in some cases be refunded to the company to offset pension costs.

Specification of the net provision for pensions recognized in the balance sheet

	2007	2006
Present value of the funded pension obligation	260	231
Fair value of plan assets	-293	-322
Surplus in pension fund	**-33**	**-91**
Present value of unfunded pension obligations	32	24
Surplus in pension fund, not recognized	33	91
Obligation recognized in access of the present value of the obligation	0	10
Net provision recognized in the balance sheet	**32**	**34**

Specification of the change in the net provision for pensions recognized in the balance sheet

	2007	2006
Opening balance 1 Jan	**34**	**20**
Costs for pensions recognized in the income statement	34	32
Benefits paid	-2	-5
Provision to pension fund	-24	–
Payment to pension fund	-10	–
Provision for settled pension obligations	–	-45
Reimbursement from pension fund	–	35
Other	–	-3
Closing balance 31 Dec	**32**	**34**

Of the net provision SEK 32m (34) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

Pension costs recognized in the Income statement

	2007	2006
Own pensions		
Current service costs	31	26
Interest cost	1	1
Benefits paid	2	5
Pension costs	**34**	**32**
Insured pensions		
Insurance premiums	45	25
Total net expense for pensions	**79**	**57**

Of the net expense of SEK 79m (57), SEK 1m (1) is recognized in the financial net and the remaining part in the operating result. The expected pension payments for 2008 amount to SEK 3m.

Amounts in SEKm, unless otherwise stated.

Principal actuarial assumptions at the balance sheet date

%	31 Dec 2007	31 Dec 2006
Discount rate	4.4	4.2

The major categories of plan assets as a percentage of the total plan assets and return on these categories as a percentage

%	31 Dec 2007	Return
Equity	46	4.9
Debt	52	0.3
Other	2	–
Total	**100**	**2.6**

Long-term incentive programs

The purpose of the long-term incentive programs is to retain and to attract competent managers to the Group. These programs have 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. The program for 2007 (LTI 2007) was also designed with the aim of offering competitive remuneration for managers in comparison with other comparable companies in the industry.

Long-term incentive program 2007 (LTI 2007)

LTI 2007 was authorized by the Annual General Meeting 2007. 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. The program comprises 36 senior managers within the Husqvarna Group. The participants have invested at market price (SEK 101.44 per share) in Class B-shares in Husqvarna which later on will be matched by the company free of charge through grant of shares and performance-based stock options on the following terms.

The personal investment and matching share awards

In order to participate in the program, the employees were required to purchase Class B-shares in Husqvarna corresponding to a value of a minimum of 5% and a maximum of 10% of their annual target income (fixed salary plus variable salary on target level).

If the employee maintains the purchased shares and the employment within the Group until 25 May 2010, the company will grant the employee shares corresponding to 1.5 times the number of shares the employee has originally purchased .

Performance based stock options

The stock options are granted free of charge and each stock option entitles the holder to purchase one Class B-share in the company. The purchase price for shares when exercising a stock option amounts to SEK 112 per share which corresponds to 110% of the average volume weighted closing price of the company's Class B-share at the OMX Nordic Exchange Stockholm, during a period of 10 trading days prior to the date on which the options were granted. The options may be exercised at the earliest four years (25 May 2011) and at the latest eight years from the date of grant. The right to exercise the options requires that the holder is still employed by the Husqvarna Group, and has maintained the personal investment for three years from the date of grant. The options carry no right to compensation for dividends on the underlying shares.

The number of 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 specific 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 per purchased Class B-share plus 2,000 options.
- Target: 7 options per purchased Class B-share plus 5,000 options.
- Stretch: 12 options per purchased Class B-share plus 8,000 options.

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

Allocation

LTI 2007 comprises a maximum of approximately 1,800,000 Class B-shares. There are no exercised or forfeited options. In accordance with the above, LTI 2007 comprises the following number of Class B-shares and stock options for the various categories of participants if the target level is reached:

Participants	Matching shares, number of Class B-shares	Number of stock options	Target Value[1], SEKt
President	11,367	58,046	2,447
Other members of Group Management	41,650	234,355	9,479
Other participants	73,325	477,195	18,212
Total	**126,342**	**769,596**	**30,138**

[1] Target value of the program is calculated on the fair value on grant date. The value of the share at grant date was 94.85 and the fair value of the option 23.59. The binomial options pricing model has been used to calculate the fair value of the options. The values have been adjusted for the discounted value of future dividends.

Long-term incentive program 2006

The long-term incentive program which was offered 2006, includes approximately 40 senior managers. The program is a performance-based share program based on value creation targets for Husqvarna established by the Board. If the established targets for value creation are reached or exceeded after a three-year period, shares of Class 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 the 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 categories; the President, other members of Group Management, and two categories of other senior managers and key employees. For each of the four categories of employees 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/Category

	Target number of Class B-shares[1]	Target value in SEK
President and CEO	31,200	1,800,000
Other members of Group Management	15,600	900,000
Other senior managers, category A	10,400	600,000
Other senior managers, category B	7,800	450,000
Total target value and number of shares for all participants, approximately[2]	**416,000**	**24,000,000**

[1] Each target value is subsequently converted into a number of shares. The conversion rate is SEK 57.7, based on the average last price paid for Class 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). The number of shares has increased by 30% due to the bonus issue made in 2007. The target value of the program is still the same.

[2] The maximum number of shares that can be allocated in the program is 624,000 shares which is 50% greater than the number of shares allocated at target level (assuming that stretch level is reached).

Accounting principles

The programs described above are accounted for in accordance with IFRS 2 Share-based Payment. The Group provides for the social security contributions that are expected to be paid when the shares are distributed and when the options are exercised. The provision for social security contributions is periodically revalued on the basis of the share market price at each balance sheet date. The total cost charged to the income statement for 2007 amounted to SEK 12m (9) whereof SEK 2m (2) refers to social security contribution. The total provision for share-based compensation amounted to SEK 4m (2).

Repurchased shares for the LTI programs

Duing 2007 Husqvarna repurchased Husqvarna Class B-shares to meet the company's long term incentive obligation for 2006 and 2007. The shares will be distributed or sold to the participants of the programs. Husqvarna intend to sell additional shares on the market in conjunction with the exercise of options or distribution of shares in order to cover payment of social security contributions.

Compensation for incentive programs

Historically, Husqvarna operations have been included in the Electrolux Group. Over the years, Electrolux has implemented several long-term incentive programs (LTI) in which senior managers (approximately 30) within Husqvarna have participated. 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 continue to 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 provides 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 cash payments as compensation solution. These cash payments will be 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 the award level will be added as a "retention bonus".
- Final payout for 2006 and 2007 will be made in Q1, 2008, subject to the Husqvarna Board approval of actual Value Creation.

Total cost for 2007 was approximately SEK 9m (15).

Amounts in SEKm, unless otherwise stated.

Note 20 Other provisions

	Group					Parent Company		
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Warranty commitments	Other	Total
Opening balance, 1 Jan 2006	**31**	**152**	**–**	**108**	**291**	**13**	**33**	**46**
Provisions made	5	80	307	34	426	–	11	11
Provisions used	-35	-80	–	-47	-162	–	-19	-19
Unused amounts reversed	–	-6	–	–	-6	-2	-7	-9
Exchange-rate differences	-1	-12	–	-3	-16	–	–	–
Closing balance, 31 Dec 2006	**–**	**134**	**307**	**92**	**533**	**11**	**18**	**29**
Current provisions	–	26	–	30	56	11	15	26
Non-current provisions	–	108	307	62	477	–	3	3
Provisions made	4	218	39	156	417	11	16	27
Acquired companies	–	30	–	140	170	–	–	–
Provisions used	-2	-184	-2	-118	-306	-11	-15	-26
Unused amounts reversed	–	-6	–	-11	-17	–	–	–
Exchange rate differences	–	-2	-18	1	-19	–	–	–
Closing balance, 31 Dec 2007	**2**	**190**	**326**	**260**	**778**	**11**	**19**	**30**
Current provisions	2	70	–	136	208	11	16	27
Non-current provisions	–	120	326	124	570	–	3	3

Provisions for warranty commitments are recognized as a consequence of Husqvarna's policy of covering the cost of repairing defective products. A warranty is normally granted for 1 to 2 years after the sale.

Provisions for claims refer to the Group's captive insurance companies and consist of reserves for specific insurance claims as well as IBNR (Incurred But Not Reported) reserves. Other provisions include mainly payroll related provisions.

Note 21 Other liabilities

	Group		Parent Company	
	2007	2006	2007	2006
Accrued holiday pay	176	161	84	77
Other accrued payroll expenses	481	253	158	123
Prepaid income	3	2	–	1
Other accrued expenses	617	487	150	67
Value added tax	14	11	–	–
Personnel taxes and other taxes	88	54	19	19
Other operating liabilities	141	128	–	–
Total	**1,520**	**1,096**	**411**	**287**

Note 22 Contingent liabilities

	Group		Parent Company	
	2007	2006	2007	2006
Guarantees and other commitments				
On behalf of internal counterparties	–	–	65	70
On behalf of external counterparties	20	41	6	6
Total	**20**	**41**	**71**	**76**

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are provided as part of Husqvarna's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealer's bankruptcy, to buy back repossessed Husqvarna products from certain dealers financing their floor planning with an external finance company. During 2007 goods for a value of SEK 15m (4) were bought back in connection with floor planning activities.

Husqvarna is involved in various contractual and product liability disputes arising from time to time in its ordinary course of business. Those disputes involve claims for compensation for material damage or personal injury and may sometimes involve claims for punitive damages. Such disputes can prove to be costly and time-consuming and may disrupt the day-to-day business. The outcome of disputes is difficult to predict, and significant adverse effects on Husqvarna's earnings and financial position cannot be ruled out in the event of a disadvantageous outcome. Husqvarna continuously evaluates pending disputes, but is currently unable to provide an assessment of the extent of the damage likely to result from any negative outcome.

However, on the basis of its knowledge in the present circumstances, Husqvarna estimates that none of the disputes to which it is currently party to or that have been recently settled, has had, or may have, a significant effect on Husqvarna's financial position or profitability.

Below follows a summary of significant matters that are unresolved.

Gas explosion in Husqvarna Belgium S.A.'s factory in Belgium

A gas explosion, which occurred on Husqvarna Belgium SA's factory area in Ghislenghien, Belgium, caused the loss of 24 lives, more than 100 personal injuries and substantial property damage. The accident was caused by the bursting of a sub-surface industrial gas pipe. Neither the exact cause of the accident, nor the responsibility therefore has been determined.

Husqvarna Belgium has, together with at least 20 other companies, authorities and persons, received notifications of potentially having contributed to the accident. Several parties have initiated claims for damages against, among others, Husqvarna Belgium. Husqvarna Belgium has denied all responsibility and has itself also initiated claims for damages against other involved parties. It may take several years to determine responsibility for the accident and whether any damages are payable.

Based on the facts available and the substance of the claims, Husqvarna estimates that any liabilities arising for Husqvarna Belgium due to the accident will largely be covered by the relevant insurance policies.

Alleged inaccurate specification of engine capacity in lawn mowers

An attempted consumer class action lawsuit filed in Illinois, US, alleged that the engine capacity in lawn mowers did not correspond with the engine capacity specified. The original lawsuit was amended three times and involved various engine manufacturers, lawn mower manufacturers (including Husqvarna) and one retailer. The plaintiffs sought certification of a class of purchasers of lawn mowers manufactured or sold by the defendants. The plaintiffs also sought an injunction against continued sales with the alleged inaccurate specification of engine capacity, compensatory and punitive damages, requested litigation costs, and included a RICO count against all defendants. Husqvarna denied liability and disputes the assertion that consumers sustained losses to any degree. The litigation was dismissed by the Court in 2007, which also provided plaintiffs with a right to refile the action in a different form. Plaintiffs have indicated that they intend to refile their case. The form of new future allegations against the outdoor products industry is unknown at this time.

Whitesell – contract dispute

Whitesell, which is a fastener supplier, has filed a lawsuit against, among others, Husqvarna, containing various claims for alleged breach of an exclusive eight-year supply agreement. The agreement regulates, together with a settlement agreement and a court order between the parties, supplies to Husqvarna and one other party. In 2007 the court ordered the case be administratively closed and further instructed the parties to mediate a settlement of their differences. The parties are planning to mediate their differences and continue to cooperate under the terms of the agreement.

Note 23 Business Combinations

The below table summarizes the acquisitions made during 2007 and 2006.

Date of acquisition	Company[1]	Business Area	Consideration paid [2], SEKm	Acquired Net Debt	Enterprise value[2], SEKm	Annual Net Sales, SEKm[3]
1 June 2007	Soff-Cut	Professional Products	302	234	536	240
2 April 2007	Zenoah	Professional Products	1,026	73	1,099	1,200
20 March 2007	Gardena AG	Consumer Products	2,949	3,938	6,887	3,800
28 February 2007	King Concepts	Professional Products	126	2	128	30
1 February 2007	Klippo AB	Professional Products	222	5	227	150
Total 2007			**4,625**	**4,252**	**8,877**	**5,420**
31 December 2006	Jikai	Professional Products	125	0	125	160
31 July 2006	Dixon	Professional Products	240	0	240	400
1 March 2006	McOuat	Professional Products	193	0	193	200
Total 2006			**558**	**0**	**558**	**760**

[1] All acquisitions above are made either through purchasing 100% of the shares and voting rights or by acquiring the assets and liabilities in the companies. The exception is Jikai, where Husqvarna owns 80% of the company.

[2] Including acquisition costs.

