

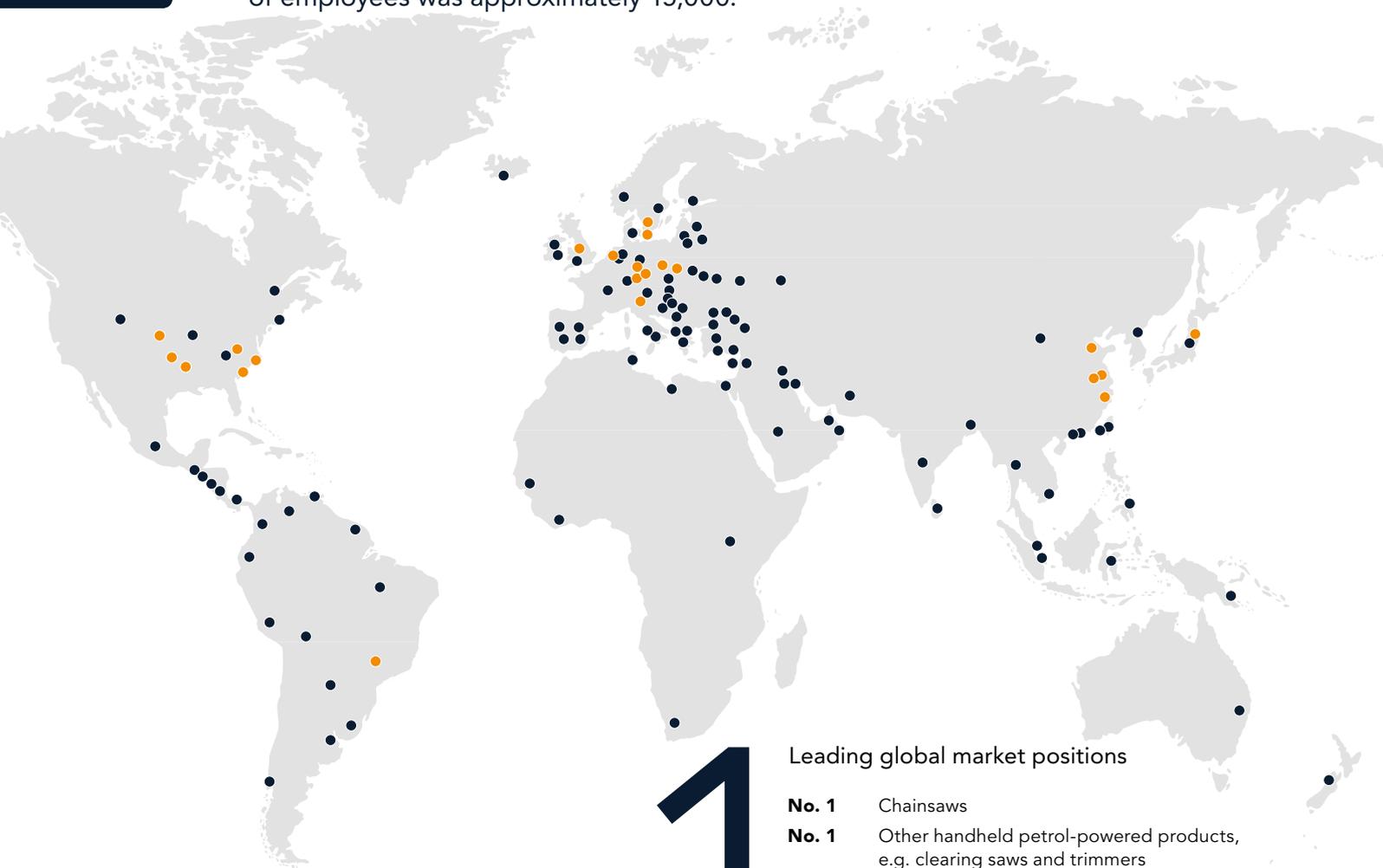


Husqvarna

Global leader in outdoor products

The Husqvarna Group is the world's largest producer of outdoor power products including chainsaws, trimmers, blowers, lawn mowers and garden tractors. It is the European leader in consumer irrigation equipment under the Gardena brand. The Group is also one of the world leaders in cutting equipment and diamond tools for the construction and stone industries. The product offering includes products for both **consumers** and **professional users**. The Group's products are sold in more than 100 countries world wide.

Net sales in 2009 amounted to SEK 34 billion, and the average number of employees was approximately 15,000.

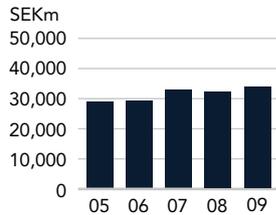


- Major production facilities
- Subsidiaries or distributors

Leading global market positions

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

Net sales

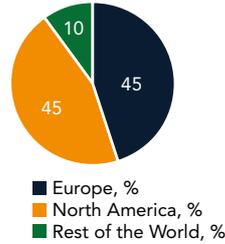


Operating income and margin*

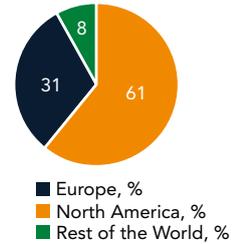


* Excluding restructuring costs

Net sales by geographical area



Production value by geographical area



Consumer Products

- Wheeled products such as lawn mowers, Automower®, garden tractors, riders and snow throwers.
- Handheld products such as chainsaws, trimmers, hedge trimmers and leaf blowers.
- Products for irrigation and ponds, as well as garden tools.



Professional Products

- Premium forestry products such as chainsaws and clearing saws, accessories including chains and blades, protective clothing and tools.
- High-end products for lawn and garden such as riders and walk-behind lawn mowers, zero-turn mowers, specialty turf-care equipment, trimmers, hedge trimmers and leaf blowers.
- Products for the construction industry, such as floor and wall saws, drill motors, machines for surface preparation and demolition, power cutters and diamond tools.



Brands



Brands



[Read more](#) about Consumer Products on page 17.

[Read more](#) about Professional Products on page 23.

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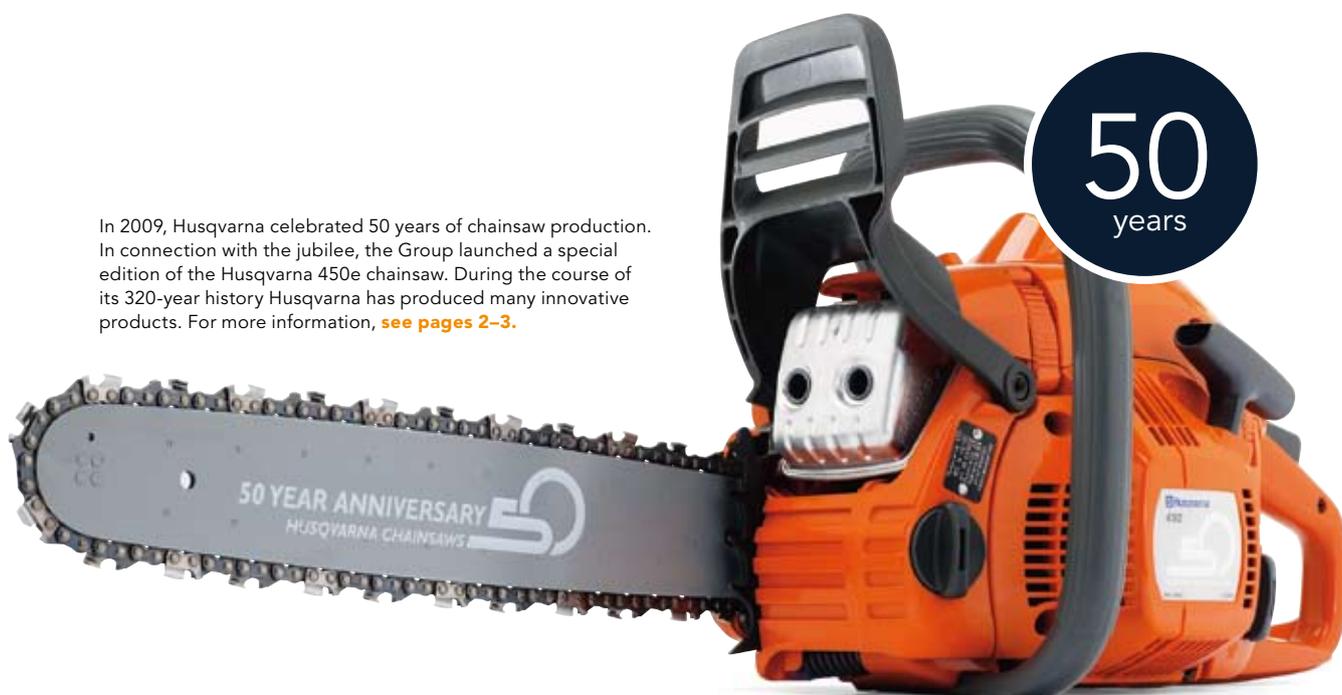
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“Introducing the new organization was one of the most important steps towards improving internal efficiency and building an efficient global company.”

Magnus Yngen, President and CEO

The new organization is the outcome of a strategic review performed in 2009. For more information, [see pages 5 and 15](#).

In 2009, Husqvarna celebrated 50 years of chainsaw production. In connection with the jubilee, the Group launched a special edition of the Husqvarna 450e chainsaw. During the course of its 320-year history Husqvarna has produced many innovative products. For more information, [see pages 2–3](#).



Highlights of the year

- Substantially lower demand in all product areas.
- Net sales declined by 8%, adjusted for changes in exchange rates and acquisitions. Consumer Products declined by 3% and Professional Products by 17%.
- Operating income declined by 34% to SEK 1,560m (2,361).
- Operating income includes a charge of SEK 452m (316) for restructuring.
- Apart from the restructuring charge, the decline in operating income refers to lower volumes and a less favorable mix in terms of products and geographical markets.
- Operating cash flow improved to SEK 3,737m (2,013), as a result of measures taken to reduce working capital.
- A rights issue of approximately SEK 3 billion was implemented in order to strengthen the Group's balance sheet.
- The net debt/equity ratio at year-end improved to 0.52 (1,54).
- The Group strengthened its market shares in North America for lawn mowers, garden tractors and leaf blowers.
- A new organization was announced in July for implementation as of 1 January 2010.
- The Board proposes a dividend for 2009 of SEK 1.00 (0) per share.

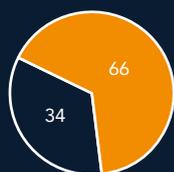
Key figures	2009	2008	2007	2006	2005 ¹
Net sales, SEKm	34,074	32,342	33,284	29,402	28,768
Gross margin, %	25.4	29.0	29.4	27.0	26.6
EBITDA, SEKm	3,060	3,524	4,645	3,957	3,754
Operating income, SEKm	1,560	2,361	3,564	3,121	2,927
Operating income, excl. restructuring costs, SEKm	2,012	2,677	3,564	3,121	2,927
Operating margin, %	4.6	7.3	10.7	10.6	10.2
Operating margin, excl. restructuring costs, %	5.9	8.3	10.7	10.6	10.2
Income for the period, SEKm	903	1,288	2,036	1,862	1,641
Earnings per share, SEK ²	1.64	2.81	4.46	4.08	3.59
Dividend per share, SEK ²	1.00	0.00	1.50	1.16	—
Return on capital employed, %	6.6	10.7	17.6	23.8	24.1
Return on equity, %	7.5	15.8	28.6	32.5	40.1
Operating cash flow, SEKm	3,737	2,013	1,843	535	949
Average number of employees	15,030	15,720	16,093	11,412	11,681

1) Pro forma.

2) Figures for 2005–2008 have been adjusted to reflect the rights issue in 2009. Figures for 2006 have been adjusted for the bonus issue in 2007. The dividend for 2009 as proposed by the board.

Restated figures for new organization

Sales by business area, 2009



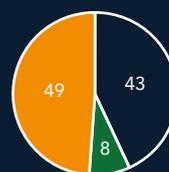
■ Consumer Products
□ Professional Products

* Excluding restructuring costs

Operating income by business area, 2009*



Sales by business area, 2009



■ Forestry and Garden Products, Europe and Asia/Pacific
□ Forestry and Garden Products, North America and Latin America
■ Construction Products

* Excluding restructuring costs

Operating income by business area, 2009*



History

320 years of innovation

The history of Husqvarna stretches back more than 320 years. This long period is characterized by innovation and responsiveness to market needs. Husqvarna's reputation for producing high quality products with reliable performance has paved the way for sustained growth and enabled expansion in several areas.



The Husqvarna logotype 1882-1885.

1689 – Weapons foundry

The foaming waterfall in Huskvarna, Sweden, turns out to be a hidden source of power. The first Husqvarna plant is established here as a weapons factory harnessing that energy. Muskets and rifles are made here, and production of weapons remains a central component of the company's operations for more than 300 years. The last Husqvarna rifle is produced in 1989.

1874 – Kitchen equipment

The first grey iron foundry is established and besides sewing machines Husqvarna produces kitchen equipment in cast iron. Among other things, 12 million meat grinders are exported world wide.

1918 – Lawn mowers

Husqvarna acquires Norrahammars Bruk. In addition to a high-capacity foundry, this gives Husqvarna a new product range – lawn mowers. They become very popular, leading to the current focus on outdoor products.



The first Husqvarna logotype.

1872 – Sewing machines

New machinery for production of a new rifle for the Swedish Army is installed in the mid-19th century. The equipment is also well-suited to production of sewing machines, which are produced for more than 100 years until the operation is divested in 1997.

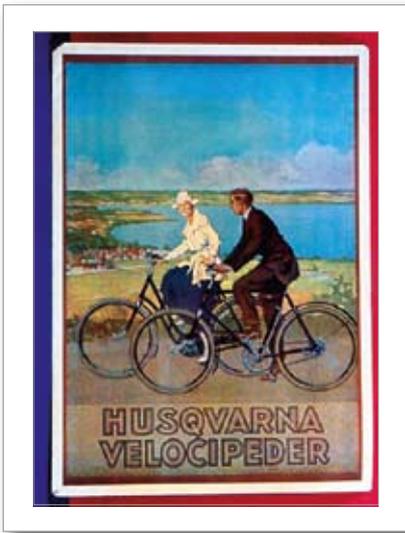
1896 – Bicycles

The bicycle becomes a popular product around the close of the 19th century. It develops rapidly, and Husqvarna registers a large number of patents. The company continues to produce bicycles until 1962.

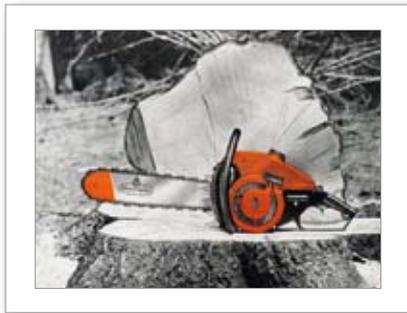
1903 – Motorcycles

The dawn of a new era, as expertise in engines becomes a major asset for Husqvarna. It begins with production of motor-cycles, which gives Husqvarna a world-wide reputation. The motorcycle operation is sold in 1987.





Over the centuries, Husqvarna has produced a wide range of products that includes bicycles, rifles and kitchen equipment.



1959 – Chainsaws

Demand for bicycles, mopeds and motorcycles declines at the end of the 1950s. Forestry becomes increasingly more important in Sweden, and the first Husqvarna chainsaw is produced in 1959.

2006 – Spin off and stock exchange listing

Husqvarna is spun off from Electrolux and the shares are listed on NASDAQ OMX Stockholm.

2007 – Acquisition of Gardena and Zenoah

Husqvarna acquires Gardena of Germany, the European leader in irrigation and garden tools. The Group also acquires Zenoah of Japan and Klippo of Sweden.

2008 – Expanded presence in China

Husqvarna expands production in China through the newly acquired Jenn Feng operation and the construction of a new plant for chainsaws and other handheld products.

1995 – Robotic lawn mower

Launch of Automower®, the worlds first solar powered robotic lawn mower.

1978 – Part of Electrolux

Electrolux acquires Husqvarna, and chainsaws become the core of the Electrolux operation in outdoor products. The operation expands steadily through organic growth as well as acquisitions. The latter include Jonsered in Sweden in 1979, Poulan/Weed Eater in USA in 1986, and Roper's gardening operation in USA in 1988.

2009 – 50 years with chainsaws

Husqvarna celebrates 50 years of chainsaw production. A contest is started to find the owner of the oldest working Husqvarna chainsaw. The winner lives in the Swedish province of Dalecarlia, and uses a chainsaw that was purchased in 1960. The Husqvarna Automower® counts 100,000 units sold in more than 30 countries since 1995.

50 years

320 years



The Husqvarna logotype 1932-1973.





Expectations for 2010

- Market conditions remain uncertain.
- Retailers are expected to be cautious about building up inventories.
- We intend to keep working capital at a low level and continue to prioritize cash flow.
- We will focus on implementing the restructuring measures decided in October 2009, and to drive internal efficiency.
- Our efforts continue to strengthen the Group's long-term competitiveness in terms of product offering, brands and positions in distribution.

Report by the President

Market conditions were considerably weaker than in 2008, within all product areas. Sales and income declined substantially, mainly as a result of lower volumes and a less favorable mix. Cash flow was considerably better than in 2008, despite lower income. The Group also strengthened its market position, particularly in the US. The cutbacks that were initiated in 2008 in order to adjust operations to the downturn in market conditions were completed according to plan. We also decided to implement several restructuring measures, and to establish a new global organization as of 1 January 2010.

Group sales declined by 8%, adjusted for changes in exchange-rates and acquisitions, and operating income by 26% exclusive of restructuring costs. Operating margin declined from 8.3% to 5.9%, exclusive of restructuring costs.

The downturn in income and margin resulted mainly from lower sales and lower production volumes, as well as a less favorable mix in terms of products and countries. Consumer

Products, which have lower margins than Professional Products, accounted for a larger share of sales than in 2008. Income was positively affected by lower costs for materials, savings from implemented cost-cutting measures, and price increases.

Work on reducing inventories and trade receivables, and prioritizing cash flow has paid off. Cash flow improved over 2008 despite a considerable decline in income.

The balance sheet was strengthened through a rights issue of approximately SEK 3 billion, which was completed early in April 2009. Net debt as of 31 December 2009 amounted to SEK 6.3 billion, compared to SEK 13.6 billion at year-end 2008. The net debt/equity ratio improved to 0.52 from 1.54.

Continued high margin for Professional Products

Operating income and margin for Professional Products remained at a high level, despite lower sales. This was achieved primarily on the basis of a good performance for forestry products. Operating margin for Forestry improved as a result of previously implemented rationalization of chainsaw production, a large share of new products, and a positive impact from a weaker Swedish krona. Demand for construction products showed a dramatic downturn. Sales for this product area declined by approximately 25%, adjusted for changes in exchange rates, and operating income was negative.

Decisions on restructuring

In October we decided that a number of structural changes would be implemented in 2009–2011. The measures are aimed at elimination of overlapping and duplication in production and administration, and comprise mainly consolidation of production in Sweden and the US, and of the sales organizations in Europe and Asia/Pacific.

The changes will involve a net reduction in the number of employees of approximately 400. The total cost amounts to approximately SEK 400m, which was charged against operating income for 2009. Annual savings are estimated at approximately SEK 400m, and will be achieved gradually from the second half of 2010, taking full effect as of the first quarter of 2012.

In order to increase the share of production in low-cost countries, which is currently less than 10%, we also decided to invest approximately SEK 250m in a new plant for wheeled products in Poland. This facility is expected to go on-stream early in 2011.

It is regrettable that we are forced to take steps which affect so many employees. However, these changes are required in order to integrate acquisitions and create a production structure that is competitive in the long term. We will probably have to make additional changes over the next few years.

Strategic review

The strategic review of our operations that began in November 2008 was completed in the first quarter of 2009. The conclusions are that Husqvarna has a very competitive base, comprising strong market positions, a broad product offering, a high level of technical expertise, strong brands and a comprehensive global distribution network.

The Group has a good potential for growth within existing product categories and distribution channels. However, operations are too fragmented, with many small units in for example

production, logistics and product development. Over the next 2–3 years we will implement a number of changes aimed at increasing internal efficiency and freeing resources for investment in product development and marketing. These changes are described in more detail in the section on strategy on pages 6–15.

New organization

The introduction of a new global organization as of 1 January 2010 was one of the most important measures for improving internal efficiency and building an efficient global company, which we call "ONE Husqvarna".

The goal is to eliminate overlapping and duplication, and to establish integrated global processes with clearly defined areas of responsibility. Instead of the previously product-based business sectors, we have coordinated everything related to the supply chain, i.e. purchasing, production and logistics, in a single business unit, and everything related to products, product development, product ranges and brands, in another business unit. Sales are divided between two business units, one comprising Europe and Asia/Pacific, the other comprising North America and Latin America. Construction products which are sold through other distribution channels than those for forestry and garden products, were already managed on a global basis, and will continue as a separate business unit.

Expectations for 2010

Market conditions in 2010 remain uncertain. We estimate that inventories in the trade for the coming gardening season are lower than in 2008. However, we expect retailers to continue to be cautious about building up inventories.

As in 2009, we intend to maintain working capital at a low level and prioritize cash flow. Our focus is on driving the internal changes and implementing our decisions for restructuring. Savings from restructuring will start to take effect during the second half of the year. In addition operating income should benefit from somewhat lower costs for raw materials and components. A number of new products will also be launched during the year.

We will continue to work on strengthening and developing the Group's product offering, building fewer and stronger brands, and reinforcing our positions in distribution channels. We will also implement a wide range of measures to increase internal efficiency. Our overall goal is to further strengthen Husqvarna's position as the world's leading producer of outdoor products.



Magnus Yngen
President and CEO

Strategy



Husqvarna is the world's largest producer of outdoor products. The Group has leading positions in the global market within product areas that account for approximately 80% of sales.

Husqvarna's strategy

Husqvarna shall be the leader in the global market within its core areas. The Group's strategy involves improving internal efficiency and reducing costs throughout the entire supply chain, in order to create a framework for increased investment in product development and brands that will further strengthen the Group's position.

The financial goal is to achieve average annual organic growth in sales of approximately 5% and an operating margin of more than 10%, over the course of a business cycle.

Strategic review

In 2009 a strategic assessment of Group operations was performed in order to establish priorities and goals for the coming years. The results of this assessment were that Husqvarna has a strong base and good opportunities for growth within existing product offering and distribution channels.

The Group's primary strengths include:

- Strong brands.
- Efficient global distribution network.
- Broad product offering.
- Flexible supply chain.

The most important actions needed to further strengthen the Group are summarized below:

- Reduce the number of brands, focus on Husqvarna and Gardena.
- Enhance efficiency of sales organization, improve customer service.
- Focus on strengthening core product areas.
- Increase investments in products with improved environmental performance.
- Concentrate production in fewer and larger plants, increase share of production in low-cost countries.
- Reduce the number of warehouses.
- Develop an integrated global supply chain.
- Increase investment in IT support in order to establish and support Group-wide global processes.



The robotic lawn mower Automower® is now available in four metallic colors – orange, blue, white and brown.

Strategy

Strong brands

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

Husqvarna and Gardena are the Group's two global premium brands. The Group also has several brands with strong positions in regional and local markets, or in specific product categories.

Husqvarna has been a strong global brand for many years, primarily within chainsaws and other handheld products for professional users, as well as high-end consumer products. The Husqvarna brand stands for technological leadership, professional performance and high quality. Husqvarna-branded products are sold in the premium price segments, mainly through servicing dealers. In 2009 the Husqvarna brand accounted for approximately 40% of Group sales.

Gardena has for many years been the leading brand in the European consumer market for irrigation products and garden tools. The Gardena brand has a very high brand awareness among consumers. In 2009 the Gardena brand accounted for more than 10% of Group sales.

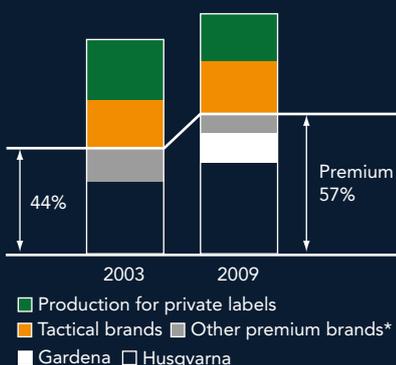
Group brands

Husqvarna	Global	Premium	Professional products, high-end consumer products
Gardena	Global	Premium	Consumer products in mass-market channels
Jonsered, Klippo, Redmax	Regional	Premium	Professional products, sold through servicing dealers
Zenoah	Regional	Premium	Professional products, sold through servicing dealers, primarily in Japan
Diamant Boart	Global	Premium	Professional products (diamond tools for the stone industry)
Flymo	Regional	Mid premium	Consumer products in mass-market channels, primarily in the UK
Partner, McCulloch	Regional	Non-premium	Consumer products in mass-market channels, Europe
Poulan, WeedEater	Regional	Non-premium	Consumer products in mass-market channels, North America

Actions to strengthen operations

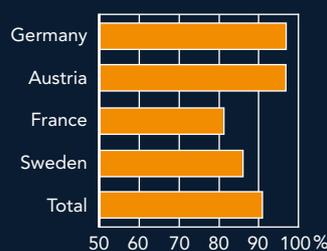
- Focus on strengthening the Husqvarna and Gardena brands.
- Reduce the number of regional and local brands.
- Strengthen Husqvarna's position as a professional brand in the dealer channel.
- Keep Gardena's positioning and achieve growth through extension of product offering and geographical presence.

Higher sales under premium brands



Sales under premium brands increased from 44% of the total in 2003 to 57% in 2009. During the same period the share referring to sales for privat-label declined from 25% to 20%.

Brand awareness, Gardena



The Group's brand portfolio was strengthened through the acquisition of Gardena in 2007. The Gardena brand has the highest awareness of all the Group's brands. The position is particularly strong in Germany and neighboring German speaking countries.

Source: Icon Added Value 2008. (Prompted awareness)

* Other premium brands include Jonsered, Zenoah, Klippo and Diamant Boart.

Strategy

Efficient global distribution network

Husqvarna's forestry and garden products are sold primarily through two distribution channels – major retail chains and servicing dealers. The retail chains focus mainly on products in the mid- and low-price segments, and on accessories. Servicing dealers sell a greater share of high-end products for professional users, and also offer service.

The Group has strong positions in both channels. Husqvarna-branded forestry and garden products are sold through approximately 25,000 servicing dealers worldwide.

Products for the construction industry are sold mainly through rental companies and specialized dealers, as well as directly to large contractors.

Husqvarna's comprehensive distribution network has been developed over many years, and represents a substantial competitive advantage.

Enhancing efficiency of the sales organization

There is good potential for growth in both distribution channels, on condition that the Group can offer appropriate product ranges and efficient service for the respective channels.

Husqvarna has own sales companies in more than 40 countries. In the fall of 2009 a program was initiated for



Point-of-sale product display.

rationalization of the sales organization in Europe and Asia/Pacific. The changes involve consolidating administration for mass-market channels and servicing dealers, while maintaining separate local sales forces. The aim is to improve customer service, eliminate overlapping and reduce costs. The Group's goal is to have a single sales company and a single customer interface for each specific country.

Improved customer service

Improving customer service involves more reliable deliveries, better access to spare parts and improved training programs. In addition, the Group is increasing investment in brand-building at points-of-sale in terms of product displays and packaging.

Actions to strengthen operations

- Consolidate sales organizations for mass-market channels and servicing dealers, with joint administration but separate sales forces.
- Improve customer service, including more accurate deliveries and better access to spare parts.
- Increase focus on brand-building at points-of-sale.

Distribution channels, share of sales

	Major retailers	Servicing dealers	Construction contractors*
Consumer Products			
North America	86% Sears, Lowe's, Walmart etc.	14%	—
Rest of the World	73% B&Q, Leroy Merlin, OBI, Bauhaus etc.	27%	—
Professional Products	3%	89%	8%

* Refers to the Construction Product area.

Sales by distribution channel



Strategy

Broad product offering

Husqvarna has a broad, competitive product offering. The Group has particularly strong positions in handheld products such as chainsaws, clearing saws and trimmers, as well as in riders and garden tractors. Gardena is the European market leader for irrigation products and garden tools. The Group also today has a strong product offering in Construction Products, both in terms of equipment and diamond tools.

The Group's goal is to be the leader in its core areas. However, maintaining a strong partnership with customers involves providing a complete product range, which includes offering competitive products also outside the core areas.

Focus on core areas

There is a good potential for growth within the existing product offering. The Group aims to maintain a high rate of product renewal, which is decisive for achieving growth and high margins. Achieving growth also requires having the right product offering for each distribution channel.

Products are becoming increasingly more global or regional, which enables reducing the number of product platforms and

local variants. In order to make product development more effective, the Group is concentrating its resources for development in a limited number of competence centers in specific parts of the world. A global process for product development is also being established.

The primary focus is on strengthening the main product categories. This includes improving the environmental performance of the products, particularly in terms of emissions and energy consumption. Investments are also being focused on battery products, which comprise a growing segment mainly in the consumer market.

Actions to strengthen operations

- Focus on core areas, no current need to increase the number of product categories.
- Maintain a high rate of product development.
- Concentrate development resources to a few competence centers.
- Develop a stronger range of premium products for mass-market channels.
- Increase investment in battery products and improved environmental performance.



The Gardena product offering was expanded in 2009 to include chainsaws and new lawn mowers based on existing Group product platforms. The new products achieved very good market acceptance and sales exceeded expectations.



The Group launched Automower®, the world's first robotic lawn mower, as early as 1995.



Gardena's rotating Angled Tap Connector follows the movement of the hose so that it doesn't tangle. In 2009 the connector received the Group's internal award for innovation.

Strategy

Flexible supply chain

Husqvarna has a well-developed production base with high flexibility to handle variations in demand related to seasonality and weather conditions. The greater part of the Group's high-volume output of garden products refers to the first and second quarters. This demands an advanced capability for ramping activities up and down throughout the supply chain over a short period of time.

In order to optimize production and the build-up of inventory in response to different markets, Husqvarna is now developing an integrated global supply chain that comprises common global processes and performance measurements for the entire Group.

Fewer plants and warehouses

In October 2009 a number of measures were announced that were aimed at consolidating the production structures in Sweden and the US. At the time, Husqvarna operated a total of 36 plants, half of which had less than 150 employees.

In order to reduce fragmentation, production will be concentrated to fewer and larger plants over the next few years. This also applies to warehouses in order to ensure a more efficient logistics structure. Consolidation of warehouses will also be driven by increasingly more regional and global product ranges.

Increased production and purchasing in low-cost countries

The share of production in low-cost countries will also increase. At year-end 2009 this share amounted to approximately 8% of the total production value.

The Group currently operates two plants for forestry and garden products in China, as well as two for construction products. Production of selected low-end products that are exposed to severe competition is being moved gradually from Europe and the US to these facilities in China. It has also been decided that a new plant for lawn mowers will be built in Poland, which is scheduled to go on-stream early in 2011.

In light of the short season for garden products and the fluctuations in demand due to weather conditions, a specific share of production must be close to markets in order to meet customer expectations for fast delivery during the season.

The share of purchases from low-cost countries is increasing steadily, and amounted to approximately 23% in 2009.

Actions to strengthen operations

- Develop an integrated global supply chain for the entire Group.
- Consolidate production and inventories to fewer and larger units, measures for Sweden and the US announced in 2009.
- Increase the share of production and purchases in low-cost countries.
- Roll-out of HOS, a platform for lean manufacturing and continuous improvements.



Supply chain



Financial goals



Restructuring costs

Announced in September 2008

Costs in 2008, SEKm Annual savings, SEKm
(full effect as of Q3 2009)

316

450

- Mainly referring to capacity adjustments and personnel cutbacks due to the recession.

Announced in October 2009

Costs in 2009, SEKm Annual savings, SEKm
(full effect as of Q1 2012)

452

400

- Referring to structural changes 2009–2011:
- Consolidation of production in Sweden and US.
 - Rationalization of sales organization.

The Group's long-term financial goals were defined in connection with the listing in 2006 and have not been revised. Both sales growth and operating margin have historically been in line with these goals. In 2008 and 2009, the Group's performance was weaker due to the recession.

Restructuring

In September 2008 the Group announced a number of measures aimed at reducing operating costs and adjusting capacity to meet prevailing market conditions. The changes were finalized during 2009.

In October 2009 the Group announced a number of restructuring measures to be implemented in 2009–2011. These are aimed primarily at consolidation of production in Sweden and the US, as well as of the sales organizations in Europe and Asia/Pacific. The table below shows the costs and savings related to these measures.

Long-term financial goals

Net sales

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

Profitability

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

Capital structure

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

Dividend

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

To be achieved by

Organic growth

- Maintain a high rate of product renewal.
- Further strengthen the premium brands Husqvarna and Gardena.
- Improve service to customers.
- Increase number of retailers and strengthen positions with existing customers.

Increased cost efficiency

- Establish global processes for e.g. purchasing, demand flow and product development within the framework of the new organization.
- Create an integrated global supply chain to enable e.g. lower inventory levels.
- Concentrate production and warehousing to fewer, larger units.
- Increase the share of production and purchasing in low-cost countries.
- Implement the Group platform for lean manufacturing at all plants.
- Reduce the number of product variants and platforms.

Goal achievement 2009

Net sales

- Adjusted for changes in exchange rates and acquisitions, net sales declined by 8% due to lower demand.
- Average annual organic sales growth was –0.4% over the past five years, and 3.2% over the past ten years.

Profitability

- Operating margin declined to 5.9%, excl. restructuring costs, due to lower volumes and negative mix.
- Average operating margin was 8.9% over the past five years, and 8.8% over the past ten years.

Capital structure

- Seasonally adjusted net debt/EBITDA was 2.4 at year-end.

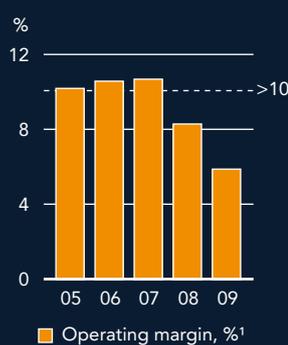
Dividend

- The Board proposes a dividend for 2009 of SEK 1, corresponding to 64% of income for the year.
- The pay-out ratio has been within target every year except for 2008.

Growth of net sales

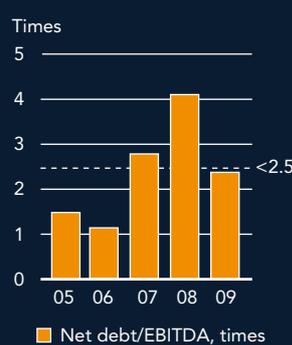


Operating margin

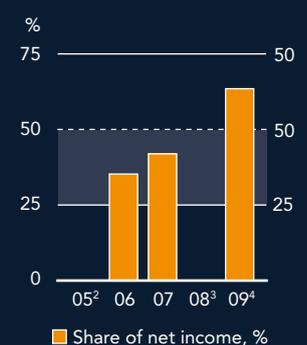


1) Excluding restructuring costs.

Capital structure



Dividend



2) Husqvarna was part of Electrolux.
 3) No dividend was paid for 2008.
 4) As proposed by the Board.

Global processes

In order to build a stronger global company – ONE Husqvarna – several common global processes are being established for the entire Group. They are aimed at enhancing internal efficiency in specific areas, and freeing resources for investment in e.g. products and brands.

Key processes that have been identified to date:

- Purchasing.
- Demand flow, i.e. management of flows between the Group, suppliers and customers.
- Lean production, i.e. measures to achieve continuous improvements in production.
- Product creation.

Purchasing

Total purchases from external suppliers in 2009 amounted to approximately SEK 20 billion, which corresponded to approximately 60% of Group sales. Efficient purchasing requires maintaining a structured process and coordinated global and regional activities in order to maximize efficiency and utilize the Group's size. Efforts will also be focused on consolidating the existing supplier base and identifying new suppliers who could offer benefits such as new technology or lower prices.

Demand flow

Effective management of demand flow is particularly important in an operation with marked seasonal variations that involve tying-up large amounts of capital in inventories and trade



receivables. The Group must achieve high delivery accuracy and quality service for customers, while simultaneously reducing tied-up capital, which is an even greater challenge in a global structure with integrated global flows.

Lean production

Measures to achieve continuous improvements in production are aimed at securing high product quality and delivery accuracy. Husqvarna is developing a global production system, and HOS (Husqvarna Operating System) is the Group's platform for continuous improvement. It will be rolled out in 2010 and is scheduled to be on-stream in all units as of 2011.

Product creation

An efficient process for product development based on insight into end-user needs and a high rate of innovation is decisive for growth and profitability. The goal is to ensure a continuous flow of new, attractive and competitive products. The Group expects that this process will generate synergies as well as profits from increased efficiency within product development.

As of 1 January 2010

New organization

A new functional organization was established as of 1 January 2010 in order to implement the Group’s strategy, establish value-adding global processes, and create a global company.

