

CORPORATE GOVERNANCE REPORT 2008

HUSQVARNA'S OVERALL OBJECTIVE IS TO CREATE LONG-TERM VALUE FOR ITS SHAREHOLDERS AND OTHER STAKEHOLDERS. THIS REQUIRES EFFECTIVE CORPORATE GOVERNANCE WITH AN APPROPRIATE ORGANIZATIONAL STRUCTURE, SYSTEMS FOR INTERNAL CONTROL AND RISK MANAGEMENT, AND TRANSPARENCY.

Husqvarna is a Swedish public limited liability company that was listed on NASDAQ OMX Stockholm in June 2006. The Group comprises 118 companies and a total of 152 operative entities in more than 40 countries. The Group is governed on the basis of internal and external regulations that include the Articles of Association of Husqvarna AB, the Swedish Companies Act, the NASDAQ OMX Stockholm's Rule book for issuers, including the Swedish Code of Corporate Governance, and other relevant Swedish and foreign laws and regulations as well as internal codes, policies and guidelines.

Husqvarna applies the Swedish Code of Corporate Governance. No deviations from the code were reported in 2008.

This report has not been reviewed by the Group's auditors.

Ownership structure

The number of shareholders as of 31 December 2008 was 64,555, of which 61,904 in Sweden. About 75% of the total share capital was owned by Swedish institutions and mutual funds, about 12% by foreign investors, and about 13% by private Swedish investors.

Investor AB has been the largest single shareholder since 2006, holding 15.4% of the capital and 28.7% of the voting rights, as of year-end 2008.

Information on shareholders and the ownership structure is updated quarterly on the Group's web site.

Share capital and voting rights

The share capital in Husqvarna at year-end 2008 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, and carry equal rights in terms of dividends.

The Board of Directors has decided to implement a rights issue of SEK 3 billion, subject to approval by a General Meeting of Shareholders. For more information see page 33 in the Report by the Board of Directors.

General Meeting 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 in person or through a proxy.

In addition, the shareholder must be registered in the share register as of the record date, i.e. five days prior to the meeting, and must provide notice of participation in accordance with the notice of the meeting.

Decisions at the meeting are normally made by simple majority. However, for some issues 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 board@husqvarna.se. This address is also posted at the Group's web site.

According to the Swedish Companies Act, the Annual General Meeting must be held within six months after the end of the accounting year. The AGM decides on such issues as adoption of the annual accounts, dividends, election of Board members and of auditors when required, fees to Board members and auditors, principles for remuneration to management, and other important matters.

An Extraordinary General Meeting may be convened 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 general meeting by sending an e-mail to board@husqvarna.se.

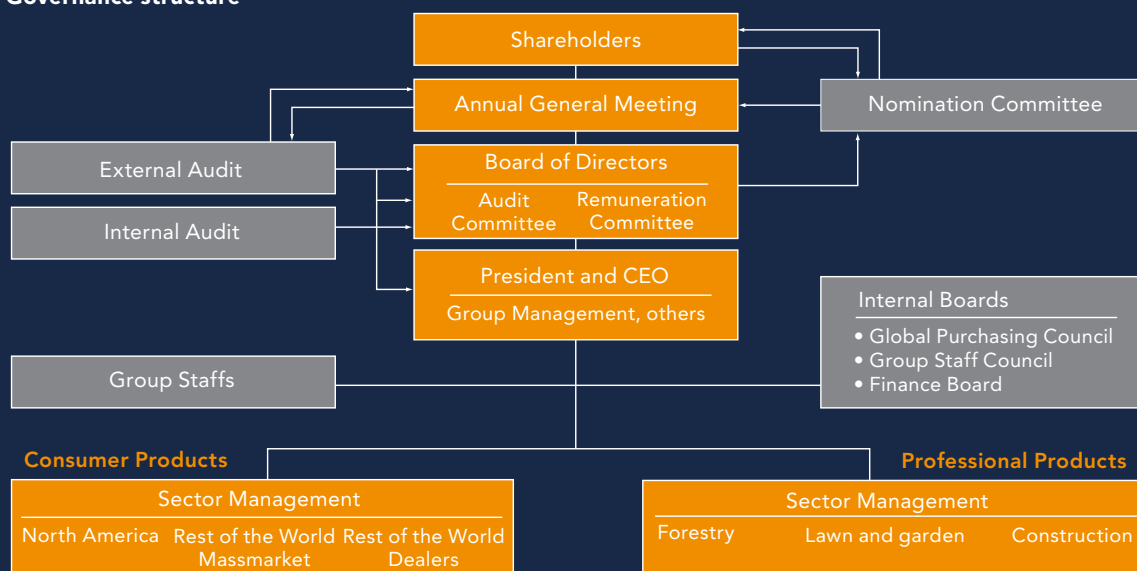
Annual General Meeting 2008

In 2008 the AGM was held on 23 April in Jönköping. It was attended by approximately 400 shareholders, either personally or by proxy. They represented 52.9% of the shares and 61.9% of the votes. All Board members elected by the previous AGM were present, as were Group management, and the auditor in charge. The President and CEO reported on the main aspects of the Group's operations during the preceding accounting year.