[3] The latest Annual Net Sales at the time of acquisition.

Amounts in SEKm, unless otherwise stated.

Gardena AG

The acquisition of the German company Gardena AG was completed at the end of March. Gardena is the leader in the European consumer market for irrigation products, and has a leading position in garden tools, garden ponds and pumps, as well as electric garden products. In the fiscal year ending September 2006, the company reported sales of approximately SEK 3,800m (EUR 422m). The company has approximately 2,900 employees.

The consideration paid amounted to SEK 2,949m (includes costs directly attributed to the acquisition of SEK 22m) and goodwill amounted to SEK 2,951m. The goodwill refers to anticipated synergies from an expanded product offering within irrigation and electric. Synergies are also expected to derive from combining Husqvarna and Gardena's sales, marketing, distribution and technology.

In addition, intangible assets of SEK 3,009m was recognized referring to the trademark GARDENA. The GARDENA trademark has a very high recognition among customers and Husqvarna intends to keep and further develop the brand in the foreseeable future. The GARDENA trademark has been regarded as an indefinite life intangible asset. The Gardena operation's net sales end of December amounted to SEK 2,915m with an operating income of SEK 229m. If Gardena had been included in the Group for the full year it would have contributed with SEK 4,096m to net sales and SEK 337m to operating income.

SEKm	Carrying amount	Fair value adjustment	Fair value, acquisition balance
Goodwill	1,774	-1,774	0
Other intangible assets	159	3,009	3,168
Property, plant and equipment	888	0	888
Other non-current assets	161	-15	146
Inventories	845	53	898
Trade receivables	1,188	0	1,188
Other operating assets	151	0	151
Trade payables	-311	0	-311
Other operating liabilities	-1,255	-937	-2,192
Net debt	-3,938	0	-3,938
Net identifiable assets	-338	336	-2
Goodwill			2,951
Consideration paid			2,949
Cash and cash equivalents acquired			-102
Net cash paid			**2,847**

Komatsu Zenoah's outdoor-products operation

The acquisition of the outdoor products operation within Komatsu Zenoah Co was completed at the beginning of April. Komatsu Zenoah is a leading producer of portable outdoor power products, and is the market leader in Japan. The product range comprises mainly brush cutters, chainsaws, trimmers and blowers. Sales for this operation in the latest fiscal year ending 31 March 2006 amounted to approximately SEK 1,200m (approximately JPY 19 billion), of which approximately 50% were in Japan. The number of employees was approximately 700. The consideration paid amounted to SEK 1,026m (includes costs directly attributed to the acquisition of SEK 15m) and goodwill amounted to SEK 312m. The goodwill refers mainly to expected synergies from an expanded product offering within Forestry and Commercial Lawn and Garden products as well as from synergies in technology, production and distribution. The Zenoah's operation's net sales at the end of December amounted to SEK 867m with an operating income of SEK 45m. If Zenoah would have been included in the Group for the full year it would have contributed with SEK 1,232m to net sales and SEK 90m to operating income.

SEKm	Carrying amount	Fair value adjustment	Fair value, acquisition balance
Goodwill	0	0	0
Other intangible assets	20	59	79
Property, plant and equipment	111	0	111
Other non-current assets	16	178	194
Inventories	212	9	221
Trade receivables	540	0	540
Other operating assets	34	0	34
Trade payables	-235	0	-235
Other operating liabilities	-122	-35	-157
Net debt	-73	0	-73
Net identifiable assets	503	211	714
Goodwill			312
Consideration paid			1,026
Cash and cash equivalents acquired			-39
Net cash paid			**987**

Soff-Cut

At the beginning of June, the acquisition of the american company Soff-Cut was completed. Soff-Cut is the leading producer of concrete saws for early entry concrete sawing. In 2006 the company reported sales of approximately SEK 240m and had approximately 70 employees. The consideration paid amounted to SEK 302m. In addition to goodwill amounting to SEK 338m, other intangibles amounting to SEK 166m have been recognized consisting of patents and customer relations. The goodwill refers mainly to anticipated synergies expected from an expanded product offering within the Construction business as well as within technology and distribution.

King Concepts

At the end of February 2007 King Concepts in Australia was acquired. King Concepts manufactures equipment and consumables for the Floor Preparation and Concrete Polishing market. The company has an annual sales of approximately SEK 30m and had 15 employees. The consideration paid amounted to SEK 126m. In addition to goodwill amounting to SEK 71m, other intangibles amounting to SEK 66m have been recognized consisting mainly of patents. The goodwill refers mainly to anticipated synergies from an expanded product offering within construction as well as distribution.

Klippo AB

In February 2007, Husqvarna acquired Klippo AB, the largest producer of petrol-driven walk-behind lawn mowers for the Swedish market. In 2006 the company reported sales of approximately SEK 150m and had approximately 50 employees. The consideration paid amounted to SEK 222m. Goodwill amounts to SEK 160m and other intangible assets, mainly trademarks, have been recognized in the amount of SEK 41m. The goodwill refers mainly to anticipated synergies from an expanded product offering within the Commercial Lawn and Garden business and within distribution.

Total fair value of assets and liabilities for acquisitions

SEKm	Carrying amount	Fair value adjustment	Fair value, acquisition balance
Goodwill	1,957	-1,957	0
Other intangible assets	181	3,341	3,522
Property, plant and equipment	1,012	4	1,016
Other non-current assets	188	196	384
Inventories	1,152	62	1,214
Trade receivables	1,787	0	1,787
Other operating assets	197	0	197
Trade payables	-598	0	-598
Other operating liabilities	-1,408	-1,069	-2,477
Net debt	-4,252	0	-4,252
Net identifiable assets	216	577	793
Goodwill			3,832
Consideration paid[1)]			4,625
Cash and cash equivalents acquired			-148
Net cash paid			**4,477**

[1)] *Includes costs directly attributed to the acquisitions of SEK 42m.*

The 2007 acquisitions have in total contributed to the Group's net sales with SEK 4,075m and operating income with SEK 328m. If all acquisitions would have been included in the Group as of 1 January the Group Net Sales would have been impacted with SEK 5,742m and operating income with SEK 515m.

Note 24 Remuneration to the Board of Directors, the President and other members of Group Management

Remuneration to Board members

Remuneration to Board members was authorized by the Annual General Meeting 2007 and paid to members who are not employed by the Company. Authorized remuneration is the same as in the previous year and the payment of the remuneration to the Board members is specified in the table to the right.

Authorized remuneration 2007 to the Board of Directors

SEK	Regular remuneration	Remuneration for Committee work	Total remuneration
Lars Westerberg	1,500,000	50,000	1,550,000
Bengt Andersson	–	–	–
Peggy Bruzelius	437,500	75,000	512,500
Robert F. Connolly	437,500	–	437,500
Börje Ekholm	437,500	175,000	612,500
Tom Johnstone	437,500	–	437,500
Anders Moberg	437,500	50,000	487,500
Gun Nilsson	437,500	75,000	512,500
Peder Ramel	437,500	100,000	537,500
Annika Ögren	–	–	–
Malin Björnberg	–	–	–
Total	**4,562,500**	**525,000**	**5,087,500**

There are no agreements in place governing severance pay to Board members.

Remuneration Committee

The task of the Remuneration Committee is to provide the Board of Directors with proposals for remuneration to members of Group Management regarding targets and criteria for variable remuneration, the relationship between fixed and variable salary, changes in fixed or variable salary, long-term incentives, pension terms and other benefits.

The Committee consists of three Board members: Peder Ramel (Chairman), Anders Moberg and Lars Westerberg.

General principles for remuneration to Group Management

The overall principles for remuneration to senior managers are that remuneration should be based on the position held, individual and team performance and on a competitive basis in the country of employment. The overall remuneration package for senior managers comprises fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives and benefits such as pension and insurance benefits.

Husqvarna aims to offer competitive and performance based remuneration. Variable remuneration may constitute a significant proportion of total remuneration, but could also be zero if entry level is not achieved or capped if the stretch level is attained.

Variable remuneration to the President and Group Management is based on the Group's value creation.

Terms of employment for the President

The remuneration package for the President, who is also the CEO, comprises fixed salary, variable salary based on annual targets, long-term incentive programs, pension and insurance benefits. The remuneration is reviewed annually per 1 January.

The fixed annual salary to the President is SEK 5,125,000 as of 1 January 2007.

The variable salary is based on an annual target for value created within the Group. The variable salary is 50% of the fixed salary at target level and is capped at 100% at stretch level.

The President participates in the Group's long-term incentive programs which consist of the 2006 Performance Share Program and the new restricted share and performance based stock option

Amounts in SEKm, unless otherwise stated.

program which was introduced in 2007. In addition to these programs, the President is covered by a short-term incentive program which is to compensate for the remaining shortfall periods of the Electrolux Performance Share Programs, initiated in 2004 and 2005. For more information on these programs, see Note 19.

The notice period for termination is 12 months on the part of the Company, and 6 months on the part of the President. There is no agreement covering severance pay. The President is not entitled to fringe benefits such as a company car or housing.

Pension terms for the President

The retirement age for the President is 65. The President is covered by the collective bargaining ITP plan and a supplementary pension plan. The supplementary pension benefit is based on an annual contribution of 105% of fixed salary. Actuarial bases for calculation are used to transform the contribution at year end into a pension benefit. In the case of disability the President is entitled to a disability benefit of 45% of fixed salary.

Terms of employment for other members of Group Management

As with the President, other members of Group Management receive a remuneration package comprised of fixed salary, variable salary based on annual targets, long-term incentive programs, pension and insurance benefits. Remuneration is revised annually per 1 January.

For the Group's sector heads, variable salary is based on value creation in each sector and for the Group Staff heads the variable salary is based on value creation for the Group. The variable salary is 40–50% of the fixed salary at target level and is capped at 80–100%.

Members of Group Management participate in the Group's long-term incentive programs which consist of the 2006 year's Performance Share Program and the new restricted share and performance based stock option program which was introduced in 2007. In addition to these programs, the members of Group Management are covered by a short-term incentive program which is to compensate for the outstanding shortfall periods of the Electrolux Performance Share Programs initiated in 2004 and 2005. For more information on these programs, see Note 19.

The notice period for termination is 12 months on behalf of the Company and 6 months on the part of the employee. There is no agreement covering severance pay.

Pension terms for other members of Group Management

The members of Group Management employed in Sweden (7 out of 9) are covered by the collective bargaining ITP-plan. One member of Group Management is covered by the major rule of the ITP-plan and the alternative rule of the plan is applied to the other managers. These managers are also covered by the Husqvarna Executive Pension Plan which is a defined contribution pension plan. The employer contribution to the plan is equivalent to 35% of pensionable salary. The pensionable salary is calculated on the basis of current fixed salary plus last year's variable salary. The retirement age is 62 for the members of Group Management, who are employed in Sweden. In addition to the pension terms described above, there is a commitment to pay a single premium at retirement age for pension benefits corresponding to 22.68 monthly salaries in the event that the member of Group Management remains in service until the retirement age. One of the members of Group Management which was covered by a defined benefit pension plan has, as a compensation for transfer to new defined contribution plan described above, received a single premium of SEK 2,500,000 as pension benefit.

The members of Group Management that are not employed in Sweden are covered by the Group's company pension plans in the respective country of employment (Germany and the US).

Remuneration to Group Management 2007

SEKt	Fixed salary	Variable salary [1]	Pension cost	Long-term incentive [2]	Incentive Compensation [1]	Total
President	5,125	2,563	5,988	1,011	920	15,607
Other members of Group Management[3]	25,177	8,238	16,355	3,979	3,932	57,681
Total	**30,302**	**10,801**	**22,343**	**4,990**	**4,852**	**73,288**

[1] The actual variable salary for 2007 and incentive compensation are paid 2008 and might deviate some from the amounts indicated.
[2] Award per year at target level.
[3] Other members of Group Management comprise nine persons.

Remuneration to Group Management 2006

SEKt	Fixed salary	Variable salary	Pension cost	Long-term incentive [2]	Incentive Compensation	Total
President	3,298 [1]	767	4,691	600	880	10,236
Other members of Group Management[3]	18,321	2,975	6,292	2,400	3,793	33,781
Total	**21,619**	**3,742**	**10,983**	**3,000**	**4,673**	**44,017**

[1] Fixed salary paid by Husqvarna AB as from May 2006.
[2] Award per year at target level.
[3] Other members of Group Management comprise eight persons.

Note 25 Fees to auditors

PricewaterhouseCoopers (PwC) are appointed auditors for the period until the 2010 Annual General Meeting.

Fees to PwC

	Group		Parent Company	
SEKm	2007	2006	2007	2006
PwC				
Audit fees[1]	17	15	4	4
Other fees[2]	6	1	4	1
Total fees to PwC	**23**	**16**	**8**	**5**
Audit fees to other Auditors[3]	7	0	0	0

[1] *Audit fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the Company audit; statutory audits and comfort letters and consents.*
[2] *Other fees consist of fees billed for assurance and related services, for due diligence in connection with acquisitions as well as fees billed for tax services.*
[3] *Refers mainly to Gardena companies audited by Ernst & Young in 2007.*

Note 26 Shares and participations

Participation in associated companies

	2007	2006
Opening balance	6	9
Operating result	3	0
Dividend	0	-2
Exchange difference	0	0
Other	3	-1
Closing balance	**12**	**6**

In participations in associated companies at 31 December 2007, goodwill is included with the amount of SEK 4m (2).