Instead of the previous six business sectors, the new organization comprise five business units – Supply Chain, Products and Marketing, Sales in Europe and Asia/Pacific, Sales in North America and Latin America, and Construction Products.

Construction Products was already managed as a global operation. These products are sold mainly through different distribution channels than those for forestry and garden products. This operation is fully integrated in the Group in all other respects.

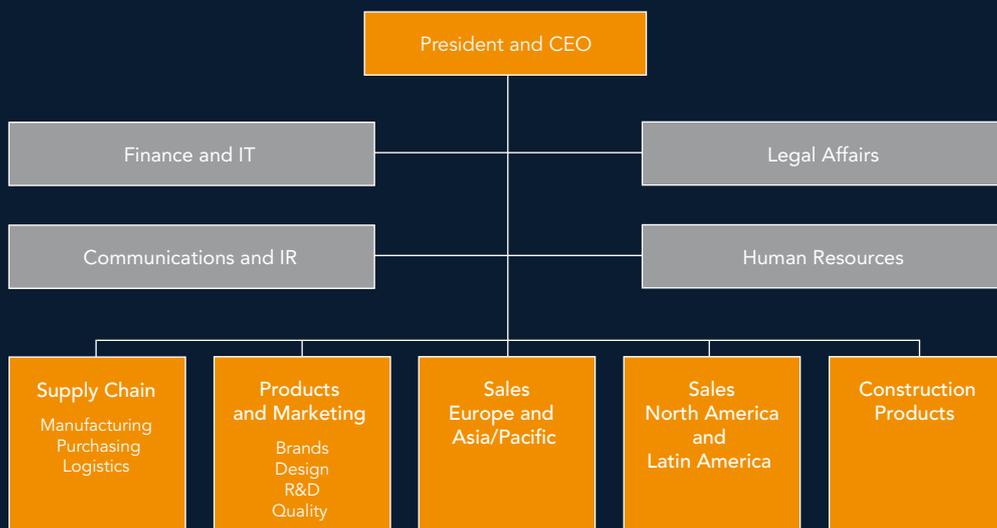
New reporting structure

Implementation of the new organization also involves a change in the Group’s external financial reporting as of the first quarter of 2010. Instead of the previous business areas Consumer

Products and Professional Products, the external reporting will comprise:

- Forestry and Garden Products, Europe and Asia/Pacific
- Forestry and Garden Products, North America and Latin America
- Construction Products

Forestry and Garden Products comprise four product categories – wheeled, handheld and watering, as well as accessories and tools. Construction Products comprise two product categories: equipment and diamond tools for the construction industry, and diamond tools for the stone industry. Financial figures according to the new structure for the years 2007–2009 can be found on pages 96–97.





Gardena's new battery-driven lawn mowers are easy to maneuver and can mow a medium-size lawn without recharging.

Consumer Products

Husqvarna has leading market positions for consumer products in both Europe and North America. The position in North America was strengthened during 2009 in several product categories. In Europe the position was improved by a successful extension of the product offering under the Gardena brand.

Highlights of 2009

- Substantial drop in demand in all markets due to the recession.
- Sales rose slightly in North America as a result of market share gains.
- Considerable decline in operating income as a result of lower sales and a less favorable product/country/customer mix.
- Income was also negatively affected by costs for restructuring of production in Sweden and the US, and of the sales organization.

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

Gardena is the European leading brand for irrigation systems and garden tools.

The operation in North America accounted for 53% of net sales for this business area in 2009, and Rest of the World for 47%.

The market

The global market for the type of equipment produced by the Group is estimated at approximately SEK 90 billion, of which North America accounts for approximately two-thirds. Histori-

cally, annual growth in volume has been approximately 2%. Demand is driven by the general business cycle as well as trends for private consumption of capital goods for households. Considerable variations in demand can occur year-on-year as well as between markets, as a result of weather conditions and the length of the season.

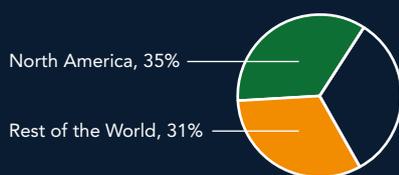
Demand is estimated to have declined in 2009 in both Europe and North America. The market in North America has been contracting steadily over the past five years, particularly for wheeled products.

The market features severe competition and price pressure, above all for low-end products. This applies particularly to North America, where the market is highly consolidated and the four largest retail chains account for 70% of sales. Prices for comparable products have declined historically by approximately 1–2% annually, on average. High cost-efficiency and continuous product development are prerequisites for good profitability. Strong brands that are based on successful product development, high quality and sustained marketing normally enable higher profit margins. Such brands include Husqvarna and Gardena.

Market trends

Increasing interest in garden care has stimulated demand for garden equipment in recent years. The long-term market trend shows a polarization to either simple or more advanced high-performance products.

Share of Group net sales

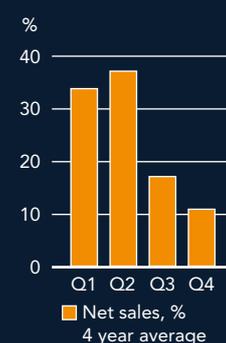


Net sales and operating margin



* Excluding restructuring costs.

Net sales by quarter



The versatile Husqvarna Combi-trimmer can be fitted with a range of optional accessories for cutting hedges, trimming lawns, sweeping, leaf-blowing, edging lawns and pruning.



Key data	2009	2008	2007	2006	2005*
Net sales, SEKm	22,672	19,849	20,621	18,335	18,360
Share of Group sales, %	66.5	61.4	62.0	62.4	63.8
Operating income, excl. restructuring costs, SEKm	719	1,043	1,638	1,415	1,332
Operating margin, excl. restructuring costs, %	3.2	5.3	7.9	7.7	7.3
Net assets, SEKm	13,475	15,778	13,640	6,034	5,719
Capital expenditure, SEKm	491	686	514	524	859
Average number of employees	8,900	8,655	8,851	5,751	6,054

* 2005 according to Electrolux reporting for the Outdoor Products segment.

In order to map consumer trends, drivers and attitudes in terms of gardening, Husqvarna has commissioned independent research institutes to survey and prepare the reports *The Future of Gardening (2009)* and *The Global Garden Report 2010*.

Among other things, in *The Future of Gardening Report*, three future trends were identified – the increased importance of the garden for organic cultivation, the increased integration of green areas in urban environments, and greater automation of gardening chores.

The *Global Garden Report 2010* shows a trend among leading gardeners toward more individually configured gardens, and also confirms the trend to increased cultivation of fruit and vegetables.

Competitors

Most of Husqvarna's competitors sell products for both consumers and professional users. The most important competitors are the US companies John Deere, Modern Tool and Die Company (MTD) and Toro, and the European companies Global Garden Products (GGP) and Stihl.

John Deere and Toro are the only competitors that are listed companies.

Husqvarna competes with John Deere and MTD primarily within lawn mowers and garden tractors. Toro is also a competitor in the US within lawn mowers and trimmers for the consumer market.

GGP has a leading position within lawn mowers and riders in the European consumer market under brands such as Stiga. Bosch of Germany is a competitor mainly within electrically and battery-powered products, while the British company Hozelock has a strong position within garden irrigation and garden ponds, primarily in the UK.

Stihl is a competitor within several product categories, in particular petrol-powered handheld products such as chainsaws and trimmers for the high-end segment.

Considerable seasonal variations

Husqvarna's operations show considerable seasonal variations, with the majority of sales during the first half of the year, see graph on page 17.

The season for gardening equipment peaks during the second quarter and is essentially over by the end of the third quarter. The season for irrigation products is normally shorter and usually ends after the second quarter. Production and inventory-buildups for the coming season normally start in the fourth quarter.

Consumer Products North America

In 2009, the North American operation accounted for somewhat more than half of sales within Consumer Products. Sales were higher than in 2008, in both SEK and USD.

In North America, the greater share of sales is through mass-market channels under the Poulan and WeedEater brands, as well as to Sears under its Craftsman brand. The share of high-end Husqvarna-branded products has been increasing steadily in recent years.

Market position

The Group has strong market positions, particularly for lawn mowers, garden tractors, trimmers and chainsaws. Husqvarna captured additional market shares for garden tractors, lawn mowers and leaf blowers in North America during the year.

Product offering

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

Brands, production and competitors

	North America	Rest of the World
Major brands	Husqvarna®, Poulan®, WeedEater®	Husqvarna®, Gardena®, Flymo®, Partner®, McCulloch®
Major plants	USA	Germany, Czech Republic, Great Britain
Major competitors	John Deere, MTD, Stihl, Toro	Bosch, GGP, Hozelock, Stihl, TTI



Customers and distribution

Consumer products for the mass market are sold mainly through major retail chains and DIY outlets. The US market is highly consolidated, with the four largest chains – Sears, Lowe's, Walmart and Home Depot – accounting for approximately 70% of the market.

Sears has been Husqvarna's largest customer since the 1980's. Sears is the world's largest retailer of outdoor products, under the Craftsman brand, and has a market share of approximately 25% in the US.

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

Consumer Products, Rest of the World

In 2009, Rest of the World accounted for somewhat less than half of sales of Consumer Products. The greater share of sales refers to Western Europe.

Operations in Rest of the World involve sales to both major retailers, i.e. mass-market channels and servicing dealers.

Sales through mass-market channels are mainly under the Gardena, Flymo, Partner and McCulloch brands. The Husqvarna brand stands for premium products that are sold through servicing dealers.

Market position

The Group has strong market positions particularly for chain-saws and other handheld products under the Husqvarna, Partner and McCulloch brands, as well as for Husqvarna-branded garden tractors and riders. The Group is also a market leader in electrically-powered products in the UK under the Flymo brand, which also has a strong position in Scandinavia. Gardena is the leader in the consumer market in Europe for irrigation products, and also has leading positions in garden tools, garden ponds and pumps.

Customers and distribution

In comparison with North America, the European market is more fragmented in terms of distribution channels, and features a number of national and international retail chains and DIY outlets such as B&Q, Leroy Merlin, OBI, Bauhaus and K-Rauta.

Husqvarna-branded products are sold through servicing dealers, who have strong positions for high-end products.

Production

Most of the Group's production is carried out at own plants in the US. These facilities are specialized and highly flexible, in order to enable response to seasonal and weather-related variations in demand. The Group is a net exporter from the US.

Electric lawn mowers and the robotic lawn mower Automower® is manufactured at a plant in the UK, while other handheld electrical products are sourced from Asia. Gardena products are manufactured at three plants in Germany and three in the Czech Republic. Petrol-powered lawn mowers are produced at a small plant in Italy. In 2009 production of chain-saws and other handheld products at this plant was relocated to the Group's facility for consumer products in China.

In October 2009 a number of restructuring measures were introduced, aimed at reducing costs by eliminating overlapping and duplication in production. These measures will involve consolidating the manufacture of handheld products in the US to a single plant, instead of the existing two, as well as relocating production of garden tractors and lawn mowers from two facilities in Sweden to a new plant in Poland. The restructuring is expected to be completed in early 2011.

Page 20, left. This new compact rider is only 88 cm wide, and has been developed for small and medium-size gardens.

Page 20, right. A new battery-driven Gardena chainsaw was launched early in 2010.

This page. Husqvarna blowers feature unique design and are easy to handle. Most models can also be used to collect leaves.





The Group offers a wide range of premium chainsaws for various geographical regions and climates.

Professional Products

Husqvarna is a global leader since many years in premium chainsaws and other high-quality handheld products for professional users. The products are sold world-wide through approximately 25,000 dealers.

Highlights of 2009

- Substantial drop in demand in all product categories.
- Decline in sales, with the largest downturn for Construction.
- Considerable decline in operating income, mainly as a result of lower sales and lower production volumes.
- Improved margin for Forestry.

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

The greater share of sales in this business area refers to Husqvarna-branded products.

The Professional Products business area comprises three product areas – Forestry, Lawn and Garden, and Construction. Forestry equipment accounted for approximately 44% of sales for this business area in 2009, while Lawn and Garden accounted for approximately 33% and Construction for approximately 23%.

The market

The total market for the Group's range of professional products is estimated at approximately SEK 55 billion, of which approximately one third refers to equipment for the construction and stone industries.

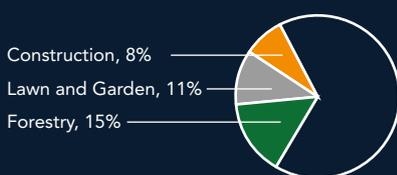
Demand reflects general business conditions as well as activity in forestry and the construction industry. Demand for lawn and garden equipment can vary substantially from year to year and within markets, depending on weather conditions. Demand for chainsaws is favorably affected by storms and fallen trees.

Market trends

For many years there has been a trend in the forest industry toward increased mechanization. This resulted in a substantial decline in the market for chainsaws until the early 1990's. Since then the market has been growing on the basis of increasing demand in markets such as Eastern Europe and Latin America. Demand from private consumers for premium chainsaws has been increasing steadily, and currently accounts for a substantial share of the market for chainsaws.

Stricter criteria for reduction of exhaust emissions from petrol-powered garden equipment and chainsaws were introduced in the US in 1997 and 2002. The regulatory criteria from 2002 are being phased in through 2010. Similar criteria are being phased in within the European market over the period 2007–2012. Other countries such as Japan are also expected to introduce such criteria. The Group's new engines comply with the most stringent criteria regarding exhaust emissions in the US and Europe, and are also considered to be in compliance with currently anticipated future requirements.

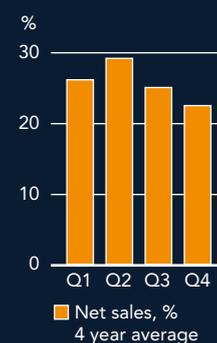
Share of Group net sales



Net sales and operating margin



Net sales by quarter



* Excluding restructuring costs.

Competitors

Husqvarna's most important competitors in the professional market segment are the German company Stihl and the US companies John Deere and Toro. Stihl competes primarily within petrol-powered handheld products such as chainsaws and trimmers, while John Deere and Toro compete mainly within professional equipment for lawn and garden.

The most important competitors within equipment for the construction industry are Hilti, which is based in Liechtenstein, Tyrolit in Austria, Saint-Gobain and Wheelabrator in France, and Stihl in Germany for power cutters.

John Deere, Toro and Saint-Gobain are listed companies.

Seasonal patterns

Sales of lawn and garden equipment refer mainly to the first half of the year, while most chainsaws are sold during the second half. Sales of equipment and diamond tools for the construction industry are spread more evenly over the year, see graph on page 23.

Forestry

In 2009 forestry equipment accounted for approximately 44% of sales of Professional Products.

Husqvarna manufactures a wide range of premium chainsaws for various geographical areas and climates. The product range also includes clearing saws and accessories such as chains, blades, protective clothing and tools.

These products are developed for users who demand high levels of performance, durability and ergonomics. The product range satisfies most needs for forest management and tree care.

Brands and market position

Professional forestry products are sold mainly under the Husqvarna, Jonsered and Zenoah brands, with Husqvarna accounting for a majority share of sales. The Husqvarna brand has had a strong global position for many years, particularly for chainsaws and other handheld products. Jonsered has a similar position, and complements Husqvarna in specific markets. Zenoah has a strong market position for chainsaws in Japan as well as for other handheld products such as clearing saws, trimmers and leaf blowers. Zenoah products are also sold in the US under the RedMax brand.

Customers and distribution

The majority of sales are to servicing dealers through the Group's own sales companies. In smaller markets, products are sold through distributors. The Group is represented in over 100 countries by a total of more than 25,000 dealers.

Lawn and Garden

The Lawn and Garden product area accounted for approximately 33% of sales of Professional Products in 2009.

The product offering includes riders, walk-behind lawn mowers and zero-turn mowers, as well as special products for turf care. It also includes handheld equipment such as trimmers, hedge trimmers and leaf blowers.

Products sold by Lawn and Garden must meet end-user demands for performance, durability and comfort. An effective organization for technical support and service is also essential for success in this area, where larger riders are priced at more than SEK 100,000.

Key data	2009	2008	2007	2006	2005*
Net sales, SEKm	11,402	12,493	12,663	11,067	10,408
Share of Group sales, %	33.5	38.6	38.0	37.6	36.2
Operating income excl. restructuring costs, SEKm	1,457	1,822	2,123	1,875	1,739
Operating margin excl. restructuring costs, %	12.8	14.6	16.8	16.9	16.7
Net assets, SEKm	6,219	7,875	6,790	4,714	4,626
Capital expenditure, SEKm	377	475	343	366	400
Average number of employees	6,100	7,040	7,242	5,661	5,627

* 2005 according to Electrolux reporting for the Outdoor Products segment.

A new series of zero-turn mowers for professional users was launched in 2009, and achieved very good market acceptance.



Product offering

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

Brands, production and competitors

	Forestry	Lawn and Garden	Construction
Major brands	Husqvarna®, Jonsered®, Zenoah®	Husqvarna®, Jonsered®, Klippo®, Dixon®, Redmax®	Husqvarna®, Diamant Boart®
Major plants	Sweden, USA, Japan	Sweden, USA	Sweden, USA, China, Belgium
Major competitors	Stihl	John Deere, Stihl, Toro	Hilti, Saint-Gobain, Tyrolit, Wheelabrator



Brands and market position

The Husqvarna brand accounts for the greater share of sales. The Dixon, Bluebird and Yazoo/Kees brands are used for a limited range of products in the US. The Klippo brand has a strong position for professional lawn mowers in Scandinavia. In 2009 the Group started to market Gardena-branded automatic irrigation systems through servicing dealers. The Group plans to market additional Gardena-branded products in the dealer-channel in 2010.

Customers and distribution

Products are distributed to servicing dealers through Husqvarna's sales companies, as well as through independent distributors.

The primary end-users are professional landscape contractors as well as municipalities and institutional users. In 2009 the Group launched the Husqvarna Performance Product, a web-based service that enables professional end-users with service-intensive machines to make more efficient use of their equipment. A web portal gives the user an overview of vital factors such as the cost of a machine, service requirements, and repairs.

Construction

In 2009 this product area accounted for approximately 23% of the Group's total sales of professional products. The product offering includes machines and diamond tools for the construction and stone industries.

The machines for the construction industry include power cutters, floor saws, wall and wire saws, tile and masonry saws, drill motors with drill stands, and machines for surface preparation and demolition.

Diamond tools, which are consumables, are cutting tools that are mounted on the machines. Customers who buy the

above machines also buy the Group's diamond tools to a large extent. Husqvarna's range of diamond tools for the stone industry includes saw blades, diamond wires, drills, and tools for calibration, grinding and profiling.

Products for the construction industry are used exclusively by professionals. Satisfying their demands for performance, reliability and a high level of technical service is essential for success.

Brands and market position

Products for the construction industry are sold under the Husqvarna brand. Diamant Boart is the leading brand in the global market for the diamond tools used by the stone industry.

Customers and distribution

Diamond tools and equipment for the construction industry are sold mainly through rental companies and specialized dealers, but also directly to large contractors.

Virtually all diamond tools for the stone industry are sold directly to companies that quarry and/or process stone.

Production

Husqvarna Professional Products are manufactured primarily in Sweden, the US and Japan. Chainsaws, clearing saws and riders are manufactured at the plant in Huskvarna, Sweden. Chainsaws are also produced in the US, Japan och Brazil. Production of riders and lawn mowers in Sweden will be relocated to a new plant in Poland in 2011.

Products for the construction and stone industries are manufactured mainly in Sweden, the US, China and Belgium. In addition, Husqvarna operates small servicing units in a number of countries.

Page 26, left. Husqvarna's new topping saw features improved ergonomics and makes work more efficient and less tiring.

Page 26, right. Husqvarna offers a complete range of powerful drilling machines and flexible stands.

This page. The radio-controlled demolition robot is the latest addition to Husqvarna's product range for the construction industry.



The Husqvarna share

Listing and trading volume

Husqvarna shares were listed on NASDAQ OMX Stockholm on 13 June 2006.

A total of 631 million (484) Husqvarna shares were traded in 2009, with a total value of SEK 27.5 billion (27.8), corresponding to an average daily trading volume of 2.5 million (1.9) shares or SEK 110m. The trading volume corresponded to 0.8% of the total volume of shares traded on NASDAQ OMX Stockholm in 2009.

Share-price trend in 2009

In 2009 the Husqvarna A-share increased by 53% (-51) and the B-share by 51% (-46). NASDAQ OMX Stockholm's All-Share index increased by 47% (-42) and OMX Stockholm Consumer Discretionary index, in which Husqvarna is included, increased by 54% (35). The year-end closing price was SEK 49.8 (37.9) for the A-share and SEK 52.75 (41.3) for the B-share. Market capitalization at year-end was SEK 30.0 billion (15.6).

ADR Program

An ADR program for Husqvarna B-shares facilitates trading for American investors. The ADRs are traded on the American over-the-counter (OTC) market. The Bank of New York Mellon is Husqvarna's ADR Depositary Bank. One ADR is equivalent to two ordinary B-shares. For more information, visit www.adrbnymellon.com.

Ownership structure

The number of shareholders at year-end amounted to 71,750 (64,555). 68.5% (74.6) of the share capital was owned by Swedish institutions and mutual funds, 17.7% (12.0) by foreign investors and 13.8% (13.4) by private Swedish investors.

Rights issue

Husqvarna completed a rights issue in April. The issue was fully subscribed, and raised approximately SEK 3 billion. It also

resulted in changes in share capital and the number of outstanding shares. For more information about the rights issue, see page 36.

Share capital and voting rights

The share capital is distributed between 147,570,030 (98,380,020) A-shares and 428,773,748 (286,756,875) B-shares, totaling 576,343,778 (385,136,895) shares. The share capital amounted to SEK 1,152,687,556 (770,273,790). A-shares carry one vote and B-shares one-tenth of a vote. Both share classes entitle equal rights in terms of the company's assets and earnings. For more information, see Note 17.

Dividend and dividend policy

The Board of Directors has proposed a dividend of SEK 1 per share (0) for 2009, representing 64% of net income. The long-term goal is for the dividend to correspond to 25–50% of net income for the year.

Repurchase of shares

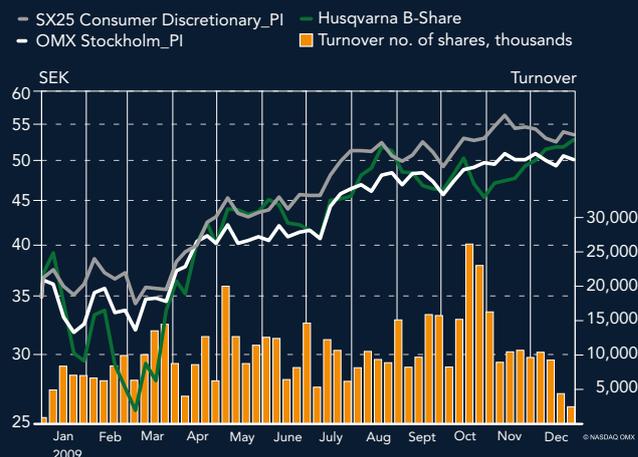
The Annual General Meeting 2009 authorized the Board of Directors to repurchase a maximum of 3% of the total number of outstanding B-shares. The repurchase of shares is intended to ensure Husqvarna's commitments in terms of existing long-term incentive programs. No shares were repurchased during the year. At year-end, the total number of repurchased shares amounted to 2,723,128 B-shares (2,919,000), corresponding to 0.47 (0.76%) of the total number of outstanding shares.

For more information about repurchased shares, see page 37, and the proposal for repurchase on page 38.

Incentive programs

Husqvarna has share-related long-term incentive programs for 2007, 2008 and 2009. The Board of Directors proposes that the AGM 2010 adopt a long-term incentive program for 2010. For more information about the incentive programs, see Note 19.

Husqvarna B-share, price development



Share capital and number of shares	Share capital, SEK	Quotient value, SEK	Number of A-shares	Number of B-shares	Total number of shares
Husqvarna before listing 2006	495,000,000	100			4,950,000
2006: stock-split and bonus issue	592,518,306	2	9,502,275	286,756,878	296,259,153
2007: bonus issue	770,273,790	2	98,380,020	286,756,875	385,136,895
2008: no transactions	770,273,790	2	98,380,020	286,756,875	385,136,895
2009: rights issue	1,152,687,556	2	147,570,030	428,773,748	576,343,778

Largest shareholders in Husqvarna AB	Capital, %	Votes, %	Change during the year	
			Capital, %	Votes, %
Investor AB	15.6	28.9	0.2	0.2
Alecta Mutual Pension Insurance	9.9	6.7	1.5	0.5
Swedbank Robur Investment Funds	5.8	1.9	-1.0	-0.2
LE Lundbergföretagen	5.0	14.4	0.7	1.3
SEB Investments Funds & SEB Trygg Liv	3.3	1.7	-1.0	-0.4
AMF Insurance & Pension Investment Funds	2.6	2.1	-1.5	-1.1
Didner & Gerge Investment Funds	1.9	1.4	0.6	0.5
Nordea Investment Funds	1.9	1.0	0.5	0
The Norwegian State	1.5	1.1	1.3	1.0
Second Swedish National Pension Fund	1.3	0.4	-0.7	-0.2
Total for the 10 largest shareholders	48.8	59.6	0.6	1.6

Source: SIS Ägarsservice as of 31 December 2009.

Share data	2009	2008	2007
Earnings per share, SEK ¹	1.64	2.81	4.46
Earnings per share after dilution, SEK ¹	1.64	2.81	4.46
Cash flow per share, operating, SEK ¹	6.81	4.43	4.04
Cash flow per share, operating, after dilution, SEK ¹	6.81	4.43	4.04
Equity per share, SEK ¹	22.0	19.3	16.1
P/E-ratio	33	12	15
Enterprise value (EV), SEKm	36,315	29,124	41,571
EV/EBIT	23.3	12.3	11.7
EV/sales	1.07	0.90	1.25
Dividend per share, SEK ¹	1.00	0	1.50
Yield, % ²	1.9	0	2.3
Dividend payout ratio, %	64	0	42
Year-end price, A-share, SEK	50	32	65
Highest price, A-share, SEK	51	65	97
Lowest price, A-share, SEK	24	32	55
Year-end price, B-share, SEK	53	35	65
Highest price, B-share, SEK	54	65	91
Lowest price, B-share, SEK	25	33	55
Number of shareholders	71,750	64,555	67,945
Market capitalization, SEKm	29,966	15,572	29,559

1) Dividend 2009 as proposed by the Board. 2007 and 2008 are adjusted for rights issue in 2009.

2) Dividend/year-end share price.

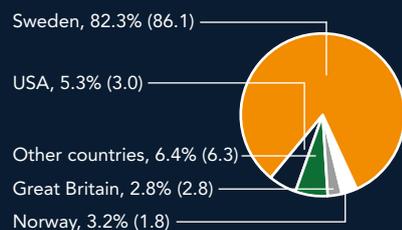
Shareholding, by size in Husqvarna AB

Size of holding	Votes, %	No. of shareholders	% of no. of shareholders
1-1,000	2.5	53,220	74.2
1,001-10,000	6.1	16,773	23.4
10,001-100,000	4.0	1,398	1.9
100,001-1,000,000	9.1	277	0.4
1,000,001-	78.3	82	0.1
Total	100.0	71,750	100.0

Sell-side analysts covering Husqvarna

ABG: Christer Fredriksson	HQ Bank: Patric Lindqvist
Carnegie: Kenneth Toll Johansson	JP Morgan: Andreas Willi
Cheuvreux: Johan Eliason	Nordea: Johan Trocmé and Ann-Sofie Nordh
Citi: Martin Palosuo	S & P Equity Research: Peeti Rambhiya
Danske Bank: Carl Holmquist	SEB Enskilda: Anders Trapp and Stefan Cederberg
Deutsche Bank: Stefan Lycke	Ålandsbanken: Fredrik Nilhov
Erik Penser: Johan Dahl	UBS: Olof Cederholm
Evli Bank: Michael Andersson	Öhman: Björn Enarson
Execution Ltd: Nicola Reason	
Goldman Sachs: Fitzhugh Peters	
Handelsbanken: Rasmus Engberg	

Shareholders by country



Key facts, Husqvarna share

Listing: NASDAQ OMX Stockholm

Number of shares: 576,343,778

Market capitalization at year-end: SEK 30.0 billion

Ticker codes: Bloomberg HUSQA SS, HUSQB SS, Reuters HUSQa.ST, HUSQb.ST, NASDAQ OMX Stockholm HUSQ A, HUSQ B

ISIN code: A-share SE0001662222, B-share SE0001662230

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Report by the Board of Directors

- Substantially lower demand in most product areas in both North America and Europe.
- Net sales rose to SEK 34,074m (32,342), but declined by 8% adjusted for changes in exchange rates and acquisitions.
- Sales for Consumer Products declined by 3% and sales for Professional Products by 17%, adjusted for changes in exchange rates and acquisitions.
- Operating income declined to SEK 1,560m (2,361), corresponding to a margin of 4.6% (7.3).
- Operating income includes restructuring costs in the amount of SEK 452m (316). Margin was 5.9% (8.3), exclusive of these costs.
- Apart from restructuring costs, the decline in operating income referred mainly to lower volumes and a less favorable mix in terms of products and geographical markets.
- Operating income for Consumer Products declined by 24% and for Professional Products by 26%, excluding restructuring costs and adjusted for changes in exchange rates and acquisitions.
- Income for the year was SEK 903m (1,288), or SEK 1.64 (2.81) per share.
- A rights issue of approximately SEK 3 billion was implemented to strengthen the Group's balance sheet.
- The net debt/equity ratio at year-end improved to 0.52 (1.54).
- Operating cash flow rose to SEK 3,737m (2,013), as a result of measures taken to reduce working capital.
- The Group strengthened its market shares in North America for lawn mowers, garden tractors and leaf blowers.
- A new organization was announced in July, for implementation as of 1 January 2010.
- The Board of Directors proposes a dividend for 2009 of SEK 1 per share (0).

Key figures

SEKm	2009	2008	Change, %	Change adjusted for currency and acquisitions ¹ , %
Net sales	34,074	32,342	5	-8
EBITDA	3,060	3,524	-13	-18
EBITDA margin, %	9.0	10.9	—	—
Operating income	1,560	2,361	-34	-26
Operating income, excl.restructuring costs	2,012	2,677	-25	-26
Operating margin, %	4.6	7.3	—	—
Operating margin, excl.restructuring costs, %	5.9	8.3	—	—
Income after financial items	1,094	1,767	-38	—
Margin, %	3.2	5.5	—	—
Income for the period	903	1,288	-30	—
Earnings per share after dilution, SEK	1.64	2.81 ²	-42	—
Return on capital employed, %	6.6	10.7	—	—
Return on equity, %	7.5	15.8	—	—
Net debt/equity ratio, times	0.52	1.54	—	—
Capital expenditure	914	1,163	-21	—
Average number of employees	15,030	15,720	-4	—

1) Excluding restructuring costs, acquisitions and adjusted for changes in exchange rates.

2) Earnings per share 2008 have been restated to reflect the rights issue in 2009.

Net sales and operating income

Net sales

Net sales in 2009 increased by 5% to SEK 34,074 (32,342), but declined by 8% after adjustment for changes in exchange rates and acquisitions.

The decline in sales refers mainly to Professional Products. Sales for Consumer Products increased in SEK, but decreased after adjustment for changes in exchange rates and acquisitions (see page 35).

Operating income

Operating income declined by 34% to SEK 1,560m (2,361), corresponding to a margin of 4.6% (7.3). Operating income includes restructuring costs of SEK 452m (316) (see below). Operating margin was 5.9% (8.3), excluding restructuring costs.

Apart from costs for restructuring, the decline in operating income is due mainly to lower sales and production volumes, as well as a less favorable mix in terms of products and geographical markets. In terms of business areas, the decline refers mainly to Consumer Products outside North America, and to Construction products within Professional Products.

Effects of changes in exchange-rates

Changes in exchange rates, including both translation and transaction effects and net of hedging contracts, had a total positive effect on operating income of SEK 30m (184). Hedging contracts had an adverse effect of SEK -109m (-89).

Costs for restructuring

Total costs for restructuring in 2009 amounted to SEK 452m, of which SEK 53m refers to capacity adjustments and personnel cutbacks initiated in 2008, and SEK 399m to structural changes communicated in October 2009. Of the SEK 399m,

SEK 175m refers to non-cash items. For details on restructuring costs per quarter, see table below.

These structural changes are aimed at eliminating overlapping and duplication in production and administration, and involve consolidation of production in Sweden and the US, and of the sales organization in Europe and Asia/Pacific.

Measures are scheduled to be implemented during 2009–2011, and will involve a net reduction of approximately 400 in the number of employees.

Annual savings are estimated at approximately SEK 400m, and will be generated gradually from the second half of 2010, taking full effect as of the first quarter of 2012.

Change in operating income

SEKm	
Operating income 2008	2,361
Acquisitions	15
Price	500
Volume and mix	-1,360
Cost of materials	150
Restructuring costs	-136
Changes in exchange rates	30
Operating income 2009	1,560

Financial net

Net financial items amounted to SEK -466m (-594). The improvement is due mainly to lower interest rates, as well as lower net debt as a result of both the rights issue and the improvement in cash flow during the year. As of year-end the average interest rate for total borrowings was 3.2% (4.3).

Income after financial items

Income after financial items declined by 38% to SEK 1,094m (1,767), corresponding to a margin of 3.2% (5.5).

Restructuring costs, SEKm	2008			2009					Estimated annual savings
	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Costs for restructuring ¹						-59	-340	-399	400 ³
Costs for personnel cut backs ²	-15	-301	-316	-35	-18			-53	450 ⁴

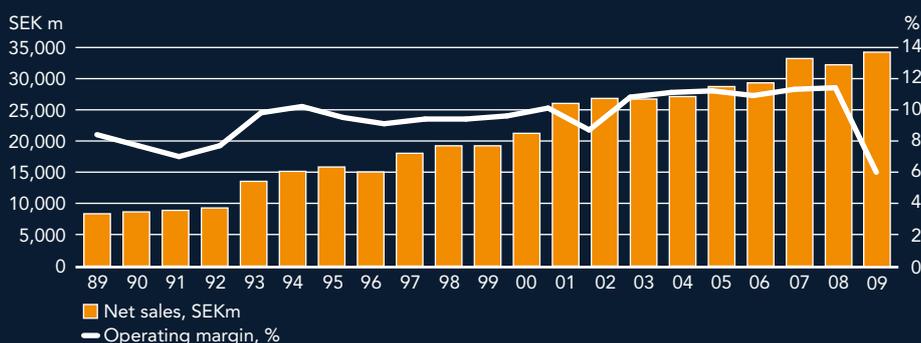
1) As communicated in October 2009.

2) As communicated in September 2008.

3) Expected to be generated gradually from the second half of 2010, with full effect as of the Q1 2012.

4) Full effect as of Q3 2009.

Net sales and operating margin



1989–2004 according to Electrolux reporting for the Outdoor Product segment i.e. excluding corporate costs. For comparison, corporate costs have not been included 2005–2009. 2008–2009 excluding restructuring costs.

Taxes

Taxes amounted to SEK –191m (–479), corresponding to 17.5% (27.1) of income after financial items. The lower tax rate is an effect of changes in Group structure, a one-time tax repayment in the amount of SEK 40m in the second quarter, and utilization of tax-loss carry forwards.

Earnings per share

Income for the year declined by 30% to SEK 903m (1,288), which corresponds to SEK 1.64 (2.81) per share after dilution. Earnings per share for 2008 have been adjusted to reflect the rights issue in 2009.

Value created

Value created is an indicator for evaluating financial performance, and is the basis for variable remuneration to senior managers in the Group. The model links operating income and asset efficiency with the cost of capital employed in operations.

Total value created in 2009 amounted to SEK –631m (168). The WACC rate for 2009 was 10% (10).

Group net sales by country 2009

	Share of Group sales, %
USA	39.5
France	6.8
Germany	7.7
Canada	4.8
Russia	3.2
UK	3.3
Sweden	3.0
Australia	2.4
Japan	2.6
Poland	1.9

Cash flow

Operating cash flow

Operating cash flow increased to SEK 3,737m (2,013). Cash flow from operations, excluding changes in operating assets and liabilities, was largely unchanged, as the decline in income was almost entirely offset by lower taxes paid.

Cash flow from operating assets and liabilities showed a strong increase, mainly as a result of measures implemented to reduce inventories and trade receivables.

Cash flow

SEKm	2009	2008
Cash flow from operations, excluding changes in operating assets and liabilities	2,749	2,703
Changes in operating assets and liabilities	1,897	441
Cash flow from operations	4,646	3,144
Cash flow from investments	–909	–1,131
Operating cash flow	3,737	2,013
Acquisitions of operations	–43	–845
Total cash flow from operations and investments	3,694	1,168

Capital expenditure

Capital expenditure in 2009 declined to SEK 914m (1,163), corresponding to 2.7% (3.6) of net sales. The decrease from the previous year is explained mainly by the fact that capital expenditure in 2008 was at a high level due to the construction of a new plant in China.

