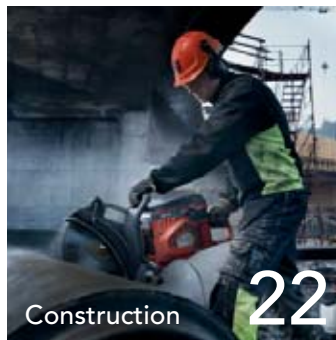




# Contents



## AUTOMOWER® 305

Automower® 305 is a small, quiet and efficient robotic mower, and designed to cut lawns up to 500 square meters. Automower® 305 was introduced to the market end of February 2011 and is available at authorized Husqvarna dealers.

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For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

The symbol indicates that more information is available on Husqvarna's website, [www.husqvarna.com](http://www.husqvarna.com)

# Global leader in outdoor products

The Husqvarna Group is the world's largest producer of outdoor power products including chainsaws, trimmers, lawn mowers and garden tractors. The Group is also the European leader in consumer watering products and 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 via dealers and retailers in more than 100 countries.

Husqvarna was founded in 1689. The head office is located in Stockholm, and the Husqvarna share is listed on the NASDAQ OMX Stockholm exchange (HUSQ A and HUSQ B).

Net sales in 2010 amounted to SEK 32 billion, and the average number of employees was approximately 15,000.

## GLOBAL BRANDS

 **Husqvarna**

 **GARDENA**

 **McCULLOCH**

 **DIAMANT  
BOART**

## PRODUCT CATEGORIES

### RIDE-ON PRODUCTS

Mainly riders, garden tractors and zero-turn mowers.



The new Husqvarna Rider P500 Series combines the benefits of front-mounted riders in a compact mower for professional use.

### WALK-BEHIND PRODUCTS

Mainly lawn mowers, robotic lawn mowers, tillers and snow throwers.



The new lawn mower Husqvarna LC 53B e offers the user superior cut with personalized settings for improved ergonomics and cutting performance.

### HANDHELD PRODUCTS

Mainly chainsaws, trimmers, clearing saws, blowers and hedge trimmers.



The latest, most advanced chainsaw Husqvarna 560 XP® for professional use is powerful, ergonomic and easy to maneuver even in cold climates.

### WATERING PRODUCTS

Mainly water-hoses, couplings and sprinklers.



Gardena Premium Metal Multi-purpose Spray Gun is a premium tool for various watering and cleaning jobs. Robust metal/plastic design and soft plastic components for additional comfort.

### ACCESSORIES AND GARDEN TOOLS

Mainly accessories, spare parts and garden tools such as saw chains, mower blades, safety equipment and clothes.



The fluorescent protective helmet for professional users with high demands on safety and functionality.

### CONSTRUCTION PRODUCTS

Mainly power cutters, drilling equipment, wall-saws and diamond tools.



Husqvarna K 760 is a powerful power cutter that combines efficiency with reduced environmental impact.



- Major production facilities
- Subsidiaries or distributors

## EUROPE & ASIA/PACIFIC

The business area sells forest, park and garden products to retailers and dealers in Europe and Asia/Pacific.

Most sales take place in Western Europe, but Eastern Europe is gaining in importance. The Asia/Pacific region represents a small share of the business area's sales. Some of the leading brands are Husqvarna, Gardena, Klippo, Jonsered and Flymo.

Net sales

**SEK 16,621m**

Operating income <sup>1</sup>	SEK 2,383m
Operating margin <sup>1</sup>	14.3%
Share of Group net sales	52%

● Share of Group net sales



<sup>1</sup> Excluding items affecting comparability.

## AMERICAS

The business area sells forest, park and garden products to retailers and dealers on the American continents.

Most sales take place in the US and Canada. Latin America represents a small share, with Brazil as the most important market. Some of the leading brands are Husqvarna, WeedEater, PoulanPro and Dixon.

