

Strong position and good growth opportunities

The year was naturally marked by the spin-off and Husqvarna's debut as a listed company. On the whole, we handled this process very well, without losing our business focus. Operations developed largely according to plan with the exception of demand for garden products in the US, which was weaker than we expected. Nevertheless, we were able to increase our market shares and the sales shortfall in Consumer Products, which referred to the fourth quarter and to a delayed inventory build-up by retailers, was rather small for the year as a whole.

The structure of our operations for these products involves relatively low fixed costs, so that the negative effect of a downturn in sales on operating margin is limited. Improvements in product mix and cost-efficiency enabled us despite everything to increase operating margin for garden products in the US.

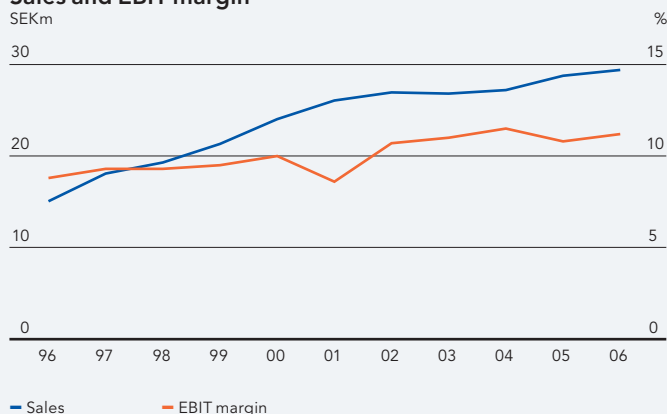
We also achieved good performance for chainsaws, an important product category, for which very strong sales growth in Russia more than offset lower sales in the markets where storms had positive effects in 2005. The strength of the Professional Products business area as a whole was confirmed, as sales showed good growth and operating margin remained high.

The Group's operating income was in line with our financial goals.

Five acquisitions since June 2006

Together with the new Board of Directors, we have reviewed and developed the Group's strategic plans. In this context I would like to confirm our previously announced goal of increasing annual

Sales and EBIT margin*



Average annual growth 1996–2006

Sales: 6.4% (4.2% excluding acquisitions)

Operating income: 9.1%

* According to Electrolux segment reporting for 1996–2004, i.e. common Group costs related to the present Husqvarna Group are not included.

sales by 5% organically over a business cycle, at the same time growing through acquisitions. We have achieved this over the past ten years and we expect to continue doing so in the years to come. This is a great challenge that requires increasing our market shares as well as a broadening our product range.

Our success to date has been based on continuous investment

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 currently is considered to require that seasonally adjusted net debt in relation to operating income (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.

Strategies

Organic growth

- Invest in product development.
- Expand distribution network.
- Fully utilize Husqvarna brand's potential.

Maintain high operating margin

- Focus on products in high-price segments, particularly under the Husqvarna brand.
- Greater cost-efficiency, e.g. through relocation of some production and increased purchasing from low-cost countries.

Complementary acquisitions

- Rapid and successful integration in Group operations.

Acquired operation	Product area	Annual sales
Dixon Industries, USA	Zero-turn mowers, mainly for professional users	SEK 400m
Jikai, China	Diamond tools	SEK 160m
Klippo, Sweden*	Professional lawn mowers	SEK 140m
Komatsu Zenoah's outdoor products, Japan*	Professional forestry and garden equipment	SEK 1,200m
Gardena, Germany*	Garden equipment for consumer market	SEK 3,800m

* Not included in the accounts for 2006. For more information on acquisitions, see page 30.

in product development, a strong global sales organization, and good customer relations. Our strengths in these areas will endure, and will generate continued good organic growth.

Another goal is for our operating margin to exceed 10%. The extent to which we exceed it will depend on several factors, including which operations we acquire and which parts of our operations grow fastest.

One result of our work on Group strategies is that we are aiming to increase the rate of acquisitions, and we are very pleased that since June we have been able to implement or reach agreements for five acquisitions, of varying size.

All of them offer a good potential in terms of cost synergies, and for most of them we also expect substantial synergies in the form of higher sales. For example, an increase in sales can be generated by selling the products of an acquired operation through Husqvarna's global sales organization and/or under the Husqvarna brand.

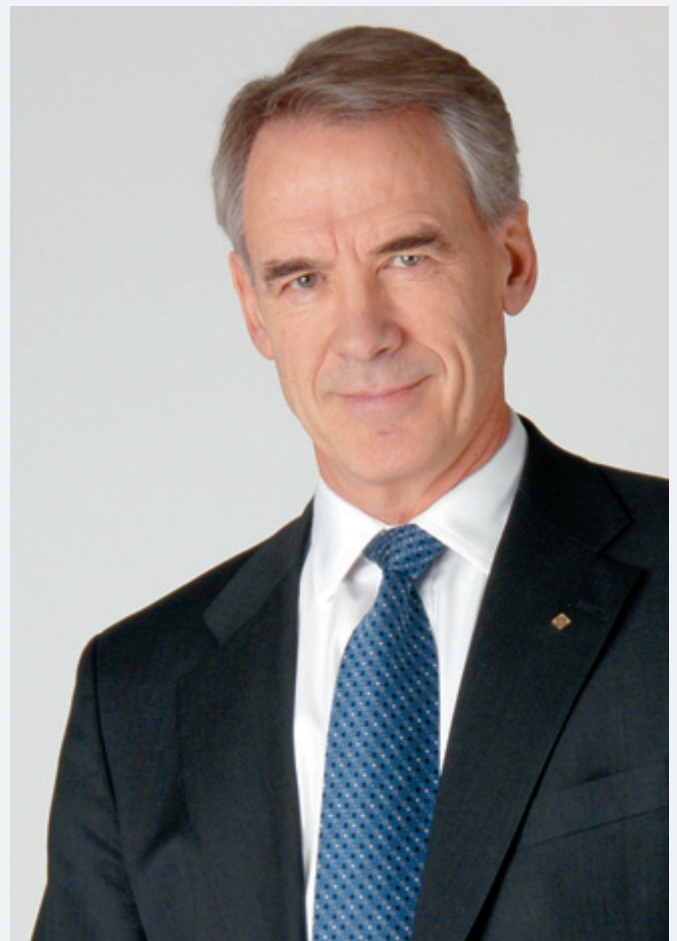
The Gardena acquisition includes a strong sales organization, a strong brand and strong customer relations, which will provide greater sales opportunities for the Group's other garden products. Gardena is the European leader in irrigation products, a new area for Husqvarna where we see good opportunities for growth.

Husqvarna has considerable experience and skill in terms of efficient integration of acquisitions, and we definitely expect to be able to realize the potential benefits.

Outlook for 2007

We feel well-prepared for 2007, with a number of new products and an increased share of the large retailers' product offerings for the garden season.

Naturally, we do not forecast the extent of demand with reference to weather conditions, but we are planning for unchanged demand on the global level, with some decline in the US. We consider this to be reasonable in light of the fact that demand in the US has fallen considerably over the past two years, weath-



er conditions in 2006 were somewhat worse than normal, and approximately 75% of sales represent replacement buying.

In addition to our work on integrating acquired operations, we will give high priority to cutting costs in production and purchasing. We will also continue to accelerate building the Husqvarna brand on the basis of product development, service and market communications.

To sum it up, I see promising opportunities for a continued good performance by the Group in 2007.

Bengt Andersson
President and CEO