In 2007 the Group acquired a company in Turkey (Gardena Dost Dis Ticaret Mümmesilik A.S.) through Gardena, which is treated as an associated company. The Group's share of the associated companies, which all are unlisted, was as follows:

Associated companies 2006

			Relation to Husqvarna Group[1]				P & L		Balance sheet	
SEKm	Participation, %	Book value	Receivables	Liabilities	Sales	Purchases	Income	Total Net result	Total assets	Total Liabilities
Diamant Boart, Argentina	46.7	4	–	1	0	1	16	0	7	3
A/O Khimki, Russia	50.0	1	1	–	6	0	7	1	2	0
Diamant Boart, Philippines	20.0	1	0	0	–	0	3	0	6	3
Total		**6**	**1**	**1**	**6**	**1**	**26**	**1**	**15**	**6**

[1] *Viewed from Husqvarna's perspective.*

Associated companies 2007

			Relation to Husqvarna Group[1]				Income Statement		Balance sheet	
SEKm	Participation, %	Book value	Receivables	Liabilities	Sales	Purchases	Income	Net result	Total assets	Total Liabilities
Diamant Boart, Argentina	46.7	6	1	–	1	–	20	1	12	4
A/O Khimki, Russia	50.0	1	0	1	0	5	5	1	2	0
Diamant Boart, Philippines	20.0	1	0	0	–	0	3	0	7	4
Gardena, Turkey	51.0	4	8	–	3	–	25	2	24	20
Total		**12**	**9**	**1**	**4**	**5**	**53**	**4**	**45**	**28**

[1] *Viewed from Husqvarna's perspective.*

Amounts in SEKm, unless otherwise stated.

Other companies

	Holding, %	Book/Fair value, SEKm
Firefly Energy Inc., USA	7.2	10

Major Group Companies

Subsidiaries		Holding, %
Belgium	Diamant Boart International SA	100
France	Husqvarna France SAS	100
Canada	Husqvarna Canada Corp.	100
Finland	Oy Husqvarna Ab	100
Germany	Husqvarna Deutschland GmbH	100
Germany	Gardena GmbH	100
Germany	Gardena Manufacturing GmbH	100
Norway	Husqvarna Norge AS	100
Sweden	Husqvarna Holding AB	100
United Kingdom	Husqvarna UK Ltd.	100
US	Husqvarna Professional Outdoor Products Inc.	100
US	Husqvarna Outdoor Products Inc.	100

A detailed specification of Group companies is available on request from Husqvarna AB, Investor Relations.

Note 27 Combined Financial Statements and Pro forma Financial Information

The Electrolux Annual General meeting on 24 April 2006 resolved in accordance with the Board of Director's proposal to distribute all of the shares in the wholly owned subsidiary Husqvarna AB to the shareholders in Electrolux. The shares were distributed on 12 June 2006 and the Husqvarna share was listed on the Stockholm Stock Exchange on 13 June 2006.

Prior to September 2005 Husqvarna AB did not legally own any of the subsidiaries within the Outdoor Products segment in Electrolux. In order to prepare for the distribution, the Outdoor Products operations in a large number of countries were transferred to Husqvarna AB during the period September – December 2005. Additional operations were transferred primarily during January 2006. The transfers were completed with the US operation effective as of 30 April 2006 and the Czech operation effective as of 31 May 2006.

For all entities transferred to Husqvarna from Electrolux, the acquisitions were accounted for as transactions under common control. Accordingly, Husqvarna accounted for the acquired assets and liabilities at the same values as was recognized within the Electrolux Group, on the basis of the so called predecessor basis. Reports for the Husqvarna Group were therefore prepared in the form of combined financial statements. In order to better describe the Husqvarna Group and its operations on a stand-alone basis consolidated Pro forma Financial Information was also prepared. The differences between the Combined Financial Statements and Pro forma Financial Information in 2006 are described below.

On 15 May 2006 Husqvarna AB received an unconditional shareholder contribution of SEK 4,250m in order to adjust the Group's capital structure. The establishment of the Group was finalized by the transfer of the Czech operation on 31 May 2006 and as from 1 June 2006 the Group's income statement, balance sheet, equity statement and cash flow statement represent the 100% consolidated Group. Quarter 3 2006 was the first single quarter with consolidated values and 2007 is the first full financial year with consolidated values. This implies that the third quarter 2007 was the first single quarter having comparative consolidated figures, and 2008 will be the first financial year with comparative consolidated figures.

Combined financial statements

The combined financial statements prepared in 2005 and 2006 represented the financial position and results of operations and cash flows of Husqvarna AB, its subsidiaries and other entities included in the former Outdoor Products segment within the Electrolux Group, including assets, liabilities, revenues and costs of doing business in the past, even if the amounts were not historically allocated to the Husqvarna operations or did not appear in the historical financial statements of Husqvarna AB and its subsidiaries. The combined financial statements were prepared as if the Husqvarna operations had been established 1 January 2004. The results and net assets as well as related share capital and provisions were aggregated.

In the preparation of the combined financial statements for the Husqvarna operations, a number of allocations and other assumptions, which management believed were reasonable, were made. These allocations and other assumptions were not necessarily indicative of the costs and expenses that would have resulted if the Husqvarna operations had been operating as a separate entity. The following describes the most significant allocations and assumptions made during 2006 (for information regarding 2005 see the Annual Report 2006):

Assumptions regarding the capitalization of the Husqvarna operations that were not separate legal units were made. Minor divisions were assumed to be financed by loans. Major divisions were assumed to be capitalized according to the debt/equity ratio in the respective legal unit. Interest was charged to the finance net taking into account the varying requirements for capital during the year by using average net assets.

The extent of aggregation gradually decreased when the Husqvarna entities legally were transferred to Husqvarna AB. As a result of the establishment and capitalization of the Husqvarna Group there were no adjustments or allocations made as from 1 June 2006.

Pro forma Financial Information

In order to better describe the Group and its operations on a stand-alone basis consolidated Pro forma Financial Information was prepared for 2005 and 2006. The pro forma information was prepared as if the Husqvarna Group had been established and capitalized as of 1 January 2005 for the pro forma income statement, and 31 December 2005 for the pro forma balance sheet.

Allocations and assumptions relating to 2006:

The income statement was adjusted for financial costs referring to the financing of borrowings, which the Group incurred as an independent Group.

The balance sheet represents consolidated values of the Group and no adjustments were made.

For more detailed information about the adjustments and assumptions forming the basis of the pro forma financial information, see the Annual Report 2006 and the prospectus for the distribution of shares in Husqvarna AB that was published in early April 2006.

Difference between Combined Financial Statements and Pro forma Financial Information

The primary differences are:

- The Combined Financial Statements include historical transactions which were not reported in the Husqvarna Group but which would have been included in order to reflect the actual historical costs of operations.
- The Pro forma Financial Information reflects the historical impact of certain transactions occurring subsequent to the closing date. From an investor perspective it can be appropriate to reverse these transactions to reflect their financial impact. For Husqvarna the transactions mainly refer to, as regards to the income statement, administrative costs, financial costs for borrowing in connection with the capitalization of the new Group and tax charges.

Consolidated income statement

	1 Jan– 31 Dec 2006		
	Combined	Adjustments	Pro forma
Net sales	29,402	–	29,402
Gross operating income	7,925	–	7,925
Operating income	3,121	–	3,121
Income after financial items	2,743	-51	2,692
Income for the period	1,897	-35	1,862

Note 28 Definitions

Capital indicators

Net assets
Total assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities, non-interest-bearing provisions and deferred tax liabilities.

Operating working capital
Inventories and trade receivables less trade payables.

Working capital
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Net borrowings
Total interest-bearing liabilities less liquid funds.

Liquid funds
Cash and cash equivalents, short term investments and fair value derivative assets.

Net debt/equity ratio
Net borrowings in relation to total adjusted equity.

Equity/assets ratio
Equity as a percentage of total assets.

Capital employed
Total liabilities and equity less non-interest-bearing debt including deferred tax liabilities.

Other key ratios

Earnings per share
Income for the period divided by the number of shares.

Net sales growth
Net sales as a percentage of the preceding period.

Gross margin
Gross operating income as a percentage of net sales.

Operating margin
Operating income as a percentage of net sales.

Return on equity
Income for the period as a percentage of average equity.

Return on capital employed
Operating income plus financial income as a percentage of average capital employed.

Operating cash flow
Total cash flow from operations and investments, excluding acquisitions and divestment of operations.

Capital expenditure
Property, plant and equipment and capitalization of product development and software.

EBITDA
Earnings before interests, taxes, depreciation and amortization.

Value creation
Operating income less the weighted average cost of capital (WACC) on average net assets: (Net sales – operating costs = operating income) – (WACC x average net assets).

Proposed Distribution of Earnings

	Thousands of SEK
Retained earnings	6,189,727
Net income for 2007	1,547,974
Total	**7,737,701**

The Board of Directors has proposed that the Annual General Meeting 2008 resolves that the above sum be disposed of as follows:

A dividend to the shareholders of SEK 2.25 per share[1]	862,128
To be carried forward	6,875,573
Total	**7,737,701**

[1] *Calculated on the number of outstanding shares as per February 25, 2008.*

The Board is of the opinion that the dividend proposed above is justifiable on both the Company and the Group level with regard to the demands on the Company and Group equity imposed by the type, scope and risks of the business and with regard to the Company's and the Group's financial strength, liquidity and overall position. The Company's equity would have been SEK 20,128 thousand lower if the assets and liabilities had not been valued at the fair value in accordance with Chapter 4 section 14 a of the Swedish Annual Accounts Act.

The Board of Directors and the President and CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 6 March 2008

Lars Westerberg
Chairman of the Board

Peggy Bruzelius
Board member

Robert F. Connolly
Board member

Börje Ekholm
Board member

Tom Johnstone
Board member

Anders Moberg
Board member

Gun Nilsson
Board member

Peder Ramel
Board member

Malin Björnberg
Employee representative and Board member

Annika Ögren
Employee representative and Board member

Bengt Andersson
President and CEO

Our audit report was issued on 6 March 2008
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Christine Rankin Johansson
Authorized Public Accountant

Auditors' Report

To the Annual Meeting of the shareholders of Husqvarna AB (publ)
Corporate identity number 556000-5331

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Husqvarna AB for 2007. The company's annual accounts and the consolidated accounts are included in the printed version on pages 24–80. The board of directors and the managing director are responsible for these accounts and the consolidated accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the Managing Director and significant estimates made by the board of directors and the Managing Director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Managing Director. We also examined whether any Board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the Managing Director be discharged from liability for the financial year.

Stockholm 6 March 2008

PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Christine Rankin Johansson
Authorized Public Accountant

Corporate Governance Report 2007

Husqvarna is a Swedish public limited liability company. Husqvarna's overall objective is to create long-term value for its shareholders and other stakeholders. The Group is governed on the basis of the Articles of Association of Husqvarna AB, the Swedish Companies Act, the listing agreement with OMX Nordic Exchange Stockholm including the Swedish Code of Corporate Governance and other relevant Swedish and foreign laws and regulations.

Husqvarna applies the Swedish Code of Corporate Governance and does not report any deviations from the code.

This report has not been reviewed by the Group's auditors. The Group's governance structure is illustrated below.

Share capital and voting rights

The share capital in Husqvarna amounts to SEK 770m, comprising 98,380,020 A-shares and 286,756,875 B-shares. Each A-share carries one vote, and each B-share 1/10 of a vote. All shares entitle equal rights in terms of the company's assets and earnings and carry equal rights in terms of dividends.

Bonus issue in 2007

The Annual General Meeting (AGM) in 2007 resolved on a bonus issue of 88,877,745 A-shares. The bonus issue increased the share capital by SEK 177,755,490, which was obtained through reallocation of funds from unrestricted equity according to the most recently adopted balance sheet. The bonus issue increased the proportion of A-shares from 3.2% to 25.5% of the capital, and from 24.9% to 77.4% of the voting rights.

The following conditions applied to the bonus issue:

- Each existing A- or B-share entitled to one (1) bonus share right for A-shares. Ten bonus share rights entitled to three (3) new A-shares.
- Shareholder's bonus share rights that were not multiples of ten were sold through the company and the funds received were allocated net of sales costs to the shareholders whose bonus share rights had been sold.
- The new shares entitles to dividend from and including the financial year 2007.

General Meetings of shareholders

The decision-making rights of shareholders in Husqvarna are exercised at General Meetings of shareholders.

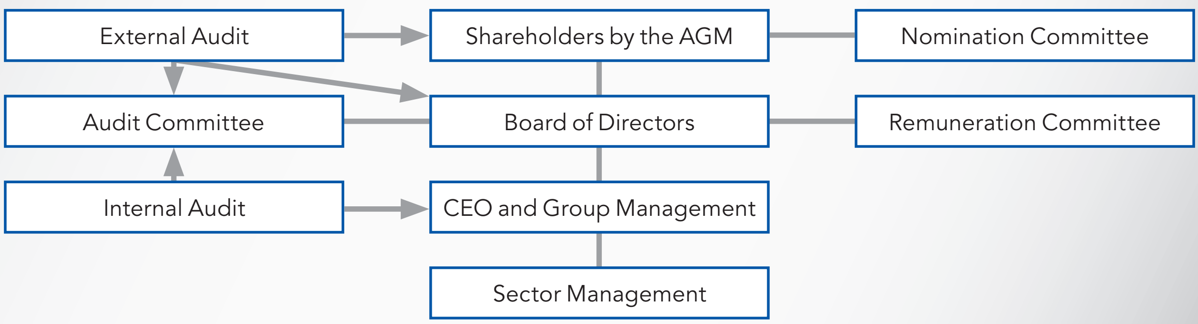
Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register as of a prescribed date prior to the meeting, and must provide notice of participation in due course.