Net sales

**SEK 12,944m**

Operating income <sup>1</sup>	SEK 312m
Operating margin <sup>1</sup>	2.4%
Share of Group net sales	40%

● Share of Group net sales



<sup>1</sup> Excluding items affecting comparability.

## CONSTRUCTION

The business area sells light construction products for cutting drilling, polishing and demolition of concrete and other hard material globally. Customers are mainly rental companies, specialized dealers, construction contractors and quarry customers.

Most sales take place in Europe and North America. The leading brands are Husqvarna and Diamant Boart.

Net sales

**SEK 2,675m**

Operating income <sup>1</sup>	SEK 129m
Operating margin <sup>1</sup>	4.8%
Share of Group net sales	8%

● Share of Group net sales



<sup>1</sup> Excluding items affecting comparability.

## LEADING GLOBAL MARKET POSITIONS

No. 1	Chainsaws.
No. 1	Other handheld petrol-powered products, such as clearing saws and trimmers.
No. 1–2	Garden tractors.
No. 2	Lawn mowers.

No. 1–2	Cutting equipment and diamond tools for the construction and stone industries.
No. 1 in Europe	Consumer products for watering.

# Husqvarna – The year in brief

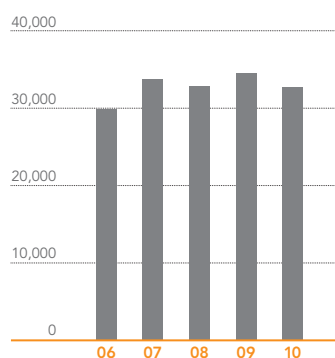
- Higher demand for park and garden products as well as for construction products.
- Strengthened market positions for park and garden products in Europe & Asia/Pacific and for construction products in North America.
- Strong growth for dealer channel sales globally.
- Net sales adjusted for changes in exchange rates were unchanged.
- Higher operating income and margin for the Group – a result of favorable mix, lower costs for direct material, lower items affecting comparability as well as positive currency effects.
- Net sales and operating income for Europe & Asia/Pacific and Construction increased, but decreased for Americas.
- Income per share increased to SEK 3.03 (1.64).
- The net debt/equity ratio improved to 0.46 (0.52).
- The Board of Directors proposes a dividend for 2010 of SEK 1.50 per share (1.00).
- Adjusted dividend policy: The dividend shall normally exceed 40 percent of income for the year.

KEY FIGURES <sup>1</sup>	2010	2009	2008	2007	2006
Net sales, SEKm	32,240	34,074	32,342	33,284	29,402
Gross margin, %	28.5	25.4	29.0	29.4	27.0
EBITDA, SEKm	3,666	3,060	3,524	4,645	3,957
Operating income, SEKm	2,445	1,560	2,361	3,564	3,121
Operating income, excl. items affecting comparability, SEKm	2,652	2,012	2,677	3,564	3,121
Operating margin, %	7.6	4.6	7.3	10.7	10.6
Operating margin, excl. items affecting comparability, %	8.2	5.9	8.3	10.7	10.6
Income for the period, SEKm	1,749	903	1,288	2,036	1,862
Earnings per share, SEK <sup>2</sup>	3.03	1.64	2.81	4.46	4.08
Dividend per share, SEK <sup>2</sup>	1.50	1.00	0.00	1.50	1.16
Return on capital employed, %	11.0	6.6	10.7	17.6	23.8
Return on equity, %	13.9	7.5	15.8	28.6	32.5
Capital turn-over rate, times	1.7	1.6	1.5	1.8	2.4
Operating cash flow, SEKm	962	3,737	2,013	1,843	535
Average number of employees	14,954	15,030	15,720	16,093	11,412

<sup>1</sup> For definitions, see page 101.

