

Corporate Governance Report 2006

Husqvarna AB 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 the Stockholm Stock Exchange 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.

Listing in June

Husqvarna's operations previously comprised the Outdoor Products segment within the Electrolux Group. Following a proposal by the Electrolux Board of Directors in February 2005 and a decision by the Electrolux AGM in April 2006, the Outdoor Products operation was spun off as a separate company under the name of Husqvarna. All shares in Husqvarna were distributed to the shareholders in Electrolux.

The Husqvarna Board of Directors subsequently applied for a listing of the company's shares on the Stockholm Stock Exchange. The first day of trading was 13 June.

Ownership structure

As all shares in Husqvarna were distributed to the shareholders in Electrolux on a 1:1 basis, Husqvarna initially had the same ownership structure as Electrolux. Changes in the ownership structure since the spin-off refer mainly to a reduction in the number of shares held by UK and US institutions, and an increase in the number of shares held by Swedish institutions and mutual funds. The proportion of the

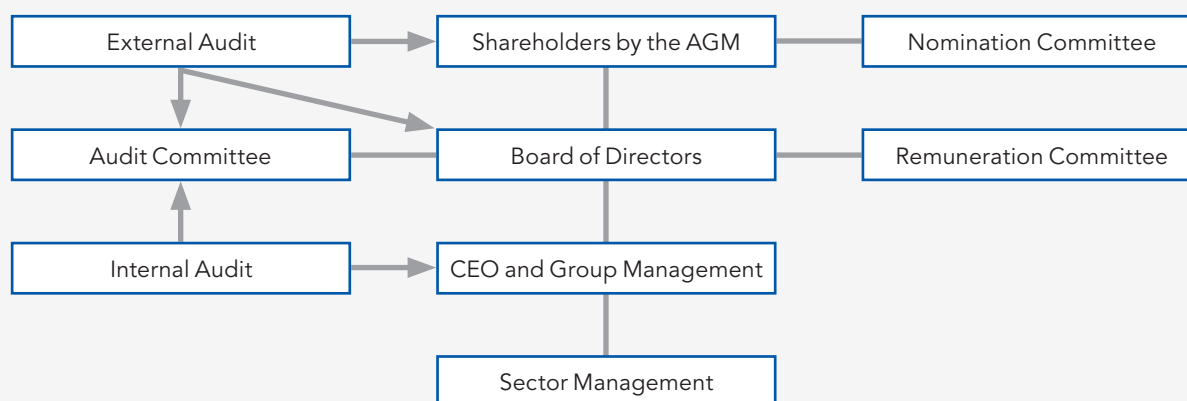
Highlights of 2006

- On 19 January the Electrolux Board announced its proposal for board members of Husqvarna, which was prepared in cooperation with the Electrolux Nomination Committee.
- The Husqvarna Board members were elected at an Extraordinary General Meeting on 27 January, to serve until the AGM in 2007. PricewaterhouseCoopers were appointed as auditors until the AGM in 2010.
- In February the Electrolux Board proposed that all shares in Husqvarna AB be distributed to Electrolux shareholders.
- A prospectus was published in the beginning of April.
- Electrolux shareholders adopted the Board's proposal at the AGM on 24 April.
- Trading in Husqvarna shares started on 13 June.

share capital owned by Swedish investors had thus increased from approximately 60% to approximately 70% at the end of 2006.

According to the share register at VPC AB (the Swedish Central Securities Depository & Clearing Organization) as of 31 December 2006, Husqvarna had a total of approximately 66,000 shareholders, of whom 63,000 in Sweden. The shares held by the ten largest owners corresponded to approximately 37% of the total share capital and approximately 50% of the

Governance structure



Major external regulations affecting governance of Husqvarna:

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

Example of internal policies and codes:

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

votes. Approximately 30% of the share capital was owned by foreign investors.

Major shareholders¹⁾ in Husqvarna as of 31 December 2006

	Share of capital, %	Voting rights, %
Investor AB	11.1	29.2
Robur Investment Funds	4.1	3.2
Alecta Mutual Pension Insurance	3.7	3.9
AFA Insurance	3.1	2.4
Fourth Swedish National Pension Fund	3.1	2.4
SEB Investment Funds	2.9	2.3
SHB/SPP Investment Funds	2.8	2.1
AMF Pension Investment Funds	2.1	1.6
Franklin-Templeton Investment Funds	2.0	1.5
Lannebo Investment Fund	1.6	1.2
Total	36.5	49.8
Board and Group Management, total	0.1	0.1

¹⁾ Source: SIS Ägarservice. Most of the shares owned by foreign investors are registered through trustees, which means that owner identity is not obtainable from VPC.