Decisions by the AGM included the following:

- The annual accounts for 2007 was adopted, and the Board and the President were discharged of liability for 2007.
- A dividend of SEK 2.25 per share for 2007.
- Re-elected Board members: Bengt Andersson, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Tom Johnstone, Anders Moberg, Gun Nilsson and Lars Westerberg. Ulf Lundahl was elected as new Board member. Lars Westerberg was re-elected as Chairman of the Board.
- Fees for Board members totalling SEK 5,345,000 were authorized, of which SEK 1,600,000 for the Chairman and SEK 460,000 for each of the other members who are not employed by the Group. Fees for members of the Audit Committee was set at SEK 175,000 for the committee chairman and SEK 75,000 for the members, and for the Remuneration Committee at SEK 100,000 for the chairman and SEK 50,000 for each of the other members. In addition,

Governance structure



Major regulations affecting the governance of Husqvarna

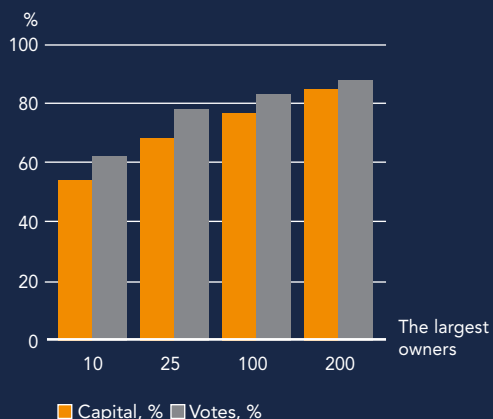
External regulations

- Swedish Companies act (2005:559)
- NASDAQ OMX Stockholm's Rule of book for issuers
- Swedish Code of Corporate Governance
- Swedish Accounting Act
- International Financial Reporting Standards, IFRS
- Legislation of other relevant countries

Internal regulations

- Articles of Association
- Board of Director's rules of procedure, incl. instruction for the President and CEO
- Policies for Communication, Finance and Credit etc.
- Processes for internal control and risk management
- Husqvarna's Code of Conduct
- Manuals incl. accounting

Ownership structure



Source: SIS Ägarservice as of 31 December 2008.

The 10 largest shareholders

	Share of capital, %	Share of votes, %
Investor AB	15.4	28.7
Alecta Mutual Pension Insurance	8.4	6.2
Swedbank Robur Investment Funds	6.8	2.1
AFA Insurance	4.6	3.4
SEB Investment Funds & SEB Trygg Liv	4.6	2.1
LE Lundbergföretagen	4.3	13.1
AMF Insurance & Pension Investment Funds	4.1	3.2
Fourth Swedish National Pension Fund	2.2	1.3
Second Swedish National Pension Fund	2.0	0.6
SHB Investment Funds & Life Insurance	1.7	1.3
Total, 10 largest shareholders	54.1	62.0
Total, Board of Directors and Group Management	<0,2	<0,1

Source: SIS Ägarservice as of 31 December 2008. Most of the shares owned by foreign investors are registered through trustees, which mean that owner identity is not obtainable from Euroclear Sweden AB (formerly VPC). Accordingly, the major foreign owners are not shown in the table above.

payment of a portion of the fee in the form of synthetic shares was authorized in accordance with the proposal by the Nomination Committee.

- Fees to auditors were authorized in accordance with the proposal submitted.
- The principles for remuneration and employment of the President and CEO, and other members of senior management were approved.
- A performance-based incentive program (LTI 2008) for senior managers was adopted.
- Rules for the Nomination Committee's composition and work were approved.
- Buy-back and transfer of own shares in accordance with commitments in Husqvarna's incentive programs.
- The Board was authorized to issue new shares to a maximum of 38.5 million A- or B-shares during the period prior to the AGM 2009, in order to facilitate acquisitions.

The minutes of the AGM 2008 are available at www.husqvarna.com.

AGM 2009

The Husqvarna Annual General Meeting for 2009 will be held on 23 April 2009 at the Elmia Congress Centre in Jönköping, Sweden. Shareholders wishing to have an issue dealt with by the AGM should submit a proposal by e-mail to board@husqvarna.se.