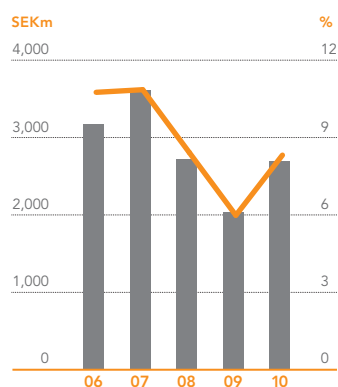
<sup>2</sup> 2006–2008 have been restated for the rights issue in 2009. Figures for 2006 have been restated for the bonus share issue in 2007. The dividend for 2010 as proposed by the Board.

## NET SALES SEKm



● Net sales, SEKm

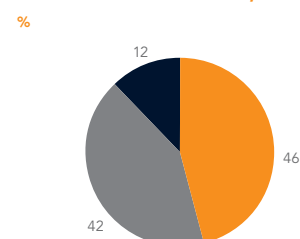
## OPERATING INCOME AND MARGIN<sup>1</sup>



● Operating income, SEKm  
— Operating margin, %

<sup>1</sup> Excluding items affecting comparability.

## NET SALES BY GEOGRAPHICAL AREA, 2010



● Europe  
● North America  
● Rest of the world

# Report by the President

After summarizing 2010, I can conclude that Husqvarna has strengthened its competitiveness. We have a stronger product portfolio with new innovative products, we have invested in our global brands and improved our internal efficiency and Group-wide processes. Two years ago, we initiated a program which aimed at strengthening Husqvarna and to build a more efficient global Group. The pace of this effort accelerated during the year and the consolidation has progressed even more rapidly than originally planned.

During 2010, we strengthened our market positions in Europe for outdoor products and for Construction, and demand increased in North America. Both the operating income and the operating margin of the Group developed positively, despite the continuing weak profitability in Americas.

## Summary of 2010

When we entered 2010, the market was uncertain. A long winter delayed the sales season and contributed to a further increase in uncertainty. However, when the season eventually started, demand exceeded expectations. The recovery in North America was particularly important for Husqvarna since this market has experienced a negative trend since the record year of 2005.

For Husqvarna, the sales and earnings trends were especially favorable for forest, park and garden products in Europe & Asia/Pacific. We managed to strengthen our market positions in several product areas in Europe. Good cost control, a favorable mix and higher volumes contributed to significantly strengthening our income for the business area.

In North America, we lost part of a large contract with one of the major retailers. Despite a strong sales increase to other customers, particularly to the key dealers, we were unable to increase sales compared to last year's level in this market.

Efforts to strengthen the positions with dealers resulted in double-digit growth in this channel in Americas, as well as in Europe & Asia/Pacific.

However, profitability in Americas remains too weak. Our objective is to increase the margin in this region by focusing additionally on dealers and improve the product mix. To achieve a satisfactory profitability level will take a few years – but the course has been set and we are delivering on plan.

Continued efforts in development of new, innovative products and cost-cutting measures, as well as an improved economy in the construction sector have resulted in increased market shares and higher sales and income for Construction. The construction sector remains well below the peak of the business cycle, and it is thus particularly satisfying that profitability for the business area is recovering.

Today, Husqvarna has a strong balance sheet. Less than two years ago, the situation was different. Through a rights issue, we strengthened our capital base with the aim of making ourselves stronger in the face of an uncertain economy. The continued strong cash flow, which has always characterized Husqvarna, has also gradually helped to further strengthening the balance sheet.

## A more efficient Husqvarna

When I assumed the position as CEO slightly more than two years ago, we initiated a strategic review, which resulted in a new strategy, largely based on a consolidation of the Group.

The review revealed that Husqvarna was too fragmented with many small units, for example manufacturing, logistics and

product development. We also had duplications in sales administration and too many brands, which we would ultimately have been unable to maintain through product innovations and communication support.

One of the key measures of the new strategy was the introduction of a new organization from 2010. The new organization provides us with better prerequisites for capitalizing on the economies of scale derived from our leading global position and size, as well as to maximize the impact of our investments in innovation, brands and infrastructure.