Decisions at the meeting are normally made by simple majority. However, for some matters the Swedish Companies Act stipulates that a proposal must be approved by a higher proportion of the shares and votes represented at the meeting.

Individual shareholders who wish to have a specific issue included in the agenda of a shareholders' meeting can request the Board to do so by sending an e-mail to the address below, which is also posted on the Group's web site, well in advance of the meeting.

According to the Swedish Companies Act, the AGM must be held within six months of the end of the accounting year. The AGM decides on dividends, adoption of the annual report, election of

Governance structure



Major external regulations affecting governance of Husqvarna:

- Swedish Companies Act (2005:559)
- Listing agreement with the OMX Nordic Exchange Stockholm
- Swedish Code of Corporate Governance

Example of internal policies and codes:

- Board of Director's/working procedures
- Policies for Communication, Finance and Credit etc.
- Processes for internal control and risk management
- Husqvarna's Code of Conduct

Major shareholders in Husqvarna as of 31 December 2007[1)]

Shareholders	Number of A-shares	Number of B-shares	Total number of shares	Capital, %	Votes, %
Investor AB	32,725,376	21,387,782	54,113,158	14.1	27.5
LE Lundbergföretagen	14,400,000	1,000,000	15,400,000	4.0	11.4
Alecta Mutual Pension Insurance	5,919,500	19,527,400	25,446,900	6.6	6.2
AFA Insurance	2,907,793	14,126,157	17,033,950	4.4	3.4
AMF Pension Funds	1,984,260	5,512,820	7,497,080	1.9	2.0
SEB Funds	719,729	15,744,195	16,463,924	4.3	1.8
Swedbank Robur Funds	486,336	14,315,211	14,801,547	3.8	1.5
Lannebo Funds	1,386,660	5,210,000	6,596.660	1.7	1.5
Fourth Swedish National Pension Funds	862,502	9,768,640	10,631,142	2.8	1.4
Franklin-Templeton Funds	235,727	5,795,949	6,031,676	1.6	0.6
Total, 10 largest shareholders	**61,627,883**	**112,388,154**	**174,016,037**	**45.2**	**57.3**
Other shareholders	36,752,137	174,368,721	211,120,858	54.8	42.7
Total all shareholders	**98,380,020**	**286,756,875**	**385,136,895**	**100.0**	**100.0**
Of which Board of Directors	184,260	125,778	310,038	<0.1	<0.1

Most of the shares owned by foreign investors are registered through trustees, which means that owner identity is not obtainable from VPC (the Swedish Central Securities Depository & Clearing Organization). Accordingly, the major foreign owners are not shown in the table above. At year-end 2007 about 70% of the total share capital was owned by Swedish institutions and mutual funds, about 16% by foreign investors, and about 14% by private Swedish investors.

1) Source: SIS Ägarservice as of 31 December 2007.

Board members and auditors when required, remuneration to Board members and auditors and other important matters. An Extraordinary General Meeting can be held at the discretion of the Board of Directors or if requested by the auditors or by shareholders owning at least 10% of the shares.

Shareholders may communicate in writing with the Board regarding matters that pertain to the AGM by sending an e-mail to the Secretary of the Board at board@husqvarna.se. The shareholder should indicate whether the letter is addressed to the Board as a whole or to an individual member.

Nomination procedure for election of Board members and auditors

At the AGM in Husqvarna in April 2007, it was decided that a Nomination Committee would be appointed in anticipation of the AGM in 2008. The Nomination Committee consists of the Chairman of the Board and representatives of the four largest shareholders in terms of voting rights. The names of these representatives and the shareholders they represent will be announced publicly at least six months before the AGM.

Selection of the four shareholders is based on known holdings of voting rights immediately prior to the announcement. If the identity of major shareholders changes in the course of the nomination process, the composition of the Nomination Committee may be changed accordingly.

The Nomination Committee's tasks include preparing a proposal to the AGM 2008 regarding the following issues:

- Board members
- Chairman of the Board
- Chairman of the AGM
- Fees to Board members, including the Chairman, as well as remuneration for committee work
- Fees to Auditors
- Tasks and composition of Nomination Committee for next year

The Nomination Committee is also tasked to make proposals for the election of auditors when such matters are to be decided by the AGM. The Nomination Committee is then assisted by the Audit Committee which, among other things, informs the Nomination Committee of the results of the evaluation of the audit work.

Shareholders may submit proposals for nominees to the Nomination Committee. The committee's proposal shall be announced publicly in connection with or prior to the notice of the AGM.

Nomination Committee for the AGM 2008

The Nomination Committee for the AGM 2008 consists of the following members:

- Petra Hedengran, Investor AB, Chairman of the Nomination Committee
- Ramsay J. Brufer, Alecta Mutual Pension Insurance
- Fredrik Lundberg, Lundbergs
- Stefan Roos, SEB Funds
- Lars Westerberg, Chairman of the Husqvarna board

The names of the shareholders' representatives were announced in a press release on 3 October 2007.

The Nomination Committee's proposal to the AGM in 2008 includes the following:

- Unchanged number of Board members to be elected by the AGM (9 members).
- Re-election of Lars Westerberg, Bengt Andersson, Peggy Bruzelius, Börje Ekholm, Tom Johnstone, Anders Moberg, Gun Nilsson and Robert F. Connolly. Peder Ramel declines re-election.
- Election of Ulf Lundahl, Executive Vice-President, L E Lundbergföretagen.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Increase of fees to Board members by SEK 100,000 to SEK 1.6m for Chairman and by SEK 22,500 to SEK 460,000 for other members.

- Part of fees to be paid in synthetic shares.
- Unchanged principles for appointment of Nomination Committee for AGM 2009.

The full proposal as well as a report on how the Committee has conducted its work will be publicly announced no later than the date of notification of the AGM, which is expected to be published on 19 March 2008.

The Board of Directors

The main task of the Husqvarna Board of Directors is to manage the Group's affairs so as to satisfy the owners' interests in terms of a good long-term return on capital to the greatest possible extent. The Board's work is governed by rules and regulations that include the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and the working procedures established by the Board.

The Board decides on issues related to the Group's main goals, strategic orientation and major policies, and on other important issues related to financing, investments, acquisitions and divestments. The Board monitors and deals with, inter alia, follow-up and control of Group operations, Group communication and organization, including evaluation of the Group's operative management. The Board also has the overall responsibility for establishing an effective system of internal control and risk management.

Rules of procedures and meetings

The Board has determined rules of procedures, which shall be reviewed annually and when necessary. The rules of procedures include allocation of tasks to Board members, including the Chairman. The Chairman shall organize and delegate the Board's work, and also ensure effective implementation of the Board's decisions as well as annual evaluation of the Board's work. The working procedures also identify the areas of responsibility for the committees appointed by the Board.

In addition, the rules of procedures include detailed instructions to the President and various corporate functions regarding issues that require the Board's approval, as well as the financial reports and other information that is to be submitted to the Board. Among other things, these instructions specify the maximum amounts that various decision-making functions within the Group are authorized to approve regarding credit limits, investments and other outlays.

The rules of procedures stipulate that the meeting for formal constitution of the Board shall be held directly after the AGM. Decisions at this meeting include authorization to sign for the Company. The Board normally meets on five to six other occasions during the year. Four of these meetings are held in connection with publication of the Group's annual and interim reports. One or two meetings are held in connection with visits to subsidiaries. At one of the meetings the Board evaluated the performance of the President and CEO without the presence of any member of Group Management. Additional meetings, including telephone conferences, are held when necessary.

Ensuring quality in financial reporting

The rules of procedures include detailed instructions regarding the type of financial and other reports that shall be submitted to the Board. In addition to interim reports and the annual report, the Board reviews and evaluates comprehensive financial information.

The Board also reviews, primarily through the Group's Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as major changes to these principles. The tasks of the Audit Committee also include reviewing reports regarding the Group's internal control for financial reporting, as well as audit reports submitted by the Internal Audit function.

The Group's external auditors report to the Board as necessary, but at least once a year. At least one of these meetings is held without the presence of the President and CEO or any other member of Group Management. The external auditors also attend meetings of the Audit Committee.

The Audit Committee reports to the Board after all its meetings. Minutes are taken at all meetings of the Committee and are available to all Board members and the auditors. See Report on Internal Control over Financial Reporting 2007 on page 88.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to the rules of procedures and the working climate, the alignment of the Board's work, and access to and need for special competence. A specially developed form is used for the evaluation, which is followed up by personal feedback meetings with the chairman. The results of the evaluation are reported to the Nomination Committee and comprise input for the nomination procedure, in which the Nomination Committee evaluates the composition of the Board, remuneration to members, and other matters.

The work of the Board Chairman is also evaluated separately under the management of the Chairman of the Remuneration Committee.

Composition of the Board

The Husqvarna Board of Directors shall consist of not less than five and not more than ten members with not more than three deputies, all of whom are elected by the AGM for a period of one year. The Husqvarna Board currently comprises nine members elected by the AGM. Two additional members, with deputies, are appointed by the Swedish employee organizations, in accordance with Swedish labor laws.

The members of the Board in Husqvarna were appointed in January 2006, after recommendations from the Electrolux Nomination Committee. The goal in appointing members was to achieve a mix of competence and experience in terms of e.g. management of international companies, finance, sale and marketing of consumer goods, and knowledge of retailing.
With the exception of the President and CEO, the members of the Board are non-executives.

Two of the members elected by the General Meeting of shareholders are not Swedish citizens, and two are women.

Remuneration to Board members

Remuneration to Board members is authorized by the AGM. Information on remuneration to Board members is given in Note 24 on page 75. Board members who are not employed by Husqvarna do not participate in the Company's long-term incentive program.

The Board's work in 2007

During 2007, the Board held seven scheduled meetings and three extraordinary meetings. Three of the scheduled meetings were held in Stockholm, two in Huskvarna, one in Charlotte, NC in USA and one by telephone.

Major issues dealt with by the Board included:
- Renewals and update of the Board's Rules of Procedures
- Adoption of the 2006 Annual Report and quarterly reports
- A multicurrency loan facility for 8,000 MSEK
- Annual plan
- A strategic plan, including decisions on increased brand spending
- Acquisitions, among them King Concepts and Soff-Cut
- Delegation to management to investigate and handle moves of production
- Investment in a new factory in China
- Financial follow up on all major investments
- Approval of credit limits for key account customers
- Repurchase of shares
- Proposals to the AGM

The Annual Report for 2007 was approved at the Board meeting on 6 March 2008.

All Board meetings during the year followed an approved agenda, which together with documentation for each item was sent to all Board members. Olle Wallén, Head of Group Staff Legal Affairs, was the secretary at all Board meetings.

Committees

The Board has established a Remuneration Committee and an Audit Committee, whose main tasks are preparatory and advisory. In addition, the Board may delegate decision-making powers on specific issues to the Committees.

Remuneration Committee

The main task of the Remuneration Committee is to propose principles for remuneration to members of Group Management. The Remuneration Committee presents proposals to the Board of Directors regarding targets and criteria for variable remuneration, the relationship between fixed and variable salary, changes in fixed or variable salary, long-term incentives, pension terms and other benefits.

The Committee comprises three Board members: Peder Ramel (Chairman), Anders Moberg and Lars Westerberg. At least two meetings shall be held annually.

Audit Committee

The primary task of the Audit Committee is to support the Board in overseeing the accounting and financial reporting processes, including the adequacy and the effectiveness of internal controls as well as the effectiveness of disclosure controls and procedures for financial reporting.

The Audit Committee also assists the Board of Directors in overseeing the audit of the financial statements, including related disclosures. This includes reviewing the objectivity and independence of the external auditors, overseeing their work, evaluating their performance and if necessary recommending their replacement. In addition, the Audit Committee is tasked with supporting the Nomination Committee in preparing proposals regarding election of external auditors and auditor's fees.

In addition, the Audit Committee reviews the Group's Internal Audit function regarding organization, staffing, budget, plans, results and reports.

The Audit Committee comprises three Board members: Börje Ekholm (Chairman), Peggy Bruzelius and Gun Nilsson. At least three meetings shall be held annually.

Attendance at Board and Committee meetings during 2007

	Board	Audit Committee	Remuneration Committee
Number of meetings during 2007	10	6	3
Lars Westerberg	10		3
Bengt Andersson	10		
Peggy Bruzelius	10	6	
Robert F. Connolly	10		
Börje Ekholm	9	6	
Tom Johnstone	9		
Anders Moberg	10		3
Gun Nilsson	10	5	
Peder Ramel	10		3
Malin Björnberg	9		
Annika Ögren	10		

Board of Directors

		Born	Nationality	Elected	Independent/ Dependent	No of A-shares[1]	No of B-shares[1]
Lars Westerberg	Board Chairman	1948	Swedish	2006	■■	156,000	0
Bengt Andersson	President and CEO	1944	Swedish	1991	■■	12,000	67,578
Peggy Bruzelius	Member	1949	Swedish	2006	■■	1,950	6,500
Robert F. Connolly	Member	1943	American	2006	■■	300	1,000
Börje Ekholm	Member	1963	Swedish	2006	■■	8,400	28,000
Tom Johnstone	Member	1955	British	2006	■■	660	3,200
Anders Moberg	Member	1950	Swedish	2006	■■	2,760	11,200
Gun Nilsson	Member	1955	Swedish	2006	■■	1,560	5,200
Peder Ramel	Member	1955	Swedish	2006	■■	600	3,000
Malin Björnberg	Employee representative	1959	Swedish	2006	■	30	100
Annika Ögren	Employee representative	1965	Swedish	2006	■	0	0
Carita Spångberg	Deputy employee representative	1968	Swedish	2006	■	0	0
Fredrik Währborg	Deputy employee representative	1974	Swedish	2006	■	0	0
Total no. of shares						**184,260**	**125,778**

■ = *Independent in relation to company and management.*
■ = *Independent in relation to major shareholders.*
■ = *Dependent in relation to company and management.*
■ = *Dependent in relation to major shareholders.*
■ = *Employee representative.*

[1] *As per 31 December 2007 holdings in Husqvarna, both own and those held by closely related persons.*

Independence of Board members

The Board as a whole is considered to be in compliance with the requirements for independence stipulated by the OMX Nordic Exchange Stockholm and the Swedish Code of Corporate Governance. With the exception of the President and CEO Bengt Andersson, the Board members are not Group executives.