Share capital and voting rights

The number of shares in Husqvarna amounts to 296,259,153, of which 9,502,275 A- and 286,756,878 B-shares. One series A-share entitles the holder to one vote and one series B-share to one-tenth of a vote. A trading lot comprises 100 shares of each series. All shares entitle the holders to the same proportions of assets and earnings, and carry equal rights in terms of dividends.

Proposal for change of share structure

The Board proposes that the General Meeting of shareholders decides on an increase of the share capital by way of a bonus issue of 88,877,745 A-shares. According to the proposal, ten existing shares of series A as well as B, shall entitle the holder to three new A-shares. After the bonus issue, the number of A-shares, correspond to approximately 25.5% of the total number of shares and approximately 77.4% of the votes, compared to 3.2% of the total number of shares and 24.9% of the votes presently. For more information, see the Report by the Board of Directors under section "Proposals to the Annual General Meeting in 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 Annual General

Meeting must be held within six months of the end of the accounting year. The Annual General Meeting decides on dividends, adoption of the annual report, election of 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 an Annual General Meeting in Husqvarna in March 2006, it was decided that a Nomination Committee would be appointed in anticipation of the Annual General Meeting in 2007. 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 2007 regarding the following issues:

- Board members
- Chairman of the Board
- Chairman of the AGM
- Remuneration for Board members, including the Chairman, as well as remuneration for committee work
- Auditors' fees
- 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 2007

The Nomination Committee for the AGM 2007 consists of the following members:

- Johan Forssell, Investor AB, Chairman of the Nomination Committee
- Ramsay J. Brufer, Alecta Mutual Pension Insurance
- Marianne Nilsson, Robur Investment Funds
- Thomas Halvorsen, Fourth Swedish National Pension Fund
- Lars Westerberg, Chairman of Husqvarna

The names of the shareholders' representatives were announced in a press release on 19 October 2006 and in a press release on 16 November 2006, after one representative had been replaced following changes in the ownership structure.

The Nomination Committee has prepared proposals for the AGM in 2007, including proposals for Board members, fees to the Board members, fees to the auditors, and the tasks and composition of the Nomination Committee for the AGM in 2008.

The Nomination Committee's proposals 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 2007.

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.

Working procedures and meetings

The Board has determined working procedures, which shall be reviewed annually and when necessary. The working 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 working 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 working 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 working 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 2006 on page 79.

Evaluation of the Board's activities

The Board evaluates its activities annually with regard to working 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 Annual General Meeting for a period of one year. The Husqvarna Board currently comprises nine members elected by the Annual General Meeting. 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 the

Board of Directors

		Born	Nationality	Elected	Audit Committee	Remuneration Committee	Independent	No. of B-shares ¹⁾
Lars Westerberg	Board Chairman	1948	Swedish	2006		Member	Yes	80,000
Bengt Andersson	President and CEO	1944	Swedish	1991			No	40,000
Peggy Bruzelius	Member	1949	Swedish	2006	Member		Yes	6,000
Robert F. Connolly ²⁾	Member	1943	American	2006			Yes	0
Börje Ekholm	Member	1963	Swedish	2006	Chairman		No	28,000
Tom Johnstone	Member	1955	British	2006			Yes	1,200
Anders Moberg	Member	1950	Swedish	2006		Member	Yes	9,200
Gun Nilsson	Member	1955	Swedish	2006	Member		Yes	4,200
Peder Ramel	Member	1955	Swedish	2006		Chairman	Yes	2,000
Malin Björnberg	Employee representative	1959	Swedish	2006			–	100
Annika Ögren	Employee representative	1965	Swedish	2006			–	0
Carita Spångberg	Deputy employee representative	1968	Swedish	2006			–	0
Fredrik Währborg	Deputy employee representative	1974	Swedish	2006			–	200
Total								170,900

1) Holdings in Husqvarna, both own and those held by closely related persons, as of 31 December 2006.

2) Elected in May 2006.

table on page 76. Board members who are not employed by Husqvarna do not participate in the Company's long-term incentive program.

The Board's work in 2006

During 2006, the Board held seven scheduled meetings, one extraordinary meeting and three per capsulam meetings. Six of the ordinary meetings were held in Stockholm and one in Huskvarna.

The Board dealt with a number of issues related to the establishment of Husqvarna as an independent company and the listing on the stock exchange, particularly during the first half of the year. During the second half, the focus shifted to issues related to the Group's strategic development, such as criteria and opportunities for acquisitions and the potential for improvement of the production structure etc. During the year the Board approved five acquisitions.