Nomination Committee

In accordance with a decision by the AGM 2008, Husqvarna has a Nomination Committee that consists of one representative of each of the four largest holders of voting rights together with the Chairman of the Board. The names of these representatives and the shareholders that they represent shall be announced publicly at least six months prior to the AGM.

Selection of the four shareholders is based on known holdings of voting rights as of 31 August 2008. In case of changes in major shareholders 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 for the AGM regarding the following:

- Chairman of the AGM
- Board members
- Chairman of the Board
- Fees to the Board, including the Chairman, and fees for members of committees
- Fees to auditors
- Composition of the Nomination Committee and its tasks for the coming year.

The Nomination Committee should also submit proposals for the election of auditors when this is 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 wishing to submit proposals to the Nomination Committee may do so by e-mail to nomination-committee@husqvarna.se. The committee's proposal shall be announced publicly in connection with or prior to the notice of the AGM.

Nomination Committee for the AGM 2009

The Nomination Committee for the AGM 2009 consists of the following members:

- Petra Hedengran, Investor AB, Chairman of the Nomination Committee
- Claes Boustedt, LE Lundbergföretagen AB
- Ramsay J. Brufer, Alecta Mutual Pension Insurance
- Anders Ellsell, Investment AB Öresund
- Lars Westerberg, Chairman of the Husqvarna board

The names of the shareholders' representatives were announced in a press release on 8 October 2008.

The Nomination Committee's proposal to the AGM in 2009 includes the following:

- Unchanged number of Board members to be elected by the AGM (9 members).
- Re-election of Lars Westerberg, Peggy Bruzelius, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg, Gun Nilsson and Robert F. Connolly. Bengt Andersson declines re-election. Election of Magnus Yngen, President and CEO of Husqvarna, as new Board member.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Unchanged Board fees totalling SEK 5,345,000, of which SEK 1,600,000 for the Chairman and SEK 460,000 for other members not employed by Husqvarna.
- Portion of fees to be paid in synthetic shares.
- Unchanged Committee fees, with SEK 100,000 for the Chairman in the Remuneration Committee and SEK 50,000 for each of the other members. SEK 175,000 for the Chairman in the Audit Committee and SEK 75,000 each for the other members.
- Unchanged principles for appointment of Nomination Committee for AGM 2010.

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, as well as at Husqvarna's web site.

The Nomination Committee's work during the year

The committee held three meetings and the members maintained contact between meetings. The meetings dealt with the Board's activities as well as its competence, composition and independence. The Chairman of the Board presented the results of the Board's evaluation of its own work. The committee members did not receive remuneration for their work on the committee.

The Board of Directors

The overall duty 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 including the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and the rules of procedure 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,

Board of Directors

Name		Nation-ality	Independ-ence ¹⁾	Attendance 2008			Authorized fees, total in SEK ²⁾	Holdings, number of A-shares	Holdings, number of B-shares
				Board meetings	Audit Commit-tee	Remuner-ation Commit-tee			
Lars Westerberg	Board Chairman Committee member	SE	Yes/Yes	11/11		3/3	1,650,000	—	156,000
Bengt Andersson ³⁾		SE	No/Yes	11/11			—	12,000	91,484
Peggy Bruzelius	Committee member	SE	Yes/Yes	10/11	5/5		535,000	1,950	6,500
Robert F. Connolly		US	Yes/Yes	11/11			460,000	300	1,000
Börje Ekholm	Committee Chairman	US/SE	Yes/No	11/11	5/5		635,000	8,400	28,000
Tom Johnstone ⁴⁾	Committee Chairman	UK	Yes/Yes	9/11		1/1	560,000	660	3,200
Ulf Lundahl ⁵⁾		SE	Yes/No	8/8			460,000	750	2,500
Anders Moberg	Committee member	SE	Yes/Yes	10/11		3/3	510,000	2,760	16,200
Gun Nilsson	Committee member	SE	Yes/Yes	11/11	5/5		535,000	1,560	5,800
Malin Björnberg	Employee representative	SE	—	11/11			—	30	100
Annika Ögren	Employee representative	SE	—	11/11			—	—	—
Carita Spångberg ⁶⁾	Employee representative	SE	—	10/11			—	—	—
Fredrik Währborg ⁶⁾	Employee representative	SE	—	10/11			—	—	300
Total				11	5	3	5,345,000	28,410	311,084

1) Refers to independence in relation to the the company and management, and independence in relation to major shareholders.

2) In accordance with the resolution by the AGM 2008, 25% or 50% of the Board fee shall be received in synthetic shares, see further under the heading Fees to Board members on page 94. The composition of authorized fees in terms of cash payment and synthetic shares, see Note 24.

3) President and CEO until 1 October 2008.