The Nomination Committee's assessment of whether each of the proposed Board members is in compliance with these independence requirements shall be published together with the Nomination Committee's proposal.

The President has no major shareholdings, nor is he a part-owner in companies that have significant business relations with Husqvarna.

External auditors

At an Extraordinary General Meeting on 27 January 2006 PricewaterhouseCoopers AB (PwC) was appointed as the Company's external auditor, with Anders Lundin as auditor-in-charge, for the period until the AGM in 2010.

PwC provides an audit opinion on the financial statements for Husqvarna AB, the consolidated financial statements for the Husqvarna Group, the administration of Husqvarna AB, and the financial statements of Husqvarna's subsidiaries. The audit is conducted in accordance with the Swedish Companies Act and generally accepted Swedish auditing standards issued by FAR, which are based on international auditing standards issued by the International Federation of Accountants (IFAC).

Audits of local statutory financial statements for legal entities outside of Sweden are performed in accordance with laws or other applicable regulations in the respective countries, and in accordance with IFAC GAAS, including issuance of audit opinions for the various legal entities.

For information on the auditors and their other audit assignments, see page 90. For fees paid to the auditors and their non-audit assignments in the Group, see Note 25 on page 77.

Husqvarna's business mission and goals

Husqvarna's business mission is to develop, manufacture and market mainly power products for forestry and lawn and garden maintenance, as well as cutting equipment for the construction and stone industries. The product range includes products for both consumers and professional users.

The company culture is non-bureaucratic and enables rapid decision-making. It features a focus on cost-efficiency, products, customer care and a passion for products.

Husqvarna's main goal is to create value for shareholders and other stakeholders through continued good growth and high profitability. To achieve this goal Husqvarna shall be the global market leader in the product areas and market segments in which the Group operates.

Husqvarna shall maintain a capital base and a debt burden that will secure access to capital in order to enable this growth.

The Group's financial goals

The Group's major financial goals are given below. Within the framework of these goals, each business sector establishes appropriate goals for its operations.

Growth in net sales

Husqvarna's long-term goal is to achieve annual organic growth of approximately 5% over the course of a business cycle. Husqvarna also aims at growth through complementary acquisitions.

Operating margin

Husqvarna's long-term goal is to achieve an operating margin of more than 10% over the course of a business cycle.

Capital structure

The goal is that Husqvarna's capital structure should correspond to the requirements of a long-term credit rating of at least BBB in accordance with the credit rating principles applied by Standard

& Poor's or similar institutions. It is considered that this currently requires that the long-term seasonally adjusted net debt in relation to income before depreciation and amortization (EBITDA) does not exceed a multiple of 2.5.

Dividend policy

It is the Board's intention to give shareholders a dividend that reflects a good direct yield as well as dividend growth, and to implement a policy in which the level of the dividend is linked to Husqvarna's earnings, financial position and other factors which the Board considers to be relevant. In the long term the annual dividend should correspond to 25–50% of the Group's income for the period.

Management and Company structure

Husqvarna's operations comprise two business areas, Consumer Products and Professional Products and six business sectors.

Group Management

In addition to the President and CEO, Group Management includes five sector heads and four Group staff heads.

The President is responsible for ongoing management of the Company in accordance with the Board's guidelines and instructions. The sector heads have complete responsibility for the results and balance sheets of their respective sectors. The overall management of the sectors is implemented through operative meetings, which are held quarterly. These meetings are chaired by the President, and are attended by the heads of the sectors.

Group Management holds monthly meetings to review the previous month's results, update forecasts and plans, and discuss strategic issues.

Principles for remuneration to senior managers

The general principles for remuneration to Group Management are based on the position held, the individual performance, income for the period, and remuneration shall be competitive in the country of employment.

The overall remuneration package for senior managers comprises fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives, pensions and other benefits.

Husqvarna aims at offering a competitive total remuneration with a focus on "pay for performance". Variable remuneration represents a significant proportion of total remuneration. The variable salary for the President is based on an annual target for value created within the Group. For the Group's sector heads, variable remuneration is based on value created in each sector. For Group staff heads, the variable salary is based on value created for the Group. For more information on remuneration, see Note 24.

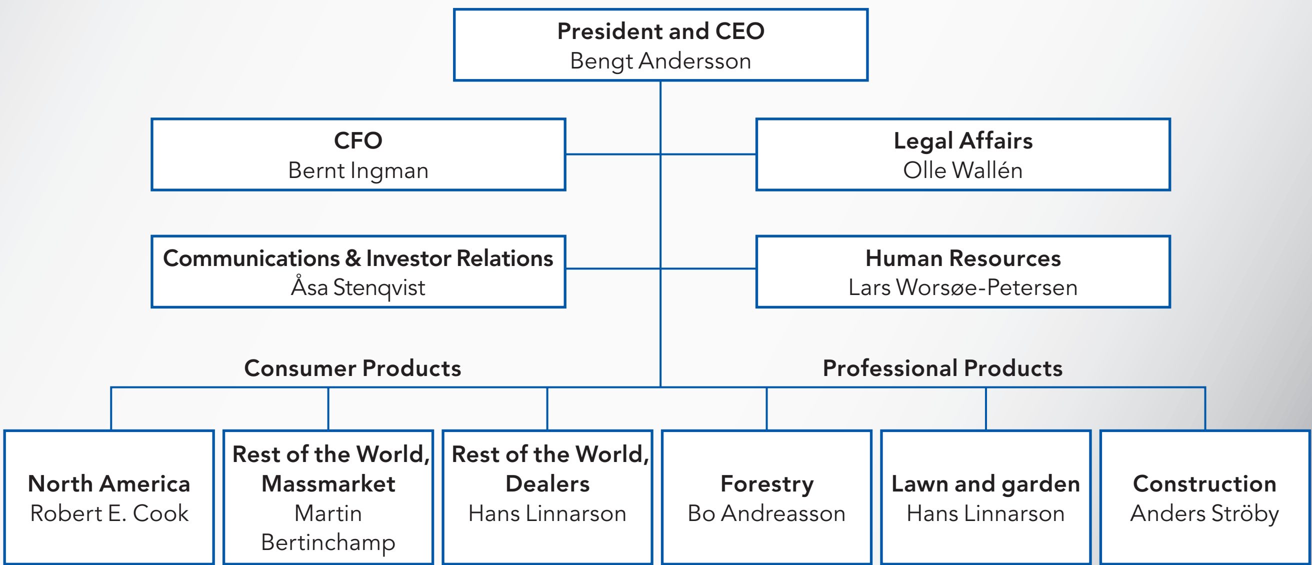
Value creation

Variable remuneration to the President and Group Management is based on value creation. Value created is measured by business area, sector, product category and region. Value created links operating income and asset efficiency with the cost of the capital employed in operations, and is measured as operating income less the weighted average cost of capital (WACC) on average net assets.

Proposal for new guidelines

The Board of Directors proposes that the AGM in 2008 approves principles for remuneration of Group Management, see "Proposals to the Annual General Meeting in 2008", page 31.

Organization



Group Management

	Position	Born	Nationality	Employed [1]	No. of A-shares [2]	No. of B-shares [2]
Bengt Andersson	President and CEO	1944	Swedish	1973	12,000	67,578
Bo Andreasson	Head of Forestry, Executive Vice-President	1951	Swedish	1982	591	4,731
Martin Bertinchamp	Head of Consumer Products Rest of the World, Massmarket, Executive Vice-President	1958	German	2004	–	–
Robert E. Cook	Head of Consumer Products North America, Executive Vice-President	1943	American	1989	45,000	158,386
Hans Linnarson	Head of Consumer Products Rest of the World, Dealers, Head of Commercial Lawn and garden, Executive Vice-President	1952	Swedish	1994	–	11,122
Anders Ströby	Head of Construction, Executive Vice-President	1953	Swedish	1980	7,752	29,512
Bernt Ingman	CFO	1954	Swedish	2006	25,400	20,843
Åsa Stenqvist	Head of Group Staff Communications and Investor Relations	1947	Swedish	1982	1,692	7,219
Olle Wallén	Head of Group Staff Legal Affairs Husqvarna Board Secretary	1953	Swedish	1993	3,228	13,201
Lars Worsøe-Petersen	Head of Group Staff Human Resources	1958	Danish	1994	1,878	8,418
Total no. of shares					**97,541**	**321,010**

[1] *Year of employment by Electrolux, except for Martin Bertinchamp and Bernt Ingman.*
[2] *As per 31 December 2007, both own and shares held by closely related persons.*
For more information on remuneration to Group Management, se Note 24

Long-term incentive program for 2008

The Board of Directors proposes that the AGM resolves to adopt a new performance based incentive program for a maximum of 50 senior managers. Principles for the new program are similar to the 2007 program in that it will be based on earnings per share for the Group, and that the participants will have to invest in B-share at market value. For more information on the new proposals see "Proposals to the Annual General Meeting in 2008", page 31.

Report on Internal Control over Financial Reporting 2007

This report is issued in accordance with the Swedish Code of Corporate Governance and is limited to a description of how internal control over financial reporting is organized.

The report is not part of the formal 2007 financial statements and has not been reviewed by the company's auditors.

Husqvarna applies the COSO* framework for internal control, defining internal control in terms of five components: control environment, risk assessment, control activities, information and communication, and monitoring. This report describes how each of the five components is addressed within Husqvarna in relation to internal control over financial reporting.

** Committee of Sponsoring Organizations of the Treadway Commission.*

Control environment

The Board has established an Audit Committee primarily for the purpose of assisting the Board in overseeing the accounting and financial reporting processes and ensuring the quality of these reports and processes.

The Audit Committee's responsibility is supervisory. Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the President and CEO. Managers at various levels are responsible within their respective areas.

Responsibility and authority are defined in the Board's instructions to the President and CEO, policies, procedures and codes. The Board approves the Group's most important policies on communication, credit, finance and risk management, as well as the Code of Business Conduct. Group Management approves other policies and procedures and responsible Group functions issue guidelines and supervise the application of all policies and procedures. The Group's accounting rules and procedures for the financial reporting are set out in an accounting manual that is available to all financial personnel. Together with laws and other regulations, the organizational structure and the internal guidelines form the control environment.

Risk assessment

Items in the financial statements that depend on judgemental evaluations or are generated through complex processes are relatively more exposed to potential errors than are other items. A comprehensive risk assessment aimed at identifying these items and quantifying the associated risk was coordinated by the Group's internal audit function during 2007.

Control activities

Control activities are aimed at preventing, detecting and correcting errors and irregularities. They are integrated in Husqvarna's process for accounting and reporting and include procedures for attestation and approval, reconciliation, analysis of results, segregation of incompatible duties, controls within the IT-systems and controls of the basic IT environment.

Husqvarna has implemented Internal Control Standards, i.e. standards for control activities related to financial reporting. The objective of the standards is to assure and maintain a uniform level of internal control over financial reporting throughout the Group.

Information and Communication

Husqvarna maintains information and communication systems to ensure that financial reporting is correct and complete. The accounting manual and other instructions for reporting are updated when necessary and are reviewed at least once annually. Together with other policies relevant for internal control over financial reporting, such as capital expenditure policy and credit policy, these documents are available on the company's intranet to all relevant personnel. Changes in accounting procedures are communicated and explained in a quarterly internal newsletter from the Group accounting function.

Monitoring

Husqvarna uses a comprehensive financial reporting system to monitor performance, which enables detection of possible anomalies in financial reporting at an early stage.

Husqvarna applies uniform IFRS rules as defined in the Husqvarna Accounting Manual. The Accounting manual includes accounting and valuation principles as well as reporting instructions and have to be strictly followed by all Husqvarna companies. The manual is updated and reviewed each quarter. The adherence to the accounting manual is continuously monitored on Group and Sector level. In 2007, formal confirmations as to compliance with the accounting manual as well as other Group policies, so called management representation letters, have been requested from all subsidiaries.

Detailed monthly financial data are reported from about 160 units. The financial data are analyzed and monitored at sector and Group level, and at other operating levels.

The Group's internal audit function performs independent reviews aiming at evaluating and improving the efficiency of the internal control. The function has also conducted special investigations during the year. The internal audit function reports its findings and recommendations for improvement in internal control of financial reporting to the Audit Committee.

A so-called Control Self Assessment, in which reporting units are requested to attest to compliance with the Internal Control Standards has been completed during 2007.

Financial reporting and disclosure

Husqvarna provides the market with information about the development of the Group and its financial position on an on-going basis.

On 31 January 2006 the Board adopted an Information Policy that complies with the requirements for an information policy in the Listing Agreement with the OMX Nordic Exchange Stockholm.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases.
- The Husqvarna Annual Report.
- Press releases on all important matters which could materially affect the share price.
- Presentations and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news.
- Presentations for financial analysts and investors in connection with Capital Market days, Road Shows, etc.