Major issues dealt with by the Board included:

- Authorization of the Board's rules of procedures, including agendas for Board meetings, instructions for reporting of financial information, instructions for the Remuneration and Audit Committees, investment policy, credit policy and financial policy, as well as instructions for the President and guidelines for internal control
- Authorization of communication policy, code of conduct, insider policy and risk management policy
- Appointment of the President and Executive Vice-Presidents
- Appointment of members of the Remuneration and Audit Committees
- Implementation of long-term incentive program for senior managers
- Adoption of the 2005 Annual Report and quarterly reports
- Approval of the prospectus and supplementary prospectus
- Application for listing
- A credit facility for SEK 11 billions was obtained
- Approval of Medium Term Note Program
- Corporate Governance Report
- Approval of five acquisitions

At each scheduled Board meeting the President and CEO reviewed the Group's results and financial position as well as the outlook for the next quarter and the rest of the year. The meetings also dealt with the Group's investments. The Board decides on all investments that exceed SEK 50m, and receives reports on all investments that exceed SEK 25m. Heads of various business sectors also attended the meetings and reviewed their operations.

The Group's auditors participated in the Board meeting on 27 February 2006, at which the Annual Report for 2005 was approved.

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 2006

	Board	Audit Committee	Remuneration Committee
Number of meetings in 2006	8	5	2
Lars Westerberg	8		2
Bengt Andersson	8		
Peggy Bruzelius	8	5	
Robert F. Connolly ¹⁾	5		
Börje Ekholm	8	5	
Tom Johnstone	6		
Anders Moberg	7		2
Gun Nilsson	8	4	
Peder Ramel	8		2
Annika Ögren	8		
Malin Björnberg	7		

¹⁾ Elected in May 2006.

Independence of Board members

The Board as a whole is considered to be in compliance with the requirements for independence stipulated by the Stockholm Stock Exchange 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.

Board member	Independent in relation to company and management	Independent in relation to major shareholders
Lars Westerberg	Yes	Yes
Bengt Andersson	No, President of Husqvarna	Yes
Peggy Bruzelius	Yes	Yes
Robert F. Connolly	Yes	Yes
Börje Ekholm	Yes	No, President of Investor
Tom Johnstone	Yes	Yes
Anders Moberg	Yes	Yes
Gun Nilsson	Yes	Yes
Peder Ramel	Yes	Yes

External auditors

At an Extraordinary General Meeting on 27 January 2006 Price-waterhouseCoopers AB (PwC) was appointed as the Company's external auditor, with Anders Lundin as auditor-in-charge, for the period until the Annual General Meeting 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 assign-

Authorized remuneration to the Board of Directors for the period January 2006 until the 2007 AGM

SEK	Remuneration for the period January–April (2006 AGM)	Ordinary remuneration for the period from the 2006 AGM–2007 AGM	Remuneration for Committee work	Total remuneration
Lars Westerberg	300,000	1,500,000	50,000	1,850,000
Bengt Andersson	–	–	–	–
Peggy Bruzelius	90,000	437,500	75,000	602,500
Robert F. Connolly	–	437,500	–	437,500
Börje Ekholm	90,000	437,500	175,000	702,500
Tom Johnstone	90,000	437,500	–	527,500
Anders Moberg	90,000	437,500	50,000	577,500
Gun Nilsson	90,000	437,500	75,000	602,500
Peder Ramel	90,000	437,500	100,000	627,500
Annika Ögren	–	–	–	–
Malin Björnberg	–	–	–	–
Total	840,000	4,562,500	525,000	5,927,500

Remuneration to the current Board of Husqvarna AB was decided at an Extraordinary General Meeting in February 2006. The Board members have been elected for the period from January 2006 until the end of the Annual General Meeting in 2007, and the remuneration decided covers this entire period. Remuneration is paid quarterly. There are no agreements for severance pay to Board members. For information on remuneration to the Board of Directors and the President, see Note 26.

ments, see page 80. For fees paid to the auditors and their non-audit assignments in the Group, see Note 27 on page 66.

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 strong 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 operating 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 five business sectors.

Group Management

In addition to the President and CEO, Group Management includes four 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 principles for remuneration to senior managers in Husqvarna have been the same as Electrolux. The general principles for remuneration to Group management are based on the position held, the individual performance, income for the period, and 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 and benefits such as pensions and other benefits.

Husqvarna aims at offering fair and competitive total remuneration with an emphasis 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 26.