Success in our industry requires strong brands, attractive products, global distribution and an efficient and flexible supply chain. We are already successful in all four of these areas, although our aim is to create an even stronger position for the Group.

## Strong global brands

Going forward, we will prioritize our global brands – Husqvarna, Gardena, McCulloch, and Diamant Boart. Husqvarna, Gardena and Diamant Boart are already premium brands enjoying strong positions while McCulloch will be launched as a premium brand for consumer products.

## Attractive products through consumer-driven innovation

Attractive and relevant products are crucial to Husqvarna's future success. With a global product development organization in a limited number of key locations, we will cost-efficiently develop and launch products. Using an

in-depth understanding of the customer's needs, we will enhance the precision and rate of product development for a global market.

New riders and lawn mowers for professionals and consumers, as well as the expanded range of robotic lawn mowers, are the latest launched products which became best sellers in 2010.

During 2011, additional launches will include another robotic lawn mower and a new platform for professional chainsaws. Our most recent robotic lawn mower, Husqvarna Automower® 305, was developed for single-family homeowners, with small gardens.

## Efficient sales organization

In 2010, we simplified and enhanced the efficiency of our sales organization by merging sales administrations into a single office per country. To further strengthen our relationships with the dealers, we expanded our range of spare parts, as well as improved our service and training programs.

## Lean Manufacturing for increased productivity

A key initiative has been to globally coordinate our supply chain – purchasing, manufacturing, inventory and logistics. A program for driving continuous improvements, known as Lean Manufacturing – the Husqvarna Operating System – is being introduced to all our production facilities. Productivity improvements in the units that have introduced the program are excellent.

*// During 2010, we strengthened our market positions in Europe for outdoor products and for Construction, and demand increased in North America. Both the operating income and the operating margin of the Group developed positively, despite the continuing weak profitability in Americas."*

#### **Fewer and larger production facilities**

To optimize manufacturing, we decided to reduce the number of production facilities. The units will be larger and the portion of production in low-cost countries will increase. In December, we commenced the production of lawn mowers in our newest facility in Poland, where we will manufacture lawn mowers and riders for the European market. Such measures are necessary in order to ultimately maintain and strengthen our competitiveness.

#### **Purchasing and logistics efficiency**

In 2010, we continued our efforts to create an efficient global purchasing and logistics organization. Sourcing of components from low cost countries has increased, we are generating cost advantages through larger volume purchases and by reducing the number of suppliers. Another important initiative is reducing the number of warehouses that we operate to half.

#### **High-paced improvement effort**

The pace of our improvement effort has been high and accelerated during the year. Most of the initiatives that were introduced in spring 2009 have already been implemented or are well under way. Cost savings from the restructuring programs are being successively achieved and will come into full effect from the first quarter of 2012.

#### **Prioritizations for 2011 and beyond**

We foresee a recovery in the market with increasing demand, reflecting the more positive outlook for the global economy. As Husqvarna's balance sheet is strong and the Group is well on its way in terms of achieving high internal operational efficiency, we have good reason to gradually prioritize profitable growth, organically and through complementary acquisitions.

Prerequisites are also in place for additional efficiency enhancement measures. During 2011, our highest priority is to continue to deliver on the change effort initiated within the framework of our strategy.

I would like to express my appreciation to all employees who contributed to the Group's successes during this last year and I look forward to continuing our successful work together.



Magnus Yngen  
President and CEO



# Strategy and financial goals

The Group's strategy involves improving internal efficiency throughout the entire supply chain, in order to create a framework for increased investments in product development and brands that will further strengthen the Group's position. The strategy is based on the Group's primary strengths; strong brands, efficient global distribution network, a broad product offering and a flexible supply chain.

## THE GROUP'S PRIMARY STRENGTHS

## GOALS

Strong brands  
p. 6

→ Increase sales of premium brands.

Efficient global distribution network  
p. 7

- Increase dealer channel sales.
- Reduce selling and administrative costs.
- More efficient customer service.