All reports, presentations and press releases are published simultaneously at http://corporate.husqvarna.com

Board of Directors and Auditors

1 **Lars Westerberg,** born 1948
Chairman
M. Sc. Eng., MBA. Elected 2006.
Other major assignments: Board Chairman of Autoliv Inc. Board member of: AB Volvo, Haldex AB, Plastal Holding AB and SSAB.
Previous positions: President and CEO and Board Member of Autoliv Inc. 1999–2007. President and CEO of Gränges AB 1994–1999. President and CEO of Esab 1991–1994.
Holdings in Husqvarna: 156,000 A-shares.

2 **Bengt Andersson,** born 1944
President and CEO of Husqvarna AB
Mech. Eng. Elected 1991.
Other major assignments: Board member of KABE AB and Association of Swedish Engineering Industries. Chairman of Jönköping University Foundation, Sweden.
Previous positions: Senior management positions within AB Electrolux; Head of Consumer and Professional Outdoor Products and Senior Executive Vice-President 2002–2006. Head of Professional Outdoor Products and Executive Vice-President 1997. Product-line Manager for Forestry and Garden Products 1991, and Flymo 1996. Product-line Manager for Outdoor Products North America 1987.
Holdings in Husqvarna: 12,000 A-shares, 67,578 B-shares.

3 **Peggy Bruzelius,** born 1949
M. Econ., Hon. Doc. in B.A. Elected 2006.
Other major assignments: Board Chairman of Lancelot Asset Management AB and Swedish National Agency for Higher Education. Deputy Chairman of AB Electrolux.
Board member of: Akzo Nobel nv, Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Scania AB, Syngenta AG and the Association of the Stockholm School of Economics.
Previous positions: Executive Vice-President of SEB, Skandinaviska Enskilda Banken AB 1997–1998. President and CEO of ABB Financial Services AB 1991–1997.
Holdings in Husqvarna: 1,950 A-shares, 6,500 B-shares

4 **Robert F. Connolly,** born 1943
B.A. Elected 2006.
Other major assignments: Ascendia Brands Inc., USA.
Previous positions: Executive Vice-President and Chief Marketing Officer Wal-Mart Stores Inc. 2001–2006. Positions in merchandising and marketing 1996–2006 and 1989–1993, Wal-Mart Stores Inc. Executive Vice-President Montgomery Ward & Company Inc., positions in merchandising 1994–1995 and 1987–1989.
Holdings in Husqvarna: 300 A-shares, 1,000 B-shares.

5 **Börje Ekholm,** born 1963
MBA, INSEAD and M. Sc. Eng., Royal Institute of Technology, Stockholm. Elected 2006.
President and CEO of Investor AB.
Other major assignments: Board member of: Chalmersinvest AB, Investor AB, KTH Holding AB, Scania AB and Telefonaktiebolaget LM Ericsson AB
Previous positions: Senior management positions in the Investor Group since 1995.
President of Investor Growth Capital Inc. 1998–2005. Responsible for New Investments 1999 and Executive Vice-President of Investor AB 1997.
Holdings in Husqvarna: 8,400 A-shares, 28,000 B-shares.

6 **Tom Johnstone,** born 1955
M.A., Hon. Doc. in B. A. Elected 2006.
President and CEO of AB SKF.
Other major assignments: Board member of AB SKF and Association of Swedish Engineering Industries.
Previous positions: Senior management positions within AB SKF since 1987. Executive Vice-President of AB SKF 1999–2003. President Automotive Division 1995–2002.
Holdings in Husqvarna: 660 A-shares, 3,200 B-shares.

7 **Anders Moberg,** born 1950
Elected 2006.
CEO of Majid Al Futtaim Group.
Other major assignments: Board Chairman of Clas Ohlson AB. Board member of DFDS A/S and Velux A/S, Denmark.
Previous positions: President and CEO of Royal Ahold 2002–2007. Division President International, Home Depot, USA, 1999–2002. President and CEO of IKEA Group 1986–1999.
Holdings in Husqvarna: 2,760 A-shares, 11,200 B-shares.

8 **Gun Nilsson,** born 1955
M. Econ. Elected 2006.
President of Gambro Holding AB.
Other major assignments: Board member of Duni Group and LFVGroup.
Previous positions: Senior management positions within Duni AB since 1993. CEO and Head of Corporate Development 2002–2007. CFO 1993, responsible for Corporate Communications 1999–2001. Finance Director of Bonnier Affärsinformation 1987.
Holdings in Husqvarna: 1,560 A-shares, 5,200 B-shares.

9 **Peder Ramel,** born 1955
M. Econ. Elected 2006.
President and CEO of 3 Scandinavia.
Other major assignments: Board member of MACAB AB.
Previous positions: President of B2Bredband AB 2002–2006. President of Viasat AB 1992–2000. Senior management positions in Modern Times Group AB 1990–2000. Various positions in Electrolux 1980–1990.
Holdings in Husqvarna: 600 A-shares, 3,000 B-shares.

Employee representatives

Members

10 **Malin Björnberg,** born 1959
Representative of the Federation of Salaried Employees in Industry and Services.
Holdings in Husqvarna: 30 A-shares, 100 B-shares.

11 **Annika Ögren,** born 1965
Representative of the Swedish Confederation of Trade Unions.
Holdings in Husqvarna: 0 shares.

Deputy members

12 **Carita Spångberg,** born 1968
Representative of the Swedish Confederation of Trade Unions.
Holdings in Husqvarna: 0 shares.

13 **Fredrik Währborg,** born 1974
Representative of the Federation of Salaried Employees in Industry and Services.
Holdings in Husqvarna: 0 shares.

Auditors

At an Extraordinary General Meeting held on 27 January 2006 PricewaterhouseCoopers AB was appointed auditors for a four-year period until the Annual General Meeting 2010.

Anders Lundin, born 1956
PricewaterhouseCoopers AB
Authorized Public Accountant. Partner in Charge.
Other audit assignments include: AarhusKarlshamn, Bong Ljungdahl, Industrivärden, Melker Schörling AB, SCA, Teligent and Säkl.
Holdings in Husqvarna: 0 shares.

Christine Rankin Johansson, born 1964
PricewaterhouseCoopers AB
Authorized Public Accountant.
Other audit assignments include: OMX AB, Deputy auditor Haldex AB.
Holdings in Husqvarna: 0 shares.

Holdings as of 31 December 2007.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Group Management

1 **Bengt Andersson,** born 1944
President and CEO
Mech. Eng. Employed 1973.
Previous positions in Electrolux:
Head of Consumer and Professional Outdoor Products and Senior Executive Vice-President 2002–2006. Head of Professional Outdoor Products and Executive Vice-President 1997. Product-line Manager for Forestry and Garden Products 1991, and Flymo 1996. Product-line Manager for Outdoor Products North America 1987.
Other major assignments: Board member of KABE AB and Association of Swedish Engineering Industries. Chairman of Jönköping University Foundation, Sweden.
Holdings in Husqvarna: 12,000 A-shares, 67,578 B-shares.

2 **Bo Andreasson,** born 1951
Head of Forestry, Executive Vice-President
M. Sc. Eng. Employed 1982.
Previous positions in Electrolux:
Head of Forestry 2002. Head of Accessory Operations 2001. Various management positions in research, development and product planning 1984–2001. Combustion Engine Engineer in Professional Outdoor Products 1982.
Holdings in Husqvarna: 591 A-shares, 4,731 B-shares.

3 **Martin Bertinchamp,** born 1958
Head of Consumer Products Rest of the World, Massmarket, Executive Vice-President
MBA. Employed 2004.
Previous positions:
President and CEO of Gardena AG 2004. President and CEO of Metabo AG 1996. Managing Director of Entrelec SA 1995. Managing Director of Schiele Industriewerke GmbH 1992. Director Administration of Schiele Industriewerke GmbH 1988. Director Controlling of EADS 1986. Controlling, Südzucker AG 1983.
Holdings in Husqvarna: 0 shares.

4 **Robert E. Cook,** born 1943
Head of Consumer Products North America, Executive Vice-President
Graduate in Law. Employed 1989.
Previous positions in Electrolux:
Head of Major Appliances and Outdoor Products in North America and Executive Vice-President 1997–2003. President of American Yard Products, USA 1989.
Other major assignments: Board member of: Volvo Trucks North America Inc. and Mack Trucks Inc., USA.
Holdings in Husqvarna: 45,000 A-shares, 158,386 B-shares.

5 **Hans Linnarson,** born 1952
Head of Consumer Outdoor Products Rest of the World and Commercial Lawn and garden, Executive Vice-President
Electr. Eng. Employed 1994.
Previous positions in Electrolux:
Head of Consumer Products Rest of the world 2004. Various management positions in product development, marketing and production within Major Appliances, Europe 1996–2003. Head of Materials Handling product line 1994.
Other major assignments: Board member of Beijer Electronic AB and Nibe AB.
Holdings in Husqvarna: 11,122 B-shares.

6 **Anders Ströby,** born 1953
Head of Construction, Executive Vice-President
M. Sc. Eng. Employed 1980.
Previous positions in Electrolux:
Head of Garden Equipment and Construction Products 1996–2002. Head of Sales and Marketing for the Husqvarna and Jonsered brands 1993. Head of Jonsered and Partner Industrial Products 1987. Head of Product Planning in Professional Garden Equipment 1985.
Holdings in Husqvarna: 5,232 A-shares, 21,112 B-shares.
Related parties: 2,520 A-shares, 8,400 B-shares.

7 **Bernt Ingman,** born 1954
Chief Financial Officer
M. Econ. Employed 2006.
Previous positions:
Executive Vice-President and CFO of Munters AB 1997–2005. Executive Vice-President of Inter Scan Group 1994. Finance Director and Executive Vice-President of Metric Group 1990. Administrative Director of Calor Vanadis AB 1988. CFO of Celpap International 1986. CFO of National Elektro Svenska AB 1985.
Other major assignments: Board member of G & L Beijer AB.
Holdings in Husqvarna: 25,400 A-shares, 20,843 B-shares.

8 **Åsa Stenqvist,** born 1947
Head of Group Staff Communications and Investor Relations
B.A. and Degree in Communications.
Employed 1982.
Previous positions in Electrolux:
Head of Investor Relations and Financial Information in Group Staff Communications and Branding 1999–2005. Head of Group Staff Investor Relations 1993. Head of Investor Relations and Financial Information in Group Staff Mergers & Acquisitions 1988.
Holdings in Husqvarna: 1,404 A-shares, 6,253 B-shares.
Related parties: 288 A-shares, 966 B-shares.

9 **Olle Wallén,** born 1953
Head of Group Staff Legal Affairs, Husqvarna Board Secretary
M. of Law. Employed 1993.
Previous positions in Electrolux:
General Counsel for Major Applicances, Europe 2002–2005. General Counsel operations in the US 2000.
Holdings in Husqvarna: 3,228 A-shares, 13,201 B-shares.

10 **Lars Worsøe-Petersen,** born 1958
Head of Group Staff Human Resources
M. Econ. Employed 1994.
Previous positions in Electrolux:
Head of Human Resources for Major Appliances in North America 2002–2005. Head of Electrolux Holding A/S, Denmark 2000. Head of Human Resources for Major Appliances in Europe 1999. Head of Human Resources for operations in Denmark 1994.
Holdings in Husqvarna: 1,878 A-shares, 8,418 B-shares.

Holdings as of 31 December 2007.


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Sustainable development

Husqvarna is committed to operating in a responsible manner in order to achieve development that is economically, socially and ecologically sustainable. This responsibility includes all of the Group's activities and processes, and is aimed at creating long-term value for shareholders, employees and other stakeholders who affect or are affected by Husqvarna's operations.

Identifying issues and risk analysis

During the autumn of 2007 an internal project was implemented to identify sustainability issues in order to provide input for a revision of the Husqvarna Code of Conduct and establishment of a Group-wide environmental policy. The project also included benchmarking and risk analysis. A comprehensive framework for work on sustainability issues will be established in 2008.

The above risk analysis indicated that risks are related primarily to the supply chain and suppliers since the share of purchases in low-cost countries is increasing.

For additional information on risks, see "Risk management" on page 32.

Revised Code of Conduct

The Group's Code of Business Conduct was revised during the year. The new Code of Conduct underscores the values and principles by which the Group conducts its relations with employees, business partners and other stakeholders. The code applies to all employees irrespective of position or country. Husqvarna also encourages suppliers and other business partners to comply with the code.

The Code of Conduct is based on the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's guidelines for multinational companies, and the UN Universal Declaration on Human Rights.

The provisions of the code include the following:

- All aspects of operations shall comply with relevant laws and regulations and shall contribute to sustainable development.
- Fair and equal treatment of customers and other business partners.
- Correct reporting and transparency in all financial transactions.
- Respect for the individual, equal employment opportunities, and rejection of all forms of discrimination.
- Avoidance of conflicts of interest such as personal financial interests or employment outside the Group, as well as a requirement for strict management of confidential information.
- No political involvement.
- Consideration for the health and safety of end-users and employees.
- Freedom of association, prohibition of child labor and forced labor.
- Environmental responsibility for all operations and products.
- Strict criteria for quality and safety regarding all products and service.

During 2008 the Code of Conduct will be implemented throughout the Group and will also be communicated to suppliers, retailers and other business partners.