Approximately 55% of capital expenditure in 2009 referred to new products, approximately 18% to rationalization and replacement of production equipment, approximately 5% to expansion of capacity, and approximately 10% to IT-systems.

Investments related to new products mainly refer to the following: an extension of the product range of ride-on lawnmowers to include two smaller models, a new range of hedge trimmers – both battery- and electric-driven – new models of automatic irrigation systems, and new, upgraded walk-behind lawnmowers. Other projects included a new 60 cc professional chainsaw, a new top-handle chainsaw, new models of backpack blowers, and new platforms for trimmers.

The ongoing structural changes that will be implemented in 2010–2011 are expected to require capital expenditure of approximately SEK 400m, of which a new plant in Poland will account for approximately SEK 250m.

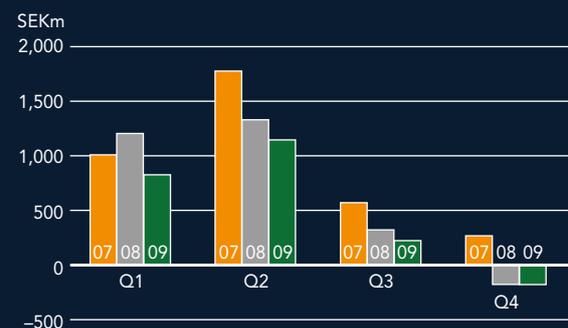
Research and development and software

Costs for research and development in 2009 amounted to SEK 695m (588), of which SEK 188m (242) was capitalized. R&D expenses thus corresponded to 2.0% (1.8) of net sales.

Net sales by quarter



Operating income by quarter*



* Excluding restructuring costs

Major R&D projects during the year referred mainly to the products mentioned above.

During 2009 the Group has also capitalized SEK 60m (12) mainly referring to software.

Financial position

Operating working capital

Operating working capital at year-end decreased to SEK 7,237m (9,460). Inventories declined to SEK 6,706m (8,556) and trade receivables to SEK 3,385m (4,184). Trade payables declined to SEK 2,854m (3,280).

Change in operating working capital

SEKm

31 December 2008	9,460
Changes in exchange rates	-226
Other changes	-1,997
31 December 2009	7,237

Equity

Group equity as of 31 December 2009, excluding minority interests, rose to SEK 12,082m (8,772), corresponding to SEK 22.0 (19.3) per share. The increase is mainly a result of the rights issue. Equity per share for 2008 has been adjusted to reflect the rights issue in 2009.

Net debt

Net debt at year-end decreased to SEK 6,349m (13,552). Liquid funds were largely unchanged at SEK 2,745m (2,735), while interest-bearing debt decreased to SEK 9,094m (16,287). The reduction in net debt is mainly a result of the rights issue that was completed in April and the improvement in cash flow during the year.

At year-end the Group had unutilized committed credit facilities of SEK 10,000m (6,500).

For more information about the Group's funding, see Note 2.

The net debt/equity ratio improved to 0.52 (1.54) and the equity/assets ratio to 40.1% (25.7). The improvement in both ratios resulted mainly from the rights issue and a reduction of working capital.

Net debt

SEKm	2009	2008
Interest-bearing liabilities	9,094	16,287
Liquid funds	2,745	2,735
Net debt	6,349	13,552
Net debt/equity ratio, times	0.52	1.54
Equity/assets ratio, %	40.1	25.7

Seasonality in sales and income

The majority of Group sales are garden products, which show a pronounced seasonality in terms of sales and income. The first half of the year normally accounts for about two thirds of Group sales, with the second quarter usually being the strongest. This refers particularly to Consumer Products, but also to Lawn and Garden within Professional Products. Irrigation products have a larger share of sales and operating income in the first half of the year, and particularly in the second quarter, than the rest of the Group's consumer products.

Forestry products show stronger demand and somewhat higher sales during the second half of the year, while equipment for the construction industry normally shows a more even distribution of sales throughout the year.

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

Performance by business area

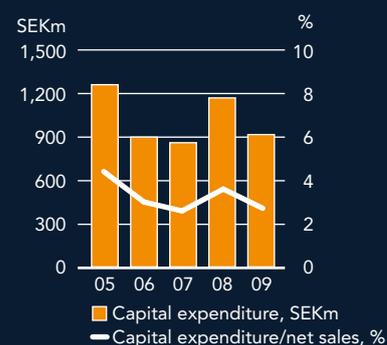
Until year-end 2009, operations in Husqvarna comprised two business areas – Consumer Products and Professional Products. Consumer Products includes two geographical areas, i.e. North America and Rest of the world. Professional Products includes three product areas, i.e. Forestry, Lawn and Garden, and Construction.

As of 1 January 2010, the Group has a new organization, which will involve a change of the Group's reporting structure as of the first quarter of 2010 (see page 96).

Operating cash flow



Capital expenditure



Earnings per share and return on equity



Consumer Products

- Considerably lower demand in both Europe and North America.
- Slightly higher sales and improved income for the North American operation.
- Substantial downturn in overall operating income, mainly due to lower volumes and a less favorable mix.

Consumer Products

SEKm	2009	2008	Change, %	Adjusted change, % ²
Net sales	22,672	19,849	14	-3
Operating income ¹	719	1,043	-31	-24
Operating margin, % ¹	3.2	5.3	—	—

1) Excluding restructuring costs.

2) Excluding acquisitions and adjusted for changes in exchange rates.

Industry shipments in 2009 declined considerably in both Europe and North America. Shipments in North America declined for the fifth consecutive year.

Group sales rose in SEK, but declined by 3% after adjustment for changes in exchange rates and acquisitions.

Sales in North America rose slightly in local currency. The increase refers to wheeled products such as lawn mowers and garden tractors. Sales of chainsaws and other handheld products declined in comparison with 2008, when demand was positively affected by storms. The Group increased its market share in several product categories, partly as a result of new listings.

Sales outside North America increased slightly in SEK, but declined after adjustment for changes in exchange rates and acquisitions. The decline refers in particular to chainsaws and other handheld products in the dealer channel, and in Russia and Eastern Europe. Sales of Gardena-branded products rose slightly, resulting mainly from expansion of the product range with new lawn mowers and chainsaws.

Operating income and margin for this business area declined sharply. The decline refers to the operation outside

North America, and resulted mainly from a less favorable mix in terms of products and geographical markets, as well as lower volumes. Income and margin for the North American operation improved from the previous year. Price increases, savings from implemented cost-cutting measures and lower costs for materials had a positive effect on income.

Professional Products

- Lower demand and sales in all product areas, largest downturn for Construction.
- Substantial decline in operating income, but margin remained at a high level.
- Margin for Forestry improved from the previous year.

Professional Products

SEKm	2009	2008	Change, %	Adjusted change, % ²
Net sales	11,402	12,493	-9	-17
Operating income ¹	1,457	1,822	-20	-26
Operating margin, % ¹	12.8	14.6	—	—

1) Excluding restructuring costs.

2) Excluding acquisitions and adjusted for changes in exchange rates.

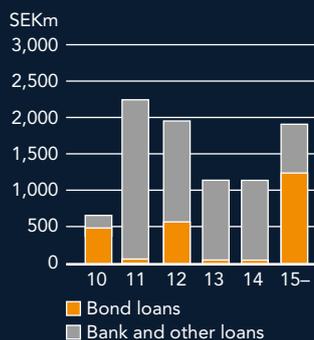
Demand in 2009 was substantially lower than in the previous year. Group sales declined by 17%, after adjustment for changes in exchange rates and acquisitions. Lower sales were reported for all product areas, with the largest downturn for Construction. Sales for Forestry showed substantial decline in volume in significant markets such as Russia, the US and Eastern Europe.

Operating income for this business area declined considerably. Operating margin remained at a high level, however. The decline in income refers mainly to lower sales and production volumes, while savings from implemented cost-cutting measures and the weaker Swedish krona made positive contributions. The largest downturn in income was reported for Construction, as a result of the dramatic drop in demand, and income for this product area was negative. Operating margin for Forestry improved, mainly as a result of rationalization of chainsaw production and a large share of new products.

Net debt/equity and equity/assets ratios



Maturity profile of loans



Husqvarna has un-utilized committed revolving credit facilities totaling SEK 10,000m.

Other information

Rights issue

In order to strengthen the Group's balance sheet, in February the Board of Directors authorized a rights issue that was approved by an Extraordinary Shareholders Meeting on 9 March.

Shareholders had preferential rights to subscribe for one new A- or B-share for every two A- or B-shares held. The subscription price was SEK 16 per share. Total proceeds from the rights issue amounted to SEK 3,059m, and SEK 2,988m net of transaction costs. The rights issue was fully subscribed and completed in April.

As a result of the rights issue the number of A-shares in Husqvarna increased by 49,190,010 to 147,570,030, and the number of B-shares by 142,016,873 to 428,773,748. The total number of shares after the issue amounts to 576,343,778. Trading in the new shares began on 8 April.

New organization

A new organization was announced in July and was fully implemented as of 1 January 2010.

Instead of the previous six product-based business sectors, the new organization comprises five business units – Supply Chain, Products and Marketing, Sales in Europe and Asia/Pacific, Sales in North America and Latin America, and Construction Products (see pages 5 and 15).

New reporting structure

Implementation of the new organization also involves a change in the Group's external financial reporting as of the first quarter of 2010. Instead of the previous business areas Consumer Products and Professional Products, the external reporting will comprise:

- Forestry and Garden Products, Europe and Asia/Pacific.
- Forestry and Garden Products, North America and Latin America.
- Construction Products.

Forestry and Garden Products comprise four product categories – wheeled, handheld and watering, as well as accessories and tools. Construction Products comprise two product categories: equipment and diamond tools for the construction industry, and diamond tools for the stone industry. Historical financial figures according to the new structure are reported on pages 96–97.

Changes in Group Management

Following the announcement of the new organization in July, Martin Bertinchamp, former head of the business sector Consumer Products, Rest of the World (mass-market channels), was appointed head of Products & Marketing. Hans Linnarson, former head of the sector Consumer Products Rest of the World (dealer channel) and Professional Products for Lawn and Garden, was appointed head of Sales in Europe and Asia/Pacific. Bo Andreasson, previously head of the Forestry business sector, was appointed head of the Group's global product-development organization.

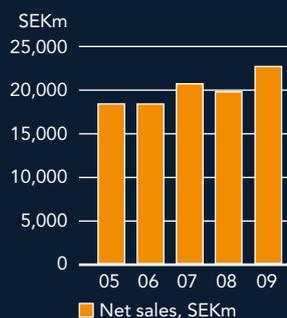
In November, Michael Jones joined Husqvarna as head of Sales in North America and Latin America. His most recent position was General Manager, Cooking Products within the Appliances Division at General Electric in North America. Michael Jones succeeded Roger Leon, who was appointed head of Global purchasing.

In February 2010, Thomas Andersson joined Husqvarna as head of the Supply Chain organization. His most recent position was Senior Vice President and Head of Volvo Powertrain Sweden, the Volvo Group's business unit for development and manufacturing of engines and transmissions.

As of March 2010, Boel Sundvall joined Husqvarna as head of Group Staff Communications and Investor Relations. Her most recent position was as a partner at the consultancy firm WG & Partners. She succeeds Åsa Stenqvist, who has retired.

Consumer Products

Net sales



Operating income



Professional Products

Net sales



Operating income



* Excluding restructuring costs in 2008 and 2009.

* Excluding restructuring costs in 2008 and 2009.

The Husqvarna share

At year-end the share capital in Husqvarna amounted to SEK 1,153m (770), comprising 147,570,030 A-shares (98,380,020) and 428,773,748 B-shares (286,756,875). The increase in the number of shares refers to the rights issue. Each A-share carries one vote, and each B-share 1/10 of a vote. All shares entitle equal rights in terms of the company's assets and earnings.

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

The company is not aware of any agreements between shareholders which might limit the right to transfer shares. In addition, there are no stipulations in the Articles of Association regarding appointment or dismissal of Board members or agreements between the company and Board members or employees which require remuneration if such persons leave their posts, or if employment is terminated as a result of a public bid to acquire shares in the company, except as outlined in Note 24.

As of 31 December 2009 the largest shareholders were Investor AB with 28.9% (28.7) of the votes and LE Lundbergföretagen with 14.4% (13.1) of the votes. For more information on major shareholders, see page 99.

Repurchase of own shares

The Annual General Meeting 2009 authorized the Board to acquire B-shares totaling up to 3% of the total number of shares, and to pay for the shares in cash.

The shares may be purchased on the NASDAQ OMX Stockholm in order to hedge the company's obligations, including employer contributions, pursuant to the long-term incentive programs for 2007, 2008 and 2009.

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

There were no repurchases of own shares during 2009. As of 31 December 2009, Husqvarna owned 2,723,128 (2,919,000) re-purchased B-shares corresponding to 0.47% (0.76) of the total number of outstanding shares.

Long term incentive program for 2009

The Annual General Meeting 2009 adopted a new performance-based long-term incentive program based on parameters similar to those in the programs for 2008 and 2007.

The program comprises approximately 40 senior managers. The conditions involved investment by the participants in Husqvarna B-shares at market price. The employee is required to purchase Husqvarna B-shares corresponding to a minimum

value of SEK 20,000 and a maximum of 6% of his or her annual target income (fixed salary plus variable salary on target level). For each B-share purchased the company will allocate one share award plus performance-based stock options, if the lowest performance target level, the development of the Group's earnings per share during the period in 2009–2011, is achieved. Each share award entitles the employee to one B-share free of charge, three years after the grant subject to reaching certain performance criteria.

Each stock option entitles the holder to purchase one B-share at a price of SEK 48. The stock options may be exercised after three years at the earliest and eight years at the latest from the day of the grant. The number of stock options that may be granted depends on the number of B-shares that the employee has purchased, as well as the development of the company's earnings per share in 2009–2011.

The program comprises a maximum of 1,926,000 B-shares. If all share awards and a maximum of granted stock options are fully exercised, it is estimated that the 2009 program will comprise no more than 0.34% of the share capital.

Legal matters

Husqvarna is involved in disputes in its ordinary course of business. On the basis of currently known circumstances, Husqvarna estimates that none of the disputes in which the Group is presently involved or which have been settled recently have had, or may have, a material effect on Husqvarna's financial position or profitability. A description of current legal matters is given in Note 22.

Verdict in the case regarding gas explosion in Belgium

In a judgment of 22 February 2010, the criminal court of Tournai in Belgium dismissed all claims against Husqvarna in a case regarding a gas explosion on Husqvarna's property in Ghislenghien, Belgium.

Husqvarna Belgium has together with 13 other indicted companies, authorities and private persons been prosecuted in the criminal court of Tournai for potentially having contributed to the accident. The hearings were held between June and November 2009.

The explosion occurred in July 2004 and caused the loss of 24 lives and injured 132 people. Substantial damage was caused to the Husqvarna plant and neighboring property. The explosion was caused by the bursting of a sub-surface industrial gas pipe.

Husqvarna settles engine-capacity lawsuit in the US

On 1 March 2010, Husqvarna and a number of other parties reached a settlement in a lawsuit in a Federal District Court in Illinois, USA, regarding alleged inaccurate specification of engine capacity in lawn mowers. The lawsuit, which has been pending since 2004, will thus be withdrawn.

The other parties are manufacturers or sellers of lawn mowers or engines for lawn mowers. The settlement includes more than 65 similar or parallel lawsuits in all 50 states in the US.

Husqvarna's net settlement cost amounts to approximately SEK 50m (USD 7m) and will be charged against operating income for the first quarter of 2010.

Husqvarna agreed to the settlement in order to avoid a prolonged and expensive legal process in which the results are uncertain. The Group continues to deny that there is any justification for the claims against the company.

The settlement is subject to court approval in the US.

Environmental activities

In 2009, Husqvarna operated 22 major plants, of which ten were located in Europe, six in the US, one in Brazil, four in China and one in Japan. All plants have the environmental permits required for current operations.

Read more about the Group's environmental activities on pages 114–120.

Employees

The average number of employees in 2009 was 15,030 (15,720), of which 1,700 (2,075) were in Sweden. At year-end, the total number of employees was 15,334 (16,284).

Of the total average number of employees in 2009, 9,608 (9,999) were men and 5,422 (5,721) were women.

Salaries and remuneration in 2009 amounted to SEK 3,998m (4,037), of which SEK 763m (838) refers to Sweden. For more information, see Note 19.

Proposals to the Annual General Meeting in 2010

The full proposal to the AGM 2010 will be announced no later than the date of notification of the AGM, which is expected to be published on 23 March 2010.

Dividend for 2009

The Board of Directors proposes a dividend for 2009 of SEK 1 (0) per share, corresponding to a total dividend payment of SEK 574m (0).

Long-term incentive program for 2010

The Board of Directors proposes that the Annual General Meeting adopt a new performance-based incentive program for a maximum of 50 senior managers. The program is based on similar principles as the program for 2009 (LTI 2009) which is described in Note 19.

Repurchase of own shares

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

The shares may be purchased only on the NASDAQ OMX Stockholm, in order to hedge the company's obligations, including employer contributions, pursuant to the company's long-term incentive programs.

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

Principles for remuneration to Group Management

The Board of Directors proposes that the Annual General Meeting 2010 approve the current principles for remuneration and other conditions of employment for Husqvarna Group Management in 2010. These principles shall apply to remuneration and other conditions of employment for the President and CEO as well as other members of Group Management.

The principles shall apply to contracts of employment entered into after the Annual General Meeting and also to subsequent amendments to contracts of employment which are in force. Remuneration to Group Management is determined by the Board of Directors on the basis of proposals from the Board's Remuneration Committee.

Overall principles

The overall principles for remuneration to Group Management shall be based on position held, individual performance, Group performance and remuneration shall be competitive in the country of employment. Total remuneration to a member of Group Management shall consist of a fixed salary, variable salary in the form of short-term incentives based on yearly performance targets, long-term incentives, pension, and other benefits. In addition, there are conditions on notice of termination and severance pay.

Husqvarna shall aim to offer competitive total remuneration level with a primary focus on "performance-related payment". This means that variable remuneration can constitute a substantial component of total remuneration.

Fixed salary

Fixed salary shall comprise the basis for total remuneration. The salary shall be related to the relevant market and shall reflect the degree of responsibility involved in the position. The salary levels shall be reviewed annually in order to ensure continued competitiveness and in order to reward performance.

Variable salary (Short-term incentive "STI")

Members of Group Management shall be entitled to STI in addition to the fixed salary. The STI shall be based on the financial results for the Group and/or business unit for which the member is responsible. In addition, performance indicators can be used in order to focus on questions of special interest to the company.

Clearly defined objectives for "target" and "stretch" levels of performance shall be stated at the beginning of every year and shall reflect the plans approved by the Board.

STI shall be dependent on the position and may amount to a maximum of 50% of the salary on attainment of the "target" level and a maximum of 100% of the salary on attainment of the "stretch" level, which also is the maximum STI.

In the US, the STI component is normally higher and may amount to a maximum of 100% on attainment of the "target" level and a maximum of 150% of the salary on attainment of the "stretch" level.

The Board of Directors shall decide if the full 50/100/150% shall apply, or if a lower percentage is appropriate.

Long-term incentives

The Board of Directors shall evaluate on a yearly basis whether a long-term incentive program (e.g. share or share-price based) shall be proposed to the Annual General Meeting.

Pensions and insurance

Pension and disability benefits shall be designed to reflect regulations and practice in the country of employment, and the value of the benefits shall match normally accepted levels within the country. If possible, pension plans shall be defined contribution plans in accordance with the Group's pension policy.

Other benefits

Other benefits can be provided in accordance with normal practice in the country where the member of Group Management is employed. However, these benefits shall not constitute a significant part of total remuneration.

Notice of termination and severance pay

Members of Group Management shall be offered periods of notice and levels of severance pay which are in line with accepted practice in the country where the member is employed. Members of Group Management shall be obliged not to compete with the company during the notice period. Based on the circumstances in each case, a non-compete obligation may with continued payment also apply after the end of the notice period. Such non-compete obligations shall not apply for more than 24 months from the end of the notice period.

Previously determined remuneration which has not become payable

The principal conditions for remuneration to the Group Management in current contracts of employment are given in Note 24, with references.

Authority for the Board to deviate from the guidelines

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

The Nomination Committee's proposal

The Nomination Committee's proposal to the Annual General Meeting includes:

- Unchanged number of Board members to be elected by the AGM (9).
- Re-election of Lars Westerberg, Peggy Bruzelius, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg, Robert F. Connolly and Magnus Yngen. Election of Ulla Litzén as new member. Gun Nilsson has declined re-election.
- Re-election of PricewaterhouseCoopers for the period until the end of Annual General Meeting 2014.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Unchanged Board fees totaling 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 to the Chairman in the Remuneration Committee and SEK 50,000 to each of the other members. SEK 175,000 to the Chairman in the Audit Committee and SEK 75,000 each to the other members.
- Unchanged principles for appointment of Nomination Committee for AGM 2011.

The full proposal will be included in the notice of the AGM, and published on Husqvarna's web site, www.husqvarna.com.

Risk management

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

Risks associated with Husqvarna's operations can be classed for the most part as operational risks related to business operations, and financial risks related to financing operations, most of which are conducted outside Sweden. External risks which could affect the Group include changes in legislation and regulations.

The President and CEO is responsible for ongoing risk management in accordance with the Board of Directors' guidelines and instructions. Functional heads are responsible for operational risk management. Group Staff Legal Affairs includes a central risk-management function which coordinates risks that are subject to insurance. Management of financial risks is essentially centralized to the Group Treasury.

The Internal Audit function is tasked with ensuring the quality over financial reporting and is also responsible for performing an annual assessment of the Group's commercial, operational and financial risks. Identification and evaluation of risks in this assessment provide support for management's strategic decision-making. The assessment also aims at generating enhanced awareness of risks in various parts of the organization, including everyone from operational decision-makers to the Audit Committee and the Board of Directors.

Highlights of risk management in 2009

- The Safety@Work initiative in North America resulted in reduction of workplace injuries by nearly 50%.
- Comprehensive property inspections were conducted at all major facilities with an emphasis on potential damage from fire, wind and flood.
- Insurance language and coverage requirements in supplier agreements were standardized to ensure consistent and adequate protection and risk transfer when appropriate.
- Risks related to financial reporting were identified and evaluated.

Operational risks

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

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

Weather conditions

Demand for the Group's products is also dependent on the weather. Unexpected or unusual weather conditions in specific areas or regions can affect sales either adversely or positively. Dry weather can reduce demand for products such as lawn mowers and tractors, but can stimulate demand for irrigation systems. Demand for chainsaws normally increases after storms, and during cold winters.

Markets and competition

Husqvarna operates in competitive markets, most of which are relatively mature, which means that underlying demand is relatively stable under normal economic conditions. Price competition is intense, particularly for low-end consumer products

Sensitivity analysis

- A change of 1% in the costs for wages, salaries and remuneration would affect operating income by approximately SEK 40m (40).
- A decline of 10 percentage points in the value of the Swedish krona against the US dollar would have an adverse effect on operating income of approximately SEK -220m*, of which SEK -265m would refer to negative effects of transactions and SEK 45m to positive translation differentials.
- A decline of 10 percentage points in the value of the Swedish krona against the euro would have a positive effect on operating income of approximately SEK 260m*, of which SEK 245m would refer to effects of transactions and SEK 15m to translation differentials.
- A decline of 10 percentage points in the value of the Swedish krona against all currencies, including USD and EUR, would have a positive effect on operating income of approximately SEK 470m*, of which SEK 335m would refer to effects of transactions and SEK 135m to translation differentials.
- A change of 1 percentage point in the interest rate on loans would affect net income by approximately SEK 40m, on the basis of outstanding loans at year-end 2009.
- An increase or decrease of 10 percentage points in the price of steel would affect operating income by +/- SEK 220m.
- An increase or decrease of 10 percentage points in the price of aluminum would affect operating income by +/- SEK 60m.
- An increase or decrease of 10 percentage points in the price of plastics would affect operating income by +/- SEK 80m.

* Excluding hedging effects

for the mass market. Husqvarna's strategy is based on product innovation and utilization of the Group's strong brands, which reduces risks related to price competition.

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

Customers

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

Professional products are sold mainly through local servicing dealers or in some cases directly to end-users, which means that these customers purchase much smaller volumes and are not individually significant for the Group. Unit costs for sales to servicing dealers are higher than for e.g. retail chains but the level of risk related to receivables and credit is lower and the margins are higher.

Production

Husqvarna's production consists mainly of assembly of purchased components, and is sufficiently flexible to meet fluctuations in demand resulting from seasonal variations and weather conditions. However, handheld products such as chainsaws and clearing saws, for which the Group also manufactures engines, feature a greater proportion of components that are produced in-house.

Approximately 22% of the Group's total costs consist of fixed costs. The largest single cost refers to purchases of

materials and components. In light of the seasonal variations in the Group's operations, the number of temporary employees increases during the peak production season.

Risks related to prices for raw materials, other materials and components

The Group's operations and its performance are affected by fluctuations in the prices of raw materials and components. The most important raw materials are steel, aluminum and various types of plastics. These prices can fluctuate considerably in the course of a year, as a result of changes in world prices for raw materials or the ability of suppliers to deliver them. Husqvarna's total consumption is obviously linked to production volume and production mix.

In 2009 Husqvarna purchased materials and components for approximately SEK 20,000m (18,300). Total raw-material spend was SEK 3,940m. Direct spending on raw materials was SEK 1,610m, and indirect spending was SEK 2,330m. Direct spending on steel totaled SEK 1,146m, and indirect spending on steel was SEK 1,082m. Direct spending on aluminum totaled SEK 7m, and indirect spending was SEK 590m. Direct spending on plastics totaled SEK 242m and indirect spending was SEK 560m.

Husqvarna does not normally use financial instruments to hedge prices of raw materials at the time of purchase.

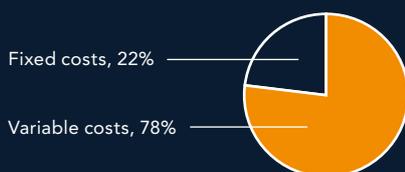
A major share of Husqvarna's material requirements is met by single suppliers who individually cover the Group's short-term needs. The effects of interrupted deliveries vary, depending on the specific materials and components. A short-fall in deliveries by a supplier could have negative consequences for production and for deliveries of finished products.

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

Acquisitions

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

Cost structure 2009, Group



Transaction exposure by currency, forecast commercial flows 2010

SEKm	Net flow	Hedge amount	Transaction exposure net
EUR	2,473	-2,266	207
CAD	1,017	-633	384
RUB	598	-390	208
PLN	385	-275	110
GBP	365	-265	100
Other currencies	1,193	-586	607
USD	-2,667	2,035	-632
SEK	-3,364	2,380	-984

For more information, see Note 2 on page 59.

Risks related to restructuring

The Group is currently undertaking a number of structural changes of the manufacturing footprint and the sales organization, as well as implementing a new organization. Restructuring and organizational changes always involve the risk of creating higher costs than anticipated and losing key personnel, or that estimated savings deviate, both up and down, from announced targets.

Financial risks

Husqvarna's financial risks are managed on the basis of the Group's financial and credit policies, which are annually updated and authorized by the Board of Directors. Management of such risks is based largely on the use of financial instruments and is mainly centralized to Group Treasury, which operates in accordance with specified risk mandates and limits. For more information on risk management, risk exposure and accounting principles, see Notes 1 and 2.

Currency exposure

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

Translation exposure is related primarily to earnings in USD, EUR, PLN, RUB and GBP. The Group's globally widespread production and sales enable the various exchange-rate effects to offset each other to some extent.

Changes in exchange rates also affect Group equity. The difference between the assets and liabilities of foreign subsidiaries in foreign currencies is affected by such changes, which generate translation differences that impact equity. At year-end 2009, most foreign net assets were in USD and EUR. For more information on risks related to currency exposure, see Note 2.

Hedging of currency exposure

Husqvarna uses currency derivatives to hedge estimated transaction exposure on a horizon of 0–12 months. Normally, 75–100% of the invoiced and estimated currency flow for the next 6 months is hedged, and 50–75% for the next 6–12 months. At year-end 2009 the market value of the Group's hedges referring to transaction exposure amounted to SEK –68m (–35).

In accordance with the Group's financial policy, certain foreign net assets are hedged through loans in the respective country's currency, as well as through currency derivatives. Currency gains and losses on net assets and hedges are booked directly to other comprehensive income. Interest income and expense related to hedging are reported under net financial items.

Costs for hedging of foreign net assets in 2009 amounted to SEK –18m (21).

Interest-rate risk

At year-end 2009, the average interest rate on external borrowings was 3.2% (4.3) and the average fixed interest-term was 2.2 years (0.4). On the basis of the volume of borrowings and the fixed interest-term at year-end, a one percentage point shift of the interest rates would impact group income in the amount of –/+ 38m (80). For more information on interest rate risk, see Note 2.

Financing risks

Financing risks refer to possible delays, increased costs or cancellations related to financing of Husqvarna's capital requirements and refinancing of outstanding loans.

Financing risks can be reduced by maintaining an evenly distributed maturity profile for loans, and by ensuring that short-term borrowings do not exceed current liquidity. The Group's financial policy stipulates that net debt should be long-term, without reference to seasonal variations. The Group's goal is for the average maturity period of long-term loans to be not less than two years and to show an evenly distributed maturity profile. Loans with maturity periods of less than 12 months are normally maximized to SEK 3,000m.

Net sales and exchange rates

	Net sales, SEKm 2009	Average exchange rate, SEK		Year-end exchange rate, SEK	
		2009	2008	2009	2008
USD	13,689	7.63	6.59	7.18	7.70
EUR	7,938	10.63	9.67	10.30	10.94
CAD	1,619	6.67	6.21	6.85	6.25
GBP	1,138	11.84	12.11	11.39	11.20
JPY	1,063	0.08	0.06	0.08	0.09

Evaluation of financial risks involves adjustment of the maturity profile for available but unutilized committed revolving credit facilities.

In addition, seasonal variations in cash flow comprise an important component for evaluation of financial risks. Future seasonal variations are therefore continuously taken into account in liquidity planning. The average maturity period for Husqvarna's loans was 3.2 years (3.4) at year-end 2009. For more information on financing risks, see Note 2.

Credit risks

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

To some extent, the Group utilizes credit insurance to reduce credit risk in a minor share of trade receivables in Europe.

The Group's financial assets are used primarily for repayment of loans. Liquid funds are placed in highly liquid interest-bearing instruments issued by institutions with a credit rating of at least A-, according to Standard & Poor's or similar agencies. For more information on credit risks, see Note 2.

Pension commitments

At year-end 2009, Husqvarna's commitment for pensions and other remuneration following terminated employment amounted to SEK 2,964m (2,855). The Group manages pension funds amounting to SEK 1,540m (1,383). At year-end 2009, 38% (41) of these funds were placed in shares, 53% (53) in bonds and 9% (6) in liquid assets or other investments.

Annual changes in the value of assets and liabilities depend primarily on trends for share prices and interest rates. Factors affecting pension include changes in assumptions regarding average life expectancy and expected salary increases. The income statement for 2009 includes costs for pensions and remuneration as referred to above, amounting to SEK 232m (210). During 2009, SEK 65m (88) was paid into the Group's pension funds.

In the interest of effective control and cost-efficient management of the Group's pension commitments, management is centralized in Group Treasury and is conducted in accordance with the pension policy adopted by the Board of Directors. For more information on pension, see Note 19.

Changes in legislation

Husqvarna products are subject to national and international regulations regarding environmental impact and other issues arising from use and recycling of the products, such as exhaust emissions, noise and safety. Husqvarna's products have improved steadily in this respect. The Group is the market leader in terms of e.g. development of 2-stroke engines, and is estimated to have sufficient resources for product development to comply with stricter criteria in the future. The criteria which will be introduced over the next few years are currently known, and as long as they are not subject to drastic changes it is estimated that they can be met by the Group's existing products, as well as those currently under development.

Product liability

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

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

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

Raw material spending

SEKm	2009
Steel	2,228
Plastic	802
Aluminium	597
Other raw materials	313
Total	3,940

Cost structure

	2009	
	% of sales	SEKm
Cost of goods sold:		
Components	47.2	16,086
Raw materials	11.6	3,940
Factory OH, R&D, tools	10.9	3,714
Direct wages	3.9	1,343
Other	1.0	340
Total	74.6	25,423
Gross margin	25.4	8,651
Selling expense	16.3	5,547
Administrative expense	4.5	1,541
Other	0.0	3
Operating margin	4.6	1,560

Group Income Statement

SEKm	Note	2009	2008
Net sales	3, 4	34,074	32,342
Cost of goods sold		-25,423	-22,965
Gross operating income		8,651	9,377
Selling expenses		-5,547	-5,496
Administrative expenses		-1,541	-1,474
Other operating income	5	5	4
Other operating expenses	6	-8	-48
Shares of income in associated companies		0	-2
Operating income		1,560	2,361
Financial income	8	36	122
Financial expenses	8	-502	-716
Financial items, net		-466	-594
Income after financial items		1,094	1,767
Taxes	9	-191	-479
Income for the period		903	1,288
Income for the period attributable to:			
Equity holders of the Parent Company		899	1,278
Minority interest in income for the period		4	10
		903	1,288
Earnings per share			
Before dilution, SEK		1,64	2,81
After dilution, SEK		1,64	2,81
Average number of shares			
Before dilution, million	17	548,6	454,3
After dilution, million		548,8	454,5

Consolidated comprehensive income statement

SEKm	Note	2009	2008
Income for the period		903	1,288
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		-581	1,038
Available for sale instruments		0	3
Cash flow hedges		-1	16
Other comprehensive income, net of tax	16	-582	1,057
Total comprehensive income for the period		321	2,345
Attributable to:			
Equity holders of the Parent Company		316	2,331
Minority interest in income for the period		5	14

Group Balance Sheet

SEKm	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7, 11	4,375	5,035
Goodwill	10	6,461	6,788
Other intangible assets	10	4,411	4,789
Investments in associates	26	6	7
Derivatives	2	7	0
Deferred tax assets	9	756	928
Financial assets	12	173	187
Total non-current assets		16,189	17,734
Current assets			
Inventories	13	6,706	8,556
Trade receivables	2	3,385	4,184
Derivatives	2	160	907
Tax receivables		671	577
Other current assets	14	540	551
Other short-term investments	2	245	0
Cash and cash equivalents	2	2,333	1,828
Total current assets		14,040	16,603
Total assets		30,229	34,337
Pledged assets	15	45	49
EQUITY AND LIABILITIES			
Equity attributable to equity holders in the Parent Company			
Share capital	17	1,153	770
Other paid-in capital		2,605	—
Other reserves	16	479	1,062
Retained earnings		7,845	6,940
Total equity attributable to equity holders in the Parent Company		12,082	8,772
Minority interest		44	43
Total equity		12,126	8,815
Non-current liabilities			
Long-term borrowings	2	7,934	10,694
Deferred tax liabilities	9	1,870	1,829
Provisions for pensions and other post-employment benefits	19	1,116	1,170
Derivatives	2	17	0
Other provisions	20	740	686
Total non-current liabilities		11,677	14,379
Current liabilities			
Trade payables	2	2,854	3,280
Tax liabilities		594	367
Other liabilities	21	1,494	1,474
Short-term borrowings	2	661	3,159
Derivatives	2	482	2,434
Other provisions	20	341	429
Total current liabilities		6,426	11,143
Total equity and liabilities		30,229	34,337
Contingent liabilities	22	54	24

Group Cash Flow Statement

SEKm	Note	2009	2008
Operations			
Income after financial items		1,094	1,767
Depreciation and amortization		1,325	1,163
Restructuring provision		213	264
Capital loss/Impairment		189	40
Change in accrued and prepaid interest		-39	12
Taxes paid		-33	-543
Cash flow from operations, excluding change in operating assets and liabilities		2,749	2,703
Change in operating assets and liabilities			
Change in inventories		1,678	260
Change in trade receivables		694	196
Change in trade payables		-345	114
Change in other operating assets/liabilities		-130	-129
Cash flow from operating assets and liabilities		1,897	441
Cash flow from operations		4,646	3,144
Investments			
Acquisitions of operations	23	-43	-845
Sale of fixed assets		0	30
Capital expenditure in property, plant and equipment	11	-667	-909
Capitalization of product development and software	10	-247	-254
Other		5	2
Cash flow from investments		-952	-1,976
Total cash flow from operations and investments		3,694	1,168
Financing			
Change in short-term investments		-243	0
Change in short-term loans		-2,813	-7,608
Amortizations of long-term loans		-4,870	—
New long-term loans		1,671	7,783
Dividend paid to shareholders		0	-862
Rights issue		2,988	—
Repurchase of shares		0	-48
Dividend paid to minority holders		-4	-11
Cash flow from financing		-3,271	-746
Total cash flow		423	422
Cash and cash equivalents at beginning of year		1,828	1,216
Exchange rate differences referring to cash and cash equivalents		82	190
Cash and cash equivalents at year-end		2,333	1,828

Group Statement of shareholders' equity

SEKm	Attributable to equity holders of the company				Total	Minority interest	Total equity
	Share capital	Other paid-in capital	Other reserves (Note 16)	Retained earnings			
Opening balance 1 Jan 2008	770	0	9	6,570	7,349	40	7,389
Total comprehensive income			1,053	1,278	2,331	14	2,345
Share-based payment				2	2		2
Repurchase of shares				-48	-48		-48
Dividend SEK 2.25 per share				-862	-862	-11	-873
Closing balance 31 Dec 2008	770	0	1,062	6,940	8,772	43	8,815
Total comprehensive income			-583	899	316	5	321
Share-based payment				6	6		6
Rights issue	383	2,605			2,988		2,988
Dividend					0	-4	-4
Closing balance 31 Dec 2009	1,153	2,605	479	7,845	12,082	44	12,126

Parent Company

The operations of the Parent Company Husqvarna AB (Corporate Identity Number 556000-5331) include the development, manufacture, marketing and sales of motor-driven products for forestry and garden care as well as the functions of the Group's head office including Finance, Legal, Human Resources and Communications. Net sales for the Parent Company in 2009 amounted to SEK 8,694m (10,011), of which SEK 6,553m (7,569) related to sales to Group companies and SEK 2,141m (2,442) to external customers. Income after financial items in 2009 amounted to SEK 2,933m (6,312). The higher result in 2008 refers mainly to capital gains related to changes in the Group structure. After appropriations of SEK 3m (61) and

taxes of SEK –238m (–290), net income for the year was SEK 2,698 m (6,083). Investments in tangible and intangible fixed assets during the year were SEK 290m (596). Cash and bank balances amounted to SEK 1,262m (682).