4) Elected to the Remuneration Committee at the AGM 2008.

5) Elected at the AGM 2008.

6) Deputy.

follow-up and control of Group operations, and Group communication and organization, including evaluation of the Group's operative management. The Board also has the overall responsibility for establishing an effective system for internal control and risk management

Rules of procedure and meetings

The Board has determined rules of procedure that are reviewed annually and when necessary. These 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 performance. The rules of procedure also identify the areas of responsibility for the committees appointed by the Board.

In addition, the rules of procedure 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 procedure stipulate that the constituent meeting of the Board shall be held directly after the AGM. Decisions at this meeting include authorization to sign for the Company. The Board normally convenes 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 evaluates 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.

Husqvarna's General Counsel is the secretary at the Board.

Ensuring quality in financial reporting

The rules of procedure 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 accounts, 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 over 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.

Evaluation of the Board's performance

The Board evaluates its activities annually with regard to the rules of procedure, the working climate, the alignment of the Board's work, and access to and need for special competence. The focus of the evaluation is on Husqvarna-specific items. The evaluation is then 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 and the fees to members.

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 of Husqvarna have a mix of competence and experience in terms of e.g. management of international industrial companies, financial expertise, sale and marketing of consumer goods, and knowledge of retailing business.

With the exception of Bengt Andersson, who was President and CEO until 1 October 2008, none of the Board members is part of Group management.

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

For additional information regarding Board members, see page 100.

Independence of Board members

The composition of the Board is considered to be in compliance with the requirements for independence stipulated by NASDAQ OMX Stockholm. None of the Board members is employed by the Group, with the exception of Bengt Andersson.

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.

Fees to Board members

Fees to the Board members are determined by the AGM. In accordance with the proposal by the Nomination Committee, the AGM 2008 approved total fees to the Board in the amount of SEK 5,345,000. The AGM also authorized payment of a portion of the fees in the form of synthetic shares.

Authorized fees to individual Board members are reported in the table below.

Fees to the Board 2006–2008¹⁾

SEK	2008	2007	2006
Chairman	1,600,000	1,500,000	1,500,000
Board member	460,000	437,500	437,500
Chairman Audit Committee	175,000	175,000	175,000
Member Audit Committee	75,000	75,000	75,000
Chairman Remuneration Committee	100,000	100,000	100,000
Member Remuneration Committee	50,000	50,000	50,000
Authorized fees, total	5,345,000	5,087,500	5,087,500

1) Refers to fees prior to the AGMs in 2009, 2008 and 2007 respectively. For information about the composition of the 2008 fees in terms of cash payment and synthetic shares, see Note 24.

Synthetic shares

Synthetic shares are not financial instruments in the legal sense. They are a cash payment based on the trend for the trading price of the Husqvarna B-share. Fees to the Board are thus linked to the long-term development of the company.

Board members may opt to be paid in synthetic shares corresponding to either 25% or 50% of the Board fee before taxes, excluding fee for committee work. For administrative reasons, Board members who are resident outside Sweden and not subject to Sweden and not subject to Swedish tax may opt to receive the entire fee as a cash payment.

After five years, i.e. in 2013, a holder of synthetic shares is entitled to receive a cash payment per share that corresponds to the average trading price of the B-share at the time of payment.

The Board's activities in 2008

In the course of the year the Board held seven scheduled meetings and four extraordinary meetings. Three of the scheduled meetings were held in Stockholm, two in Husqvarna, one in Jonsered, in connection with a visit to the Husqvarna Construction operation, and one by telephone. All the extraordinary meetings were held by telephone.

The Board deals on a continuous basis with strategic questions that include Husqvarna's operations and orientation, acquisitions and monitoring of them, all investments greater than SEK 50m, and changes in the credit limits for major customers. The financial statements and the annual report are dealt with at the beginning of the year, as are the matters to be presented at the AGM. The budget for the following year and the Group's long-term plan are dealt with at the end of the year. A report on committee activities between meetings is presented at each scheduled meeting. Current litigation if any is reviewed quarterly.

In addition to the standard activities, in 2008 the Board also dealt with the following issues:

- Appointment of Magnus Yngen as new President and CEO, succeeding Bengt Andersson. Following determination of criteria and a comprehensive recruiting process, Magnus Yngen was appointed President as of 1 October 2008. Magnus Yngen was chosen on the basis of his previous experience of managing a global operation that included responsibility for product development, production, marketing, brand-building and sales.
- Adjustment of operations in view of the decline in market conditions resulting from the financial crisis and the global downturn in the business cycle. In September the Board authorized personnel cutbacks totalling approximately 900.
- Acquisition of the outdoor operation of the Taiwanese company Jenn Feng and two smaller companies that supply products to the construction industry.