Broad product offering  
p. 8–9

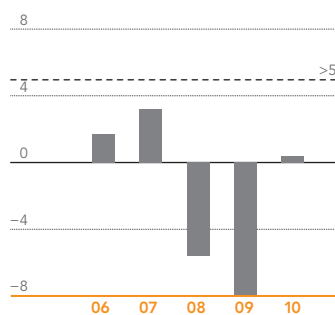
- Sales growth.
- Higher market shares.
- Reduced time-to-market.

Flexible supply chain  
p. 10–11

- High flexibility.
- Lower production costs.
- High delivery accuracy.
- Reduced inventory level.

## FINANCIAL GOALS

### NET SALES



● Net sales growth, organic, %

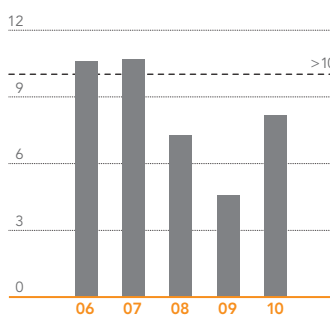
### LONG-TERM FINANCIAL GOALS

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

### GOAL ACHIEVEMENT

- Adjusted for changes in exchange rates and acquisitions, net sales were unchanged (+0,4 percent).
- Average annual organic sales growth was -4 percent 2006–2010, and 1 percent 2001–2010.

### OPERATING MARGIN



● Operating margin, %<sup>1)</sup>

<sup>1)</sup> Excluding items affecting comparability.

### LONG-TERM FINANCIAL GOALS

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

### GOAL ACHIEVEMENT

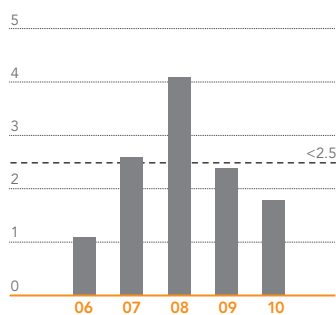
- Operating margin increased to 8.2 percent, excluding items affecting comparability.
- Average operating margin was 8.7 percent 2006–2010, and 8.9 percent 2001–2010, excluding items affecting comparability.



**INITIATIVES**

- Husqvarna, Gardena, McCulloch and Diamant Boart (construction products) will be global brands.
  - Concentrate brand investments to global brands and markets.
  - Reduce number of brands.
  - Global design strategy.
  - Global marketing campaigns.
  - Focus on innovation.
- 
- Improved product service and training programs for dealers.
  - Shop profiling and merchandizing for dealers.
  - Improve spare parts availability.
  - Consolidation of sales back office administration to one location per country.
  - IT investments to improve customer service.
- 
- Maintain a high rate of product development across all product categories.
  - Optimize research and development footprint.
  - Strengthen premium offer for retail market.
  - Consumer-driven product innovation.
  - Increase research and development for battery-powered products.
  - Strengthening of accessories offering.
- 
- Reduced number of production facilities.
  - New production facility in Poland.
  - Transfer of selected production to low-cost countries.
  - Increase share of low cost country component sourcing.
  - Reduce number of suppliers.
  - Reduce number of warehouses.
  - Implementation of Husqvarna Operating System (lean manufacturing program) for continuous improvement within production.

**CAPITAL STRUCTURE**



● Net debt/EBITDA, times

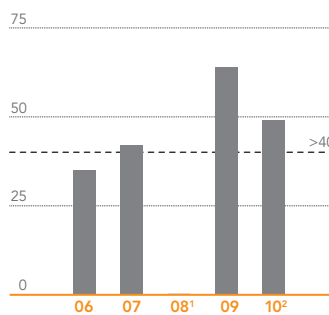
**LONG-TERM FINANCIAL GOALS**

→ 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.

**GOAL ACHIEVEMENT**

→ Seasonally adjusted net debt/EBITDA was 1.8 at year-end.