Suppliers

The cost of purchasing raw materials and components corresponds to approximately 55% of the Group's net sales. The efficiency of purchasing activities is therefore decisive. The Group has a process and an organization for purchasing which combines overall Group requirements and opportunities with knowledgeable local buyers. The Husqvarna Global Purchasing Council (GPC) enables purchasing to be coordinated globally and across business sectors. The GPC ensures transparency in the purchasing process as well as uniform working methods and purchasing tools throughout the entire organization.

Steel, plastics, metal powder, aluminum and magnesium are the most important raw materials purchased by Husqvarna. Petrol-powered engines account for the largest share of components.

The share of purchases from low-cost countries as defined by the World Bank is currently approximately 20%.

All suppliers are carefully evaluated before they are approved. The criteria which they must fulfill include:

- Observance with the Husqvarna Code of Conduct.
- A documented quality-assurance process.
- Compliance with Husqvarna's requirements for materials in accordance with the Group's Restricted materials List (RML).

During the autumn of 2007 the RML was sent to all suppliers, who were requested to comply with it.

The Husqvarna Code of Conduct is attached as an appendix to all contracts with suppliers, who are expected to adopt and comply with its principles. During 2008 the Group will perform random audits at suppliers on 24-hour notice and will also monitor any corrective measures that may be required.

Environmental responsibility

Husqvarna's environmental responsibility is anchored in all operations and covers everything from production processes, consumption of materials and energy and product features such as exhaust emissions, noise levels and packaging, to the recyclability of products.

The product range is dominated by engine-powered products. The majority of them are petrol-powered, while the others are powered by electricity and/or batteries.

Husqvarna products are subject to criteria for environmental impact and other effects arising from use and recycling. These criteria often consist of specified thresholds, and take the form of international, national and regional legislation, regulations and directives.

Husqvarna performs analyses such as Life Cycle Assessments in order to evaluate the potential environmental impact of products and services. These analyses indicate that the total environmental impact generated by the Group derives mainly from energy consumption and exhaust emissions when the products are used. Accordingly, a central part of Husqvarna's environmental work is focused on reducing these effects.

Environmental policy

An environmental policy for the Group will be adopted in 2008, which on the basis of a life-cycle approach describes Husqvarna's efforts to continuously minimize environmental impact in everything from raw material to recycling of products.

Environmental product declarations

Many customers require declarations of the materials that a product comprises as well as the production methods used. Since 2000, Husqvarna has prepared environmental product declarations for several products. In addition to materials, these declarations specify fuel consumption, type of fuel, lubricants, emissions, vibrations, noise levels, packaging and recyclability. They also include information on product compliance with international standards.

Environmental aspects regarding acquisitions

In connection with agreements for acquisition of companies or operations with production facilities, Husqvarna performs an environmental-risk audit. In particular, the audit covers permits for current operations, and includes interviews with management. When necessary, inspections are performed by qualified experts.

Product development

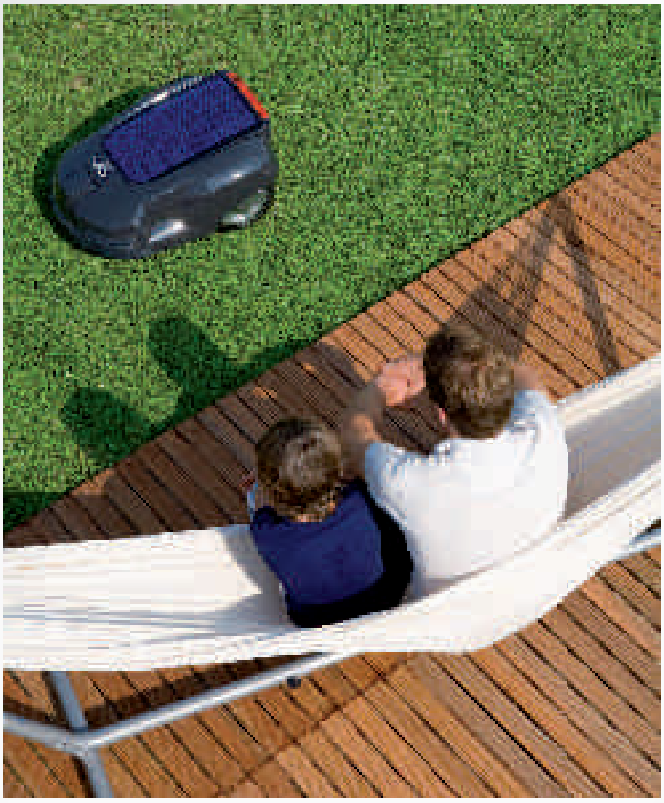
Husqvarna's investments in R&D are focused on creating products that combine high performance with improvements in energy consumption, exhaust emissions, safety, noise levels, ergonomy, user-friendliness, simplicity of service and recyclability.

Husqvarna has been a leader in terms of development of more efficient two-stroke engines, and was one of the first to launch products with catalyzers.

According to Husqvarna's quality policy, customer expectations regarding the Group's products and services shall always be met or surpassed. This means that compliance with prevailing regulations and standards is seen as a necessary but insufficient condition for fulfilling customer-related and social needs and preferences. The strategy involves developing technology and products which surpass legislated minimum standards.

Fuel consumption

Husqvarna has long experience of development of two-stroke engines, and is making intensive efforts to reduce fuel consumption on the basis of new engine technologies. For the newly developed two-stroke engines, which are increasingly being used for chainsaws, clearing saws, leaf blowers and trimmers, a reduction in fuel consumption of approximately 15% was achieved



Husqvarna AUTOMOWER™

Husqvarna has developed AUTOMOWER™, the world's first robotic lawn mower. AUTOMOWER™ is silent, efficient, generates no emissions and features low energy consumption. It mows the lawn automatically and returns to the docking station when battery power drops to a predefined level.

Hybrid technology

Early in 2008 the Group launched the new AUTOMOWER™ Solar Hybrid, which is driven by both solar cells and a battery. The solar panel enables the mower to operate twice as long on a single battery charge.

Environmental fuels and lubricants

Husqvarna launched environmentally adapted fuels and lubricants at an early stage. The Group currently sells engine fuels based on alkylate, which in comparison with conventional petrol enables substantial reductions of benzene and ethers. The Group has also developed Vegoil, an optimal chain lubricant based on vegetable oil, which provides maximum chain life and minimum environmental impact.

in 2004–2007. Products such as lawn mowers are fitted with four-stroke engines, which normally consume less fuel than two-stroke units.

Exhaust emissions

Since the mid-1990s, regulations regarding emissions from petrol-powered equipment have successively become more rigorous, and this trend is expected to continue. The Group has developed new engines for handheld petrol-powered products that comply with these regulations and simultaneously offer enhanced performance.

Husqvarna uses a mix of technological solutions, including catalyzers, to reduce exhaust emissions in order to achieve optimal performance.

Many of the Group's handheld products are fitted with E-TECH engines which meet the strictest exhaust emission criteria in the US and Europe. Several models are also equipped with catalyzers, which combined with the E-TECH technology, reduce exhaust temperatures. This increases the product life-span as well as enhance the product safety.

Exhaust emissions from the Group's handheld products, particularly in the form of hydrocarbons, have been reduced by approximately 35% on average since 2001. The Group has a number of important patents in this field and is well-prepared to meet future emission standards. Husqvarna participates actively in negotiations with authorities regarding these standards.

Ergonomy and safety

Husqvarna's investments in R&D are also aimed at improving both ergonomy and product safety. The Group works continuously to improve information regarding the correct use of its products.

Noise levels

Husqvarna works actively to reduce the noise emitted by its products. Within about three years, considerably more of the Group's product categories are expected to be subject to stricter thresholds for ambient noise. The Group monitors this area continuously, and product development includes assumptions that these thresholds will become more restrictive.

Composition of materials

Husqvarna aims to select materials with the least possible environmental impact. The Group is continuously replacing previously used materials with new, more environmentally adapted alternatives as the latter become available. Husqvarna's Restricted Materials List (RML) is updated continuously and is communicated internally as well as externally to suppliers and to secondary suppliers.

The European Union's RoHS directive went into effect on 1 July 2006. Well in advance of that date, Husqvarna modified electrically-powered products in cooperation with suppliers in order to phase out prohibited substances.

Typical new technologies and products

The technologies and products shown below were developed by Husqvarna in recent years with particular focus on engine technology and environmental compatibility. They meet stricter criteria than the prescribed minimum standards:

Recycling

The Group manages recycling of electrical products in accordance with the EU's WEEE (Waste Electrical and Electronic Equipment) as well as national legislation in specific countries. Husqvarna also maintains a system for reporting to regulatory authorities in accordance with relevant requirements.

Husqvarna is participating actively in development of an ISO standard for recycling of the types of products which the Group produces and sells.

X-TORQ

Husqvarna has created X-TORQ technology for two-stroke engines in order to reduce exhaust emissions and fuel consumption and simultaneously maintain high quality and performance. X-TORQ engines deliver high torque even at low RPMs, and this provide more power over a wider range of RPMs.

X-TORQ offers up to 20% lower fuel consumption and 60% lower exhaust emissions levels, which means better fuel economy, lower carbon dioxide emissions and a better working environment. In comparison with four-stroke engines, this technology has fewer moving parts, which generally contributes to more reliable and less service-intensive performance, especially at higher power.

Chainsaws fitted with X-TORQ technology include the Rancher 455 e-series, as well as the 460, 570 and 450 e-series and the 575XP. Other products featuring this technology include the 333, 335 and 355 clearing saws and the 130,150 and 170 leaf blowers.

Production

Husqvarna operates 21 major plants, of wich eleven are located in Europe, five in the US, one in Brazil, three in China and one in Japan.

By year-end 2007 approximately 63% of the Group's production area was certified to ISO 9001, the international standard for quality-management systems, and the equivalent of 92% was certified to ISO 14001, the international standard for environmental management systems. In comparison with 2006 the total certified area under both standards has decreased, as a result of the Group's acquisitions in 2007. The goal is for all plants to be certified.

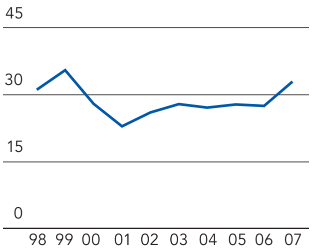
Key environmental indicators for production

Environmental work includes periodic measurements by the Group of several key environmental indicators at production units.

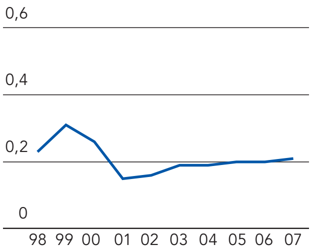
All Group plants are included in the data shown in the graphs below.

Since the extent of environmental impact depends on production volume, specific key ratios are calculated in relation to added value, which is defined as the difference between total production cost and the cost of materials used as production inputs.

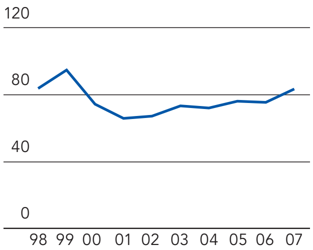
CO_2 in relation to added value
kg/SEKt



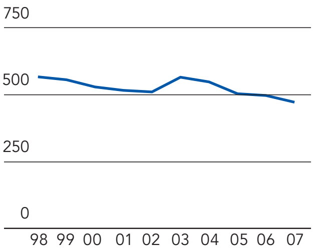
Volume of water treated in relation to added value
m³/SEKt



Energy consumption in relation to added value
kWh/SEKt



Energy consumption in relation to production area
kWh/m²



Since the extent of environmental impact depends on production volume, specific key ratios are calculated in relation to added value, which is defined as the difference between total production cost and the cost of materials used as production inputs.

Direct material balance, %

	2007	2006	2005	2004	2003
Finished products, incl. packaging	86.73	86.96	84.81	85.87	81.47
External recycling (material and energy)	11.67	10.87	14.28	13.32	17.59
Waste to landfill (non-hazardous)	1.43	2.00	0.71	0.65	0.60
Hazardous waste	0.14	0.14	0.16	0.12	0.22
Emissions to air	0.03	0.03	0.03	0.03	0.13
Emissions to water	0.00	0.00	0.00	0.00	0.00
Total direct material	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

The above chart shows utilization of material in the Group's manufacturing units.

Major directives and legislation impacting the Group's products

Environmental issue	Directive/legislation	Product area
Exhaust-gas emissions*	California: California Code of Regulations	Internal combustion engine
	Rest of US and Canada: EPA 40 CFR Part 90	powered products under 19 kW
	EU-Directive 202/88/EC	
Safety	EU-Directive 2001/95/EC (GPSD)	All products and services
Noise levels	EU-Directive 2000/14/EC (ambient noise)	All Husqvarna products, in principle
	EU-Directive 2003/10/EC (physical agents)	Products at workplaces
Producer responsibility	EU-Directive 2002/96/EC (WEEE)	Electrical and electronic products
Material composition of products	EU-Directive 2002/95/EC (RoHS)	Electrical and electronic products
	EU-Directive 1907/2006/EC (REACH)	Import and production of chemicals
	California Code of Regulations, Proposition 65	List of chemicals, use either limited or prohibited

Husqvarna's products are covered by regulations concerning environmental impact and other effects arising from use and recycling. These regulations often define minimum levels of undesirable effects, and are given in international, national and regional laws, regulations and directives.

** All regulations in the table above relating to exhaust emissions are based on the American EPA (US Environmental Protection Agency) regulations stage 2.*

In summary, the regulations require 55–80% reductions in emissions of hydrocarbons, depending on engine category, compared to previous criteria for non-exhaust controlled portable engines. Most of the requirements were scheduled for full implementation in 2007, but in certain cases transitional provisions apply until 2010. Application of similar requirements with the same threshold values as EPA is in progress in the EU.