All Board meetings followed an agenda, which together with documentation for each item was sent to all Board members approximately one week prior to each meeting.

Each scheduled Board meeting begins with a review by the President of the Group's results and the current business situation, including important external factors that could affect the Group's development. Husqvarna's CFO then reports on the

Group's financial position, including cash flow and capital structure, and when appropriate presents economic analysis and overviews. Members of Group management and Board committees report on open issues from previous meetings, if necessary.

In addition to the information provided during the meetings, the President and CEO sends a monthly report to all Board members and maintains continuous contact with the Chairman of the Board.

Overview of issues dealt with at Board meetings in 2008:

14 February, ordinary meeting in Stockholm

- Financial statements and Consolidated Report for 2007
- Information and report from auditors
- Proposals for the AGM
- Acquisition of Jenn Feng's operation in outdoor products
- Resolution of acquisition of the US company Mecos' operation in concrete saws

6 March extraordinary meeting, by telephone

- Approval of Annual Report for 2007

23 April, ordinary meeting in Huskvarna and constituent meeting of Board following AGM

- Interim report for January–March 2008
- Approval of revised Code of Conduct
- Resolution of acquisition of Sandvik Nora AB's operation in diamond tools

23 May, extraordinary meeting, by telephone

- Appointment of new President and CEO Magnus Yngen

3 June, ordinary meeting in Jonsered

- Board's rules of procedure
- Approval of strategic business plans for Group and sectors

17 July, ordinary meeting, by telephone

- Interim report for first half of 2008

16 September, extraordinary meeting, by telephone

- Decision on profit-warning for Q3 and announcement of cost-reduction measures

22 October, ordinary meeting in Stockholm

- Interim report for first nine months 2008
- Board's evaluation of own performance, repurchase of shares

3 December, ordinary meeting in Stockholm

- Renewal and update of Board's rules of procedure and guidelines
- Approval of credit limits for major customers

22 December, extraordinary meeting, by telephone

- Approval of budget and long-term plan
 - Decision on profit-warning for Q4
-

The Annual Report for 2008 was approved at the ordinary Board meeting on 19 February 2009.

Committees

The Board has appointed a Remuneration Committee and an Audit Committee, whose activities are mainly preparatory and advisory. The Board may also delegate decision-making authority to a committee for specific issues.

Remuneration Committee

The overall duty 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 comprised three Board members: Peder Ramel, Chairman until the AGM 2008, and Anders Moberg and Lars Westerberg as members. Peder Ramel was succeeded by Tom Johnstone as Chairman as of the AGM 2008. The Director of Human Resources, serves as the committee's secretary. At least two meetings shall be held annually. In 2008, the committee held three meetings that included discussions of the issues below:

17 January in Stockholm

- Remuneration to the President and CEO, and other members of Group Management.

8 February in Stockholm

- Long-term incentive program for 2008.

2 December in Stockholm

- Remuneration to the President and CEO, and other members of Group Management.
 - Long-term incentive program for 2009.
-

Audit Committee

The overall duty of the Audit Committee is to support the Board in monitoring 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 external reporting.

The Audit Committee also assists the Board of Directors in monitoring the audit of the financial statements, including related disclosures. This includes reviewing the objectivity and independence of the external auditors, monitoring 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 for election of external auditors and for auditor's fees.

The Audit Committee also 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 as members. The committee's meetings are attended by the Chief Financial Officer, the General Counsel and the head of Internal audit, who is also the committee's secretary. At least three meetings shall be held annually.

After each meeting the Audit Committee reports to the Board as a whole. Minutes are taken of all meetings and are available to Board members and auditors.

In 2008 the committee held five meetings that included discussions of the issues below:

7 February in Stockholm

- Auditors reported results of audit of accounts for 2007
- Internal auditors reported on internal audits in the US, Brazil and Huskvarna, Sweden
- The Board's dividend proposal to the AGM
- Long-term financing
- The draft of the Annual Report for 2007, and the Consolidated Report for 2007.

16 April in Stockholm

- Draft of the interim report for January–March 2008
- PwC's audit plan for 2008
- Monitoring of the acquisitions of Klippo and Jikai
- Draft of revised Code of Conduct.

15 July by telephone

- Draft of the interim report for January–June 2008

20 October in Stockholm

- Draft of interim report for first nine months, and the external auditors report on the review of the interim report
- Loan facilities, evaluation of financial activities
- Reports on internal audits in China, Canada, the Czech Republic, France and Japan.
- Report on audit of IT activities.

26 November in Stockholm

- The external auditors reported on results of the hard-close procedures.
- Reports on risk analysis
- Timetable and audit process for 2008, effect of IFRS 2009 on financial reporting, updating of financial policy.