**DIVIDEND**



● Dividend as share of income for the year, %

**LONG-TERM FINANCIAL GOALS**

→ The dividend shall normally exceed 40 percent of income for the year. Previously, the policy was to pay a dividend corresponding to 25 to 50 percent of income for the year.

**GOAL ACHIEVEMENT**

→ The Board proposes a dividend for 2010 of SEK 1.50.  
 → The pay-out ratio for 2010 corresponds to 49 percent of income for the year.

<sup>1</sup> No dividend was paid for 2008.  
<sup>2</sup> As proposed by the Board.

# Strong brands

## Fewer, bigger, more global

Husqvarna, Gardena, McCulloch and Diamant Boart are the Group's global brands. There are also regional and tactical brands. Having a portfolio of brands is essential for maintaining a leading position in a range of price and product categories, appealing to various end-users and throughout sales channels and regions.

### Husqvarna represents technological leadership

Husqvarna has long been a strong global premium brand for professional users and consumers who demand high performance. The brand stands for technological leadership, professional performance and high quality. In 2010, the brand accounted for approximately 45 percent of Group net sales.

### Gardena is the leader in watering

Gardena is the leading premium brand in Europe for watering products and garden tools for consumers. The offering also includes battery-powered products. In 2010, the Gardena brand accounted for approximately 12 percent of Group sales.

### McCulloch will be launched globally

In 2011, McCulloch will be launched as a global premium brand and sold to consumers in the retail channel as of 2012. The range will comprise forestry and garden products.

### Diamant Boart global brand for the stone industry

Strong and consistent focus on product development and quality has given Diamant Boart recognition as the global leading brand

in the stone industry. The product offering includes a complete range of diamond tools for the processing of natural stone.

### The number of brands will be reduced

In order to increase efficiency and to reduce costs, Husqvarna will reduce the number of product brands. The Group will increase the share of sales to the premium segment where profitability is higher. Brand investments and product innovations will thus focus mainly on the global brands.

### Tactical and regional brands increase flexibility

Husqvarna's tactical brands hold strong positions in regional or local markets, or in specific product categories. The tactical brands create scope for flexibility and can, for example, expand into new geographic markets or product categories if required. The Group's regional brands also hold strong positions in their local markets, but there are no plans to expand them into new markets.

### Initiatives to strengthen operations

- Husqvarna, Gardena, McCulloch and Diamant Boart are prioritized in terms of brand investments and innovation.
- A reduced number of regional and tactical brands.
- A strengthened position for the Husqvarna brand as the professional brand with dealers.
- Establish McCulloch as a global premium brand for consumers.

### GLOBAL BRANDS

Brand	Position	Market	Products
Husqvarna	Premium	Global	Professional products and high-performance products for consumers. Mainly sold by dealers.
GARDENA	Premium	Mainly Europe	Consumer products in the retail channel.
McCULLOCH	Premium	Global	Consumer products in the retail channel.
DIAMANT BOART	Premium	Global	Professional products (diamond tools for the stone industry).

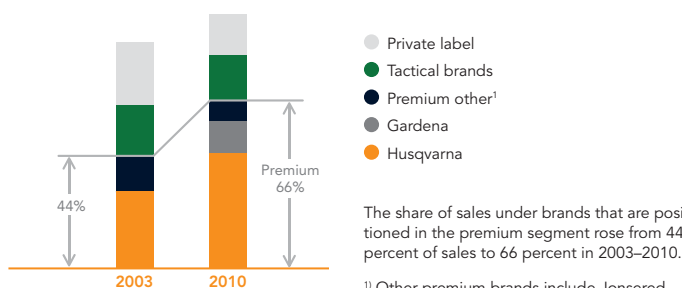
### TACTICAL BRANDS

Brand	Position	Market	Products
Jonsered	Premium	Mainly the Nordic region, but also North America.	Professional products and high-performance products for consumers. Sold by dealers.
Poulan PRO	Mid	North America	Consumer products in the retail channel.
WEEDEATER	Mid/low	North America	Consumer products in the retail channel.
DIXON™	Premium	North America	Professional products. Sold by dealers.