Unrestricted equity in the Parent Company at year-end amounted to SEK 16,753m (12,042).

Group contributions in 2009 amounted to SEK –908m (–1,174) and are reported in non-restricted reserves.

For information on employees, salaries and remuneration, see Note 19.

For information on shareholdings and participations, see Note 26.

Parent Company Income Statement

SEKm	Note	2009	2008
Net sales	3	8,694	10,011
Cost of goods sold		–7,024	–7,281
Gross operating income		1,670	2,730
Selling expenses		–846	–861
Administrative expenses		–379	–336
Other operating income	5	7	5,025
Other operating expenses	6	–3	–19
Operating income		449	6,539
Financial income	8	2,896	1,283
Financial expenses	8	–412	–1,510
Income after financial items		2,933	6,312
Appropriations	18	3	61
Income before taxes		2,936	6,373
Taxes	9	–238	–290
Income for the period		2,698	6,083

Parent Company Balance Sheet

SEKm	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Intangible assets	10	552	591
Tangible assets	11	510	502
Financial assets	12	30,031	29,731
Total non-current assets		31,093	30,824
Current assets			
Inventories	13	1,238	1,299
Receivables			
Receivables from Group companies		1,753	2,392
Trade receivables		280	347
Deferred tax assets		42	86
Tax-refund claim		77	173
Derivative instruments		302	948
Other receivables		69	83
Prepaid expenses and accrued income		69	27
		2,592	4,056
Short-term investments		0	0
Cash and cash equivalents		1,262	682
Total current assets		5,092	6,037
Total assets		36,185	36,861
Pledged assets	15	—	—
EQUITY			
Restricted equity			
Share capital	17	1,153	770
Statutory reserves		18	18
Revaluation reserve		4	4
Non-restricted equity			
Fair value reserve		-14	-88
Share-premium reserve		2,605	
Profit or loss brought forward		11,464	6,047
Income for the period		2,698	6,083
Total equity		17,928	12,834
Untaxed reserves	18	901	902
Provisions			
Provisions for pensions and similar commitments	19	35	34
Other provisions	20	98	74
Total provisions		133	108
Interest-bearing liabilities			
Liabilities to Group companies		6,422	4,665
Long-term loans		7,383	10,287
Short-term loans		450	2,599
Total interest-bearing liabilities		14,255	17,551
Current liabilities			
Liabilities to Group companies		1,558	1,810
Trade payables		514	532
Tax liabilities		0	0
Other liabilities	21	365	378
Derivative instruments		531	2,746
Total current liabilities		2,968	5,466
Total equity and liabilities		36,185	36,861
Contingent liabilities	22	383	160

Parent Company Cash Flow Statement

SEKm	2009	2008
Operations		
Income after financial items	2,933	6,312
Depreciation according to plan charged against above	285	245
Adjustment for non-cash items	111	-28
Capital gain/loss included in operating income	1	-5,003
Cash flow from operations, excluding change in operating assets and liabilities	3,330	1,526
Taxes paid	141	-254
Cash flow from operations, excluding change in operating assets and liabilities	3,471	1,272
Change in operating assets and liabilities		
Change in inventories	117	27
Change in trade receivables	78	19
Change in inter-company claims	2,618	18,631
Change in other current assets	619	-809
Change in current liabilities and provisions	-2,239	2,451
Cash flow from operations	4,664	21,591
Investments		
Acquisitions of operations	-46	0
Sale of fixed assets	4	1
Change in shares and participations	-533	-19,919
Capital expenditure in property, plant and equipment	-139	-138
Intangible assets	-151	-457
Cash flow from investments	-865	-20,513
Total cash flow from operations and investments	3,799	1,078
Financing		
Change in short-term loans	-2,149	-7,226
Change in long-term loans	-2,904	7,739
Change in short-term investments	0	199
Repurchase of own shares	0	-48
Rights issue	2,988	—
Dividend paid to shareholders	0	-862
Group contribution paid	-1,154	-356
Cash flow from financing	-3,219	-554
Total cash flow	580	524
Cash and cash equivalents at beginning of year	682	158
Cash and cash equivalents at year-end	1,262	682

Parent Company Change in equity

SEKm	Share capital	Restricted reserves	Fair value reserve	Share-premium reserve	Profit or loss brought forward	Total
Opening balance 1 Jan 2008	770	22	-63	—	7,801	8,530
Group contributions					-1,174	-1,174
Tax effect of Group contributions					329	329
Dividend paid to shareholders					-862	-862
Repurchase of own shares					-48	-48
Valuation of available for sale investments			3			3
Change in hedge reserve			-28			-28
Share-based payments					1	1
Income for the period					6,083	6,083
Closing balance 31 Dec 2008	770	22	-88	—	12,130	12,834
Group contributions					-908	-908
Tax effect of Group contributions					239	239
Rights issue	383			2,605		2,988
Valuation of available for sale investments			0			0
Change in hedge reserve			74			74
Share-based payments					3	3
Income for the period					2,698	2,698
Closing balance 31 Dec 2009	1,153	22	-14	2,605	14,162	17,928

NOTE 1 Accounting of valuation principles**Basis of preparation**

The consolidated financial statements of Husqvarna AB (publ.) are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. As required by IFRS, entities within Husqvarna apply uniform IFRS rules as defined in the Husqvarna Accounting Manual. The policies set out below have been consistently applied to all years presented. Additional information is disclosed on the basis of the standard RFR 1.2 of the Swedish Financial Reporting Board.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2.2.

Principles applied for consolidation

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

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

Definition of Group companies

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

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

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

No companies have been divested during the year.

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

At year-end 2009, the Group comprised 147 operating units, and 116 companies.

Associated companies

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

Related party transactions

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

Foreign currency translations

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

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

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

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

Segment reporting

Husqvarna's segments (business areas) are based on the different business models for end-customers, consumers and professional users. This forms the basis for the Group's internal reporting reviewed by the Group's CEO (= Husqvarna's chief operating decision maker) in order to assess performance and take decision on allocating resources to the segments.

The segments are responsible for the operating result and the net assets used in their operations, whereas net financial income/expense and taxes as well as net debt and equity are not reported per segment. The operating results and net assets of the segments are consolidated using the same

Amounts in SEKm unless otherwise stated.

principles as for the total Group. The segments consist of separate legal units as well as divisions in multi-segment legal units where a certain amount of allocation of costs and net assets is carried out. Operating costs not included in the segments are shown under Husqvarna's common costs, which mainly include costs for Husqvarna's corporate functions.

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

Husqvarna will change its reportable segments as of 1 January 2010 as a consequence of its new organization. For more information see page 15.

Accounting and valuation principles

Revenue recognition

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

Interest income is recognized on a time-proportion basis using the effective interest method.

Government grants

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs of those assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Taxes

Taxes include current and deferred taxes with application of the liability method, meaning that deferred tax assets and liabilities are accounted for on all differences between the carrying amount of assets and liabilities in the balance sheet and the tax base. Deferred taxes are calculated using enacted or substantially enacted tax rates. Taxes incurred by Husqvarna are affected by appropriations and other taxable (or tax-related) transactions in the individual Group companies. They are also affected by the utilization of tax losses carried forward referring to previous years or to acquired companies.

This applies to both Swedish and foreign Group companies. Deferred tax assets on tax losses and temporary differences are recognized to the extent it is probable that they will be utilized in future periods. Deferred tax is not provided for on temporary differences arising on investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets and deferred tax liabilities are shown net when they refer to the same taxation authority and when a company or a group of companies, through tax consolidation schemes, etc., has a legally enforceable right to set off tax assets against tax liabilities.

Monetary assets and liabilities in foreign currency

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

Intangible fixed assets

Goodwill

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

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

Trademarks

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

Product development expenses

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

Other intangible assets

Other intangible assets include patents, licenses, computer software, customer relations and other rights. These assets are recognized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. The estimated useful life recognized for computer software is 3–6 years. Patents, mainly recognized in connection with

Amounts in SEKm unless otherwise stated.

Cont. Note 1

acquisitions, have an estimated useful life in the range of 10 to 13 years. Husqvarna has recognized customer relations with an estimated useful life between 5–12 years.

Property, plant and equipment

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

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

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

Impairment of long-lived assets

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

Classification of financial assets

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

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling the asset in the short-term or if the asset is designated as belonging to this category by management. Derivatives are categorized as held for trading and presented under derivatives in the balance sheet, unless they are designated as hedges. Assets in this

category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Loans and receivables

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

Available-for-sale financial assets

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

Recognition and measurement of financial assets

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

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

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for equity instruments classified as available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement are never reversed back through the income statement.

Amounts in SEKm unless otherwise stated.

Leasing

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the

obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount recognized is the present value of the estimated expenditures.

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

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

Pensions and other post-employment benefits

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

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

All other pensions and other post-employment benefit plans are defined benefit plans. The Projected Unit Credit Method is used to measure the present value of the obligations and costs. The calculations are made annually using actuarial assumptions determined close to the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions and differences between the expected and actual return on plan assets are treated as actuarial gains or losses. Actuarial gains or losses are amortized over the employees' expected average remaining working lifetime in accordance with the corridor approach.

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

Borrowings

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

Accounting of derivative financial instruments and hedging activities

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

Amounts in SEKm unless otherwise stated.

Cont. Note 1

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

Fair-value hedge

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

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

Cash-flow hedge

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

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

Net investment hedge

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

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

Derivatives that do not qualify for hedge accounting

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

Share-based compensation

IFRS 2 is applied for the share-based compensation programs granted in 2007, 2008 and 2009. The instruments granted are shares and options. Husqvarna classifies its share-based

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

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

Cash flow

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

Parent company's accounting and valuation principles

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

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

Investments in associated companies are reported at historical cost.

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

New accounting principles as from 2009

The IASB has issued standards, interpretations and amendments to standards applicable for Husqvarna as from 2009.

IAS 1 Presentation of Financial Statements (Revised). The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity is required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Husqvarna uses the second alternative and presents the income statement and the statement of comprehensive income separately.

Amounts in SEKm unless otherwise stated.

IFRS 7, "Financial instruments – Disclosures" (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy results in additional disclosures in note 2 "Financial risk management and financial instruments".

IFRS 8, Operating segments. The standard is effective for financial years, beginning on or after 1 January 2009. The standard addresses the division of the Company's operations into different segments. According to the standard, the Company is to base this division on its internal reporting structure and is to determine the reportable segments on the basis of this structure. Husqvarna has evaluated this standard and it has had no impact on the Group's reportable segments compared to previous years. Husqvarna will, however, change its reportable segments as of 1 January 2010. For more information, see page 15.

IAS 23, Borrowing costs (Revised). The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to prepare for use or sale. Husqvarna has earlier expensed borrowing costs for such assets as they arise. Husqvarna has therefore changed accounting policies and capitalize borrowing costs as part of the cost of such assets.

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

New accounting principles from 2010 and onwards

A number of standards, interpretations and amendments will come into effect 2010. The Group has or is in the process of evaluating the complete effect of the implementation of these changes. The following standards are those expected to have an impact on the Group accounts.

IAS 27, (Revised). "Consolidated and separate financial statements", (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3, (Revised). "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

Significant accounting policies and uncertainty factors in estimated value

Use of estimates

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

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

Asset impairment

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

Amounts in SEKm unless otherwise stated.

Cont. Note 1

future results. Differences in the estimation of expected future results and the discount rates used may result in different asset valuations.

Long-lived assets, excluding goodwill and other intangible assets with indefinite lives, are depreciated on a straight-line basis over their estimated useful lives. Useful lives for property, plant, and equipment are estimated between 10–40 years for buildings, 3–15 years for plant and machinery and technical installations and 3–10 years for other equipment. The carrying amount for property plant, and equipment within the Group amounted to SEK 4,375m. The carrying amount for goodwill and other intangible assets at year-end amounted to SEK 10,872m. Under the current business environment management do not believe that any reasonable changes in the key assumptions on which the cash-generating units recoverable amounts are based upon would result in the carrying amounts exceeding the recoverable amounts.

Deferred taxes

In the preparation of the financial statements, Husqvarna estimates income tax for each of the taxing jurisdictions in which Husqvarna operates as well as any deferred taxes based on temporary differences. Deferred tax assets, which primarily relate to tax loss carry-forwards and temporary differences, are recognized in those cases in which future taxable income is expected to allow for the recovery of those tax assets.

Changes in assumptions in the projection of future taxable income as well as changes in tax rates, may result in significant differences in the valuation of deferred taxes. As of 31 December 2009, Husqvarna recognized a net amount of SEK 1,114m as deferred tax liabilities. Tax loss carry-forwards, unused tax credits and other deductible temporary differences of SEK 1,958m have not been included in computation of deferred tax assets.

Trade receivables

Trade receivables are reported net of allowance for doubtful receivables. The net value represents the amount expected to be received. These expectations are based on circumstances known at balance sheet date. Despite the financial situation Husqvarna has not seen any significant increase in customer defaults. An increase in defaults or changes in financial situation of a significant customer could lead to different valuations. The total provision for doubtful accounts at year end was SEK 183m and the trade receivables, net of provision amounted to SEK 3,385m.

Pensions and other post-employment benefits

The Group sponsors defined benefit pension plans for certain of its employees in certain countries. Pension calculations are based on assumptions concerning expected return on assets, discount rates, inflation, mortality, future salary increases etc.

Changes in assumptions directly affect the service costs, interest costs and expected return on asset components of the expense. Gains and losses arising when actual returns on assets differ from expected returns, and when actuarial liabilities are adjusted due to changes in assumptions, are allocated over the expected average remaining working life of the employees using the corridor approach. The average expected return on assets used in 2009 was 5.5% (SEK 77m), which is based on historical results. During 2009 the actual return on assets was SEK 144m. The average discount rate used to estimate liabilities at the end of 2008 and the calculation of expenses during 2009 was 4.9%. A decrease of 0.5% in this rate would have increased the service cost component of the expense by approximately SEK 7m.

Restructuring

During 2008 and 2009 Husqvarna has announced two restructuring programs. The total charge against operating income 2009 was SEK 452m (316) of which SEK 175m (0) was impairment of fixed assets. End of 2009 SEK 59m has been paid out from 2009 program and SEK 211m from 2008 program. The charges have been calculated on the basis of detailed plans for activities that are aimed at increasing flexibility both on variable and fixed costs.

Claims reserves

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

Contingent liabilities

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

Amounts in SEKm unless otherwise stated.

NOTE 2 Financial risk management and financial instruments

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

Financial risk management

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

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

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

The Board of Directors of Husqvarna has adopted a Group financial policy, as well as a Group credit policy, to regulate the management and control of these risks. These risks are to be managed according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets. The purpose of the policy is to have enough funding available to minimize the Group's cost of capital and to achieve an effective management of the Group's financial risks.

The management of financial risks has largely been centralized to Husqvarna Group Treasury. The measurement and control of financial risks within Group Treasury is performed on a daily basis by a separate risk control function. Furthermore, the Husqvarna Group's policies include guidelines for managing operating risk relating to financial instruments, e.g. through the clear assignment of responsibilities and the allocation of powers of attorney. Proprietary trading in currencies and interest-bearing instruments is permitted with tight limits set within the framework of the Financial Policy. The primary aims of such trading are to maintain a flow of high quality information and market knowledge, as well as to contribute to the proactive management of the Group's financial risks.

Capital structure

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

indebtedness may be adjusted in the event of changes to the macroeconomic situation, or allowed to deviate for a shorter period of time due to acquisitions.

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

	31 Dec 2009	31 Dec 2008
Interest-bearing liabilities	9,094	16,287
Less: liquid funds	-2,745	-2,735
Net debt	6,349	13,552
Total equity excl. minorities	12,082	8,772
Total assets	30,229	34,337
Net pension liabilities	999	1,034
Adjusted financial debt*	7,348	14,586
EBITDA (12m)*	3,060	3,524
Adjusted financial debt/ EBITDA*	2.40	4.14
Adjusted equity/assets ratio	40.0%	25.5%

* Adjusted financial debt and EBITDA have in the table above not been adjusted for acquisitions and extraordinary items.

Borrowings and financing risk

Borrowings

The debt financing of Husqvarna is managed centrally by Group Treasury in order to ensure efficiency and risk control. Debt is primarily raised at Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process, various derivatives are used to convert the funds to the required currency. Financing is also undertaken locally, mostly in countries in which there are legal restrictions preventing financing through the Parent Company. The bulk of the Group's financing is currently conducted through bilateral loan agreements and through a Swedish Medium Term Note program. In addition, the Group has SEK 10,000m of unutilized committed revolving credit facilities. The major part of these facilities matures in 2013. Due to the nature of its business, the Group has major seasonal variations in its funding needs. These variations have during 2009 been managed primarily by utilizing the revolving credit facilities, trade receivables sales programs and to a smaller extent by using the Group's commercial paper program.

Financing risk

Financing risk refers to the risk that the financing of the Group's capital requirements and the refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed available liquidity. Disregarding seasonal variations, net debt shall be long-term, according to the Financial Policy. The Group's goals for long-term borrowings include an average time to maturity of at least two years, and an even

Amounts in SEKm unless otherwise stated.

Cont. Note 2

Maturity profile of loans and other financial instruments as of 31 December 2009¹

	2010	2011	2012	2013	2014	2015	Total
Financial leases	63	57	51	48	48	222	489
Bond loans	489	51	558	47	50	1,245	2,440
Utilized part of committed revolving credit facility							—
Bank and other loans	158	2,194	1,392	1,083	1,092	666	6,585
Derivative liabilities, balance sheet ²	546	64	64	43	42		759
Total	1,256	2,366	2,065	1,221	1,232	2,133	10,273
Unutilized committed revolving credit facilities covering short-term financing	-10,000	1,000	1,810	7,190			
Adjusted maturity profile	-8,744	3,366	3,875	8,411	1,232	2,133	10,273
Liquid funds excl derivative assets	-2,578						-2,578
Derivative assets, balance sheet ²	-178	-51	-73	-60	-65		-427
Trade receivables	-3,385						-3,385
Trade payables	2,854						2,854
Net	-12,031	3,315	3,802	8,351	1,167	2,133	6,737

1) Please note that the table includes the forecast future nominal interest payment and, thus, does not correspond to the carrying amounts in the balance sheet.

2) For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in Note 2 on page 63.

distribution of maturities. A maximum of SEK 3,000m in borrowings is normally allowed to mature in the next 12-month period. When Husqvarna assesses its refinancing risk, the maturity profile is adjusted for available unutilized committed credit facilities.

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

The average adjusted time to maturity for the Group's financing was 3.2 years (3.4) at the end of 2009, taking the unutilized part of committed credit facilities into account.

Interest-bearing liabilities

At year-end 2009, the Group's total interest-bearing liabilities amounted to SEK 9,094m (16,287), of which SEK 7,934m (10,694) referred to long-term loans. The major portion of the long-term borrowings pertains to bilateral loan agreements and Medium Term Notes issued in the domestic market. The

short-term portion of previously long-term loans was SEK 450m, which is lower than last year.

Husqvarna has, as mentioned, substantial seasonal variation in its borrowings. The seasonal peak of the indebtedness normally implies additional borrowings of SEK 3,000–5,000m in excess of year-end borrowings, taking yearly dividend into account.

The table below sets out the amount of the Group's borrowings, allocated by different funding sources.

Market programs

Husqvarna has established a Medium Term Note program (MTN), denominated in SEK, to issue long-term debt in the domestic capital market. The total amount of the program is SEK 5,000m. During the year, MTN loans amounting to SEK 1,100m have matured and no new issuance has been made. In addition, Husqvarna has a Swedish Commercial Paper program (CP). The total amount of the program is SEK 7,000m. The table on the next page shows outstanding amounts under these two programs.

Borrowings	Total borrowings 2009	Facility amount 2009	Total borrowings 2008	Facility amount 2008
Medium Term Note Program	2,067	5,000	3,205	5,000
Other bond loans	72		63	
Committed revolving credit facility	—	10,000	1,500	8,000
Long-term bank loans	5,942		8,184	
Financial leases	344		386	
Commercial papers	—	7,000	—	7,000
Other short-term loans	170		515	
Fair value derivative liabilities	499		2,434	
Total	9,094		16,287	

Amounts in SEKm unless otherwise stated.

Issued – Maturity	Program	Nominal amount	Currency	Coupon
	CP	0	SEK	
2007–2010	MTN	100	SEK	STIBOR +0.28%
2007–2010	MTN	350	SEK	STIBOR +0.29%
2007–2012	MTN	250	SEK	STIBOR +0.39%
2007–2012	MTN	250	SEK	4.875%
2007–2015	MTN	500	SEK	STIBOR +0.46%
2008–2016	MTN	60	EUR	EURIBOR +0.82%

Currency composition

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

Net debt

	31 Dec 2009		31 Dec 2008	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
SEK	2,550	-4,096	7,670	-563
EUR	3,429	5,308	6,080	6,792
USD	645	2,977	-255	4,628
JPY	-155	833	-89	1,004
AUD	-43	460	-14	397
CAD	-25	402	-25	236
BRL	163	163	174	174
NOK	-21	116	-14	131
HKD	0	98	0	103
Other	-194	88	25	650
Total	6,349	6,349	13,552	13,552

Liquid funds

Liquid funds consist of cash and cash equivalent and other short-term deposits including derivative assets at fair market value. Husqvarna's goal is that the level of liquid funds, including unutilized committed credit facilities, shall equal at least 2.5% of rolling 12-month sales. At year-end, this ratio was 37.4% (28.6). In addition to this liquidity, the Group shall have sufficient liquid resources to finance the expected seasonal build-up in working capital during the next 12 months.

Credit risk in liquid funds

Investments in liquid funds are mainly made in interest-bearing instruments with high liquidity and involve issuers with a long-term rating of at least A-, as defined by Standard & Poor's or similar institutions. The average time to maturity for the liquid funds was 21 days (29) at the end of 2009.

Interest rate risks on liquid funds and borrowings

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

Interest rate risk in liquid funds

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

Derivative financial instruments, such as futures and forward rate agreements, are used to manage the interest rate risk. The holding periods of investments are mainly short-term. The majority of investments are undertaken with maturities of between 0 and 3 months. The fixed interest term for these current investments was 14 days (7) at the end of 2009. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 26m (18) and the Group's equity by SEK 19m (13).

Interest-rate risk in borrowings

The Financial Policy states that the benchmark for the long-term loan portfolio is an average fixed interest term of 6 months. Group Treasury can choose to deviate from this benchmark on the basis of a risk mandate established by the Board of Directors. However, the maximum average fixed interest term is 3 years. Derivatives, such as interest rate swap agreements, are used to manage the interest rate risk by changing the interest from fixed to floating or vice-versa. The average fixed interest term for the non-seasonal debt was 2.2 (0.4) years at the end of the year. On the basis of volumes and interest fixings at the end of 2009, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 38m (+/- 80). Husqvarna acknowledges that the interest rates on different maturities and different currencies may not change uniformly. This calculation is based on a parallel shift of all yield curves simultaneously by one percentage point. The Group has seasonal debt for which the interest risk is not calculated due to its short-term nature.

As per 31 December 2009, the average interest rate in the total loan portfolio was 3.2% (4.3). At year-end, Husqvarna had outstanding interest rate derivatives with a nominal amount of SEK 2,505m hedging the interest rate risk.

Foreign exchange risk

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

The major currencies to which Husqvarna is exposed are USD, EUR, CAD, RUB, AUD and SEK.

Amounts in SEKm unless otherwise stated.

Cont. Note 2

Transaction exposure from commercial flows

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

The table below shows the forecasted transaction flows (imports and exports) for the 12-month period of 2010 and hedges at year-end 2009.

Commercial flows

Currency	2010 Forecast flow SEKm	31 Dec 2009 Total hedge amount SEKm	2009 Forecast flow SEKm	31 Dec 2008 Total hedge amount SEKm
EUR	2,473	-2,266	2,597	-2,370
CAD	1,017	-633	1,043	-771
RUB	598	-390	542	-362
PLN	385	-275	459	-345
GBP	365	-265	410	-335
Other	1,193	-586	1,652	-628
USD	-2,667	2,035	-2,174	1,802
SEK	-3,364	2,380	-4,529	3,009

The effect of hedging on operating income amounted to SEK -109m (-89) during 2009. At year-end 2009, the unrealized exchange rate result on forward contracts amounted to SEK -57m (-23), all of which will mature in 2010.

Translation exposure on consolidation of entities outside Sweden

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

Foreign exchange sensitivity from transaction and translation exposure

Husqvarna is particularly exposed to changes in the exchange rates of SEK and EUR. Furthermore, the Group has significant exposures to USD, CAD, GBP and a number of other currencies. A 10% increase or decrease in the value of USD, EUR and CAD against SEK, disregarding any effects from hedges, would affect the Group's income before financial items and tax by approximately SEK +/- 133m (276) for one year, using a static calculation. This assumes the same distribution of earnings and costs as in 2009 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates. It is also worth noting that, due to the seasonality in Husqvarna's sales, these flows and results are not distributed evenly throughout the calendar year.

Exposure from net investments (balance sheet exposure)

The net assets and liabilities in foreign subsidiaries constitute a net investment in foreign currency, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, hedging is conducted based on borrowings and foreign exchange derivative contracts. This means that the decline in value of a net investment, resulting from a rise in the exchange rate of SEK, is offset by the exchange gain on the Parent Company's borrowings and foreign exchange derivative contracts, and vice versa. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. Group Treasury is allowed to deviate from the benchmark under a given risk mandate. The effect of the hedging is included in the analysis of the currency composition of the Group's net debt, as shown on page 61.

Hedge accounting of currency risk

Husqvarna applies hedge accounting for its commercial flows and for the hedging of net investments in foreign currency. The total market value for hedges of commercial flows amounted to SEK -68m as of December 31 2009, of which SEK -43m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2010 would be SEK -10m for Q1, SEK -25m for Q2, SEK -8m for Q3 and SEK 0m for Q4, 2010. During the year, no ineffectiveness has occurred in relation to the hedging of net investments while a minor degree of ineffectiveness has occurred in the hedging of commercial flows in foreign operations. A total amount of SEK 0.2m (0.9) has negatively affected profit and loss. See Note 16 for the effect on equity of hedge accounting.

Commodity price risks

Commodity price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise on the global markets. Husqvarna is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposures, which refer to pure commodity exposures, and indirect commodity exposures, which are defined as exposures arising from only a portion of a component. Commodity price risk is managed through contracts with the suppliers rather than through the use of derivatives. A ten per cent rise or fall in the price of steel used in Husqvarna's products will affect the Group's results before financial items and tax by approximately -/+SEK 223m (208), everything else being equal. The same effect on the price of aluminum would impact the results by -/+SEK 60m (74) and a 10% change in the price of plastics would give an effect on results of SEK -/+ 80m (92).

Amounts in SEKm unless otherwise stated.

Credit risk

Credit risk in trade receivables

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

Husqvarna uses an internal classification of the credit-worthiness of its customers. The classification has different levels, from low risk to high risk. In the table below, trade receivables have been divided into three different intervals.

Credit portfolio

	2009	2008
Total	3,385	4,184
Low to Moderate Risk	1,847	2,294
Medium Risk to Elevated	1,281	1,491
High Risk	257	402

As of 31 December 2009, net trade receivables, after provisions for doubtful accounts, amounted to SEK 3,385m (4,184), which consequently equals the maximum exposure to losses in trade receivables. Hence, the book value equals the fair market value of the receivables. The size of the credit portfolio is, however, directly dependent upon the seasonal pattern of Husqvarna's sales. This means that credit exposure is significantly higher during the first six to nine months of each calendar year. A provision for impairment of trade receivables is established when there is objective evidence that Husqvarna will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Provisions for doubtful trade receivables at the end of the financial year amounted to SEK 183m (137), of which SEK 182m refer to invoices due.

Overdue trade receivables

Trade receivables that were due but not yet written down amounted to SEK 569m (782) as of 31 December 2009.

Ageing analyses for overdue trade receivables

	2009	2008
Due but not written down		
Up to 1 month	207	311
1 to 3 months	121	271
>3 months	241	200
	569	782

The situation regarding overdue receivables has not changed significantly since previous year-end taking the total volume of outstanding trade receivables into account. The fair value of collateral held for trade receivables due for payment was SEK 74m (66).

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

Concentration of credit risk in trade receivables

Concentration of credit risk	As of 31 Dec 2009		As of 31 Dec 2008	
	Number of customers	Percent of total portfolio	Number of customers	Percent of total portfolio
Exposure <SEK 15m	N/A	78%	N/A	75%
Exposure SEK 15–100m	10	9%	17	12%
Exposure >SEK 100m	2	13%	2	13%

Husqvarna has substantial exposure towards a limited number of large customers, primarily in the US.

Credit risk in financial activities

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

Maturity	31 Dec 2009	31 Dec 2008
	2010	2009
Amount sold	-29,753	-43,062
Amount purchased	29,373	41,511
Net settled derivatives (NDF)	0	-18
Net	-380	-1,569

Fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the balance sheet can deviate from the fair value, e.g. as a result of changes in market interest rates. As from January 1st, 2009 Husqvarna applies to the amendments in IFRS 7 for financial instruments measured at fair value on the balance sheet whereby an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of input used according to the following levels:

- Quoted prices (unadjusted) in active markets (Level 1),
- inputs other than quoted prices included within Level 1 that are observable, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
- inputs that are not based on observable market data (Level 3).

Amounts in SEKm unless otherwise stated.

Cont. Note 2

All financial assets and liabilities reported at fair value are held in the category financial assets and liabilities through profit and loss. To determine the fair value of those financial assets and liabilities fair value hierarchy Level 2 have been applied whereby future cash flows have been discounted using current quoted market interest rates and currency rates for similar instruments.

Changes in credit spreads have been disregarded when determining fair value of financial leases.

For financial instruments such as trade receivables, trade payables and other non-interest bearing assets and liabilities, booked at accrued acquisition value less any depreciation, the fair value is determined as corresponding to the carrying amount.

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets held for trading valued at fair value				
– of which currency derivatives where hedge accounting is not applied	15	15	376	376
– of which currency derivatives where hedge accounting for cash flow hedges is applied	62	62	260	260
– of which interest derivatives where hedge accounting for cash flow hedges is applied	8	8	0	0
– of which currency derivatives where hedge accounting for net investment in foreign currency is applied	82	82	271	271
Financial assets available for sale				
Loans and receivables				
Trade receivables	3,385	3,385	4,184	4,184
Other receivables	339	339	364	364
Cash and bank and short-term investments	2,578	2,578	1,828	1,828
Total financial assets	6,469	6,469	7,283	7,283
Financial liabilities				
Financial liabilities that are held for trading at fair value				
– of which derivatives where hedge accounting is not applied	158	158	1,736	1,736
– of which currency derivatives where hedge accounting for cash flow hedges is applied	120	120	302	302
– of which interest derivatives where hedge accounting for cash flow hedges is applied	19	19	0	0
– of which currency derivatives related to net investments in foreign currency where hedge accounting is applied	202	202	396	396
Other financial liabilities				
Trade payables	2,854	2,854	3,280	3,280
Other liabilities	151	151	200	200
Financial leases	344	409	386	483
Loans	8,251	8,190	13,467	13,052
Total financial liabilities	12,099	12,103	19,767	19,449

Parent Company

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

Amounts in SEKm unless otherwise stated.

NOTE 3 Segment information

Business areas

Husqvarna's segments (business areas) are based on the different business models for end-customers, consumers and professional users. Operations are classified in two segments: Consumer Products and Professional Products. Operations within Consumer Products comprise two geographical areas – North America and Rest of the world. Products and services, production, customers and distribution within these operations are similar and the operations are aggregated into one business area, Consumer Products. Consumer Products comprises mainly lawn mowers, garden tractors, trimmers, leaf blowers, chainsaws as well as irrigation products.

The Professional Products business area comprises three product areas: Forestry, Lawn and Garden and Construction. Products and services, production, customers and distribution within Forestry and Lawn and Garden are similar and the operations are aggregated together with Construction into one business area, Professional Products.

Professional Products mainly comprises high performance chainsaws, clearing saws, brush cutters, professional lawn and garden equipment, power cutters, diamond tools and related equipment for cutting material such as concrete and stone as well as accessories such as chains, blades, tools and protective clothing.

Financial information related to the above segments is reported below:

	Net sales		Operating income		Where of one-time costs	
	2009	2008	2009	2008	2009	2008
Consumer Products	22,672	19,849	459	963	-260	-80
Professional Products	11,402	12,493	1,265	1,587	-192	-235
Total	34,074	32,342	1,724	2,550	-452	-315
Group common costs			-164	-189	0	-1
Total	34,074	32,342	1,560	2,361	-452	-316

During 2009 and 2008 Husqvarna has announced a number of restructuring programs impacting the business areas' operating income. The table above shows the charges made to the respective business area.

	Assets		Liabilities		Cash flow ¹	
	2009	2008	2009	2008	2009	2008
Consumer Products	17,347	19,895	3,872	4,117	2,085	1,520
Professional Products	8,889	10,648	2,670	2,773	2,736	1,536
Total	26,236	30,543	6,542	6,890	4,821	3,056
Other ²	1,248	1,059	2,467	2,345	-546	82
	27,484	31,602	9,009	9,235	4,275	3,138
Liquid funds	2,745	2,735	—	—	—	—
Interest-bearing receivables	—	—	—	—	—	—
Interest-bearing liabilities	—	—	9,094	16,287	—	—
Total equity	—	—	12,126	8,815	—	—
Acquisitions	—	—	—	—	-43	-845
Financial items	—	—	—	—	-505	-582
Taxes paid	—	—	—	—	-33	-543
Total	30,229	34,337	30,229	34,337	3,694	1,168

1) Cash flow from operations and investments.

2) Includes deferred taxes and common Group services such as Holding, Treasury and Risk Management.

	Capital expenditure Tangible assets		Capital expenditure Intangible assets		Depreciation/ amortization ¹	
	2009	2008	2009	2008	2009	2008
Consumer Products	414	563	77	123	959	690
Professional Products	253	346	124	129	540	471
Other	0	—	46	2	1	2
Total	667	909	247	254	1,500	1,163

1) Impairment in the Group amounted to SEK 175m, whereof SEK 119m referred to Consumer Products and SEK 56m to Professional Products.

Amounts in SEKm unless otherwise stated.

Cont. Note 3

Segment consolidation is based on the same accounting principles as for the Group as a whole.

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

Husqvarna has one customer which stands for 14% of the Group's total revenue 2009. The table below shows sales per geographical market, regardless of where the goods are produced.

External sales, per geographical market

	2009	2008
Sweden	1,033	1,091
Other Europe	14,454	15,023
North America	15,152	13,079
Rest of the World	3,435	3,149
Total	34,074	32,342

Assets and capital expenditure, per geographical area

	Assets		Capital expenditure Tangible assets		Capital expenditure Intangible assets	
	2009	2008	2009	2008	2009	2008
Sweden	4,484	4,996	153	158	153	128
Other Europe	14,151	15,806	157	264	43	63
North America	8,734	10,035	270	365	27	35
Rest of the World	2,860	3,500	87	122	24	28
Total	30,229	34,337	667	909	247	254

New reporting structure

Husqvarna established a new functional organization 1 January 2010. This implies that the Group's reportable segments will change 2010. Information about the new organization and financial figures for 2007–2009 can be found on pages 15 and 96–97.