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 (auditor-in-

charge) and Christine Rankin Johansson, for the period until the AGM in 2010.

PwC provides an audit opinion on the financial statements and the annual report 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 SRS, which are based on Generally Accounting Auditing Standards issued by the International Federation of Accountants (IFAC GAAS).

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 when required.

The auditors attend the meetings of the Audit Committee and report to the Board of Directors when appropriate, but at least once annually.

In addition to the annual audit of the financial statements, in 2008 the auditors reviewed selected items in the balance sheets and income statements of major Group units as of 30 September 2008, known as hard-close audit procedures, in order to identify possible auditing issues in good time prior to the closing of accounts. The results of their review have been discussed with Group management and reported to the Audit Committee. The interim report for January–September 2008 has been reviewed by the external auditors.

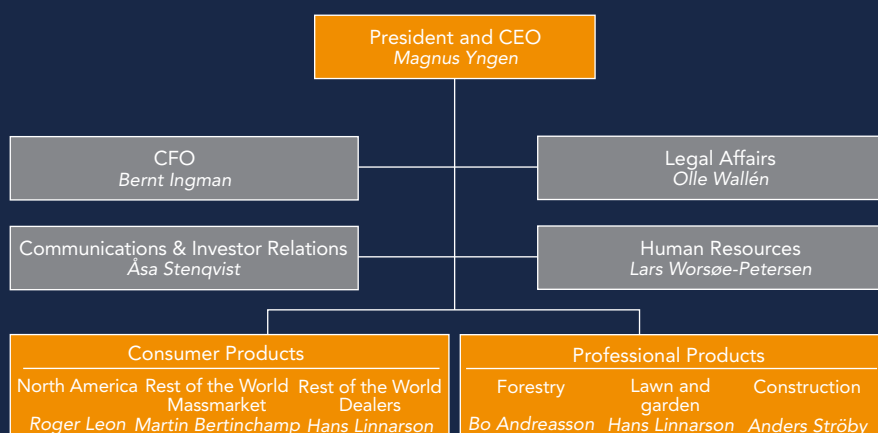
Prior to the AGM 2008 the auditors reviewed the Board's proposal for remuneration and other terms of employment for Group Management in Husqvarna.

Fees to auditors

SEKm	2008	2007	2006
Audit fees, PwC	21	17	15
Non-audit fees, PwC	2	6	1
Audit fees, other auditors	1	7	0
Total	24	30	16

Fees to PwC for non-audit assignments refers to fees for confirmatory and similar services, due diligence in connection with acquisitions, and tax consultancy.

For further information on fees paid to the auditors, see Note 25 on page 82. For information on the auditors and their other audit assignments, see page 101.



Magnus Yngen took on the position as President and CEO on 1 October 2008. He succeeded Bengt Andersson. On 1 July Roger Leon was appointed Head of Consumer Products North America, succeeding Robert E. Cook.

For information on members of Group Management, see page 102.

Internal auditors

Husqvarna maintains a function for internal audit that reports directly to the Audit Committee and the Chief Financial Officer. For more information on internal audit activities, see page 99.

Management and corporate structure

Husqvarna's operations comprise two business areas, Consumer Products and Professional Products, and six business sectors. In addition, the organization comprises four Group staffs.

The structure of the Group is decentralized. Overall management of operations is conducted largely through quarterly operational reviews within sectors.

The corporate culture is non-bureaucratic in order to enable rapid decision-making, and features cost-efficiency as well as a focus on products and customers.

Operations shall be conducted with due responsibility for the environment, society in general, and ethical principles.

The President and Group Management

In addition to the President and CEO, Group Management includes five sector heads and four Group staff heads.

The President is appointed by the Board and is responsible for ongoing management of the company in accordance with the Board's guidelines and instructions. These instructions include responsibility for financial reporting, preparation of information and input for decisions, and ensuring that commitments, agreements and other legal documents do not conflict with Swedish or foreign laws and regulations, including those related to competition. The President shall also ensure compliance with goals, policies and strategic plans, as well as updating of these when necessary.

The President appoints all members of Group Management.

The sector heads are responsible for the results and balance sheets of their respective sectors. 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.

The Group staffs are responsible for coordinating Group-wide issues, developing policies and guidelines, and using these to support the business sectors. The Group staffs are also responsible for consolidation and reporting on financial results, financing, risk management and legal issues, as well as contacts with various stakeholders, including employees and the media, and the capital market.

Group Management holds monthly meetings to review the previous month's results, update forecasts and plans, and discuss strategic issues. In addition, weekly meetings are held by telephone.