Social responsibility

Personnel

Husqvarna has established fundamental Group-wide principles regarding relationships with Group employees – Husqvarna's People Process. These principles support managers with regard to recruitment and selection, evaluation of work, career development, and remuneration. The process is also aimed at ensuring that people who contact the company are treated fairly.

Husqvarna has a well-developed process for Talent Management, in order to develop and secure access to future leaders by planning for continuity as well as mobility.

Husqvarna offers three different programs for employees with regard to leadership development. In addition to the Husqvarna Leader Program, the Group developed two new Group-wide programs in 2007, i.e. Husqvarna Next Level Leader for leaders on director level, and Husqvarna Project Leader, which is aimed at developing skills for process managing and process leadership.

Husqvarna's goals include increasing the share of women in leading positions as well as in technical professions. A number of activities were initiated in 2007 to support this goal.

In addition, a number of employee surveys were implemented during the year in various operations, which generated action plans that include measures for improvement.

Average number of employees by region

	2007	2006
North America	6,948	5,923
Europe	7,057	4,750
Rest of the World	2,088	739
Total Group	**16,093**	**11,412**

Support to UNICEF

Gardena supports the UNICEF (United Nations' Children's Fund) project for supplying clean water in the Sudan, one of the poorest countries in Africa.

In 2007 one euro was donated to the project for every Gardena pump sold in Germany and Austria. Gardena's total donation was EUR 175,000, which helps to ensure access to clean drinking water and generates opportunities for improved hygiene for thousands of people. This support will continue in 2008 and will be expanded to cover sales of Gardena pumps in France, Italy, Spain and Hungary.

FTSE4Good

In 2007 Husqvarna was listed in the FTSE-4Good Index Series. FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.

Säker Skog ("Safe Forests")

Husqvarna is a member of the Swedish Säker Skog (Safe Forests) project, which is led by LRF (Federation of Swedish Farmers). The goal is to contribute to greater safety and a better working environment within forestry operations.

Economic responsibility

Husqvarna's goal is to create value for stakeholders and simultaneously achieve sustainable, profitable growth.

Most of the economic value that is generated by sales of Group products and services is divided among various stakeholders. Part of this value remains in the Group for investment, R&D, marketing and other purposes. The total value added by the Group in 2007 amounted to SEK 9,647m (SEK 7,888m).

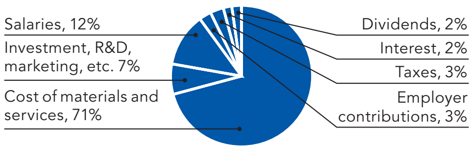
Added value

Stakeholder	SEKm	2007
Customers	Group revenues	33,284
Suppliers	Cost of materials and services	23,637
Value added		9,647

Distributed to stakeholders

Employees	Salaries	3,973
	Employer contributions	1,029
State and municipality	Taxes	853
Credit institutions	Interest	675
Shareholders	Dividends	667
Total		**7,197**

Distribution of Group revenues



The Husqvarna share

Share-price trend in 2007

During 2007 Husqvarna's A-share declined by 14% and the B-share by 7%. The index of OMX Nordic Exchange Stockholm declined by 6% during 2007. The SIX Return Index declined by 3%.

The year-end closing price was SEK 76.75 for the A-share and SEK 76.75 for the B-share. The market capitalization at year-end was approximately SEK 29,6 billion. The highest closing price for the A-share was SEK 111 on 23 May, and the lowest closing price was SEK 66.25 on 21 and 22 November. The highest closing price for the B-share was SEK 106 on 29 May and 1 June, and the lowest was SEK 65.75 on 22 November.

Key facts

Listing[1]: Stockholm
Number of shares: 385,136,895
Market capitalization at year-end: SEK 29.6 billion
Ticker codes: Bloomberg HUSQA SS, HUSQB SS; Reuters HUSQa.ST, HUSQb.ST; OMX Nordic Exchange Stockholm HUSQ A, HUSQ B
ISIN code: A-share SE0001662222, B-share SE0001662230

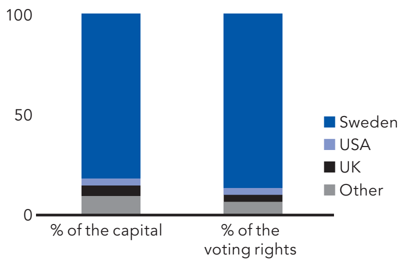
[1] *The Husqvarna ADRs are traded on the American over-the-counter ("OTC") market. The Bank of New York is the ADR Depositary Bank for Husqvarna. One ADR is equivalent to two ordinary B-shares.*

Listing and trading volume

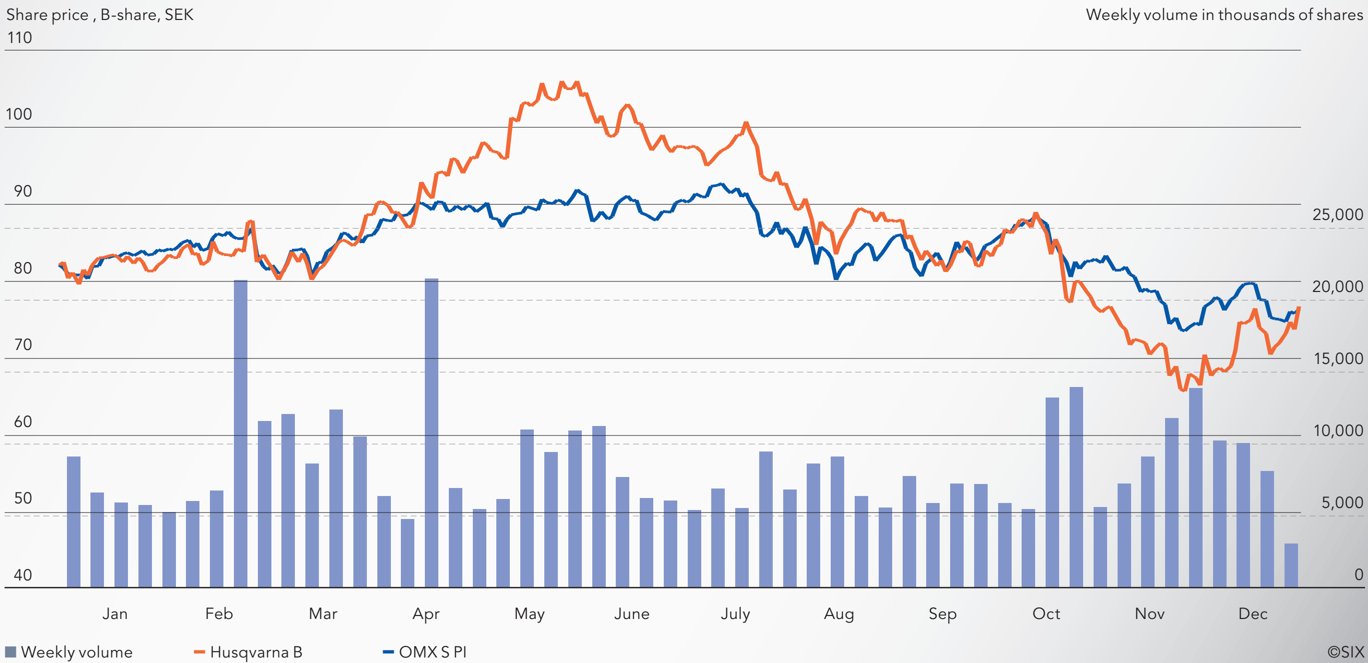
The Husqvarna shares were listed on the OMX Nordic Exchange Stockholm on 13 June 2006.

The total volume of shares traded during 2007 was approximately 529 million, corresponding to an average daily trading volume of approximately 2 million.

Shareholders by country



Share price and trading volume 2 January–31 December 2007



ADR Program

In connection with the distribution of Husqvarna shares to the shareholders in Electrolux, an ADR program for Husqvarna's B-shares was established in the US. The ADRs are traded on the American over-the-counter ("OTC") market. The Bank of New York is the ADR Depositary Bank. One ADR is equivalent to two ordinary B-shares.

Ownership structure

The number of shareholders at year-end was 67,945. Non-Swedish investors represented approximately 11.9% of the voting rights and approximately 16.4% of the capital.

Share capital and voting rights

Each share has a par value of SEK 2. The share capital as of 31 December 2007 consisted of 98,380,020 A-shares and 286,756,875 B-shares, totaling 385,136,895 shares. The share capital amounted to SEK 770,273,790 at year-end. A-shares carry one vote and B-shares one-tenth of a vote. A trading lot consists of 100 shares.

Dividend and dividend policy

The Board of Directors has decided to propose a dividend of SEK 2.25 for the fiscal year 2007. This corresponds to 42% of income for the period. The long-term goal is for the dividend to correspond to 25–50% of income for the period.

Shareholding, by size in Husqvarna AB

Number of shareholders	% of votes	Number of shareholders	% of shareholders
1–1,000	3.6	54,285	79.9
1,001–10,000	6.6	12,418	18.3
10,001–20,000	1.5	546	0.8
20,001–	88.3	696	1.0
Total	**100**	**67,945**	**100**

Source: SIS Ägarservice as of 31 December 2007.

Data per share	2007	2006
Earnings per share, SEK	5.29	4.83[1)]
Dividend, SEK	2.25[2)]	2.25[3)]
Dividend yield[4)], %	2.9	2.1
Dividend, %	42	35[5)]
Year-end trading price, B-share, SEK	76.75	107
Highest trading price, B-share, SEK	106	107
Lowest trading price, B-share, SEK	63	75.75
Equity, SEK	19.11	16.23
Number of shareholders	67,945	66,289

1) *Pro forma.*
2) *Proposed by the Board.*
3) *Before bonus issue of 88.9m shares.*
4) *Dividend per share divided by trading price at year-end.*
5) *As percentage of income for the period according to the Combined financial statements.*

Largest shareholders in Husqvarna AB

Shareholders	Number of A-shares	Number of B-shares	Total number of shares	Capital, %	Votes, %
Investor AB	32,725,376	21,387,782	54,113,158	14.1	27.5
LE Lundbergföretagen	14,400,000	1,000,000	15,400,000	4.0	11.4
Alecta Mutual Pension Insurance	5,919,500	19,527,400	25,446,900	6.6	6.2
AFA Insurance	2,907,793	14,126,157	17,033,950	4.4	3.4
AMF Pension Investment Funds	1,984,260	5,512,820	7,497,080	1.9	2.0
SEB Investment Funds	719,729	15,744,195	16,463,924	4.3	1.8
Swedbank Robur Investment Funds	486,336	14,315,211	14,801,547	3.8	1.5
Lannebo Funds	1,386,660	5,210,000	6,596,660	1.7	1.5
Fourth Swedish National Pension Fund	862,502	9,768,640	10,631,142	2.8	1.4
Franklin-Templeton Investment Funds	235,727	5,795,949	6,031,676	1.6	0.6
Total, 10 largest shareholders	**61,627,883**	**112,388,154**	**174,016,037**	**45.2**	**57.3**
Other shareholders	36,752,137	174,368,721	211,120,858	54.8	42.7
Total all shareholders	**98,380,020**	**286,756,875**	**385,136,895**	**100.0**	**100.0**
Of which Board of Directors	182,070	118,478	300,548	<0.1	<0.1

Most of the shares owned by foreign investors are registered through trustees, which mean that owner identity is not obtainable from VPC. Accordingly, the major foreign owners are not shown in the table above. At year-end 2007 about 70% of the total share capital was owned by Swedish institutions and mutual funds, about 16% by foreign investors, and about 14% by private Swedish investors.

Source: SIS Ägarservice as of 31 December 2007.

Annual General Meeting

The Annual General Meeting of Husqvarna AB will be held at 4 pm on Wednesday 23 April 2008, at the Elmia Congress Centre, the Hammarskjöld Hall, Elmiavägen, Jönköping.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- be registered in the share register kept by VPC AB (the Swedish Central Securities Depository) on Thursday 17 April 2008
- give notice of intent to participate, thereby stating the number of assistants attending, to Husqvarna no later than on Thursday 17 April 2008.

Notice of participation

Notice of intent to participate can be given

- by mail to Husqvarna AB, EM-LA, Box 30224, SE-104 25 Stockholm, Sweden
- by telephone at +46 8 738 70 10 between 9–12 am and 1–4 pm weekdays
- on the Group's website: www.husqvarna.com/agm

Notice should include the shareholder's name, registration number, if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the Annual General Meeting 2008. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Husqvarna prior to the Annual General Meeting.

Shares registered by trustee

Shareholders, whose shares are registered through banks or other trustees, must have their shares temporarily registered in their own names on Thursday 17 April 2008, in order to participate in the Annual General Meeting.

Dividend

The Board of Directors has proposed a cash dividend of SEK 2.25 per share and Monday 28 April 2008 as record date for the dividend. With this record date, it is expected that dividends will be paid from VPC on Friday 2 May 2008.

The last day for trading in Husqvarna shares including the right to dividend for 2007 is Wednesday 23 April 2008.

Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements comprise, among other things, financial goals, goals of future business and financial plans. These statements are based on present expectations and are subject to risks and uncertainties that may give rise to major deviations of the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna operates, the effects of currency fluctuations, downward pressure on prices due to competition, a material reduction of sales by important distributors, any success in developing new products and in marketing, outcome of any product responsibility litigation, progress when it comes to reach the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, and to integrate these into the existing business and successful achievement of goals to make the supply chain more efficient.

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