Parent company information

Net sales	2009	2008
Europe	6,917	8,274
North America	738	814
Rest of the World	1,039	923
Total	8,694	10,011

Net sales per product area

	2009	2008
Forestry	4,977	5,323
Lawn and Garden	26,462	23,878
Construction	2,635	3,141
Total	34,074	32,342

Amounts in SEKm unless otherwise stated.

NOTE 4 Net sales and operating income

Net sales for the Group amounted to SEK 34,074m (32,342). The Group's reported net sales mainly refer to revenues from sales of finished products. Net sales in the Swedish companies amounted to SEK 988m (1,073). Exports from Sweden during the year amounted to SEK 8,027m (9,310), of which SEK 6,543m (7,522) refers to entities within the Group. Operating income for the Group amounted to SEK 1,560m (2,361). Operating income includes net exchange-rate differences which amounted to SEK -137m (-57). Costs for research and development for the Group amounted to SEK 507m (332) and are included in Cost of goods sold. Depreciation and amortizations for the year amounted to SEK -1,325m (-1,163). Salaries, remuneration and employer contributions amounted to SEK 4,926m (4,949) and expenses for pensions and other post-employment benefits amounted to SEK 232m (210).

NOTE 5 Other operating income

	Group		Parent Company	
	2009	2008	2009	2008
Gain on sale of				
Property, plant and equipment	5	4	3	0
Operations and shares ¹	—	—	0	5,022
Other operating income	—	—	4	3
Total	5	4	7	5,025

1) The sale of the shares in Husqvarna Consumer Outdoor Products N.A.Inc., in connection to the restructuring of Husqvarna's US operations, generated a surplus of SEK 4,975m. Furthermore, the liquidation of Husqvarna Holding Norway AS generated a surplus of SEK 47m.

NOTE 6 Other operating expense

	Group		Parent Company	
	2009	2008	2009	2008
Loss on sale of				
Property, plant and equipment	-8	-35	-3	-4
Impairment, shares ¹	—	-13	—	-15
Total	-8	-48	-3	-19

1) From write-down in Khimki A/O of SEK 2m and write-down in Firefly Energy Inc of SEK 13m.

NOTE 7 Leasing

Operating leases

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

Expenses for rental payments (minimum leasing fees) amounted to SEK 320m (334) in 2009.

The future amount of minimum payments for operating leases are distributed in time as follows:

2010	296
2011-2014	648
2015-	68
Total	1,012

Financial leases

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

The present value of the future lease payments is SEK 344m.

At 31 December 2009, Husqvarna's financial leases, recognized as non-current assets, consisted of:

	2009	2008
Acquisition costs		
Buildings	410	436
Machinery and other equipment	67	83
Closing balance 31 Dec	477	519

Accumulated depreciation

Buildings	222	221
Machinery and other equipment	39	48
Closing balance 31 Dec	261	269
Carrying amount, 31 Dec	216	250

Liabilities referring to financial leasing – minimum lease fees

Within 1 year	63
After 1 year	426
	489

Future financial costs for financial leasing	-145
Present value of future minimum lease fees	344

Present value of financial leasing liabilities

Short-term liabilities	41
Long-term liabilities	303
	344

Amounts in SEKm unless otherwise stated.

NOTE 8 Financial income and expense

	Group		Parent Company	
	2009	2008	2009	2008
Financial income				
Interest income				
from subsidiaries	—	—	93	869
from others	23	37	7	2
Exchange-rate differences	9	85	974	—
whereof:				
on loans	524	1,017	364	—
on hedging of foreign net investments	—	—	946	—
on cashflow hedges, currency derivatives	15	-3	-22	—
on derivatives held for trading	-530	-929	-314	—
Dividends				
from subsidiaries	—	—	1,822	412
from others	—	—	—	—
Other financial income	4	—	—	—
Total financial income	36	122	2,896	1,283
Financial expenses				
Interest expense				
to subsidiaries	—	—	-24	-211
to others	-424	-693	-364	-624
whereof:				
on loans	-257	-628	-221	-769
on hedging of foreign net investments ¹	-112	-114	-112	-114
on cashflow hedges, interest derivatives	-13	—	-13	—
on derivatives held for trading	-42	49	-42	48
Exchange-rate differences	—	—	—	-660
whereof:				
on loans	—	—	—	1,159
on hedging of foreign net investments	—	—	—	-687
on cashflow hedges	—	—	—	-1
on derivatives held for trading	—	—	—	-1,131
Other financial expenses	-78	-23	-24	-15
Total financial expenses	-502	-716	-412	-1,510
Financial income and expenses, net	-466	-594	2,484	-227

1) Financial expenses on hedging of foreign net investments include interest expenses from derivatives used for hedging net investments SEK -18m (21) and interest expenses from loans in foreign currencies used for hedging net investments SEK -94m (-135).

NOTE 9 Taxes

	Group		Parent Company	
	2009	2008	2009	2008
Current taxes	-188	-276	-221	-336
Deferred taxes	-3	-203	-17	46
Total	-191	-479	-238	-290

Calculated taxes on Group Contributions for 2009 are included with SEK -239m (-329) in the Parent Company. The deferred tax assets in the Parent Company totaled SEK 42m (86) and relate mainly to pensions, restructuring provisions and derivative instruments.

The Group accounts include deferred tax liabilities of SEK -237m (-237) referring to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	Group	
	2009	2008
Theoretical tax rate	31.8	31.4
Losses for which deductions have not been made	8.6	7.3
Non-taxable/non-deductible income statement items, net	-7.7	-8.6
Changes in estimates relating to deferred tax	-1.5	-1.7
Utilized tax loss carry-forwards	-7.1	-3.5
Effect of tax rate change	-0.9	-0.3
Withholding tax	0.7	1.3
Other	-6.5	1.2
Actual tax rate	17.4	27.1

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group's net sales per country, multiplied by the local statutory tax rates.

Tax loss carry-forwards and other tax credits

As of 31 December 2009, the Group has tax loss carry-forwards, other deductible temporary differences and tax credits of SEK 1,958m (2,039), which have not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows:

	2009
2010	3
2011	—
2012	—
2013	3
2014	29
Subsequent years	263
Without time limit	1,026
Total	1,324

The change from the previous year as regards deductible temporary differences was SEK -8m (-161), excluding unused tax losses not recognized in the balance sheet.

As of 31 December 2009, the Group had deferred taxes recognized in equity totalling SEK -252m (170). Deferred taxes recognized in the income statement amounted to SEK -3m (-203). Exchange-rate differences amounted to SEK 42m (-100).

Amounts in SEKm unless otherwise stated.

Changes in deferred taxes

	2009	2008
Net deferred taxes and liabilities, 1 Jan	-901	-768
Recognized in equity	-252	170
Hedge accounting	-248	175
Other	-4	-5
Recognized in the income statement	-3	-203
Non-current assets	-126	-75
Inventories	59	-57
Current receivables	-23	83
Provision for pensions and similar commitments	19	-40
Other provisions	60	22
Financial and operating liabilities	-173	-41
Other items	226 ¹	-138 ¹
Recognized unused tax losses	-45	43
Exchange-rate differences	42	-100
Non-current assets	37	-145
Inventories	12	-11
Current receivables	5	3
Provision for pensions and similar commitments	0	17
Other provisions	-1	9
Financial and operating liabilities	-1	22
Other items	-10	5
Net deferred tax assets and liabilities, 31 Dec	-1,114	-901

1) Other items include tax allocation reserves of SEK 0m (-153m) referring to the Parent Company and its subsidiaries in Sweden.

Deferred tax assets amounted to SEK 756m, whereof SEK 241m will be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,870m, whereof SEK 16m will be utilized within 12 months.

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

Deferred tax assets and liabilities

	Group					
	Assets		Liabilities		Net	
	2009	2008 ¹	2009	2008 ¹	2009	2008 ¹
Non-current assets	350	455	1,743	1,759	-1,393	-1,304
Inventories	149	131	127	180	22	-49
Current receivables	128	135	19	8	109	127
Provisions for pensions and similar commitments	125	116	37	44	88	72
Other provisions	152	96	8	11	144	85
Financial and operating liabilities	113	121	168	2	-55	119
Other items	9	35	153 ²	153 ²	-144	-118
Recognized unused tax losses	115	167	—	—	115	167
Deferred tax assets and liabilities	1,141	1,256	2,255	2,157	-1,114	-901
Set-off of tax	-385	-328	-385	-328	—	—
Net deferred tax assets and liabilities	756	928	1,870	1,829	-1,114	-901

1) 2008 figures have been restated due to an incorrect set off between assets and liabilities. The restatement had no impact on total net deferred tax.

2) Other items include tax allocation reserves of SEK -153m (-153m) referring to the Parent Company and its subsidiaries in Sweden.

Amounts in SEKm unless otherwise stated.

NOTE 10 Intangible assets

	Group					Parent Company
	Goodwill	Trademark	Product development	Other	Total	Product development and other
Acquisition costs						
Opening balance, 1 Jan 2008	5,461	3,300	859	535	10,155	621
Acquired during the year	—	—	—	12	12	7
Product development	—	—	242	—	242	127
Acquired companies	346	64	—	64	474	324
Fully amortized	—	—	-50	-31	-81	—
Exchange-rate differences	981	516	84	107	1,688	—
Closing balance, 31 Dec 2008	6,788	3,880	1,135	687	12,490	1,079
Acquired during the year	—	—	—	60	60	44
Product development	—	—	188	—	188	107
Acquired companies	—	—	—	2	2	7
Fully amortized	—	—	—	-5	-5	—
Reclassification	—	—	44	114	158	—
Exchange-rate differences	-327	-221	-42	-27	-617	—
Closing balance, 31 Dec 2009	6,461	3,659	1,325	831	12,276	1,237
Accumulated amortization¹						
Opening balance, 1 Jan 2008	—	102	408	153	663	398
Amortization for the year	—	26	141	70	237	90
Acquired companies	—	—	—	—	—	—
Fully amortized	—	—	-50	-31	-81	—
Impairment	—	—	—	2	2	—
Exchange-rate differences	—	19	41	32	92	—
Closing balance, 31 Dec 2008	—	147	540	226	913	488
Amortization for the year	—	35	189	76	300	150
Acquired companies	—	—	—	—	—	5
Fully amortized	—	—	—	-5	-5	—
Impairment	—	—	49	45	94	42
Reclassification	—	—	44	114	158	—
Exchange-rate differences	—	-9	-31	-16	-56	—
Closing balance, 31 Dec 2009	—	173	791	440	1,404	685
Carrying amount, 31 Dec 2008	6,788	3,733	595	461	11,577	591
Carrying amount, 31 Dec 2009	6,461	3,486	534	391	10,872	552

1) In the income statement amortization is primarily accounted for within Cost of goods sold.

Intangible assets with indefinite useful lives

Goodwill as per 31 December 2009 amounts to SEK 6,461m, whereof SEK 4,711m relates to Consumer Products and SEK 1,750m to Professional Products. Husqvarna has assigned the Gardena trademark indefinite life, with a total carrying amount of SEK 3,317m. All intangible assets with indefinite useful lives are tested for impairment at least once a year and individual assets can be tested more regularly in cases in which there are indications of impairment. The recoverable amounts of the operations have been determined based on value in use calculations. Value in use is estimated using the discounted cash-flow model on the strategic plans that are

established for each cash-generating unit covering the coming three years, i.e. 2010 to 2012. These plans are used for the impairment tests made at the end of 2009. The cash flow of the third year is normally used for the fourth year and onwards with an estimated growth rate of 2% included. The pre-tax discount rate used in 2009 was 9%. Under the current business environment, management do not believe that any reasonable changes in the key assumptions on which the cash-generating unit's recoverable amounts are based upon would result in the carrying amounts exceeding the recoverable amounts. However a future market decline could possibly lead to an impairment situation.

Amounts in SEKm unless otherwise stated.

NOTE 11 Property, plant and equipment

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Group Total
Acquisition costs						
Opening balance, 1 Jan 2008	244	2,470	7,873	863	233	11,683
Acquired companies	35	75	56	9	0	175
Acquired during the year	1	44	341	89	434	909
Transfer of work in progress and advances	0	16	357	7	-380	0
Sales, scrap, etc.	-7	-76	-1,566	-25	-4	-1,678
Exchange-rate differences	28	334	1,110	125	104	1,701
Closing balance, 31 Dec 2008	301	2,863	8,171	1,068	387	12,790
Acquired companies	0	2	34	1	0	37
Acquired during the year	0	107	398	57	105	667
Transfer of work in progress and advances	0	3	198	0	-201	0
Sales, scrap, etc.	-8	-42	-214	-77	0	-341
Reclassification	—	—	1,138	—	—	1,138
Exchange-rate differences	-11	-139	-452	-42	-16	-660
Closing balance, 31 Dec 2009	282	2,794	9,273	1,007	275	13,631
Accumulated depreciation¹						
Opening balance, 1 Jan 2008	37	1,144	5,580	610	—	7,371
Acquired companies	0	0	0	4	—	4
Depreciation for the year	1	102	721	101	—	925
Impairment	—	—	—	—	—	—
Sales, scrap, etc.	0	-40	-1,533	-44	—	-1,617
Exchange-rate differences	2	157	819	94	—	1,072
Closing balance, 31 Dec 2008	40	1,363	5,587	765	—	7,755
Acquired companies	0	0	0	0	—	0
Depreciation for the year	7	115	800	104	—	1,026
Impairment	—	13	67	1	—	81
Sales, scrap, etc.	-1	-23	-227	-73	—	-324
Reclassification	—	—	1,138	—	—	1,138
Exchange-rate differences	2	-66	-324	-32	—	-420
Closing balance, 31 Dec 2009	48	1,402	7,041	765	—	9,256
Carrying amount, 31 Dec 2008	261	1,500	2,584	303	387	5,035
Carrying amount, 31 Dec 2009	234	1,392	2,232	242	275	4,375

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

The carrying amount for land is SEK 212m (219).

The tax assessment value of the Swedish Group companies was SEK 291m (283) for buildings, and SEK 53m (53) for land.

The corresponding carrying amounts for buildings were SEK 129m (137), and SEK 14m (14) for land.

Accumulated impairments at year-end on buildings and land were SEK 21m (8) and SEK 68m (0) on machinery and other equipment.

Amounts in SEKm unless otherwise stated.

Cont. Note 11

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs						
Opening balance, 1 Jan 2008	18	260	1,048	55	9	1,390
Acquired during the year	1	5	107	3	22	138
Transfer of work in progress and advances	—	—	22	—	-22	0
Sales, scrap, etc.	—	—	-153	-4	—	-157
Closing balance, 31 Dec 2008	19	265	1,024	54	9	1,371
Acquired companies	1	27	33	1	—	62
Acquired during the year	—	—	5	—	134	139
Transfer of work in progress and advances	—	—	72	—	-72	0
Sales, scrap, etc.	—	-12	-167	-5	—	-184
Closing balance, 31 Dec 2009	20	280	967	50	71	1,388
Accumulated depreciation						
Opening balance, 1 Jan 2008	5	145	680	36	—	866
Depreciation for the year	1	6	145	3	—	155
Sales, scrap, etc.	—	—	-149	-3	—	-152
Closing balance, 31 Dec 2008	6	151	676	36	—	869
Acquired companies	1	9	26	1	—	37
Depreciation for the year	1	6	127	1	—	135
Sales, scrap, etc.	-1	-9	-166	-4	—	-180
Impairment	—	—	16	1	—	17
Closing balance, 31 Dec 2009	7	157	679	35	—	878
Carrying amount, 31 Dec 2008	13	114	348	18	9	502
Carrying amount, 31 Dec 2009	13	123	288	15	71	510

The tax assessment value of the Parent Company was SEK 251m (238) for buildings, and SEK 45m (44) for land. The

corresponding book values were SEK 123m (114) for buildings, and SEK 8m (7) for land.

NOTE 12 Financial assets

	Group		Parent Company	
	2009	2008	2009	2008
Shares in subsidiaries	—	—	29,750	29,219
Long-term holdings in securities	2	2	1	1
Receivables Group	—	—	256	495
Other long-term receivables	54	49	—	—
Pension assets ¹	117	136	24	16
Total	173	187	30,031	29,731

1) Pension assets refer to USA, Sweden and Switzerland. See Note 19.

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

NOTE 13 Inventories

	Group		Parent Company	
	2009	2008	2009	2008
Raw materials	1,504	2,072	272	283
Products in progress	246	339	11	4
Finished products	4,955	6,134	955	1,011
Advances to suppliers	1	11	0	1
Total	6,706	8,556	1,238	1,299

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 24,597m (22,372). Provisions for obsolescence are included in the value of the inventory.

Write-downs totaled SEK 76m (91) and previous write-downs have been reversed by a total of SEK 64m (31).

Inventories valued to net realizable value amounted to SEK 261m (234).

Amounts in SEKm unless otherwise stated.

NOTE 14 Other current assets

	Group	
	2009	2008
Value added tax	188	182
Miscellaneous short-term receivables	141	169
Provision for doubtful accounts	-18	-19
Prepaid rents and leases	12	20
Prepaid insurance premiums	14	15
Other prepaid expenses	203	184
Total	540	551

NOTE 15 Assets pledged for liabilities to credit institutions

	Group		Parent Company	
	2009	2008	2009	2008
Real-estate mortgages	35	39	—	—
Other	10	10	—	—
Total	45	49	—	—

The real estate mortgages refer to a bond issue financed by the local US Industrial Development Authority.

NOTE 16 Other reserves in equity

	Available for sale instruments	Hedging reserve	Currency translation reserve	Total Other reserves
Opening balance 1 Jan 2008	-3	-47	59	9
Available for sale instruments				
Reclassification adjustment to the income statement	3	—	—	3
Cash flow hedges				
Loss arising during the year	—	-42	—	-42
Tax	—	11	—	11
Reclassification adjustment to the income statement	—	47	—	47
Exchange rate differences on translation of foreign operations				
Translation difference	—	—	1,497	1,497
Net investment hedge	—	—	-627	-627
Tax	—	—	164	164
Closing Balance 31 Dec 2008	0	-31	1,093	1,062
Available for sale instruments				
Reclassification adjustment to the income statement	—	—	—	—
Cash flow hedges				
Loss arising during the year	—	-43	—	-43
Tax	—	11	—	11
Reclassification adjustment to the income statement	—	31	—	31
Exchange rate differences on translation of foreign operations				
Translation difference	—	—	-1,279	-1,279
Net investment hedge	—	—	946	946
Tax	—	—	-249	-249
Closing Balance 31 Dec 2009	0	-32	511	479

Amounts in SEKm unless otherwise stated.

NOTE 17 Share capital and number of shares

Share capital

SEKm

On 31 December 2009, the share capital comprised:	
147,570,030 Class A-shares, par value SEK 2	295
428,773,748 Class B-shares, par value SEK 2	858
Total	1,153

Number of shares

	Owned by Husqvarna	Owned by other shareholders	Total
Shares, 31 Dec 2008			
Class A-shares	—	98,380,020	98,380,020
Class B-shares	2,919,000	283,837,875	286,756,875
Performance share program 2006			
Class A-shares	—	—	—
Class B-shares	-195,872	195,872	0
Rights issue			
Class A-shares	—	49,190,010	49,190,010
Class B-shares	—	142,016,873	142,016,873
Repurchased shares			
Class A-shares	—	—	—
Class B-shares	—	—	—
Shares, 31 Dec 2009			
Class A-shares	—	147,570,030	147,570,030
Class B-shares	2,723,128	426,050,620	428,773,748

The share capital in Husqvarna AB consists of class A-shares and class B-shares. A class A-share entitles the holder to one vote and a class B-share to one-tenth of a vote. All shares

entitle the holder to the same proportion of assets and earnings, and carry equal rights in terms of dividends.

NOTE 18 Untaxed reserves, Parent Company

	31 Dec 2009	Appropriations	Acquisitions	31 Dec 2008
Accumulated depreciation in excess of plan on				
Brands etc	69	58	—	11
Machinery and equipment	199	-49	2	246
Buildings	25	-1	—	26
Tax allocation reserve	582	0	—	582
Other financial reserves	26	-11	—	37
Total	901	-3	2	902

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

NOTE 19 Employees and employee benefits

Number of employees	Average number of employees	Men	Women
2009			
Parent Company	1,500	1,169	331
Group Companies	13,530	8,439	5,091
Total Group	15,030	9,608	5,422
2008			
Parent Company	1,780	1,376	404
Group Companies	13,940	8,623	5,317
Total Group	15,720	9,999	5,721

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

Amounts in SEKm unless otherwise stated.

Average number of employees by geographical area

Geographical area	2009	2008
Europe	6,469	7,151
North America	5,581	6,285
Rest of the world	2,980	2,284
Total Group	15,030	15,720

Of the Board members and other senior management in the Group, 89 (88) were men and 8 (13) women, of whom 13 (13) men and 5 (5) women were employed in the Parent Company.

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

	2009	2008
Parent Company		
Salaries and other remuneration	32	32
(of which variable salaries)	(4)	(0)
Pension costs	15	20
Group Companies		
Salaries and other remuneration	62	68
(of which variable salaries)	(10)	(12)
Pension costs	6	7

Salaries and other remuneration for the total Group amounted to SEK 3,998m (4,037). This amount includes salaries and remuneration to the Board, the President, former President and other senior management of 94m (100). Employer contributions excluding pension costs for the Group amounted to SEK 928m (912). The Group's total pension costs according to IAS 19 amounted to 232m (210).

Salaries and other remuneration in the Parent Company amounted to SEK 701m (748). This includes salaries and remuneration to the Board, President, former President and other senior management of 32m (32). Employer contributions excluding pension costs in the Parent Company amounted to SEK 240m (252). Pension costs in the Parent Company amounted, according to Swedish GAAP, to SEK 60m (58).

For more information concerning fixed and variable salaries, remuneration and pension costs for Board of Directors, President and other members of Group Management, see Note 24. For a presentation and description of the composition of the Board and members of Group Management, see pages 84–86.

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

Employee absence due to illness

	2009		2008	
	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
Total absence due to illness, as a percentage of total normal working hours	3.0	3.3	4.5	4.6
Of which 60 days or more	36.8	39.7	38.3	40.7
Absence due to illness, by category¹				
Women	3.9	4.2	5.7	5.9
Men	2.7	3.0	4.1	4.2
29 years or younger	1.8	2.5	3.8	4.1
30–49 years	2.9	3.0	4.0	4.2
50 years or older	4.0	4.3	6.0	5.9

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

Pensions and other post-employment benefits

In many of the countries in which Husqvarna has operations the employees are covered by pension plans in addition to statutory social security pension benefits. These pension plans are classified as either defined contribution plans or defined benefit plans.

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

In the UK the employees are covered by either a final salary plan, which has been closed since 2003 for new employees, or the career-average salary plan which applies for employees hired after 2003.

The main pension plan for the Group's employees in Germany is an unfunded cash balance plan.

White collar employees in Sweden, born 1978 or earlier, are covered by a final salary collectively bargained defined benefit plan (ITP2). The retirement provision of the defined benefit plan is financed through a pension fund. In one subsidiary, with a small number of employees, the ITP plan is completely insured with an insurance company. The insurance company does not separate the pension assets for each member company, i.e. does not provide the information needed for the accounting of the plan as a defined benefit plan and therefore this plan has been treated as a defined contribution plan.

The Group's defined benefit pension plan in the US was closed for future pension accrual at the end of 2008.

Amounts in SEKm unless otherwise stated.

Cont. Note 19

In Japan the Group has two pension plans that cover all employees. One of the plans is a funded cash balance plan and the other is an unfunded plan based on career-average salary.

In Norway the employees are covered by a final salary plan, which is insured with an insurance company.

The table below shows the present value of obligations as well as the fair market value of plan assets for the Group's most extensive defined benefit plans described above.

Country	Present value of defined benefit obligation	Fair value of plan assets
UK	905	698
Sweden	531	360
US	297	188
Germany	830	49
Japan	164	90
Norway	125	92
Total	2,852	1,477
Share of total	96%	96%

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

In a few countries, Husqvarna provides mandatory lump sum payments, in accordance with law or collective agreements, in conjunction with retirement. These obligations are shown below as Other post-employment benefits.

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

	2009			2008		
	Pensions, defined benefit plans	Other post-employment benefits	Total	Pensions defined benefit plans	Other post-employment benefits	Total
Present value of obligations for unfunded plans	800	28	828	822	32	854
Present value of obligations for funded plans	2,136	0	2,136	2,001	—	2,001
Fair value of plan assets	-1,540	0	-1,540	-1,383	—	-1,383
Unrecognized actuarial gains/losses	-418	-5	-423	-430	-5	-435
Unrecognized past-service cost	-2	0	-2	-3	—	-3
Net provisions for pensions and other post-employment benefits	976	23	999	1,007	27	1,034
Whereof reported as prepaid pension cost	117	0	117	136	—	136
Provisions for pensions and other post-employment benefits	1,093	23	1,116	1,143	27	1,170

Amounts in SEKm unless otherwise stated.

Cont. Note 19

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

	2009	2008
Current service costs	73	69
Interest expenses	138	131
Expected return on plan assets	-77	-80
Amortization of actuarial losses / gains	21	15
Amortization of past service cost	1	9
Effect of any curtailments and settlements	0	-15
Expenses for defined benefit plans and other post-employment benefits	156	129
Expenses for defined contribution plans	76	81
Total expenses for pensions and other post-employment benefits	232	210

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

Change in the present value of the defined benefit obligation

	2009			2008		
	Pension benefits	Other post-employment benefit	Total	Pension, benefit	Other post-employment benefits	Total
Opening balance	2,822	33	2,855	2,563	27	2,590
Acquisitions	0	0	0	—	—	0
Current service cost	73	0	73	69	—	69
Interest expenses	136	2	138	129	2	131
Plan amendments	0	0	0	7	—	7
Curtailments	0	0	0	-18	—	-18
Settlements	0	0	0	-5	—	-5
Exchange rate differences on foreign plans	-71	-3	-74	123	4	127
Benefits paid	-123	-5	-128	-93	-3	-96
Reclassification	14	—	14	—	—	—
Employee contributions	8	0	8	9	—	9
Actuarial losses (gains)	77	1	78	38	3	41
Closing balance	2,936	28	2,964	2,822	33	2,855

Change in the fair value of plan assets

	2009	2008
	Pension, benefits	Pension, benefits
Opening balance	1,383	1,447
Acquisitions	0	—
Expected return	77	80
Employer contributions	65	88
Employee contributions	8	9
Exchange differences on foreign plans	-12	-14
Benefits paid	-49	-44
Actuarial gains and (losses)	68	-183
Closing balance	1,540	1,383

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

%	Defined benefit pension plans
	Equity instruments
	Debt instruments
	Property
	Other
	38.5
	53.2
	1.4
	6.9

Actual return on plan assets was SEK 144m (-103).

Amounts in SEKm unless otherwise stated.

Cont. Note 19

Historical information	2009	2008	2007	2006
Present value of defined benefit obligations	2,964	2,855	2,590	1,746
Fair value of plan assets	1,540	1,383	1,447	1,342
Funded status	1,424	1,472	1,143	404
Experience adjustment on plan liabilities	-14	32	35	-3
Experience adjustment on plan assets	68	-183	-21	-26

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

%	31 Dec 2009	31 Dec 2008
Discount rate		
Europe	5.1	5.1
North America	5.8	6.1
Rest of the World	2.0	1.4
Expected long-term return on assets		
Europe	5.6	5.7
North America	5.7	6.0
Rest of the World	2.5	2.5
Expected salary increases		
Europe	3.4	3.1
North America	4.5	4.0
Rest of the World	N/A	3.5

In determining the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied. If no suitable corporate bonds are available government bonds are used to determine the discount rate. To determine the expected return, return on equity and equity related instruments the historical risk premium for equities and current bond yields are applied. The return on fixed income and fixed income related investments is based on current bond yields. The weighting of asset classes is determined by using the respective scheme's benchmark asset allocation, which for all major schemes is set out in the Group's financial policy. An increase or decrease of one percentage point in the assumed medical cost trend rate would have no material impact on the Group's current service cost or post-employment benefit obligations.

The company expects to make contributions of approximately SEK 104m to the plans during 2010.

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

	Pensions, defined benefit plans	Other post-employment benefits	Total
Net provisions for pensions and other post-employment benefits, 31 Dec 2008	1,007	27	1,034
Acquisitions	0	0	0
Pension expenses	154	2	156
Employer contributions and benefits paid directly by the Company	-139	-5	-144
Reclassification	14	—	14
Exchange rate differences	-60	-1	-61
Net provision for pensions and other post-employment benefits, 31 Dec 2009	976	23	999

Parent Company

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

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

Amounts in SEKm unless otherwise stated.

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

	2009	2008
Present value of the funded pension obligations	320	293
Fair value of plan assets	-337	-311
Surplus of the pension fund	-17	-18
Present value of unfunded pension obligations	35	34
Surplus of the pension fund, not recognized	17	18
Net provision recognized in the balance sheet	35	34

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

	2009	2008
Opening balance 1 Jan	34	32
Costs for pensions recognized in the income statement	10	5
Benefits paid	-6	-3
Other	-3	0
Closing balance 31 Dec	35	34

Of total net provisions SEK 35m (34) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

Pension costs recognized in the Income statement

	2009	2008
<i>Own pensions</i>		
Current service costs	3	0
Interest expenses	1	2
Benefits paid	6	3
Pension costs	10	5
<i>Insured pensions</i>		
Insurance premiums	50	53
Total net expenses for pensions	60	58

Of total net expenses of SEK 60m (58), SEK 1m (2) is recognized in the financial net and the remaining portion is recognized in the operating results. The expected pension payments for 2010 total SEK 24m.

Principal actuarial assumptions at balance sheet date

%	31 Dec 2009	31 Dec 2008
Discount rate	4.0	3.7

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

%	31 Dec 2009	Return	31 Dec 2008	Return
Equity	48	17	35	-25
Debt	49	-1	64	19
Other	3	0	1	—
Total	100	7	100	-1

Long-term incentive programs (LTI)

The purpose of the long-term incentive programs is to attract and retain competent employees to the Group, provide competitive remuneration and align shareholder's and management's interests.

Long term incentive programs that entitle rights for the employees to purchase shares are subject to approval by the General Meeting of shareholders. At present there are three programs in force – LTI 2007, LTI 2008 and LTI 2009. All programs consist of restricted share awards and performance stock options.

The programs were authorized by the Annual General Meeting 2007, 2008 and 2009 respectively. Each program includes approximately 40 senior managers.

In order to participate in the programs, the employees were required to purchase Husqvarna Class B-shares corresponding to a value of a minimum of 5% (SEK 20,000 for LTI 2009) and a maximum of 10% (6% for LTI 2009) of their annual target income (fixed salary plus variable salary on target level). The participants have invested in Husqvarna Class B-shares, at market price, which will be matched (1:1.8 in LTI 2007, 1:2 in LTI 2008 and 1:1 in LTI 2009), at a later date by the company free of charge through allocation of shares. The conditions for share match are that the employee holds the purchased shares and maintains his or her employment within the Group three years after the date of grant. The LTI 2009 conditions require also that the performance level "Entry" has been fulfilled, which is a level in respect of increase of the Company's earnings per share during 2009–2011, as determined by the Board of Directors.

The employee may also receive performance stock options. The options are granted free of charge and each stock option entitles the holder to purchase one Husqvarna Class B-share. The purchase price for shares when exercising a stock option amounts to SEK 90 per share (SEK 112 before recalculation due to the rights issue in 2009) in the LTI 2007 SEK 58 per share (SEK 72 before recalculation due to the rights issue in 2009) in LTI 2008 and SEK 48 per share in LTI 2009. The exercise price corresponds to 110% of the average volume weighted closing price of Husqvarna Class B-share at the OMX Nordic Exchange Stockholm, during a period of 10 trading days prior to the date on which the options were granted. The options may be exercised at the earliest four years, three years for the LTI 2009, and, at the latest, eight years from the date of grant. The right to exercise the options requires that the holder continues to be employed by the Husqvarna Group and has maintained the personal investment for three years from the date of grant. The options carry no right to compensation for dividends on the underlying shares.

The number of stock options that may be exercised depends on the number of Class B-shares that the employee has purchased within the framework of the LTI 2007, LTI 2008 and LTI 2009 as well as the company's earnings per share, during 2007–2009 (LTI 2007) / 2008–2010 (LTI 2008) and 2009–2011 (LTI 2009), reaching specific levels determined by the Board of Directors. These determined levels are; "Entry", "Target" and "Stretch", with a linear progression between each performance level. Entry constitutes a minimum level which must be exceeded in order to be able to exercise the stock options. The three levels correspond to the following numbers of stock options:

Amounts in SEKm unless otherwise stated.

Cont. Note 19

In accordance with the above, LTI 2008 and LTI 2009 comprise the following number of Class B-shares and stock options for the various categories of participants if the performance level "Target" is reached:

Participants	LTI 2008			LTI 2009		
	Matching shares, number of Class B-shares	Number of stock options	Target Value ¹ , SEKt	Matching shares, number of Class B-shares	Number of stock options	Target Value ¹ , SEKt
President	—	—	—	11,542	120,420	1,785
Former President	0	12,406	191	—	—	—
Other members of Group Management	28,044	308,636	5,329	18,185	206,850	3,003
Other participants	68,886	812,184	13,784	71,117	876,170	12,493
Total	96,930	1,133,226	19,304	100,844	1,203,440	17,281
Maximum number of class B-shares	1,812,900 (LTI 2008)			1,925,600 (LTI 2009)		

1) The target value of the program is calculated on the fair value on grant date. The value of the share at grant date was SEK 58.55 (LTI 2008)/ SEK 38.30 (LTI 2009) and the fair value of the option SEK 15.40 (LTI 2008)/SEK 11.15 (LTI 2009). The binomial options pricing model has been used to calculate the fair value of the options. The values have been adjusted for the discounted value of future dividends.

Performance level/program	LTI 2007*	LTI 2008*	LTI 2009
Entry	3.6 options per purchased share plus 2,400 options	6 options per purchased share plus 2,400 options	5 options per purchased share plus 2,000 options
Target	8.4 options per purchased share plus 6,000 options	12 options per purchased share plus 6,000 options	10 options per purchased share plus 5,000 options
Stretch	14.4 options per purchased share plus 9,600 options	18 options per purchased share plus 9,600 options	15 options per purchased share plus 8,000 options

* Recalculation has been done due to the rights issue in 2009.

Consequently, the total number of stock options per participant that may be exercised is limited to 14.4 (LTI 2007) / 18 (LTI 2008) / 15 (LTI 2009) options per purchased Class B-share plus an additional 9,600 (LTI 2007 and LTI 2008) / 8,000 (LTI 2009) options.

The performance period for LTI 2007 ended 31 December 2009. The table below shows the number of matching shares to be allocated to the participating employees as per 25 May 2010 (day of vesting), provided that the employee is still employed by the Husqvarna Group at that time. It will not be any allocation of performance stock options as the lowest performance level "Entry" has not been reached.

LTI 2007

Position/Category	Company share match Number of Class B-shares to be allocated
President ¹	—
Other members of Group Management	34,724
Other senior managers	48,706
Total number of shares for all participants	83,430

1) Does not participate in LTI 2007.

Accounting principles

The programs described above are accounted for in accordance with IFRS 2 Share-based Payment. The Group provides for the social security contributions that are expected to be paid when the shares are distributed and when the options are exercised. The provision for social security contributions is periodically revalued on the basis of the share market price at each balance sheet date. The total cost charged to the income statement for 2009 amounted to SEK 10m (1) whereof SEK 2m (1) refers to social security contribution. The total provision for share-based compensation amounted to SEK 3m (1).

Repurchased shares for the LTI programs

During 2008 and 2007 Husqvarna repurchased Husqvarna Class B-shares to meet the company's long term incentive obligation within the above mentioned programs. These shares will be distributed or sold to the participants of the programs. Husqvarna intends to sell additional shares on the market in conjunction with the exercise of options or the distribution of shares in order to cover payment of social security contributions. Husqvarna has not repurchased any shares 2009.

Amounts in SEKm unless otherwise stated.