Internal boards

As support for the President and Group management, Husqvarna has established internal boards in the following areas:

The Global Purchasing Council (GPC) is a decision-making forum that coordinates the Group's purchasing globally and across business sectors. The GPC ensures transparency in the purchasing process as well as uniformity in terms of working methods, purchasing tools, contracts and processes throughout the organization.

The Group Staff Council comprises the staff heads who meet regularly and decide primarily on administrative policy and personnel issues as well as pensions.

The Finance Board is an internal board which ensures that the financial policy authorized by the Board of Directors is communicated and complied with throughout the Group. This policy includes guidelines for organization and management of the Group's financial operations, permissible risk exposure, levels of risk, and how they are to be reported. The Finance Board comprises the President, the Chief Financial Officer and the Head of Group Treasury.

Principles for remuneration to senior managers

The general principles for remuneration to Group Management are based on the position held, individual performance, Group income for the period, and maintaining competitive remuneration 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". This means that 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.

Remuneration to Group Management

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Total 2008	Total 2007
President and CEO ¹⁾	4,156	—	860	—	5,016	—
President and CEO, former ²⁾	7,880	—	9,109	—	16,989	15,607
Group Management, other	26,505	—	11,534	441	38,480	57,681
Total	38,541	—	21,503	441	60,485	73,288

1) Fixed salary includes fixed salary for the period October to December (SEK 1,437,500), fixed amount instead of variable salary (SEK 718,750) and compensation for the loss of right to allocation from long-term incentive programs with the former employer (SEK 2,000,000).

2) The former President Bengt Andersson retired 1 October 2008, but his employment continues until 30 June 2009, when he attains the retirement age of 65. The cost of his remuneration in 2009 has been taken in 2008.

For more information on remuneration to senior management, see Note 24.

Value creation

Value creation is the basis for variable remuneration to the President and Group Management. 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. Value created is measured by total Group, business area, sector, product category and region.

Financial reporting and disclosure

Husqvarna provides the market with information about the development of the Group and its financial position on an ongoing basis.

The Board has adopted an Information Policy that complies with the requirements for an information policy in the NASDAQ OMX Stockholm's Rule book for issuers. The policy applies to the Board and Group management, and covers both written and oral information.

Financial information is issued regularly in the form of:

- Interim reports, published as press releases.
- The Husqvarna Annual Report.
- Press releases on news and important issues.
- 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>

INTERNAL CONTROL OVER FINANCIAL REPORTING

Husqvarna's process for internal control is designed to manage and minimize the risk of inaccuracy in financial reporting.

Description and evaluation of the Group's internal control activities is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five areas, i.e. the control environment, risk assessment, control activities, information and communication, and monitoring.

The organization of internal control is described below. The description is limited to internal control over financial reporting.

Control environment

Internal control over financial reporting is based on the overall control environment. This involves clear definitions of organizational structure, decision-making paths and authority, which are communicated in the form of internal control documents such as policies, guidelines, manuals and codes. The control environment also includes laws and external regulations.

The Board of Directors is ultimately responsible for internal control over financial reporting. Efficient performance by the Board is thus the basis for satisfactory internal control. The Husqvarna Board has established rules of procedure and clear instructions for its work, which also include the activities of the Audit and Remuneration Committees.

The overall duty of the Audit Committee is to support the Board's supervision of the auditing and reporting processes,

and to ensure the quality of such reports and processes. The activities of the Audit Committee during the year are described in greater detail on page 95.

Responsibility for maintaining an effective control environment as well as the ongoing work on risk management and internal control over financial reporting is delegated to the President. This responsibility is in turn delegated to managers within their specific areas at various levels in the company. Husqvarna's internal audit function reports directly to the Audit Committee and to the Group's Chief Financial Officer.

Responsibility and authority are defined inter alia in instructions to the President, instructions regarding the right to sign for the company, manuals, various policies, routines and codes. The Board defines the Group's major policies for communication, customer credits, financing and risk management, as well as the Code of Conduct.

Group management defines other policies and instructions, and the relevant Group staffs issue guidelines and also monitor implementation of all policies and instructions.

Group rules for auditing and reporting are stipulated in an accounting manual that is available for all personnel in economy and finance. These internal control documents are reviewed and updated regularly with reference to e.g. changes in legislation, auditing standards and listing requirements.

Risk assessment

Items in the balance sheet and the income statement that are based on estimates or generated by complex processes are relatively more exposed to the risk of error than are other items. Major items in this respect include goodwill and other immaterial assets as well as provisions in captive insurance companies and allocations to pension funds. The Group's internal audit function performs an annual risk analysis to identify such items and quantify risks. The results of risk analysis and evaluation are reported to the Audit Committee and are subsequently taken into account in the annual internal audit plans.