Remuneration to Group Management 2006

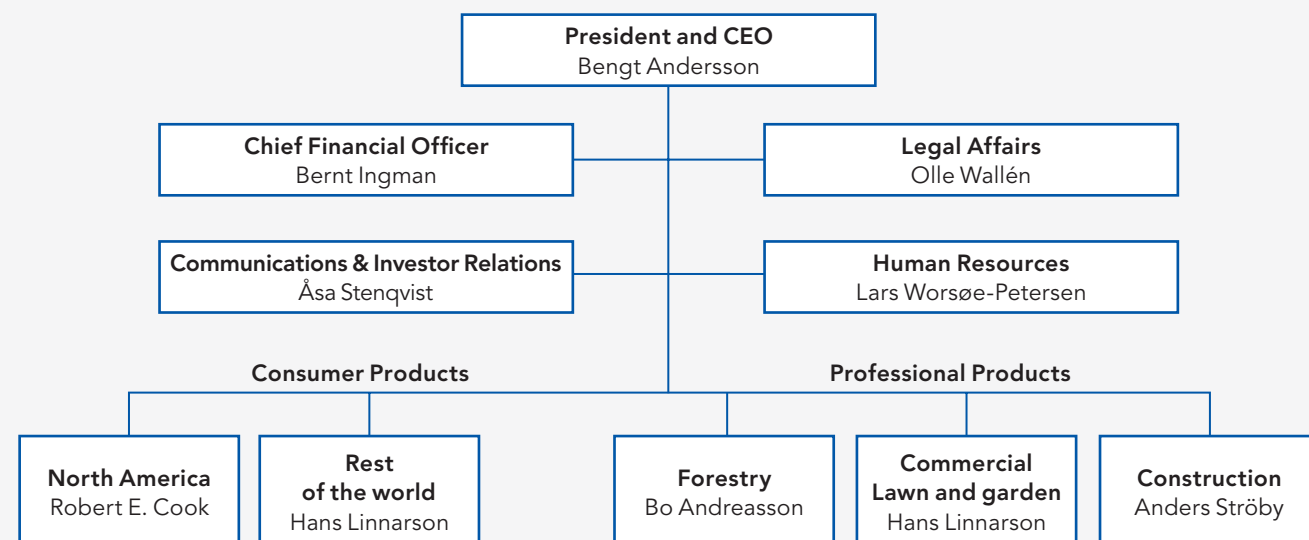
'000 SEK	Fixed salary	Variable salary	Pension cost	Long-term incentive ²⁾	Incentive compensation	Total
President	3,298 ¹⁾	767	4,691	600	880	10,236
Other members of Group Management ³⁾	18,321	2,975	6,292	2,400	3,793	33,781
Total	21,619	3,742	10,983	3,000	4,673	44,017

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.

Organization



Group Management	Position	Born	Nationality	Employed ¹⁾	No. of B-shares ²⁾
Bengt Andersson	President and CEO	1944	Swedish	1973	40,000
Bo Andreasson	Head of Forestry, Executive Vice-President	1951	Swedish	1982	1,971
Robert E. Cook	Head of Consumer Products North America, Executive Vice-President	1943	American	1989	150,000
Hans Linnarson	Head of Consumer Products Rest of the world, Head of Commercial Lawn and garden, Executive Vice-President	1952	Swedish	1994	7,179
Anders Ströby	Head of Construction, Executive Vice-President	1953	Swedish	1980	20,441
Bernt Ingman	Chief Financial Officer	1954	Swedish	2006	18,000
Åsa Stenqvist	Head of Group Staff Communications and Investor Relations	1947	Swedish	1982	5,650
Olle Wallén	Head of Group Staff Legal Affairs				
	Husqvarna Board Secretary	1953	Swedish	1993	10,761
Lars Worsøe-Petersen	Head of Group Staff Human Resources	1958	Danish	1994	6,265
Total					260,267

1) Year of employment by Electrolux, except for Bernt Ingman.

2) As per 31 December 2006 holdings in Husqvarna, both own and those held by closely related persons.

Value creation

Variable remuneration to the President and Group Management is based on the Group's value creation. Value created is measured by business area, sector, product line 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 Annual General Meeting in 2007 approves new principles for remuneration of Group Management, see "Proposals to the Annual General Meeting in 2007", page 32.

Long-term incentive program for 2006

On 24 April 2006, the Electrolux Annual General Meeting

approved a long-term incentive program for Husqvarna for 2006, as proposed by the Husqvarna Board of Directors. The program is performance-based with reference to value creation targets, and involves allocation of Husqvarna B-shares free of charge after three years if targets have been met or exceeded. The program covers about 40 senior managers. For more information, see Note 26.

Proposal for new program for 2007

The Board of Directors proposes that the Annual General Meeting resolves to adopt a new performance based incentive program for approximately 50 senior managers. Principles for the new program have been changed as compared to the 2006 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 2007", page 33.

Report on Internal Control over Financial Reporting 2006

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 2006 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 2006.

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.

During 2006, Husqvarna has implemented Internal Control Standards (ICS), 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.

Detailed monthly financial data are reported from about 100 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 (CSA), in which reporting units are requested to attest to compliance with the Internal Control Standards has been completed during 2006. The CSA addressed the twenty most critical control activities, encompassing all major business processes and requested company controllers to either confirm compliance with the ICS or explain compensating controls. The responses to the CSA will be followed up by the internal audit function 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 Stockholm Stock Exchange.

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>