NOTE 20 Other provisions

	Group					Parent Company			
	Provi- sions for restruc- turing	Warranty commit- ments	Claims	Other	Total	Provi- sions for restruc- turing	Warranty commit- ments	Other	Total
Opening balance, 1 Jan 2008	2	190	326	260	778	—	11	19	30
Provisions made	316	182	3	118	619	56	10	5	71
Acquired companies	—	—	—	—	—	—	—	—	—
Provisions used	-54	-164	—	-182	-400	—	-11	-13	-24
Unused amounts reversed	—	-7	—	-3	-10	—	—	-3	-3
Exchange-rate differences	0	31	60	37	128	—	—	—	—
Closing balance, 31 Dec 2008	264	232	389	230	1,115	56	10	8	74
Current provisions	264	77	—	88	429	56	10	8	74
Non-current provisions	—	155	389	142	686	—	—	—	—
Opening balance, 1 Jan 2009	264	232	389	230	1,115	56	10	8	74
Provisions made	272	281	26	165	744	93	10	17	120
Acquired companies	—	2	—	—	2	—	—	—	—
Provisions used	-270	-268	-3	-159	-700	-79	-10	-7	-96
Unused amounts reversed	-15	-9	—	-11	-35	—	—	—	—
Exchange rate differences	1	-11	-25	-10	-45	—	—	—	—
Closing balance, 31 Dec 2009	252	227	387	215	1,081	70	10	18	98
Current provisions	171	79	—	91	341	36	10	12	58
Non-current provisions	81	148	387	124	740	34	—	6	40

Provisions for restructuring represent the expected payments to be incurred in the coming years as a consequence of Husqvarna operations' decision to close some factories, rationalize production and reduce personnel. The amounts are based on the Husqvarna management's best estimates and are adjusted when changes to these estimates are known. Provisions for warranty commitments are recognized as a consequence of Husqvarna's policy of covering the cost of repairing defective products. A warranty is normally granted for 1 to 2 years after the sale.

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

NOTE 21 Other liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Accrued holiday pay	184	175	80	73
Other accrued payroll expenses	419	383	112	114
Other accrued expenses	740	716	150	168
Value added tax	20	20	0	—
Personnel taxes and other taxes	58	67	23	23
Other operating liabilities	73	113	0	—
Total	1,494	1,474	365	378

NOTE 22 Contingent liabilities

Guarantees and other commitments	Group		Parent Company	
	2009	2008	2009	2008
On behalf of internal counterparties	—	—	377	153
On behalf of external counterparties	54	24	6	7
Total	54	24	383	160

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are provided as part of Husqvarna's normal course of business. There was no indication at year-end that any payment will be required in connection with any contractual guarantees. Furthermore, there is an obligation, in the event of dealer's bankruptcy, to buy back repossessed Husqvarna products from certain North American dealers financing their floor planning with an external finance company. During 2009 goods for a value of SEK 10m (13) were bought back in connection with floor planning activities.

Husqvarna is involved in commercial, product liability and other disputes in the ordinary course of business. Such disputes involve claims for compensatory damages, property damage or personal injury compensation and occasionally also punitive damages. Although the company is self-insured to a certain extent, it is also insured against excessive liability losses. Husqvarna continuously monitors and evaluates pending claims and disputes, and take action when deemed necessary. The company believes that these activities help to minimize the risks. It is difficult to predict the outcome of each

Amounts in SEKm unless otherwise stated.

Cont. Note 22

dispute, but based on its present knowledge, Husqvarna estimates that none of the disputes, in which it is currently involved, will have a material adverse effect on the consolidated financial position or result.

The following significant matters are still unresolved.

Gas explosion in Belgium

A gas explosion occurred in 2004 on Husqvarna's property in Ghislenghien, Belgium, and resulted in the loss of 24 lives, more than 100 personal injuries and substantial property damage. The accident was caused by the bursting of a sub-surface industrial gas pipe.

Husqvarna Belgium has, together with at least 10 other companies, authorities and private persons, received notifications of potentially having contributed to the accident. Several parties have initiated claims for damages against, among others, Husqvarna. Husqvarna has denied all responsibility and has itself also initiated claims for damages against other involved parties. The legal investigation is now concluded and Husqvarna expects the legal proceedings to commence during 2009 before the local court of first instance, as the preliminary procedural investigations were concluded by early 2009.

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

In a judgement of 22 February 2010, the criminal court of Tournai in Belgium dismissed all claims against Husqvarna.

Alleged inaccurate specification of engine capacity in lawn mowers

Husqvarna is a defendant in 65 similar or parallel lawsuits brought in all 50 states in the United States, against the manufacturers or sellers of lawnmowers and/or lawnmower

engines, including, Electrolux Home Products, Inc., Husqvarna Consumer Outdoor Products N.A., Inc., Sears, Roebuck & Co., Deere & Company, Tecumseh Products Company, Briggs & Stratton Corporation, Kawasaki Motors Corp. USA, The Toro Company, The Kohler Company, and Platinum Equity, LLC. The lawsuits allege that Husqvarna and the other defendants misrepresented and overstated the horsepower produced by the lawnmowers and lawnmower engines sold and/or manufactured between 1 January 1994 and the present day. Plaintiffs (consumers who purchased a lawn mower containing an engine manufactured or sold by one of the defendants) contend further that the defendants falsely advertised the horsepower of their products and that they concealed or failed to disclose the products' true horsepower. The lawsuits further allege that Husqvarna and the other defendants conspired among themselves to misrepresent and conceal material facts concerning the horsepower of their own and each others' lawnmowers and lawnmower engines. Based upon these allegations, the plaintiffs assert claims for consumer fraud, civil conspiracy and unjust enrichment. Husqvarna denies each and every claim and allegation of wrongdoing in these suits. After these cases were consolidated for discovery and class action certification purposes by the federal Multidistrict Judicial Panel before Judge Lynn Adelman in the U.S. District Court for the Eastern District of Wisconsin, mediation was initiated to attempt a settlement. Husqvarna and the other defendants are continuing their efforts to resolve the litigation, either by way of settlement or by way of completing the legal proceedings.

Husqvarna and the other defendants reached a settlement on 1 March 2010. Husqvarna's net settlement cost amounts to approximately SEK 50m (USD 7m). Husqvarna agreed to the settlement in order to avoid a prolonged and expensive legal process in which the results are uncertain. The Group continues to deny that there is any justification for the claims against the company. The settlement is subject to court approval in the US.

NOTE 23 Business combinations

Husqvarna has made one minor acquisition during 2009. In the first half of the year Husqvarna acquired a factory producing transaxles in the US. The consideration paid amounted to SEK 43m.

The below table summarizes the acquisitions made during 2009 and 2008.

Date of acquisition	Company ¹	Business Area	Consideration paid ² , SEKm	Acquired Net Debt	Enterprise value ² , SEKm	Annual Net sales ³ , SEKm
1 Feb 2009	Peerless	Consumer Products	43	0	43	70
Total 2009			43	0	43	70
30 April 2008	Meco	Professional Products	48	0	48	54
30 April 2008	Sandvik Nora AB	Professional Products	26	0	26	65
24 December 2008	Jenn Feng	Consumer Products	681	0	681	800
Other minor acquisitions		Consumer Products/ Professional Products	87	0	87	30
Total 2008			842	0	842	949

1) All acquisitions above were made either through purchasing 100% of the shares and voting rights or by acquiring the assets and liabilities in the companies.

2) Including acquisition costs.

3) The latest Annual Net sales at the time of acquisition.

Amounts in SEKm unless otherwise stated.

Total fair value of assets and liabilities for all acquisitions made in 2009

SEKm	Carrying amount	Fair value adjustment	Fair value acquisition balance
Goodwill	0		0
Other intangible assets	0		0
Property, plant and equipment	26	11	37
Other non-current assets	0		0
Inventories	48		48
Trade receivables	0		0
Trade payables	-42		-42
Other operating liabilities	0		0
Net debt	0		0
Net identifiable assets	32	11	43
Goodwill			0
Consideration paid			43
Cash and cash equivalents acquired			0
Net cash paid			43

Acquisitions made 2009 had no significant impact on the Group's result.

Acquisitions made in 2008

Meco

In April 2008 Husqvarna acquired Meco, Masterpiece Engineering Company, based in Prescott, Arizona, USA. Meco is a leading producer of floor saws for cutting concrete and asphalt, primarily for highway construction and repair. The consideration paid amounted to SEK 48m and goodwill amounted to SEK 34m. The goodwill referred to synergies that will be achieved with existing operation in terms of production and distribution. In addition the acquisition complemented Husqvarna's product range for the construction industry and reinforced the Group's leading position in floor saws.

Sandvik Nora AB

In April 2008 Husqvarna acquired the assets and business relating to products for the construction industry within Sandvik Nora AB (previously Hagby Asahi AB), a company within Sandvik's Mining and Construction business area. The acquired business comprises the production and sale of diamond tools and related machines for sawing, drilling and grinding. The acquisition complemented Husqvarna's product range for the construction industry and reinforced the Group's leading position in the Nordic region. The consideration paid amounted to SEK 26m and goodwill amounted to SEK 8m. The goodwill referred to synergies achieved within Husqvarna's existing operation in terms of production and distribution. In addition, Hagby's floor-grinding machines complemented Husqvarna's existing international product offering.

Jenn Feng

In March 2008 Husqvarna signed an agreement with Jenn Feng Co., Ltd. for the acquisition of the company's operation in outdoor products. Jenn Feng, a listed Taiwanese company, is a leading producer of chainsaws and trimmers for the consumer market. The product offering also comprised lawn mowers, high-pressure washers and generators. The acquisition was completed in several steps. The operations in North America and Australia were consolidated as of 30 May 2008 and the Chinese operations were consolidated 31 December 2008. The total consideration paid for the acquired operating assets and liabilities amounted to SEK 681m (including costs directly attributable to the acquisition in an amount of SEK 8m). Husqvarna has goodwill in the amount of SEK 301m. The goodwill refers to synergies arising from the fact that Jenn Feng's products complement Husqvarna's range of handheld products for the consumer market. In addition Jenn Feng products will be sold through Husqvarna's global sales organization. Husqvarna has recognized intangible assets of SEK 64m, mainly referring to the McCulloch brand and the right to use the brand in North America. The purchase price allocation was preliminary at the end of 2008. During 2009 the purchase price allocation was finalised with an adjustment to consideration paid resulting in a decrease in goodwill of SEK -3m.

Jenn Feng

SEKm	Carrying amount	Fair value adjustment	Fair value acquisition balance
Goodwill	0	0	0
Other intangible assets	0	64	64
Property, plant and equipment	165	0	165
Inventories	113	0	113
Trade receivables	50	0	50
Trade payables	-2	0	-2
Other operating liabilities	-10	0	-10
Net debt	0	0	0
Net identifiable assets	316	64	380
Goodwill			301
Consideration paid			681
Cash and cash equivalents acquired			0
Net cash paid			681

Amounts in SEKm unless otherwise stated.

Cont. Note 23

Fair value of the acquired assets and liabilities for all acquisitions made in 2008

SEKm	Carrying amount	Fair value adjustment	Fair value acquisition balance
Goodwill	0	0	0
Other intangible assets	0	128	128
Property, plant and equipment	165	0	165
Other non-current assets	6	0	6
Inventories	162	0	162
Trade receivables	52	0	52
Trade payables	-4	0	-4
Other operating liabilities	-11	0	-11
Net debt	0	0	0
Net identifiable assets	370	128	498
Goodwill			344
Consideration paid			842
Cash and cash equivalents acquired			0
Net cash paid			842

Acquisitions for 2008 contributed in total to the Group's net sales in an amount of SEK 140m and with operating income of SEK -17m.

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

The Annual General Meeting 2009 authorized fees to Board members, totalling SEK 5,345,000, of which 4,820,000 (to the Chairman SEK 1,600,000 and to each of the seven Board members, not employed by the company SEK 460,000) to be paid in cash and synthetic shares, plus an additional total of SEK 525,000 to be paid in cash as fees for Board Committee work.

The Board members have the option to choose to receive 25% or 50% of the fees before tax, excl fees for Board committee work, in the form of synthetic shares. Board members being non-Swedish tax subjects have, for administrative purposes, the option to receive 100% of the fees in cash. The number of synthetic shares received is based on a volume weighted average of the quoted price of the Husqvarna B share during the five bank days immediately following the first quarterly report 2009.

After five years, i.e. in 2014, the synthetic shares give a right to receive an amount in cash per synthetic share. Dividends due to Husqvarna B shares until payment will be granted to the Board member in the form of additional synthetic shares. There is no requirement that a Board member remains on the Board to be entitled to accrued synthetic shares and thus a Board member is entitled to be paid even if the assignment ends. Furthermore a Board member may, at termination of the Board assignment, request payment for the synthetic shares at 12 months after the end of the assignment.

There are no agreements in place governing severance pay to Board members who are not employed by the Company.

Amounts in SEKm unless otherwise stated.

Fees to the Board of Directors authorized by the Annual General Meeting 2009

SEKt	Fees excluding fees for committee work				Fees for committee work	Total value of fees incl. Synthetic shares at date of grant	Total value of fees incl. Synthetic shares at end of year ²
	Cash payment	Value of synthetic shares at date of grant	Number of synthetic shares at date of grant ¹				
Lars Westerberg	1,200	400	9,204		50	1,650	1,738
Magnus Yngen	—	—	—		—	—	—
Bengt Andersson	—	—	—		—	—	—
Peggy Bruzelius	345	115	2,646		75	535	560
Robert F. Connolly	345	115	2,646		—	460	485
Börje Ekholm	230	230	5,292		175	635	685
Tom Johnstone	230	230	5,292		100	560	610
Ulf Lundahl	230	230	5,292		—	460	510
Anders Moberg	460	—	—		50	510	510
Gun Nilsson	345	115	2,646		75	535	560
Annika Ögren	—	—	—		—	—	—
Malin Björnberg	—	—	—		—	—	—
Total	3,385	1,435	33,018		525	5,345	5,658

1) Based on volume weighted average of the quoted price of the Husqvarna B share during five bank days immediately following the first quarterly report 2009 (11 to 15 May): SEK 43.46.

2) Based on the volume weighted average rate of the Husqvarna B share 30 December 2009: SEK 53.00.

Remuneration Committee

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

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

Principles for remuneration to Group Management

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

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

Variable salary to the President and Group Management is based on the Group's value creation and cash flow.

Terms of employment for the President

The remuneration to the President and Chief Executive Officer comprises fixed salary, variable salary based on annual targets, long term incentive programs and pension benefits. The remuneration is reviewed annually per 1 January.

The fixed annual salary to the President is SEK 5,750,000. The variable salary for 2009 is based on an annual target for

value created within the Group. The variable salary is 50% of the fixed salary at target level and is capped at 100% at stretch level. For 2009 the President is also covered by a variable salary, based on cash flow targets, which is 12% of the fixed salary at target level and is capped at 24% at stretch level. This variable salary has been introduced for 2009 to put focus on improved cash flow but also to compensate for that the long term incentive program for 2009 (LTI 2009) was reduced compared to former long term incentive programs.

The President participates in the Group's long-term incentive program for 2009, LTI 2009. For information on this program, see Note 19.

The notice period for termination is 12 months on the part of the Company and 6 months on the part of the President. The President is entitled to severance pay, corresponding to 12 monthly salaries with deduction for any other income, in the event of notice of termination from the employer. In the event of a change of control of the Company, the President has the right to cease the employment with immediate effect without consideration of notice period and receive severance pay corresponding to 24 monthly salaries. The President is not entitled to fringe benefits such as a company car or housing.

Pension terms for the President

The retirement age for the President is 60. The President is covered by the collectively agreed ITP plan, the alternative rule of the plan, and the Husqvarna Executive Pension Plan. The Husqvarna Executive Pension Plan is a defined contribution plan. The employer contribution to the plan for the President is equivalent to 40% of the pensionable salary which also includes the contributions for the benefits of the ITP-plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary plus last year's variable salary.

Amounts in SEKm unless otherwise stated.

Cont. Note 24

Terms of employment for other members of Group Management

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

The variable salary is based on value creation for the Group and/or for the appropriate business unit. The variable salary is 40–50% of the fixed salary at target level and is capped at 80–100% at stretch level. For 2009 the members of Group Management are also covered by a variable salary based on cash flow targets and which is 12% of the fixed salary at target level and is capped at 24% at stretch level. This variable salary has been introduced to put focus on improved cash flow but also to compensate for that the long term incentive program for 2009 (LTI 2009) was reduced compared to former long term incentive programs. The additional variable salary does only apply for those participating in the LTI 2009.

Members of Group Management participate in the Group's long-term incentive programs which consist of the programs for 2007, 2008 and 2009 (LTI 2007, LTI 2008 and LTI 2009). For information on these programs, see Note 19.

The notice period for termination is 12 months on behalf of the Company and 6 months on the part of the employee. The members of Group Management, employed in Sweden, are entitled to severance pay, corresponding to 12 monthly salaries with deduction for any other income, in the event of notice of termination from the employer.

Pension terms for other members of Group Management

The members of Group Management employed in Sweden (six out of eight) are covered by the collectively agreed ITP plan. One member of Group Management is covered by the principal rule of the ITP plan and the alternative rule of the plan is applied to the other members of Group management. These individuals are also covered by the Husqvarna Executive Pension Plan, which is a defined contribution plan. The employer contribution to the plan is equivalent to 35% of the pensionable salary which also includes contributions for the ITP plan, alternative ITP and any supplementary disability and survivor's pension. The pensionable salary is calculated on the basis of current fixed salary plus last year's variable salary. The retirement age is 62 for those members of Group Management who are employed in Sweden. In addition to the pension terms described above, there is a commitment to pay a single premium, at retirement age for pension benefits, corresponding to 22.68 monthly salaries in the event that the member of Group Management remains in service until the retirement age. The members of Group Management that are not employed in Sweden are covered by the Group's company pension plans in the respective country of employment (Germany and the US). Retirement age is 63 or 65.

Terms of employment for the former President

The former President and CEO, Bengt Andersson, retired 1 October 2008, but his employment remained until 30 June 2009 when he attained the regular retirement age 65. The cost for the former President's remuneration during 2009 was taken in 2008.

Remuneration to Group Management 2009

SEKt	Fixed salary	Variable salary	Pension-cost	Long-term incentive	Total
President	5,750	1,380	3,453	347	10,930
Other members of Group Management ¹	28,461	3,748	11,381	2,392	45,982
Total	34,211	5,128	14,834	2,739	56,912

1) Other members of Group Management comprise eight individuals per 31 December. One individual has been added and two have left Group Management during 2009. The remuneration shown above refers to the part of the year during which the individual in question was part of Group Management.

Amounts in SEKm unless otherwise stated.

Remuneration to Group Management 2008

SEKt	Fixed salary ¹	Variable salary	Pension-cost	Long-term incentive ²	Total
President	4,156	0	860	0	5,016
Former President ²	7,880	0	9,109	0	16,989
Other members of Group Management ³⁾	26,505	0	11,534	441	38,480
Total	38,541	0	21,503	441	60,485

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 remains until 30 June 2009 when he attains the retirement age 65. The cost for his remuneration during 2009 has been taken in 2008.

3) Other members of Group Management comprise nine individuals. One individual has been added and one has left Group Management during 2008. The remuneration shown above refers to the part of the year during which the individual in question was part of Group Management.

NOTE 25 Fees to auditors

PricewaterhouseCoopers (PwC) has been appointed auditor for the period until the 2010 Annual General Meeting.

Fees to PwC

SEKm	Group		Parent Company	
	2009	2008	2009	2008
PwC				
Audit fees ¹	22	21	4	5
Other fees ²	2	2	0	1
Total fees to PwC	24	23	4	6
Audit fees to other Auditors	1	1	0	0

1) Audit fees consist of fees billed for the annual audit engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the Company audit; statutory audits and comfort letters and consents.

2) Other fees consist of fees billed for assurance and related services, for due diligence in connection with acquisitions as well as fees billed for tax services.

NOTE 26 Shares and participations

Participation in associated companies

SEKm	2009	2008
Opening balance	7	12
Operating result	0	-2
Dividend	0	0
Exchange difference	-1	1
Consolidation Gardena Turkey	—	-4
Other	0	—
Closing balance	6	7

In participations in associated companies at 31 December 2009, goodwill is included in the amount of SEK 2m (2).

The Group's share of the associated companies, none of which are listed, was as follows: (see page 88).

Amounts in SEKm unless otherwise stated.

Cont. Note 26

Associated companies 2009

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group ¹			Income Statement		Balance sheet	
				Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Diamant Boart, Argentina	46.7	5	1	—	0	—	15	-1	14	8
A/O Khimki, Russia	50.0	0	0	0	—	—	—	—	0	0
Diamant Boart, Philippines	20.0	1	0	0	—	0	2	0	7	3
Total		6	1	0	0	0	17	-1	21	11

1) Viewed from Husqvarna's perspective.

Associated companies 2008

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group ¹			Income Statement		Balance sheet	
				Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Diamant Boart, Argentina	46.7	6	1	—	1	—	20	1	12	4
A/O Khimki, Russia	50.0	0	0	0	—	—	—	-1	0	0
Diamant Boart, Philippines	20.0	1	0	0	—	0	2	0	7	3
Total		7	1	0	1	0	22	0	19	7

1) Viewed from Husqvarna's perspective.

Other companies

	Holding, %	Book/Fair value, SEKm
Firefly Energy Inc., USA	7.0	0

Major Group Companies

Subsidiaries	Holding, %
Canada	Husqvarna Canada Corp. 100
Finland	Oy Husqvarna Ab 100
France	Husqvarna France SAS 100
Germany	Husqvarna Deutschland GmbH 100
Germany	Gardena GmbH 100
Germany	Gardena Manufacturing GmbH 100
Japan	Husqvarna Zenoah Co, Ltd. 100
Sweden	Husqvarna Holding AB 100
United Kingdom	Husqvarna UK Ltd. 100
US	Husqvarna Professional Products Inc. 100
US	Husqvarna Forestry Products NA Inc. 100
US	Husqvarna Consumer Outdoor Products NA Inc. 100

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

Proposed distribution of earnings

	Thousands of SEK
Retained earnings	14,055,301
Net income for 2009	2,698,074
Total	16,753,375

The Board of Directors has proposed that the Annual General Meeting 2010 resolves that the above sum be disposed of as follows:

	Thousands of SEK
A dividend to the shareholders of SEK 1.00 per share ¹	573,621
To be carried forward	16,179,754
Total	16,753,375

1) Calculated on the number of outstanding shares as per 23 February 2010.

The Board is of the opinion that the dividend proposed above is justifiable on both the Company and the Group level with regard to the demands on the Company and Group equity imposed by the type, scope and risks of the business and with

regard to the Company's and the Group's financial strength, liquidity and overall position. The Company's equity would have been SEK 68,712 thousand higher if the assets and liabilities had not been valued at fair value in accordance with the Swedish Annual Accounts Act (SFS 1995:1554), 4:14a.

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

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

Stockholm, 23 February 2010

Lars Westerberg
Chairman of the Board

Peggy Bruzelius
Board member

Robert F. Connolly
Board member

Börje Ekholm
Board member

Tom Johnstone
Board member

Anders Moberg
Board member

Gun Nilsson
Board member

Ulf Lundahl
Board member

Magnus Yngen
President and CEO

Malin Björnberg
Employee representative
Board member

Annika Ögren
Employee representative
Board member

Our audit report was issued on 23 February 2010
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Christine Rankin Johansson
Authorized Public Accountant

Auditors' Report

To the Annual Meeting of the shareholders of Husqvarna AB (publ)

Corporate identity number 556000-5331

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Husqvarna AB for 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 31–91. The Board of Directors and the Managing Director are responsible for these accounts and the consolidated accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the Managing Director and significant estimates made by the board of directors and the Managing Director when preparing the annual accounts and consoli-

dated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the Parent Company and the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Stockholm 23 February 2010
PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Christine Rankin Johansson
Authorized Public Accountant

Definitions

Capital indicators

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

Operating working capital – Inventories and trade receivables less trade payables.

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

Net debt – Total interest-bearing liabilities less liquid funds.

Interest bearing liabilities – Long-term and short-term borrowings and fair value derivative liabilities.

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

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

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

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

Other key ratios

Average number of shares – Weighted number of outstanding shares during the period, after repurchase of own shares.

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

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

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

Operating margin – Operating income as a percentage of net sales.

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

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

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

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

EBITDA – Earnings before interests, taxes, depreciation, impairment and amortization.

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

Excluding acquisitions – Figures excluding acquisitions are reported in order to make the current period comparable with the corresponding period in the previous year. Adjustment is made for acquisitions with annual sales of SEK 100m or more.

Interest coverage ratio – Income after financial items plus financial costs divided with financial costs.

Some of the historical key figures for 2005–2006 are calculated pro forma or based on combined financial statements. For more information, see the Five-year review on pages 92–93.

Five-year review

Income, SEKm	2009	2008	2007	2006 ¹	2005 ¹
Net sales	34,074	32,342	33,284	29,402	28,768
Consumer Products	22,672	19,849	20,621	18,335	18,360
Professional Products	11,402	12,493	12,663	11,067	10,408
Cost of goods sold	-25,423	-22,965	-23,509	-21,477	-21,109
Gross operating income	8,651	9,377	9,775	7,925	7,659
Marketing and Administration costs	-7,091	-7,016	-6,211	-4,804	-4,732
Operating income*	1,560	2,361	3,564	3,121	2,927
Operating income excl. restructuring costs	2,012	2,677	3,564	3,121	2,927
Consumer Products	459	963	1,638	1,415	1,332
Consumer Products excl. restructuring costs	719	1,043	1,638	1,415	1,332
Professional Products	1,265	1,587	2,123	1,875	1,739
Professional Products excl. restructuring costs	1,457	1,822	2,123	1,875	1,739
Financial items, net	-466	-594	-675	-429 ²	-479
Income after financial items	1,094	1,767	2,889	2,692²	2,448
Taxes	-191	-479	-853	-830 ²	-807
Income for the period	903	1,288	2,036	1,862²	1,641
<i>* of which depreciation, amortization and impairment</i>	1,500	1,163	1,081	836	827

Financial Position, SEKm	2009	2008	2007	2006	2005 ¹
Total assets	30,229	34,337	28,803	16,355	18,248
Net assets	18,475	22,367	19,401	10,514	10,017
Consumer Products	13,475	15,778	13,640	6,034	5,719
Professional Products	6,219	7,875	6,790	4,714	4,626
Inventories	6,706	8,556	7,758	5,165	6,264
Trade receivables	3,385	4,184	3,912	3,106	3,325
Trade payables	2,854	3,280	2,731	2,209	4,222
Working capital	4,163	6,462	6,146	4,335	3,562
Total equity	12,126	8,815	7,389	6,264	4,755
Interest-bearing liabilities	9,094	16,287	13,318	5,090	6,366
Long-term borrowings	7,934	10,694	2,911	4,683	6,220
Short-term borrowings	661	3,159	10,130	303	0
Net debt	6,349	13,552	12,012	4,250	5,262

Cash flow, SEKm	2009	2008	2007	2006 ¹	2005 ¹
Cash flow from operations, excluding change in operating assets and liabilities	2,749	2,703	3,232	2,626 ²	2,468
Cash flow from operating assets and liabilities	1,897	441	-576	-1,194 ²	-177
Cash flow from operations	4,646	3,144	2,656	1,432²	2,291
Cash flow from investments	-909	-1,131	-813	-897	-1,342
Operating cash flow	3,737	2,013	1,843	535	949
Acquisitions of operations	-43	-845	-8 876	-558	—
Total cash flow from operations and investments	3,694	1,168	-7 033	-23	949

1) The Husqvarna Group was established as of 31 May 2006, and listed on the NASDAQ OMX Stockholm as of 13 June 2006. The Husqvarna operations previously comprised the Outdoor Product segment within Electrolux Group. Figures for 2005 and 2006 presented above are based on the pro forma figures. As the establishment of the Group was finalized by 31 May 2006 the Income statement, Balance sheet, Equity and Cash flow statements represent the consolidated values of the Group. For information about combined financial statements and pro forma financial information please see Husqvarna's Annual Reports for 2006 and 2007.

2) Pro forma.

Key data, SEKm	2009	2008	2007	2006 ¹	2005 ¹
Net sales	34,074	32,342	33,284	29,402	28,768
Net sales growth, %	5	-3	13	2	6
Gross margin, %	25.4	29.0	29.4	27.0	26.6
EBITDA	3,060	3,524	4,645	3,957	3,754
EBITDA margin, %	9.0	10.9	14.0	13.5	13.0
Operating income	1,560	2,361	3,564	3,121	2,927
Operating income excl. restructuring costs	2,012	2,677	3,564	3,121	2,927
Operating margin, %	4.6	7.3	10.7	10.6	10.2
Operating margin excl. restructuring costs, %	5.9	8.3	10.7	10.6	10.2
<i>Consumer Products</i>	2.0	4.9	7.9	7.7	7.3
<i>Consumer Products excl. restructuring costs</i>	3.2	5.3	7.9	7.7	7.3
<i>Professional Products</i>	11.1	12.7	16.8	16.9	16.7
<i>Professional Products excl. restructuring costs</i>	12.8	14.6	16.8	16.9	16.7
Income after financial items	1,094	1,767	2,889	2,692 ²	2,448
Income for the period	903	1,288	2,036	1,862 ²	1,641
Capital expenditure	914	1,163	857	890	1,259
<i>Consumer Products</i>	491	686	514	524	859
<i>Professional Products</i>	377	475	343	366	400
Operating cash flow	3,737	2,013	1,843	535 ²	949
Cash flow per share	6.81	4.43 ³	4.04 ³	1.17 ^{2,3}	2.08 ³
Earnings per share, diluted, SEK	1.64	2.81 ³	4.46 ³	4.08 ^{2,3}	3.59 ³
Equity per share, SEK	22.0	19.3 ³	16.1 ³	13.7 ³	10.4 ³
Average number of shares, millions	548.8	454.5 ³	456.2 ³	456.9 ³	456.9 ³
Dividend per share, SEK	1.00	0.00	1.50 ³	1.16 ³	—
Dividend pay-out ratio, % ⁵	64	—	42	35 ⁴	—
Capital employed	21,220	25,102	20,707	11,354	11,121
Return on capital employed, %	6.6	10.7	17.6	23.8 ²	24.1
Return on equity, %	7.5	15.8	28.6	32.5 ²	40.1
Capital turn-over rate, times	1.6	1.5	1.8	2.4	2.6
Net debt/equity ratio	0.52	1.54	1.63	0.68	1.11
Interest coverage ratio, times	3.2	3.5	5.3	7.6 ²	—
Equity/assets ratio, %	40.1	25.7	25.7	38.3	26.1
Salaries and remunerations	3,998	4,037	3,973	3,033	3,047
Average number of employees	15,030	15,720	16,093	11,412	11,681
<i>Consumer Products</i>	8,900	8,655	8,851	5,751	6,054
<i>Professional Products</i>	6,100	7,040	7,242	5,661	5,627

1) The Husqvarna Group was established as of 31 May 2006, and listed on the NASDAQ OMX Stockholm as of 13 June 2006. The Husqvarna operations previously comprised the Outdoor Product segment within Electrolux Group. Figures for 2005 and 2006 presented above are based on the pro forma figures. As the establishment of the Group was finalized by 31 May 2006 the Income statement, Balance sheet, Equity and Cash flow statements represent the consolidated values of the Group. For information about combined financial statements and pro forma financial information please see Husqvarna's Annual Reports for 2006 and 2007.

2) Pro forma.

3) Number of shares 2005–2008 have been adjusted for the rights issue made in 2009. Number of shares 2005 and 2006 have been adjusted for the bonus issue made in 2007.

4) According to combined financial statements.

5) Dividend pay out ratio is defined as total dividend in relation to the income for the period excluding minority interest.

Quarterly data

Income, SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	2009	11,152	11,481	6,709	4,732	34,074
	2008	10,043	10,343	6,830	5,126	32,342
	2007	9,214	12,048	6,826	5,196	33,284
EBITDA	2009	1,138	1,452	492	-22	3,060
	2008	1,488	1,595	593	-152	3,524
	2007	1,211	2,049	836	549	4,645
EBITDA margin, %	2009	10.2	12.6	7.3	-0.5	9.0
	2008	14.8	15.4	8.7	-3.0	10.9
	2007	13.1	17.0	12.2	10.6	14.0
Operating income	2009	786	1,116	173	-515	1,560
	2008	1,202	1,321	310	-472	2,361
	2007	984	1,758	553	269	3,564
Operating income excl. restructuring costs	2009	821	1,134	232	-175	2,012
	2008	1,202	1,321	325	-171	2,677
	2007	984	1,758	553	269	3,564
Operating margin, %	2009	7.0	9.7	2.6	-10.9	4.6
	2008	12.0	12.8	4.5	-9.2	7.3
	2007	10.7	14.6	8.1	5.2	10.7
Operating margin excl. restructuring costs, %	2009	7.4	9.9	3.5	-3.7	5.9
	2008	12.0	12.8	4.8	-3.3	8.3
	2007	10.7	14.6	8.1	5.2	10.7
Income after financial items	2009	590	944	108	-548	1,094
	2008	1,060	1,141	178	-612	1,767
	2007	876	1,528	391	94	2,889
Margin, %	2009	5.3	8.2	1.6	-11.6	3.2
	2008	10.6	11.0	2.6	-11.9	5.5
	2007	9.5	12.7	5.7	1.8	8.7
Income for the period	2009	464	761	130	-452	903
	2008	753	810	143	-418	1,288
	2007	613	1,070	273	80	2,036
Earnings per share, SEK ¹	2009	0.98	1.35	0.23	-0.79	1.64
	2008	1.65	1.77	0.32	-0.93	2.81
	2007	1.34	2.34	0.59	0.19	4.46
Financial position, SEKm						
		Q1	Q2	Q3	Q4	Full year
Inventories	2009	8,975	6,979	5,823	6,706	6,706
	2008	7,723	6,642	6,361	8,556	8,556
	2007	6,578	6,157	5,965	7,758	7,758
Equity	2009	12,579	13,003	12,416	12,126	12,126
	2008	7,903	7,939	8,614	8,815	8,815
	2007	6,986	7,334	7,284	7,389	7,389
Interest-bearing liabilities	2009	12,895	12,929	10,276	9,094	9,094
	2008	16,245	14,901	13,168	16,287	16,287
	2007	15,645	15,239	13,262	13,318	13,318
Net debt	2009	10,312	9,137	6,918	6,349	6,349
	2008	14,734	13,387	12,014	13,552	13,552
	2007	14,535	13,377	11,540	12,012	12,012
Working capital	2009	6,700	6,524	4,794	4,163	4,163
	2008	9,784	8,101	6,381	6,462	6,462
	2007	8,664	7,159	5,592	6,146	6,146

1) Number of shares have been adjusted for rights issue made in 2009.

Net sales by business area, SEKm

		Q1	Q2	Q3	Q4	Full year
Consumer Products	2009	8,092	8,297	3,937	2,346	22,672
	2008	6,830	6,773	3,764	2,482	19,849
	2007	6,207	8,418	3,668	2,328	20,621
Professional Products	2009	3,060	3,184	2,772	2,386	11,402
	2008	3,213	3,570	3,066	2,644	12,493
	2007	3,007	3,630	3,158	2,868	12,663
Total	2009	11,152	11,481	6,709	4,732	34,074
	2008	10,043	10,343	6,830	5,126	32,342
	2007	9,214	12,048	6,826	5,196	33,284

Operating income by business area, SEKm

		Q1	Q2	Q3	Q4	Full year
Consumer Products	2009	532	730	-191	-612	459
	2008	727	745	-71	-438	963
	2007	521	1,164	66	-113	1,638
Consumer Products excl. restructuring costs	2009	532	730	-131	-412	719
	2008	727	745	-65	-364	1,043
	2007	521	1,164	66	-113	1,638
Professional Products	2009	293	428	402	142	1,265
	2008	522	623	436	6	1,587
	2007	510	642	529	442	2,123
Professional Products excl. restructuring costs	2009	328	446	401	282	1,457
	2008	522	623	445	232	1,822
	2007	510	642	529	442	2,123
Group common costs etc.	2009	-39	-42	-38	-45	-164
	2008	-47	-47	-55	-40	-189
	2007	-47	-48	-42	-60	-197
Total	2009	786	1,116	173	-515	1,560
	2008	1,202	1,321	310	-472	2,361
	2007	984	1,758	553	269	3,564
Total excl. restructuring costs	2009	821	1,134	232	-175	2,012
	2008	1,202	1,321	325	-171	2,677
	2007	984	1,758	553	269	3,564

Operating margin by business area, %

		Q1	Q2	Q3	Q4	Full year
Consumer Products	2009	6.6	8.8	-4.9	-26.1	2.0
	2008	10.6	11.0	-1.9	-17.7	4.9
	2007	8.4	13.8	1.8	-4.9	7.9
Consumer Products excl. restructuring costs	2009	6.6	8.8	-3.3	-17.6	3.2
	2008	10.6	11.0	-1.7	-14.7	5.3
	2007	8.4	13.8	1.8	-4.9	7.9
Professional Products	2009	9.6	13.4	14.5	6.0	11.1
	2008	16.2	17.5	14.2	0.2	12.7
	2007	17.0	17.7	16.8	15.4	16.8
Professional Products excl. restructuring costs	2009	10.7	14.0	14.5	11.8	12.8
	2008	16.2	17.5	14.5	8.8	14.6
	2007	17.0	17.7	16.8	15.4	16.8
Total	2009	7.0	9.7	2.6	-10.9	4.6
	2008	12.0	12.8	4.5	-9.2	7.3
	2007	10.7	14.6	8.1	5.2	10.7
Total excl. restructuring costs	2009	7.4	9.9	3.5	-3.7	5.9
	2008	12.0	12.8	4.8	-3.3	8.3
	2007	10.7	14.6	8.1	5.2	10.7

New reporting structure

Implementation of the new organization involves a change in the Group's external financial reporting as of the first quarter of 2010. Instead of Consumer Products and Professional Products, the external reporting will comprise three business areas:

- Forestry and Garden Products, Europe and Asia/Pacific.
- Forestry and Garden Products, North America and Latin America.
- Construction Products.