Control activities

Control activities are designed to prevent, identify and correct errors and deviations. Husqvarna has defined internal control standards, i.e. specifications of the control activities that must be included in each business process in order to ensure and maintain a uniform level of internal control over financial reporting within the Group. Control activities are integrated in Husqvarna's processes for accounting and financial reporting, and include routines for authorization and signing for the company, reconciliation of bank balances and accounts, analysis of results, segregation of duties, automatic controls integrated in IT-systems, and control of the basic IT environment.

Husqvarna maintains the following control processes for financial reporting:

Controlling

Each operative unit has a controller whose responsibilities include ensuring that the unit's internal controls comply with Group standards, as well as compliance with Group guidelines and principles as stated in Husqvarna's Accounting Manual. The controller is also responsible for ensuring that financial information is correct and complete and is delivered on time. In addition, controllers at sector and Group level have corresponding responsibilities.

Country Officers

A Country Officer is appointed by Husqvarna in each country where the Group operates subsidiaries. The officer's duties include safeguarding the interests of the Group's owners as well as identifying and reporting risks in such areas as fiscal regulations and other legislation.

Letter of representation

Since 2007 Husqvarna has a system for confirmation of the final accounts, according to which each company head and the controllers for various reporting units sign a letter of representation confirming that the financial report package presents a true and accurate picture of the Group's financial position and has been prepared in accordance with the Group's accounting standards.

Group management

The monthly meetings of Group management include a review of the monthly results for the Group and for operative units, as well as updated forecasts, plans and strategic issues.

Self-assessment

Each reporting operative unit submits an annual Control Self-Assessment regarding the status of its area of responsibility that is subject to internal control. The self-assessment report is signed by the controller. The assessment is based on a comprehensive questionnaire designed to measure the extent of compliance with defined requirements. The unit measures its own compliance. The results of self-assessment are collated at Group level for evaluation of control routines, and are submitted to the Audit Committee.

Routines related to acquisitions

Husqvarna has established guidelines and routines designed to ensure that acquisitions of operations are accurately analyzed in terms of financial, operational and environmental consequences.

Acquisitions are evaluated at 12- and 24-month intervals following the transaction. Evaluations are reported to the Audit Committee and the Board.

Information and communication

Husqvarna maintains information and communication systems to ensure that financial reporting is correct and complete. Accounting manual and other instructions for reporting are updated when necessary and are reviewed quarterly. In addition to other policies that are relevant to internal control over financial reporting, such as investment routines and credit policy, can be accessed on the Group's intranet by all relevant personnel. Changes in accounting are communicated and explained in quarterly newsletters from the Group accounting function.

Whistle Blower line

For several years the Group's operation in the US has maintained an Alert Line, also known as a Whistle Blower line, that enables employees to contact an independent third party and report actions or events that involve violations or suspected violations of e.g. laws or guidelines. In the autumn of 2008 a global Alert Line was established in several languages for the entire Group.

Monitoring

Husqvarna maintains a comprehensive financial reporting system for monitoring of operations, which enables identification of possible deviations in financial reporting at an early stage.

Husqvarna applies IFRS. This is defined in the Husqvarna Accounting Manual, which includes rules for accounting and evaluation principles that are mandatory for all Husqvarna companies, as well as instructions for reporting. The manual is reviewed and updated quarterly. Compliance with the Accounting Manual is monitored continuously at Group and sector level. In 2008, letters of representation confirming compliance with the manual and other policies and instructions were received from all subsidiaries.

Financial reporting

Detailed financial data are reported every month by approximately 150 reporting units, in accordance with the standardized routines for reporting that are stipulated in Husqvarna's accounting manual. These reports are the basis for the Group's consolidated financial reporting. Consolidation is performed from both legal and operative perspectives, which generates quarterly legal reports and monthly operative reports. All consolidation is centralized. All financial reports are stored in a central database from which data are retrieved for analysis and monitoring at Group, business-area and sector level. Interim reports are posted on the Husqvarna web site.

Internal audit

The internal audit function is tasked with developing and improving internal controls over financial reporting. The work of the auditors conforms with the annual plan by the Audit Committee, which includes both scheduled and unscheduled audits. The function reports to the Audit Committee and the Group's Chief Financial Officer.

The Group's function for internal audit performs independent and objective reviews in order to evaluate and enhance the efficiency of internal controls. This function also completed special assignments in 2008. The internal auditors report to the Audit Committee regarding their observations and recommendations for improvement of internal control over financial reporting.

Information available at www.husqvarna.com includes

- The company's Articles of Association
- The Husqvarna Code of Conduct
- Information from previous AGMs, e.g. notices, minutes
- Corporate Governance reports from previous years
- Annual reports, Interim reports
- Presentations