### REGIONAL BRANDS

Brand	Position	Market	Products
KLIPPO	Premium	Scandinavia	Professional products and high-performance products for consumers. Mainly sold by dealers.
Flymo	Mid/premium	Mainly the UK, the Nordic region and the Netherlands.	Consumer products in the retail channel.
ZENOAH	Premium	Mainly Japan	Professional products and high-performance products for consumers. Sold by dealers.
BLUEBIRD	Premium	North America	Professional products sold by dealers.

### HIGHER SALES UNDER PREMIUM BRANDS



# Efficient global distribution network

## Improved customer service and a more efficient sales organization

Husqvarna’s forest, park and garden products are primarily sold through two distribution channels – retailers and dealers. The retail chains focus mainly upon products in the mid and low-price segments. Dealers sell products mainly to professional users and consumers with high demand on performance. Most dealers also offer service.

The Group holds strong positions in both channels. Husqvarna branded products are primarily sold through dealers and, to a smaller extent, by retail chains in the US.

Sales to dealer channel accounted for 45 percent of total Group sales, sales to retail channel 50 percent and sales to other

channels (rental companies, sawing-, drilling-, and demolition contractors and stone quarry customers) accounted for the remaining 5 percent of total Group sales.

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

Husqvarna’s comprehensive distribution network has been developed over many years, representing a substantial competitive advantage.

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

### Improved service

In order to improve service to dealers, the spare parts and accessories offering has been expanded, while the training and service program for products has been refined.

### Rationalization of the sales organization

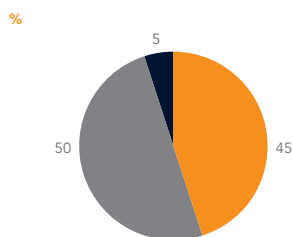
A rationalization of the sales organization was implemented during the year. The purpose was to improve service to customers, and achieve cost reductions by merging the sales administration for dealers and retail chains, while retaining separate local sales forces.

### Initiatives to strengthen operations

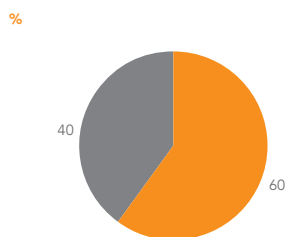
- Merging the Group’s sales administration for dealers and retailers.
- Improved service through greater supply reliability, enhanced product training and service programs, etc.
- Broader offering and increased availability of spare parts.
- Increased focus on brand building at points-of-sale.

### SALES BY DISTRIBUTION CHANNEL, 2010

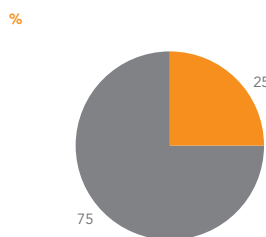
#### GROUP



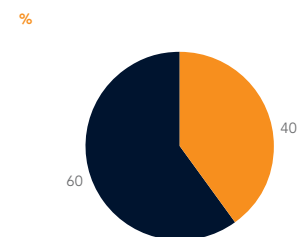
#### EUROPE & ASIA/PACIFIC



#### AMERICAS



#### CONSTRUCTION



● Dealers ● Other<sup>1)</sup>  
● Retailers

● Dealers ● Retailers

● Dealers ● Retailers

● Dealers ● Other<sup>1)</sup>

<sup>1)</sup> Rental companies, sawing-, drilling-, and demolition contractors and stone quarry customers.

<sup>1)</sup> Rental companies, sawing-, drilling-, and demolition contractors and stone quarry customers.

# Broad product offering

## Attractive and innovative products that meet customer needs



### BATTERY-POWERED PRODUCTS

Battery-powered products are gaining popularity. The increasing demand is driven by customer's growing preference for convenient, quiet and eco-friendly products.