Forestry and Garden Products comprise four product categories – wheeled, handheld, irrigation, as well as accessories and tools. Construction Products comprise two product categories – equipment and diamond tools for the construction industry, and diamond tools for the stone industry.

Historical figures according to the new structure for the years 2007–2009 are reported below:

Net sales by business area, SEKm		Q1	Q2	Q3	Q4	Full year
Forestry and Garden Products, Europe and Asia/Pacific	2009	5,034	5,639	3,446	2,475	16,595
	2008	5,200	5,677	3,491	2,567	16,934
	2007	3,530	5,806	3,456	2,797	15,589
Forestry and Garden Products, North America and Latin America	2009	5,470	5,142	2,584	1,649	14,845
	2008	4,052	3,777	2,556	1,881	12,266
	2007	4,903	5,323	2,465	1,583	14,274
Construction Products	2009	648	700	679	608	2,635
	2008	791	889	783	679	3,142
	2007	781	919	905	816	3,421
Total	2009	11,152	11,481	6,709	4,732	34,074
	2008	10,043	10,343	6,830	5,126	32,342
	2007	9,214	12,048	6,826	5,196	33,284

Operating income by business area, SEKm		Q1	Q2	Q3	Q4	Full year	
Forestry and Garden Products, Europe and Asia/Pacific	2009	674	840	135	-294	1,355	
	<i>Excluding restructuring costs</i>	2009	708	858	194	-105	1,655
	2008	957	1,130	317	-188	2,216	
<i>Excluding restructuring costs</i>	2008	957	1,130	323	-42	2,368	
	2007	640	1,185	422	243	2,490	
	2009	218	332	47	-105	492	
Forestry and Garden Products, North America and Latin America	2009	218	332	47	-105	492	
	<i>Excluding restructuring costs</i>	2009	219	332	47	-8	590
	2008	229	158	14	-80	321	
<i>Excluding restructuring costs</i>	2008	229	158	14	-54	347	
	2007	316	487	40	-44	799	
	2009	-67	-14	29	-71	-123	
Construction Products	2009	-67	-14	29	-71	-123	
	<i>Excluding restructuring costs</i>	2009	-67	-14	29	-17	-69
	2008	63	80	34	-164	13	
<i>Excluding restructuring costs</i>	2008	63	80	43	-36	150	
	2007	75	134	133	130	472	
	2009	-39	-42	-38	-45	-164	
Group common costs etc	2009	-39	-42	-38	-45	-164	
	2008	-47	-47	-55	-40	-189	
	<i>Excluding restructuring costs</i>	2008	-47	-47	-55	-39	-188
<i>Excluding restructuring costs</i>	2007	-47	-48	-42	-60	-197	
	2009	786	1,116	173	-515	1,560	
	<i>Excluding restructuring costs</i>	2009	821	1,134	232	-175	2,012
<i>Excluding restructuring costs</i>	2008	1,202	1,321	310	-472	2,361	
	2008	1,202	1,321	325	-171	2,677	
	2007	984	1,758	553	269	3,564	

Operating margin by business area, %		Q1	Q2	Q3	Q4	Full year
Forestry and Garden Products, Europe and Asia/Pacific	2009	13.4	14.9	3.9	-11.9	8.2
<i>Excluding restructuring costs</i>	2009	14.1	15.2	5.6	-4.2	10.0
	2008	18.4	19.9	9.1	-7.3	13.1
<i>Excluding restructuring costs</i>	2008	18.4	19.9	9.3	-1.6	14.0
	2007	18.1	20.4	12.2	8.7	16.0
Forestry and Garden Products, North America and Latin America	2009	4.0	6.5	1.8	-6.4	3.3
<i>Excluding restructuring costs</i>	2009	4.0	6.5	1.8	-0.5	4.0
	2008	5.7	4.2	0.5	-4.3	2.6
<i>Excluding restructuring costs</i>	2008	5.7	4.2	0.5	-2.9	2.8
	2007	6.4	9.1	1.6	-2.8	5.6
Construction Products	2009	-10.3	-2.0	4.3	-11.7	-4.7
<i>Excluding restructuring costs</i>	2009	-10.3	-2.0	4.3	-2.8	-2.6
	2008	8.0	9.0	4.3	-24.2	0.4
<i>Excluding restructuring costs</i>	2008	8.0	9.0	5.5	-5.3	4.8
	2007	9.6	14.6	14.7	15.9	13.8
Total	2009	7.0	9.7	2.6	-10.9	4.6
<i>Excluding restructuring costs</i>	2009	7.4	9.9	3.5	-3.7	5.9
	2008	12.0	12.8	4.5	-9.2	7.3
<i>Excluding restructuring costs</i>	2008	12.0	12.8	4.8	-3.3	8.3
	2007	10.7	14.6	8.1	5.2	10.7

Corporate Governance Report 2009

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, as well as transparency.

Highlights of 2009

- A rights issue of approximately SEK 3 billion with preferential rights for existing shareholders was approved by an Extraordinary General Meeting in March.
- In October the Board of Directors authorized a number of structural changes related to production in Sweden and the US as well as the sales organizations in Europe and Asia/Pacific.
- A new Group organization was established as of 1 January 2010.

Husqvarna AB is a Swedish public limited liability company that was listed on NASDAQ OMX Stockholm in June 2006. The Group comprises 116 companies and a total of 147 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.

This corporate governance report has been prepared as a part of the Group's application of the Swedish Code of Corporate Governance. This report has not been reviewed by the Group's auditors. No deviations from the code were reported in 2009.

Ownership structure

The number of shareholders as of 31 December 2009 was 71,750, of which 67,510 in Sweden. About 68% of the total share capital was owned by Swedish institutions and mutual funds, about 18% by foreign investors, and about 14% by private Swedish investors.

Investor AB has been the largest single shareholder since the Group's listing in June 2006. The holding of Investor amounted as of 31 of December 2009 to 15.6% of the capital and 28.9% of the voting rights. Information on shareholders and the ownership structure is updated quarterly on the Group's web site, www.husqvarna.com.

Share capital and voting rights

The share capital in Husqvarna at year-end amounted to SEK 1,153m, comprising 147,570,030 A-shares and 428,773,748 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 to dividends.

Rights issue

An Extraordinary General Meeting held in March approved a rights issue with preferential rights for existing shareholders. The shareholders could subscribe for one new share for every two held. The subscription price was SEK 16. The issue was fully subscribed and involved an increase of SEK 383m in share capital. The number of A-shares increased by 49,190,010 to 147,570,030 and the number of B-shares increased by 142,016,873 to 428,773,748, for a total increase of 191,206,883 to 576,343,778 shares. Trading in the new shares started on 8 April.

General Meetings

The decision-making rights of shareholders in Husqvarna are exercised at the Annual General Meeting (AGM).

Participation in decision-making requires the shareholder's presence at the meeting, either in person or by proxy.

In addition, the shareholder must be registered in the share register as of the record date, i.e. five working 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.

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.

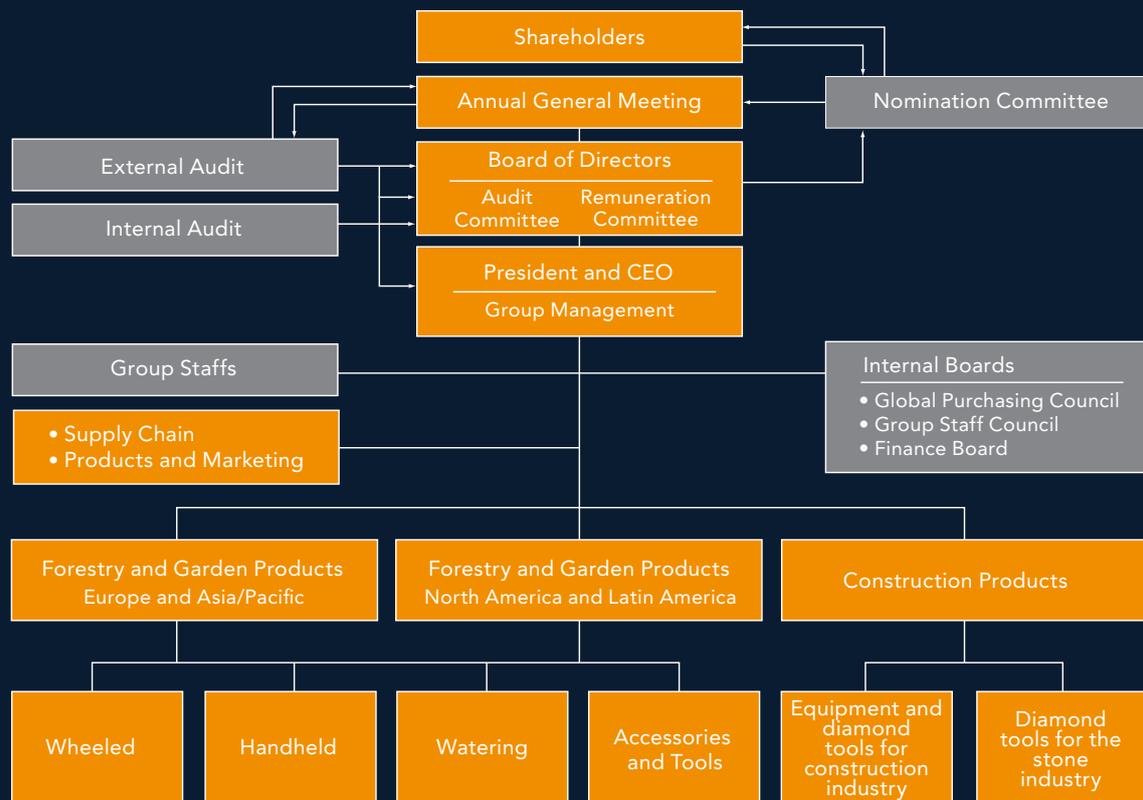
An Extraordinary General Meeting may be convened at the discretion of the Board of Directors or if requested by the auditors or by shareholders owning at least 10% of the shares.

Shareholders may communicate in writing with the Board regarding matters that pertain to the general meeting by e-mail to board@husqvarna.se. This address is also posted at the Group's web site, www.husqvarna.com.

Extraordinary General Meeting 2009

An Extraordinary General Meeting was held on 9 March in Stockholm due to the rights issue proposed by the Board. The General Meeting was attended by 333 shareholders, either personally or by proxy, and these represented 59.1% of the shares and 71.9% of the votes. The Extraordinary General Meeting decided to approve the proposed rights issue.

Governance structure



Major regulations affecting the governance of Husqvarna

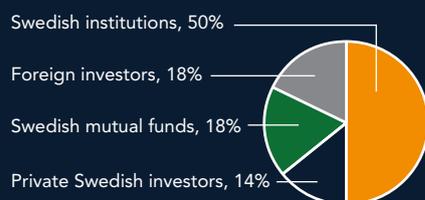
External regulations

- Swedish Companies act (2005:559)
- NASDAQ OMX Stockholm's Rule 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



The 10 largest shareholders

	Share of capital, %	Share of votes, %
Investor AB	15.6	28.9
Alecta Mutual Pension Insurance	9.9	6.7
Swedbank Robur Investment Funds	5.8	1.9
LE Lundbergföretagen	5.0	14.4
SEB Investment Funds & SEB Trygg Liv	3,3	1.7
AMF Insurance & Pension Investment Funds	2,6	2,1
Didner & Gerge Investment Funds	1.9	1.4
Nordea Investment Funds	1.9	1.0
The Norwegian State	1.5	1.1
Second Swedish National Pension Fund	1.3	0.4
Total, 10 largest shareholders	48.8	59.6
Total, Board of Directors and Group Management	<0.2	<0.1

Source: SIS Ägarservice as of 31 December 2009. Most of the shares owned by foreign investors are registered through trustees, which means that owner identity is not obtainable from Euroclear Sweden AB (formerly VPC). The largest foreign shareholders are therefore not reflected in the table above.

Annual General Meeting 2009

The 2009 AGM was held on 23 April in Jönköping. It was attended by approximately 350 shareholders, either personally or by proxy. They represented 47.4% of the shares and 60.9% 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 developments during the year and the main points concerning the long-term work of the Group.

Decisions by the AGM included:

- Adoption of the financial statements for 2008, discharge of responsibility for the Board and the President.
- No dividend to shareholders for 2008.
- Re-election of Board members Lars Westerberg, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg and Gun Nilsson. President and CEO Magnus Yngen was elected as a new member. Bengt Andersson declined re-election. Lars Westerberg was re-elected as Chairman of the Board.
- Fees to Board members was set at SEK 5,345,000, of which SEK 1,600,000 to the Chairman and SEK 460,000 to each member not employed by the Group. Fees to members of the Audit Committee was set at SEK 175,000 to the Chairman and 75,000 to other members. Fees to the Remuneration Committee was set at SEK 100,000 to the Chairman and SEK 50,000 to other members.
- Fees to the auditors in accordance with approved invoices.
- Approval of principles for remuneration and employment regarding the President and members of Group Management.
- Approval of a performance-based incentive program (LTI 2009) for top management.
- Approval of rules for the composition and tasks of the Nomination Committee.
- Re-purchase and redemption of own shares in order to fulfill commitments in current and approved incentive programs.

The minutes of the AGM are available at the Group's web site, www.husqvarna.com.

AGM 2010

The Annual General Meeting for 2010 will be held on 27 April 2010 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 2009, Husqvarna has a Nomination Committee that consists of one representative of each of the four largest shareholders in terms of voting rights, and 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 2009. 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.
- Election of Board members.
- Election of auditors.
- Election of the Chairman of the Board.
- Fees to the Board, including the Chairman, and fees to 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, and is then assisted by the Audit Committee which 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 the following address: nominationcommittee@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 2010

The Nomination Committee for the AGM 2010 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.
- Torgny Wännström, AFA Försäkring.
- Lars Westerberg, Chairman of the Husqvarna board.

The names of the shareholders' representatives were published on 23 October in the Interim Report for the third quarter of 2009.

The Nomination Committee's proposal to the AGM in 2010 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, Robert F. Connolly, Magnus Yngen. Election of Ulla Litzén as new member. Gun Nilsson has declined re-election.
- Re-election of PricewaterhouseCoopers for the period until the end of Annual General Meeting 2014.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Unchanged Board fees totaling 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 to the Chairman in the Remuneration Committee and SEK 50,000 to each of the other members. SEK 175,000 to the Chairman in the Audit Committee and SEK 75,000 each to the other members.
- Unchanged principles for appointment of Nomination Committee for AGM 2011.

The full proposal as well as a report on how the Committee has conducted its work will be publicly announced no later than the notice date for the AGM, as well as on Husqvarna's web site, www.husqvarna.com.

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 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 work

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 Magnus Yngen none of the Board members is part of Group Management.

Two of the members elected by the AGM are not Swedish citizens, and two are women.

For additional information regarding Board members, see pages 110–111.

Requirements for independence

The Board is considered to be in compliance with the requirements for independence stipulated by NASDAQ OMX Stockholm's Rule book and the Swedish Code of Corporate Governance. None of the Board members is employed by the Group, with the exception of Magnus Yngen.

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.

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 can choose to obtain the total Board fee in cash.

After five years, i.e. in 2014, 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.

Board fees

Fees to the Board members are determined by the AGM. Board members who are not employed by the Company are not offered to participate in the company's long-term incentive programs. In accordance with the proposal by the Nomination Committee, the AGM 2009 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.

For additional information on remuneration to the Board of Directors, see Note 24.

Fees to the board 2007–2009*

SEK	2009	2008	2007
Authorized fees, total	5,345,000	5,345,000	5,087,500
Chairman	1,600,000	1,600,000	1,500,000
Board member	460,000	460,000	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

* Refers to fees prior to the AGMs in 2010, 2009 and 2008 respectively. For information about the composition of the 2009 fees in terms of cash payment and synthetic shares, see Note 24.

The Board's activities in 2009

In the course of the year the Board held seven scheduled meetings and six extraordinary meetings. Four of the scheduled meetings were held in Stockholm, two in Huskvarna and one by telephone. Of the extraordinary meetings, two were held by telephone, two in Stockholm and two per capsulam. Four of them were related to the rights issue of the company.

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 2009 the Board also dealt with the following issues:

- A rights issue totaling approximately SEK 3 billion, with preferential rights for existing shareholders.
- Introduction of a new global organization comprising five operative units instead of the previous six business sectors.
- Restructuring of production, and of the sales organizations in Europe and Asia/Pacific.

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 members of Board committees report on open issues from previous meetings when appropriate, and also present plans and results.

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

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 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 Remuneration Committee consists of three members, Tom Johnstone (Chairman), Anders Moberg and Lars Westerberg. The Committee's secretary is Lars Worsøe-Petersen,

Board of Directors

Agenda items 2009

9 February – extraordinary meeting in Stockholm

- Financing issues

19 February – scheduled meeting in Stockholm

- Financial statements and report on consolidated results for 2008
- Information and report from the auditors
- Decision on Extraordinary General Meeting regarding the proposed rights issue
- Proposals for the AGM
- Authorization of proposed rights issue
- Adoption of annual report for 2008

4 March – extraordinary meeting by telephone

- Authorization of terms for the rights issue

10 March – extraordinary meeting per capsulam (by letter)

- Approval of prospectus for the rights issue

19 March – extraordinary meeting in Stockholm

- Approval of prospectus for MTN program
- Strategic plan

1 April – extraordinary meeting per capsulam (by letter)

- Distribution of shares in the rights issue

23 April – scheduled meeting in Huskvarna, and constituent meeting following Annual General Meeting

- Authorization of signing rights for the company
- Revision of the Board's working procedures

8 May – extraordinary meeting by telephone

- Interim report for January–March 2009

4 June – scheduled meeting in Stockholm

- Approval of strategic business plan for the Group and for individual sectors

16 July – scheduled meeting by telephone

- Interim report for January–June 2009

22 October – scheduled meeting in Stockholm

- Interim report for January–September 2009
- Authorization of structural changes in production and sales
- Evaluation of the Board's performance

3 December – scheduled meeting in Stockholm

- Approval of credit limits for major customers
- Approval of the budget and the long-term plan

The annual report for 2009 was approved at a scheduled meeting on 23 February 2010.

head of Group Staff Human Resources. The Committee shall meet at least twice annually. Six meetings were held in 2009. See Agenda Items on page 104.

Audit Committee

The 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.

Remuneration Committee

Agenda items 2009

18 February – Stockholm

- Fixed salaries for 2009
- Long-term incentive program (LTI 2009)
- Goals to be achieved for variable remuneration, and LTI 2009
- Approval of distribution of the long-term incentive program in 2006 (PSP 2006)
- Pension benefits for Group Management in comparison with relevant markets

27 February – Stockholm

- Introduction of short-term incentive program for 2009, based on goals for cash flow
- Goals to be achieved for variable remuneration and LTI 2009

1 June – Stockholm

- Revision of terms for LTI 2007 and 2008, in light of rights issue in March 2009
- Review of variable remuneration for 2009, in light of the new organization

27 August – Stockholm

- Remuneration to new Group Management member

22 October – Stockholm

- Evaluation of long-term incentive programs
- Earlier date for annual revision of remuneration to senior management (at meeting in December, instead of Board meeting in February)
- EU guidelines
- Remuneration to new Group Management member

2 December – Stockholm

- Remuneration for 2010 to Group Management, and LTI for 2010
- Goals to be achieved for variable remuneration in 2010
- Remuneration to new Group Management member

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. Five meetings were held in 2009. See Agenda Items on page 105.

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.

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 2010. The nomination Committee has proposed to the AGM the re-election of PwC, until the Annual General Meeting 2014.

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 administrative financial statements for the 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 Accepted 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 mandated.

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 2009 the auditors reviewed selected items in the balance sheets and income statements of major Group units as of

Remuneration to Group Management

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Total 2009	Total 2008	Total 2007
President and CEO	5,750	1,380	3,453	347	10,930	5,016	—
President and CEO, former*	0	—	0	—	0	16,989	15,607
Group Management, other	28,461	3,748	11,381	2,392	45,982	38,480	57,681
Total	34,211	5,128	14,834	2,739	56,912	60,485	73,288

* The former President, Bengt Andersson, retired 1 October 2008, but his employment continued until 30 June 2009 when he attained the retirement age of 65. The cost of his remuneration in 2009 has been taken in 2008. For more information on remuneration to Group Management, see Note 24.

Audit Committee**Agenda items 2009****13 February – Stockholm**

- Auditors' report on auditing of accounts
- Draft of annual report and consolidated results for 2008
- Implemented internal audits in Norway and the US
- Internal audit plan for 2009
- Two-year review of Klippo acquisition

29 April – Stockholm

- Draft of interim report January–March 2009
- External audit plan for 2009
- Implemented internal audits in Sweden, Czech Republic, China and Taiwan
- Two-year review of the King Concept acquisition
- Evaluation of performance of external auditors

13 July – by telephone

- Draft of interim report January–June 2009
- Long-term financing

19 October – Stockholm

- Draft of interim report January–September 2009
- Implemented internal audits in Belgium, Greece, Brazil, Venezuela and Argentina
- External audits, 2010–2013
- Two-year review of Soff-Cut, Meco and Hagby acquisitions

25 November – Stockholm

- Report by auditors on hard-close audit as of 30 September 2009
- Result of risk analysis regarding financial reporting
- Implemented internal audits in Sweden and Spain
- Investment policies for Group pension funds

30 September 2009, known as hard-close audit procedures, in order to identify possible auditing issues in good time prior to the year-end 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 2009 has been reviewed by the external auditors.

Prior to the AGM 2009 the auditors reviewed the Board's proposal for remuneration and other terms of employment for Group Management in Husqvarna.

Fees to auditors*

SEK	2009	2008	2007
Audit fees, PwC	22	21	17
Non-audit fees, PwC	2	2	6
Audit fees, other auditors	1	1	7
Total	25	24	30

* Fees to PwC for non-audit assignments refers primarily to tax consultancy.

For further information on fees paid to the auditors, see Note 25. For information about the auditors and their other audit assignments, see page 110.

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 pages 107–109.

Management and corporate structure

The Group's structure is decentralized, and overall management of operations is exercised largely through the quarterly reviews of operations, monthly Group Management meetings and weekly telephone meetings.

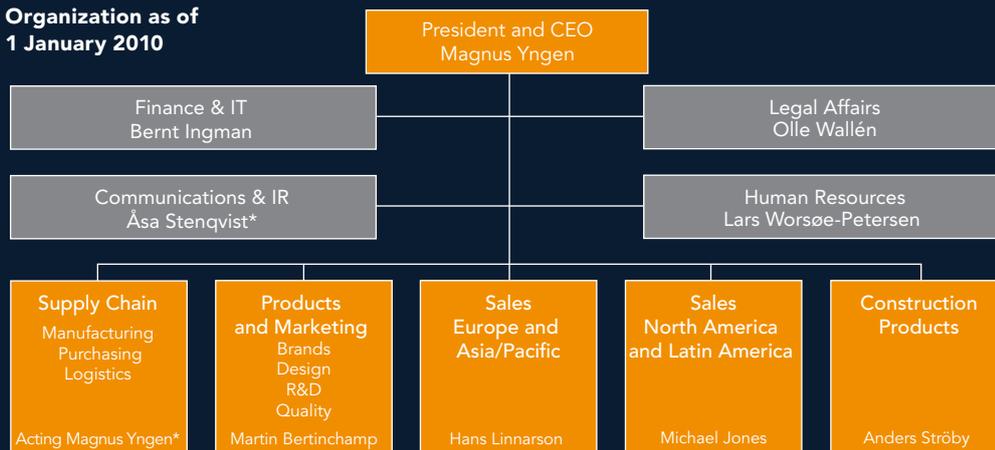
The corporate culture is non-bureaucratic in order to enable rapid decision-making, and features cost-efficiency as well as a focus on products and customers.

Operations shall be conducted with due regard for the environment, society and ethical principles.

New organization

A new functional organization was established as of 1 January 2010. The previous six product-based business sectors were replaced by five business units: Supply Chain, Products and Marketing, Sales in Europe and Asia/Pacific, Sales in North America and Latin America, and Construction Products. There are four Group staffs, in which no changes have been made.

The goal of the organizational change is to eliminate overlapping and duplication, create clearly defined areas of responsibility, and increase operational efficiency.

Organization as of 1 January 2010

* Thomas Andersson assumed the position as Head of Supply Chain as of 22 February 2010. Boel Sundvall assumed the position as Head of Communications & Investor Relations (IR) as of 8 March 2010. She succeeded Åsa Stenqvist, who has retired in accordance with the terms of employment for Husqvarna Group Management.

For information on members of Group Management, see pages 36 and 113.

Global processes

In order to achieve greater internal efficiency, several common global processes have been established within the Group. The key processes that have been identified to date are Purchasing, Demand flow, i.e. management of flows between the Group, suppliers and customers, Lean production, i.e. measures for continuous improvement in production, and Product development. For additional information, see page 14.

The President and Group Management

Group Management includes the President, the heads of the five business units, and the heads of the four Group staffs.

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 heads of the business units are responsible for revenues, costs and use of capital in their respective operations. Overall management of the business areas is exercised through the quarterly meetings for reviewing of operations. In addition to the President, who directs the meetings, the heads of business units participate along with relevant representatives from the units.

Group staffs are responsible for coordination of general issues of importance to the Group, development of policies and guidelines, and support for the business units that apply them. The tasks of the staffs include consolidation and reporting of financial results, financing, risk management, legal matters, and contact with stakeholders such as employees, as well as 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 of Group Management

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.

Variable remuneration to the President, the heads of the business units Supply Chain and Products and Marketing as well as the staff heads is based on the value created for the Group. One-quarter of the variable remuneration to the heads of the other three business units are based on value created for the Group, and three-quarters on the value created for the business unit. For additional information on remuneration, see Note 24.

Value creation

The concept of value creation links operating income and tied-up capital with the cost of the capital employed in operations, and is measured as operating income less the weighted average cost of capital (WACC) in relation to average net assets. Value created is measured for the three business units as well as by product category.

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 such a 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 the Group's web site, www.husqvarna.com.

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

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 105.

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 units 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

Structure of control over financial reporting within the Husqvarna Group

Responsible function	Level in Group	Control Activity	Periodicity	Responsibility for monitoring
Controller	Group	• Ensure observance of control routines in accordance with the Husqvarna Accounting Manual.	Continuously	Country Officer, Internal Audit, Group Accounting Department
		• Control of consolidated financial statements.	Monthly	Group Management Audit Committee
	Sector unit	• Analysis and monitoring of reported results.	Monthly	Group Management
• Preparation of budget and forecast.		Monthly	Group Management	
	Operative units	• Control Self Assessment.	Annually	Internal Audit
		• Preparation of instructions for attestation.	Continuously	Internal Audit, Group Staff Legal Affairs
		• Ensure that financial information is correct and complete and delivered on time.	Monthly	Group Accounting Department, Internal Audit
Internal Audit	Group	• Preparation of risk analysis, financial reporting.	Annually	Audit Committee
		• Collection of Letters of Representation from all units.	Annually	Audit Committee
Country Officer	All subsidiaries within the country	• Ensure that interests of owners are safeguarded.	Continuously	Group CFO
		• Identify and report on risks related to fiscal and other and legislation.	Continuously	Group Tax Officer, Group Staff Legal Affairs
Group Management	Group Operative units	• Review of monthly results, updated forecasts, plans and strategic issues.	Continuously	Board of Directors, Audit Committee
		• Definition of policies and guidelines.	Continuously	Board of Directors, Audit Committee
Audit Committee	Group	• Evaluation of acquisitions.	12 and 24 months subsequent to acquisition	

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. The 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. During 2009 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 companies within the Group, 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. During the year letters of representation confirming compliance with the manual and other policies and instructions were received from all subsidiaries.

Financial reporting

Detailed financial data is 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 is retrieved for analysis and monitoring at Group, business-area and sector level. Interim reports are posted on the Group's web site, www.husqvarna.com.

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 2009. The internal auditors report to the Audit Committee regarding their observations and recommendations for improvement of internal control over financial reporting.

Board of Directors and Auditors

Lars Westerberg

Chairman

Born 1948. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden, BBA., Stockholm University, Sweden. Elected 2006. Member of the Remuneration Committee.

Other major assignments: Board Chairman of Autoliv Inc. and Vattenfall AB. Board member of AB Volvo and SSAB.

Previous positions: President and CEO and Board Member of Autoliv Inc. 1999–2007. President and CEO of Gränges AB 1994–1999. President and CEO of Esab AB 1991–1994.

Holdings in Husqvarna: 234,000 B-shares.

Magnus Yngen

President and CEO

Born 1958. M. Eng. Lic.Tech., Royal Institute of Technology, Stockholm, Sweden. Elected 2009.

Other major assignments: Board member of Duni AB and the Association of Swedish Engineering Industries. Member of the Business Executives Council of IVA.

Previous positions: Head of Major Appliances Europe, Electrolux, 2006–September 2008, Executive Vice-President and member of Electrolux Group Management 2002–2008. Head of the Electrolux Floor-care and Small Appliances business sector 2002. Head of this sectors European operation 2001, Head of Floor Care International operations, 1999. Technical Director in the Electrolux direct sales operation LUX, 1995.

Holdings in Husqvarna: 49,042 B-shares.

Peggy Bruzelius

Born 1949. M. Econ., Hon. Doc. in B.A., Stockholm School of Economics, Sweden. Elected 2006. Member of the Audit Committee.

Other major assignments: Board Chairman of Lancelot Asset Management AB and Swedish National Agency for Higher Education. Deputy Chairman of AB Electrolux. Board member of Akzo Nobel n.v., Axfood AB, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, Diageo Plc, Scania AB, Syngenta AG and the Association of the Stockholm School of Economics.

Previous positions: Executive Vice-President of SEB, Skandinaviska Enskilda Banken AB 1997–1998. President and CEO of ABB Financial Services AB 1991–1997.

Holdings in Husqvarna: 2,925 A-shares, 9,750 B-shares.

Robert F. Connolly

Born 1943. B.A., Rochester Institute of Business, New York, USA. Elected 2006.

Other major assignments: –

Previous positions: Executive Vice-President and Chief Marketing Officer Walmart Stores Inc. 2001–2006. Positions in merchandising and marketing 1996–2006 and 1989–1993, Walmart Stores Inc. Executive Vice-President as well as positions in merchandising, Montgomery Ward & Company Inc. 1994–1995 and 1987–1989.

Holdings in Husqvarna: 300 A-shares, 1,000 B-shares.

Börje Ekholm

Born 1963. MBA, INSEAD, France and M.Sc. Eng., Royal Institute of Technology, Stockholm, Sweden. Elected 2006. Chairman of the Audit Committee. President and CEO and Board member of Investor AB.

Other major assignments: Board member of AB Chalmersinvest, EQT Partners AB, KTH Holding AB, Lindorff Group AB, Scania AB, Telefonaktiebolaget LM Ericsson and University Board of KTH.

Previous positions: Senior management positions in the Investor Group since 1995.

President of Investor Growth Capital Inc. 1998–2005. Responsible for New Investments 1999 and Executive Vice-President of Investor AB 1997.

Holdings in Husqvarna: 12,600 A-shares, 42,000 B-shares.

Tom Johnstone

Born 1955. M.A., University of Glasgow, Hon. Doc. in B.A., University of South Carolina, USA.

Elected 2006. Chairman of the Remuneration Committee. President and CEO and Board member of AB SKF.

Other major assignments: Board member of the Association of Swedish Engineering Industries and Chalmers University of Technology.

Previous positions: Senior management positions within AB SKF since 1987. Executive Vice-President of AB SKF 1999–2003. President Automotive Division 1995–2003.

Holdings in Husqvarna: 990 A-shares, 4,800 B-shares.

Ulf Lundahl

Born 1952. M. of Law and MBA, Lund University, Sweden. Elected 2008. Executive Vice-President and deputy President of L E Lundberg-företagen AB.

Other major assignments: Board member of Holmen AB, Cardo AB, Indutrade AB, Ramirent Oy, Stockholm City Fire Insurance Office and Handelsbanken, Regional Bank Stockholm.

Previous positions: Senior adviser of L E Lundberg-företagen AB 2003–2004, President of Danske Securities 2001–2003, President of Östgöta Enskilda Bank/Danske Bank Sverige 1992–2001, President of Nokia Data Sverige 1989–1992, Executive Vice-President of Göteborgen/GOTA Bank 1983–1989, Strategy consultant SIAR 1976–1983.

Holdings in Husqvarna: 1,125 A-shares, 3,750 B-shares.

Anders Moberg

Born 1950. Elected 2006. Member of the Remuneration Committee.

Other major assignments: Board Chairman of Clas Ohlson AB and Biva A/S. Board member of Ahlstrom Corporation, Byggmax AB, and DFDS A/S, Hema BV, Sofia Bank PLC and ZetaDisplay AB.

Previous positions: CEO of Majid Al Futtaim Group, 2007–2008. President and CEO of Royal Ahold 2002–2007. Division President International of Home Depot, 1999–2002. President and CEO of IKEA Group 1986–1999.

Holdings in Husqvarna: 4,140 A-shares, 124,300 B-shares.

Gun Nilsson

Born 1955. M. Econ., Stockholm School of Economics, Sweden. Elected 2006. Member of the Audit Committee. CFO of Sanitec Corporation.

Other major assignments: Board member of Hexagon AB.

Previous positions: CFO Nobia AB 2008–2009. President of Gambro Holding AB 2007–2008. Senior management positions within Duni AB 1993–2007. Executive Vice-President, deputy CEO and Head of Corporate Development 2002–2007. CFO 1993 and responsible for Corporate Communications 1999–2001. Finance Director of Bonnier Affärsinformation 1987–1993.

Holdings in Husqvarna: 2,340 A-shares, 8,700 B-shares.

Employee representatives

Members

Malin Björnberg

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services.

Holdings in Husqvarna: 45 A-shares, 150 B-shares.

Annika Ögren

Born 1965. Representative of the Swedish Confederation of Trade Unions.

Holdings in Husqvarna: 0 shares.

Deputy members

Carita Spångberg

Born 1968. Representative of the Swedish Confederation of Trade Unions.

Holdings in Husqvarna: 0 shares.

Fredrik Lilliestielke

Born 1976. Representative of the Federation of Salaried Employees in Industry and Services.

Holdings in Husqvarna: 0 shares.

Auditors

PricewaterhouseCoopers AB is appointed auditors for a four-year period until the Annual General Meeting 2010.

Anders Lundin

PricewaterhouseCoopers AB

Born 1956. Authorized Public Accountant, Auditor in charge.

Other audit assignments include: Aarhus-Karlshamn, AB Electrolux, Industrivärden, Loomis, Melker Schörling AB and SCA.

Holdings in Husqvarna: 0 shares.

Christine Rankin Johansson

PricewaterhouseCoopers AB

Born 1964. Authorized Public Accountant.

Other audit assignments include: Aditro Group, Euroclear Sweden AB and Kreab-GavinAnderson.

Deputy auditor Haldex AB

Holdings in Husqvarna: 0 shares.

Holdings as of 31 December 2009.



Top from left:
Lars Westerberg,
Peggy Bruzelius
and Magnus Yngen



Gun Nilsson,
Börje Ekholm and
Robert F. Connolly



Fredrik Lilliestielke
and Annika Ögren



Anders Moberg
and Malin Björnberg



Tom Johnstone,
Carita Spångberg
and Ulf Lundahl





Top from left:
Magnus Yngen,
Anders Ströby

Olle Wallén,
Åsa Stenqvist and
Martin Bertinchamp



Hans Linnarson,
Michael Jones and
Bernt Ingman

Lars Worsøe-Petersen



Group Management

Magnus Yngen

President and CEO

Born 1958. M. Eng. Lic.Tech., Royal Institute of Technology, Stockholm, Sweden. Employed 1 October 2008.

Other major assignments: Board member of Duni AB and the Association of Swedish Engineering Industries. Member of the Business Executives Council of IVA.

Previous positions: Head of Major Appliances Europe, Electrolux, 2006–2008, Executive Vice-President and member of Electrolux Group Management 2002–2008. Head of the Electrolux Floor-care and Small Appliances business sector 2002. Head of this sectors European operation 2001, Head of Floor Care International operations, 1999. Technical Director in the Electrolux direct sales operation LUX, 1995.

Holdings in Husqvarna: 49,042 B-shares.

Martin Bertinchamp

Executive VP, Head of Products & Marketing
Born 1958. MBA, University of Saarbrücken, Germany. Employed 2004. Member of Group Management since 2007.

Other major assignments: Board Chairman of HUBER Packaging Group GmbH + Co. KG and BEURER GmbH. Board Member of Rothenberger AG, PAUL BAUDER GmbH & Co. and WIHA Werkzeuge GmbH.

Previous positions: President and CEO of Gardena AG 2004. President and CEO of Metabo AG 1996. Managing Director of Entelec SA 1995. Managing Director of Schiele Industrierwerke GmbH 1992. Director Administration of Schiele Industrierwerke GmbH 1988. Director Controlling of EADS 1986. Controlling, Südzucker AG 1983.

Holdings in Husqvarna: 0 shares.

Michael Jones

Executive VP, Head of Sales in North and Latin America

Born 1962 B.A. in Business Administration, California Coast University, USA. Employed 2009. Employed and member of Group Management since 2009.

Previous positions: General Manager, Cooking Products, within the Appliances division of General Electric, 2007–2009. Various leadership positions within General Electric in Sales, Service, Product Management and international business since 1994.

Holdings in Husqvarna: 0 shares.

Hans Linnarson

Executive VP, Head of Sales in Europe and Asia/Pacific

Born 1952. B.A., Lund University, Sweden, Electr.Eng., Teknikum, Växjö, Sweden. Employed 1994. Member of Group Management since 2006.

Other major assignments: Board member of Beijer Electronics AB and Nibe AB.

Previous positions: Head of Consumer Products Rest of the world, Electrolux 2004. Various management positions in product development, marketing and production within Electrolux Major Appliances, Europe 1996–2003. Head of Electrolux Materials Handling product line 1994.

Holdings in Husqvarna: 3,229 A-shares, 39,038 B-shares.

Anders Ströby

Executive VP, Head of Construction Products

Born 1953. M. Sc. Eng., Royal Institute of Technology, Stockholm, Sweden. Employed 1980. Member of Group Management since 2006.

Previous positions: Head of Garden Equipment and Construction Products, Electrolux 1996–2002. Head of Sales and Marketing for the Husqvarna and Jonsered brands, Electrolux Outdoor Products 1993. Head of Jonsered and Partner Industrial Products 1987. Head of Product Planning in Electrolux Professional Garden Equipment 1985.

Holdings in Husqvarna: 7,848 A-shares, 54,697 B-shares.

Related parties: 3,420 A-shares, 23,400 B-shares.

Bernt Ingman

Head of Group Staff Finance and IT

Born 1954.

M. Econ., Uppsala University, Sweden. Employed and member of Group Management since 2006.

Other major assignments: Board member of G & L Beijer AB.

Previous positions: Executive Vice-President and CFO of Munters AB 1997–2005. Executive Vice-President of Inter Scan Group 1994. Finance Director and Executive Vice-President of Metric Group 1990. Administrative Director of Calor Vanadis AB 1988. CFO of Celpap International 1986. CFO of National Elektro Svenska AB 1985.

Holdings in Husqvarna: 38,100 A-shares, 56,438 B-shares.

Åsa Stenqvist

Head of Group Staff Communications and Investor Relations

Born 1947. B.A., and Degree in Communications, Stockholm University, Sweden. Employed 1982. Member of Group Management since 2006.

Previous positions: Head of Investor Relations and Financial Information in Group Staff Communications and Branding, Electrolux 1999–2005. Head of Group Staff Investor Relations, Electrolux 1993. Head of Investor Relations and Financial Information in Group Staff Mergers & Acquisitions, Electrolux 1988.

Holdings in Husqvarna: 2,107 A-shares, 27,543 B-shares.

Related parties: 433 A-shares, 1,449 B-shares.

Olle Wallén

Head of Group Staff Legal Affairs, Husqvarna Board Secretary

Born 1953. M. of Law., Stockholm University, Sweden. Employed 1993. Member of Group Management since 2006.

Previous positions: General Counsel of Electrolux Europe 2002–2005. General Counsel of Electrolux North America 2000–2001.

Holdings in Husqvarna: 3,228 A-shares, 36,915 B-shares.

Lars Worsøe-Petersen

Head of Group Staff Human Resources

Born 1958. M. Econ., Aalborg University, Denmark. Employed 1994. Member of Group Management since 2006.

Previous positions: Head of Human Resources for Electrolux Major Appliances in North America 2002–2005. Head of Electrolux Holding A/S, Denmark 2000. Head of Human Resources within Electrolux Major Appliances in Europe 1999. Head of Human Resources for Electrolux operations in Denmark 1994.

Holdings in Husqvarna: 2,817 A-shares, 38,841 B-shares.

Sustainable development

Husqvarna is committed to operating in a responsible manner in order to achieve development that is economically, socially and ecologically sustainable. This responsibility includes all of the Group's activities and processes, and is aimed at creating long-term value for the shareholders, employees and other stakeholders who affect or are affected by Husqvarna's operations.



According to The Future of Gardening report, ecological cultivation in gardens is becoming increasingly more important. Additional information on the Group's trend reports is given on page 17.

Magnus Yngen, President and CEO

"We are responsible for ensuring that Group operations are environmentally, socially and ethically sustainable.

We are intensifying our efforts to develop products with reduced environmental impact, and are also improving our internal processes in terms of sustainability. This will create opportunities for achieving both growth and cost-reductions, and will strengthen our brands. It will also reduce operational risks. In addition, the implementation of our new organization with global processes will create a better framework for our work on sustainability, and will help generate long-term value for our stakeholders."

Highlights of 2009

- A new environmental policy was defined, aiming at strengthening the Group's future environmental position and contributing to sustainable development.
- The annual Husqvarna award for "Best Green Innovation" awarded to the AutoTune engine technology.
- A new system for reporting environmental performance at Group plants was installed.
- An internal environmental portal for communication on environmental issues was established on the Group's intranet.
- Projects for enhancing energy efficiency were run at several plants. E.g. energy costs at the facility in Huskvarna, Sweden, were reduced by SEK 2.8m, corresponding to 7% of total energy consumption.

Environmental responsibility

Husqvarna shall maintain environmentally responsible operations in order to contribute to sustainable development. Reducing the Group's impact on the environment is a continuous task, and applies to all activities, operations and products.

Environmental policy

In June 2009 Husqvarna adopted a revised environmental policy that includes the orientation and goals of environmental work, the importance of methods for continuous environmental improvement, and the long-term reduction of Husqvarna products' environmental impact.

Key strategies

Husqvarna's overall environmental activities are based on the following strategies:

Implementation of the environmental policy

The environmental policy shall be implemented throughout the Group.

Design for environment

Environmental issues shall be integrated in the Group's process for product development, the Product Creation Process (PCP).

Environmental performance of products

The Group shall increase its investment in products with better environmental performance.

Environmental management system

The environmental management system shall be implemented at all Group production facilities with more than 100 employees, and these facilities shall be certified to ISO 14001.

Environmental impact of suppliers

The Group shall ensure that all suppliers comply with Husqvarna's environmental criteria.

Stakeholder dialogue

Stakeholders who have a direct impact on the business include customers, employees, suppliers and shareholders. Husqvarna continuously holds various stakeholder dialogues that can be scheduled on a recurring basis in certain common areas of interest. Dialogue with other stakeholders such as authorities, associations and corporate citizens is also ongoing.

During the autumn of 2009 a market survey was conducted in Germany and Sweden on interest in environmentally friendly products. Groups covered by the survey included homeowners, landscapers and ground care professionals as well as forestry workers. The outcome shows that the professionals are concerned about environment and environmental issues, as they feel strongly for the environment they work in. Also homeowners are concerned about environmental issues. They agreed that in the near future they will also demand more proof that the products are environmentally friendly.

Code of Conduct

The Code of Conduct defines Husqvarna's ethical commitments. It is a dynamic document that is updated in response to changes in the Group and its business environment. The Code describes the values and guidelines that are the basis for operations and also guide the Group's relations with business partners and other stakeholders. The Code is valid for all Husqvarna personnel, irrespective of country or position. The Group also encourages suppliers and other business partners to comply with the Code.

The Code is based on the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's guidelines for multinational companies, and the UN's Universal Declaration of Human Rights. The Husqvarna Code of Conduct is available in ten different languages, and can be downloaded at the Group's web site, www.husqvarna.com.

Key environmental ratios

	2009
Emissions of carbon dioxide, tons	159,800
of which employees' air travel, tons	4,800
Number of serious environmental incidents	1
Plants and larger warehouses with defined environmental goals, %	78
Plants and larger warehouses with environmental policies, %	72
Plants with installed environmental management systems ¹ , %	66 ²
Production area with installed environmental management system, %	78 ²

1) According to ISO 14001.

2) Plants with more than 50 employees.



Large image. The world's first electric power cutter which has been approved for use with water.

Image below, left. The Gardena soil moisture sensor enables controlled irrigation based on pre-set moisture levels.

Image below, right. In 2009 Husqvarna launched the first battery-powered cultivator on the market.



The life cycle perspective

Husqvarna's goal is to limit the environmental impact of a product during all the phases of its life cycle, from product development, via procurement of material and production to consumption and recycling.

"Green technology"

The environmental impact of a Husqvarna product varies over its lifetime, but is normally greatest during the period when it is used.

Husqvarna's investments in product development are aimed at creating products that feature high performance in combination with improvements in energy consumption, exhaust emissions, safety, ergonomics, recycling and efficient service. Development work is structured in accordance with the Husqvarna Product Creation Process (PCP) and creates a framework for integrating environmental considerations in product development.

Technology from a sustainability perspective

AutoTune

Launched in 2009, AutoTune is a technological and environmental breakthrough in professional chainsaws. AutoTune uses a computer chip to regulate the flow of fuel to the engine, which optimizes performance and minimizes exhaust emissions. It has received the internal Husqvarna award for Best Green Innovation, 2009.

Hybrid technology

The Automower® Solar Hybrid is driven by both solar cells and batteries. The solar panel reduces energy consumption and extends the lifetime of the batteries.

X-TORQ®

The X-TORQ® engine technology developed by Husqvarna for two-stroke engines reduces exhaust emissions and fuel consumption, and maintains high performance. X-TORQ® reduces fuel consumption by up to 20%, and exhaust emissions by up to 60–75%, depending on the model/product. This new technology reduces fuel costs as well as emissions of hydrocarbons and nitrogen oxides, and also generates a better working environment.

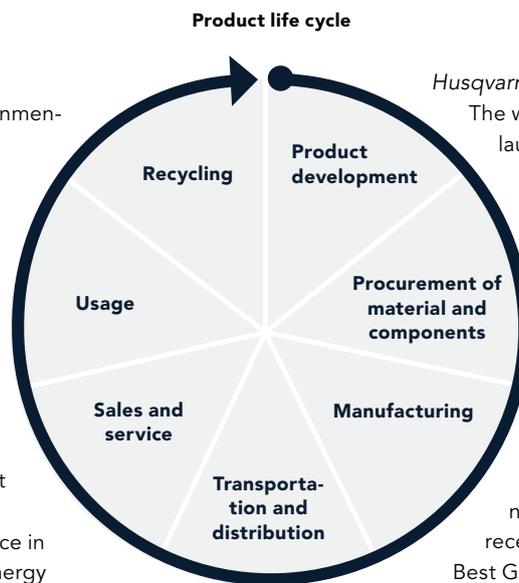
Environmental fuel and lubricants

Husqvarna was one of the first to offer environmentally modified fuels and lubricants, such as alkylate petrol, which has much lower levels of benzene and olefins than conventional petrol. The Group has also developed Vegoil, an optimized oil for chains that extends the life of the chain and reduces environmental impact.

Products from a sustainability perspective

Husqvarna Automower®

Automower® was developed by Husqvarna and was the first robotic lawn mower on the market. Automower® is silent and efficient, emits no exhaust gases and features low energy consumption.



Husqvarna Cultivator

The world's first battery-driven cultivator was launched in 2009.

Husqvarna Cobra wire, C1200

The Cobra wire was developed for heavy-duty sawing of concrete and stone without using water. The wire can be used for demolition of nuclear power stations, which involves substantial environmental problems. Cobra can also be used to saw through large, complex metal structures, which offers new opportunities for recycling of materials. It has received the internal Husqvarna award for Best Green Innovation, 2008.

Husqvarna Power cutter, KB3000 WET, with water tank, WT10

The Husqvarna Power cutter KB 3000 WET is the first electric power cutter that is approved for use together with water, and features a portable water tank, WT10. It is based on cost-efficient, clean technology and offers good ergonomics as well as low consumption of energy and water.

Gardena Water Computer, C1060 solar plus

This new solar panel automatically charges the batteries even in cloudy weather. No change of batteries needed.

Gardena Humidity sensor for automatic watering

This sensor measures humidity in the ground and initiates watering if needed, which eliminates unnecessary and wasteful watering.

Product performance

Energy-efficiency

Husqvarna has many years of experience in developing two-stroke engines, and focuses intensively on engine technology that reduces fuel consumption. In the engines developed in 2004–2009, which are used increasingly for chainsaws, clearing saws, leaf blowers and lawn trimmers, fuel consumption has been reduced by approximately 15%. Husqvarna lawn mowers are fitted with four-stroke engines that are supplied by well-known producers. Four-stroke engines normally consume less fuel than two-stroke engines.

Exhaust emissions

Many of the Group's handheld products feature E-TECH or X-TORQ engines, which comply with the most rigorous emissions criteria in the US and Europe. Specific models are also fitted with catalyzers, which in combination with E-TECH technology offer lower exhaust-gas temperature, longer product lifetime.

Emissions of hydrocarbons and other substances from the Group's handheld products have been reduced by approximately 40% on average since 2001. Husqvarna owns a number of important patents in this area and is well-prepared to meet future emissions criteria.

Materials

Selecting materials with minimal environmental impact is a vital aspect of product development at Husqvarna. New, more environmentally adapted materials are substituted for existing materials whenever possible. The Group's Restricted Materials List (RML) covers chemical substances in products and is a guide for selection of materials.

Noise levels

Over the next coming years it is expected that a number of the Group's product categories will be subject to stricter thresholds for ambient noise. The Group monitors this trend continuously, and expectations of more rigorous regulations are integrated in product development.

Recycling

A vital aspect of development work at Husqvarna involves increasing the ability of recycling of components and materials such as batteries and electrical components in the Group's products.

Product regulations

Husqvarna products are subject to national, international and regional restrictions and regulations, primarily in terms of materials, emissions and noise.

Husqvarna monitors and participates in development of new emissions criteria for two-stroke engines. The criteria for emission levels have steadily become more rigorous, and this trend is expected to continue over the next few years. Husqvarna's expertise in technology for two-stroke engines enables development of products that meet future requirements.

REACH

Husqvarna maintains a dialogue with suppliers of materials and products, and regularly monitors chemical content in accordance with the requirements of the Candidate list. The Group has established a steering committee that is responsible for implementation of appropriate processes and control systems in order to ensure compliance with REACH.

RoHS

The Europe Union's RoHS directive regulates the use of mercury, cadmium, lead, hexavalent chrome and flame-resistant materials in electrical and electronic products. In accordance with this directive, Husqvarna has modified appropriate products and phased out prohibited substances in cooperation with suppliers.

WEEE

The EU's WEEE directive regulates recycling of electrical and electronic products. Husqvarna complies with the directive's criteria and submits the reports required in each specific country.

RML

Husqvarna's Restricted Material List (RML) is a list including a number of prohibited (Banned) or restricted chemical substances. Husqvarna strives to minimise the amount of hazardous chemical substances in the products. The RML is a tool for all parties involved in the product development process to work in this direction and still maintain a high quality level. The RML is updated annually, and is distributed to the department for product development and to external suppliers.

Product information

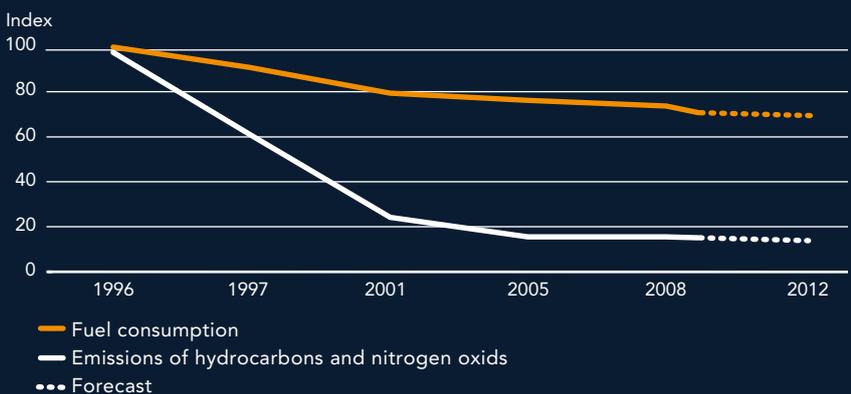
Husqvarna has prepared environmental declarations for some handheld products. These declarations include specifications of materials, fuel consumption, type of fuel, emissions, noise levels, vibrations and packaging. They also indicate compliance with international standards and regulations, when appropriate.

Product safety

Husqvarna shall offer users safe products of high-quality. The Group's comprehensive policy for product safety ensure in many ways that a product complies with safety requirements. These include extensive tests to meet specific criteria during the entire phase of product development.

In order to ensure high quality and product safety, risk analyses are performed early in the product development and industrializing phases. The Group also applies the FMEA method, which is a tool for identifying possible failures, evaluating their consequences and ranking proposed measures for guaranteeing that failures do not occur.

Husqvarna's new two-stroke engines



Husqvarna maintains a program for continuous development of technology for two-stroke engines. Since 1995, when obligatory criteria for fuel consumption were introduced, the consumption levels for Husqvarna two-stroke engines have been reduced by approximately 20% to date. Emissions of hydrocarbons (HC) and nitrogen oxides (NOx) have been reduced by 85% during the same period. Husqvarna will continue to upgrade its two-stroke engines with new technology such as X-Torq.

Directives and legislation impacting the Group's products

Environmental issue	Directive/legislation	Product area
Exhaust emissions	California Code of Regulations	Combustion driven products under 19 kW
	Rest of US and Canada: EPA 40 CFR Part 90	Combustion driven products under 19 kW
	EU-directive 2002/88/EC	Combustion driven products under 19 kW
Evaporation and Diffusion	EPA 40 CFR Part 1060	Combustion driven products under 19 kW
Noise levels	EU-directive 2000/14/EC (ambient noise)	All Husqvarna products, in principle
Producer responsibility	EU-directive 2002/96/EC (WEEE)	Electrical and electronic products
	EU-directive 2006/66/EC	Battery products
Material composition of products	EU-directive 1907/2006/EC (REACH)	Chemical substances in products
	EU-directive 2002/95/EC (RoHS)	Electrical and electronic products
	California Code of Regulations, Proposition 65	Chemicals with restricted use
Electro magnetic compability	EU-directive 2004/108/EC	Products that emit electromagnetic radiation
Security	EU-directive 2001/95/EC (GPSD)	Several products and services

There are additional laws and rules that affect the products of Husqvarna. The table above is a selection of the most important requirements in force in several countries.

In addition, ensuring safety and quality involves preparing plans with the Group's suppliers as well as performing quality reviews of existing products.

The Group also develops transparent solutions for dealing with questions and feedback from customers and users. The goal is to respond impartially within a reasonable time.

Product ergonomomy

Appropriate design and good ergonomomy make life easier for the end-user. Husqvarna products are used by various types of end-users, who have different needs and working situations. Product ergonomomy is optimized for specific needs, depending on how and how often the product is used.

The production chain

Suppliers

Suppliers of direct materials are approved on the basis of evaluations. Requirements that must be met by suppliers include compliance with the Husqvarna Code of Conduct as well as the Restricted Material List (RML).

The Husqvarna Code of Conduct is incorporated in all new supplier agreements, and all suppliers are encouraged to

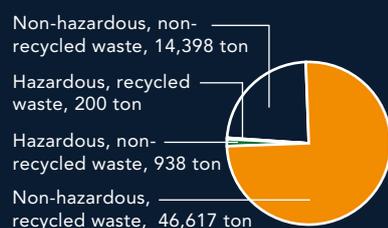
observe and comply with the principles of the Code. Husqvarna carries out regular audits of suppliers' quality and environmental work. This is done partly in connection with the approval of a new supplier, both in terms of the monitoring of existing suppliers' quality and their environmental work. One of Husqvarna's practices for supplier monitoring is Active Supplier Quality Assessment (ASQA). In 2009, nearly 50 audits were carried out worldwide, particularly in China and India.

Production

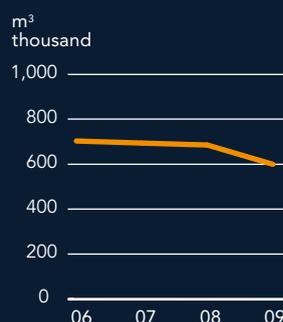
Husqvarna operates production facilities in Europe, the US, Latin America and Asia. These plants are subject to both internal and external environmental requirements. The internal requirements include certifying plants with more than 100 employees to ISO 14001, the international standard for environmental management systems. External environmental requirements include compliance with relevant regulations for air- and water-borne emissions.

In order to develop and improve daily environmental work at a plant, a local environmental coordinator is tasked with maintaining and developing the environmental management system.

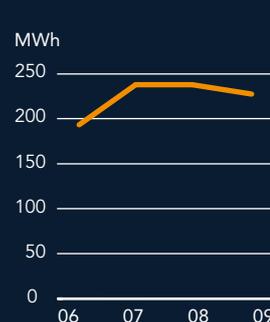
Recycle of non-hazardous and hazardous waste



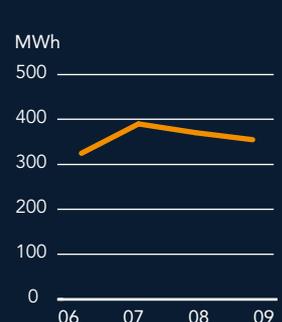
Water purchased



Electricity purchased



Energy consumption*



* Stationary fuel for heating, district heating and purchased electricity.

In 2009 a new web-based reporting system for environmental data was implemented in all production centers and larger warehouses. This system will improve the quality of reported responses and improve the ability to compare performance between different plants within the Group.

In connection with agreements to acquire companies or operations that have production facilities, Husqvarna analyzes environmental risks and observes Environmental Due Diligence (EDD). The analysis includes permits for operations, possible risk of ground pollution, and interviews with management. Inspections are normally performed by consultants with relevant expertise.

Transportation

Husqvarna is committed to reducing the environmental impact that is generated when the Group's products are shipped. The revised environmental policy includes more rigorous criteria for transportation in terms of safety and the environment. Forwarding companies are expected to actively contribute to reducing emissions of carbon dioxide, and to use systems for monitoring their activities. A project has been started for collection of environmental data from the major suppliers of shipping services to Husqvarna. These data include information on emissions of carbon dioxide in connection with all forms of transportation of Group products.

Conserving resources

Energy savings

Building managers work continuously on optimizing the consumption of electricity. Husqvarna has made definite progress in reducing emissions of greenhouse gases on the basis of local projects for energy savings. For example, in Huskvarna Sweden, measures such as turning off fluorescent lamps during lunch hour, better control of ventilation equipment, sealing leaks in compressed air systems, reducing the indoor temperature etc. have reduced energy consumption by 7%.

Travel

Telephone-, video- and web-conferences have reduced the number of business trips by Husqvarna employees. This has resulted in more efficient use of working time, without any direct emissions from travel. Most trips by car, train and plane are monitored annually in terms of environmental impact, including emissions of carbon dioxide.

Environmental risks

Risks related to health, safety and the environment can arise at Husqvarna's production facilities. The general environmental risks related to the Group's operations include changes in customer or legal requirement for products, generating and handling emissions and waste, and potential environmental liabilities in connection with acquisition of land or production facilities.

Glossary

FMEA – Failure Modes and Effects Analysis is a systematic method for predicting potential failures, evaluating their consequences and ranking proposed measures that could prevent them. FMEA is used in several areas, including quality-assurance management systems.

ISO14001 – ISO's international standard for environmental management. It includes requirements for regular environmental audits and gradual raising of target levels.

REACH – Registration, Evaluation and Authorization of Chemicals – an EU-directive that requires testing of chemical substances used within the Union.

RoHS – The EU-directive Restriction of Hazardous Substances regulates the use of mercury, cadmium, lead, six-valent chrome and flame-resistant materials in electrical and electronic products.

WEEE – The EU directive Waste Electrical and Electronic Equipment regulates the recycling of such products.

Social responsibility

Husqvarna's social responsibility comprises the development of personnel, the working environment, working conditions, respect for human rights, and a constructive social commitment.

Employees

In 2009, Husqvarna had approximately 15,000 employees in more than 40 countries, of whom 85% were outside Sweden. Husqvarna's goal is to offer an attractive global workplace. Motivated personnel comprise a prerequisite for the Group's success. Husqvarna therefore maintains long-term programs for developing competent personnel.

The workplace

Key factors for creating motivation and commitment include promoting respect and tolerance at the work place, ensuring fair working conditions for personnel, maintaining a safe workplace, and offering opportunities for individual development. Husqvarna has defined basic overall principles for personnel relations, in the form of the Husqvarna People Process. It is designed to support managers regarding recruitment and selection, evaluation of performance, career development and remuneration. The process is also aimed at ensuring that people who contact the company are treated fairly. The Husqvarna People Process, Code of Conduct, policies and guidelines comprise the foundation for this work. This information is available on the Group's intranet.

Seasonal variations

In light of the seasonal variations in Group sales, the number of temporary employees in production varies during the calendar year. It is normally highest during the first quarter and the start of the second, when most garden products are produced. The average annual share of temporary employees is normally somewhat more than 20%. The figure for 2009 was 15%. The large share of temporary employees involves relatively high personnel turnover, and training is required for some employees at the start of the season.

Talent management

Husqvarna has a well-developed process for Talent Management that is aimed at evaluating, developing and ensuring access to future managers through both succession and mobility planning. The process starts with the annual individual review, during which goal-achievement and performance are evaluated, and new goals are defined for the coming period. In order to reinforce work on leadership development, in 2008 the Group introduced a tool for 360-degree evaluation. It is used selectively to provide managers and key specialists with feedback on their leadership from colleagues and their immediate superiors.

As Husqvarna attaches great importance to the ability to work as a team, teams are evaluated annually, see below on employee surveys. On the basis of evaluations of both teams and team members, personnel development is implemented mainly through on-the-job training, but also through other activities such as educational programs, coaching and feedback, job rotation and promotion to new positions within the Group.

The process is driven by Group Staff Human Resources in close cooperation with local HR managers and line managers, who play an active role in this respect.

Training for managers and project leaders

Husqvarna offers three different Group-wide programs for leadership development. They are available at regular intervals during the year. The Husqvarna Next Level Leader program is aimed at managers on a level directly under senior management. The Husqvarna Leader Program is aimed at lower levels. The tailored Husqvarna Project Leader program is aimed at developing skills in project management and project leadership. More than 300 employees have participated in these programs since they were introduced in 2007.

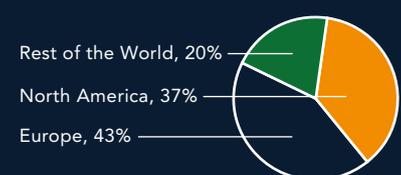
Average number of employees

	2009	2008
North America	5,581	6,285
Europe	6,469	7,151
Rest of the World	2,980	2,284
Total	15,030	15,720
of whom women, %	36	36
of whom men, %	64	64
of whom white-collar, %	38	36
of whom blue-collar, %	62	64

Number of employees and sales by employee



Employees by geographical area



Career possibilities

Husqvarna encourages internal recruitment and job rotation. Vacant managerial and specialist positions are announced on the Group's internal open job market on the Intranet, and at the Group's web site, www.husqvarna.com.

Employee surveys

Husqvarna performs annual employee and team surveys primarily in order to improve and develop group efficiency and the individual's working conditions. In 2009 approximately 500 teams comprising 3,100 employees were invited to participate in the surveys. The response frequency was over 76%, an increase compared to 2008. The survey results showed that 66% of the respondents had had individual review with their immediate superiors during the past year. In addition, respondents experienced an open company climate, and felt both motivated and customer-focused. Areas for improvement that were identified in the surveys included internal information and feedback on individual targets.

During the autumn of 2009 a project was started to identify Husqvarna's social responsibility. Under this project, over 40 people in managerial positions worldwide were interviewed about how they work with Husqvarna's Code of Conduct. The survey shows a strong positive attitude to the Code and that it has been seen as an aid in their daily work.

Health and safety

Husqvarna shall offer all employees a safe, healthy working environment, as well as appropriate information and training regarding safety and the working environment. Husqvarna does not allow use of drugs or alcohol.

No work-related fatalities were reported within the Group in 2009. Damage to machinery or equipment was the most usual cause of accidents.

Social commitment

The Group's global presence contributes to economic and social development in the localities where the Group operates. Husqvarna supports projects aimed at sustainable development of society.

University of Gothenburg

Gardena sponsors a research project in Greenland run by the University of Gothenburg.

The project focuses on the effects of climate change on fish and invertebrates. Various species are affected by climate change, but there has been little research on how the animals adapt to the changes. The project is centered on Disko Island off the west coast of Greenland, and Gardena contributes water filters and dust screens to enable the use of aquariums. For additional information, visit www.grip.science.gu.se



GÖTEBORGS
UNIVERSITET

Säker Skog (Safe Forest)

Husqvarna participates in the Swedish Safe Forest project, under the auspices of LRF Skogsägarna, an association of forest owners. The goal of the project is to contribute to a safer and better working environment for forestry workers. For additional information (in Swedish), visit www.sakerskog.se

Säker Skog

BRIS

In 2009, Gardena supported BRIS.

BRIS is a non profit organization working for protection of children's rights and to support children and parents via a telephone help line. For more information about BRIS visit www.bris.se

BRIS
BARNENS RÄTT I SAMHÄLLET

FTSE4Good

Husqvarna is included in the FTSE4Good Series, an equity index that measures results and performance in companies that comply with globally recognized standards for responsible corporate behavior. The Index is designed to facilitate investment in such companies. For additional information, visit www.ftse.com



FTSE4Good

Carbon Disclosure Project (CDP)

CARBON DISCLOSURE PROJECT

CDP is an independent non-profit organization that collects information from companies and other organizations regarding substances that affect the environment. CDP maintains the world's largest database of climate-change information. It is used by purchasing departments and investors world-wide. Husqvarna started reporting to CDP in 2008.

Respect for human rights

Discrimination

Husqvarna strives to eliminate both direct and indirect discrimination of employees and job applicants.

Participation

Husqvarna strives to avoid participation in activities that involve violations of human rights.

Right of association

Husqvarna employees have the right to join labor unions and sign collective agreements.

Forced labor

Husqvarna shall not participate directly or indirectly in forced labor.

Child labor

Husqvarna prohibits work by children under 15 years of age.

AIESEC – the cooperation is an investment in the future

In 2009 Husqvarna became a partner of AIESEC, the world's largest student organization. AIESEC is represented at more than 1,700 universities in over 107 countries. It is a platform for students who are looking for international career opportunities. As a partner, Husqvarna intends to help students enter the job market, in order to secure the Group's global needs for individuals with appropriate competence and ambition. At year-end 2009 there were nine AIESEC members working at Husqvarna.

For additional information, visit the Group's web site, www.husqvarna.com.

Economic responsibility

Husqvarna's goal is to create value for stakeholders. The Group strives to generate long-term economic value by achieving its stated financial goals, but also by contributing to sustainable development.

Stakeholders

Most of the economic value that is created by sale of the Group's products is distributed to various stakeholders. Part of this value is retained by the Group to finance e.g. investments, product development and marketing. Added value created by the Group in 2009 amounted to SEK 8,013m (8,682).

Customers

Husqvarna products are sold through major retail chains and 25,000 servicing dealers, and directly to construction companies. These products are sold world-wide, particularly in Europe and North America. Net sales for Husqvarna in 2009 amounted to SEK 34,074 m (32,342).

Suppliers

Of the Group's total cost, 76% refers to purchases of materials and services. For many suppliers, Husqvarna is a major customer and therefore an important source of revenue. The Group builds long-term relations with suppliers in order to ensure quality and sustainability. Price is usually the decisive factor for choice of suppliers, on condition that they comply with environmental and social requirements.

Employees

At year-end 2009 Husqvarna had approximately 15,000 employees (15,720), of whom 37% were in North America, 43% in Europe and 20% in other parts of the world. In 2009, salaries and employee contributions amounted to SEK 5,148m (5,159). Husqvarna aims at providing employees with competitive wages and salaries as well as an attractive workplace and an opportunity for personal development.

State and municipality

In 2009 Husqvarna paid taxes in the amount of SEK 191m (479). Taxes are paid in the countries where the Group operates, and contribute to social development.

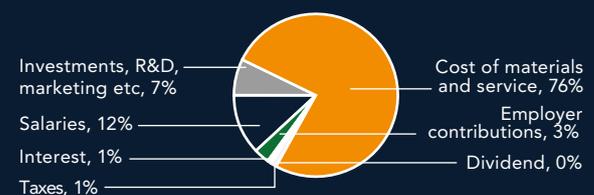
Shareholders

Husqvarna generates value for its shareholders through dividends and the share price development. In 2009 the A-share trading price rose by 53%, and the B-share by 51%. The Board of Directors has proposed a dividend of SEK 1 per share for the financial year 2009. The Group's goal is for dividends to correspond to 25–50% of net income.

Value added

Stakeholder	SEKm	2009	2008
Customers	Group sales	34,074	32,342
Suppliers	Cost of materials and services	-26,061	-23,660
	Value added	8,013	8,682
Distributed to stakeholders			
Employees	Salaries	3,988	4,037
	Employer contributions	1,160	1,122
State and municipality	Taxes	191	479
Credit institutions	Interest	466	594
Shareholders	Dividend	0	862
Total		5,805	7,094

Distribution of Group sales



Annual General Meeting 2010

The Annual General Meeting of Husqvarna AB will be held at 4 pm on Tuesday 27 April 2010, at the Elmia Congress Centre, the Hammarskjöld Hall, Elmiavägen 15, Jönköping, Sweden.

Participation

Shareholders who intend to participate in the Annual General Meeting must

- Be registered in the share register kept by Euroclear Sweden AB on Wednesday 21 April 2010.
- Give notice of intent to participate, thereby stating the number of assistants attending, to Husqvarna no later than Wednesday 21 April 2010.

Notice of participation

Notice of intent to participate can be given

- By mail to Husqvarna AB, EM-LA, Box 30224, SE-104 25 Stockholm, Sweden.
- By telephone at +46 8 738 70 10 between 9–12 am and 1–4 pm weekdays.
- At www.husqvarna.com/agm.

Notice should include the shareholder's name, personal or company registration number, if any, address and telephone number. Information provided together with the notice will be made subject to data processing and will be used solely for the Annual General Meeting 2010. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Husqvarna prior to the Annual General Meeting.

Shares registered by nominees

Shareholders, whose shares are registered in the names of nominees, must have their shares temporarily registered in their own name on Wednesday 21 April 2010, in order to participate in the Annual General Meeting.

Dividend

The Board of Directors has proposed a dividend of SEK 1.00 per share, and Friday 30 April 2010 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Wednesday 5 May 2010. The last day for trading in Husqvarna shares including the right to dividend for 2009 is Tuesday 27 April 2010.

Financial information 2010

27 April	Interim report January–March and Annual General Meeting
20 July	Interim report January–June
22 October	Interim report January–September

The Annual Report is distributed to all new shareholders for the year and to those who have explicitly requested one. The Annual Report and other financial reports are also available at www.husqvarna.com/ir. Printed copies can be ordered from the Group's web site.

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Factors affecting forward-looking statements

This report contains forward-looking statements in the sense referred to in the American Private Securities Litigation Reform Act of 1995. Such statements comprise, among other things, financial goals, goals of future business and financial plans. These statements are based on present expectations and are subject to risks and uncertainties that may give rise to major deviations of the result due to several aspects. These aspects include, among other things: consumer demand and market conditions in the geographical areas and lines of business in which Husqvarna operates, the

effects of currency fluctuations, downward pressure on prices due to competition, a material reduction of sales by important distributors, any success in developing new products and in marketing, outcome of any product responsibility litigation, progress when it comes to reach the goals set for productivity and efficient use of capital, successful identification of growth opportunities and acquisition objects, and to integrate these into the existing business and successful achievement of goals to make the supply chain more efficient.



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