Husqvarna is continuously adding new products to its already wide range of battery-powered products. The product offering includes the range of the robotic lawn mower, Automower®, as well as other lawn mowers, grass- and shrub shears, trimmers, hedge-trimmers and a pruning chainsaw under the Gardena brand.

Additional cordless handheld products are introduced in 2011.

Husqvarna has a broad and competitive product offering. Its position is particularly strong in handheld products, such as chainsaws, clearing saws and trimmers, and in riders and garden tractors. The Gardena brand is the European market leader for watering products and garden tools. From 2011, the product offering will also be strengthened with new consumer products under the McCulloch brand. The Group also has a strong product offering in cutting equipment and diamond tools for the construction and stone industries.

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 of the core areas.

### Customer-driven research and development

Husqvarna has a common global process for product development. An effective product development process, including consumer insights and a high level of innovation, is essential for the Group's growth and profitability. The objective is to generate a continuous flow of attractive and competitive new products. Significant synergies and rationalization gains are achieved in product development via this process. A rapid pace of product renewal is critical for achieving growth and higher margins.

### Initiatives to strengthen operations

- Focus on core areas.
- High pace of customer-driven product development.
- Development resources gathered in a few R&D centers.
- Development of a premium range for the retail channel.
- Increased investments in battery-powered products.

### HUSQVARNA AD 10 DRILLING STAND

Husqvarna offers a complete range of powerful drilling machines and flexible stands for the construction industry.



### HUSQVARNA AUTOMOWER® 305

The third generation Automower® is a robotic lawn mower designed for smaller areas.



### HUSQVARNA 560 XP® CHAINSAW

Husqvarna has a wide range of chainsaws made for every need and condition.



### 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 improved margins. Achieving growth also requires having the right product offering for each distribution channel.

Products are becoming increasingly more global or regional, thus creating opportunities for reducing the number of product platforms and local variants. This is also leading to lower development costs per sold unit, and synergies in production and purchasing.

In order to make product development more effective, the Group is focusing its development resources on a limited number of R&D centers in key locations.

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

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**HUSQVARNA MZ25  
ZERO-TURN MOWER**

Husqvarna's zero-turn mowers are engineered for the effective mowing of large areas. The range consists of four models in a variety of size classes.

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**HUSQVARNA K760  
POWER CUTTER**

Husqvarna is a world leader in handheld power cutters.



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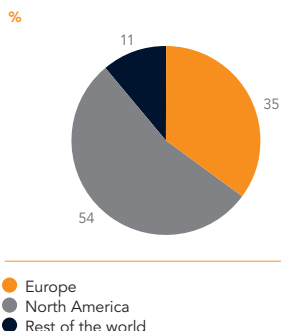
**HUSQVARNA 545FXT  
CLEARING SAW**

Husqvarna's comprehensive range of clearing saws, brush-cutters and trimmers tackle a variety of different outdoor jobs.

# Flexible supply chain

## Fewer, larger and more efficient units

**PRODUCTION VALUE BY GEOGRAPHICAL AREA, 2010**



In order to secure an efficient and flexible supply chain, Husqvarna has concentrated its purchasing, production and inventory management functions in a joint global organization.

Husqvarna’s operations are characterized by substantial seasonal variations. Park and garden products are manufactured and sold mainly during the first half of the year, while production and sales of forestry products is usually higher during the second half of the year. In order to be competitive, it is essential to provide timely supplies and high supply reliability to customers.

Rigorous demands concerning speed and reactivity entail that a major part of production resources are located close to the customers – in North America and Europe. The relatively short sales period places considerable demands on the ability to increase or reduce activities in the entire supply chain at short notice. Flexibility is key.

### Optimized production structure

In order to enhance the efficiency and flexibility of production, it has been decided to reduce the number of production units. Nine facilities will be closed and one new facility has been established in 2010.

This reorganization is concentrated on the production units in Sweden and North America. The new facility in Poland will produce lawn mowers and riders for the European market. Some less complicated products will gradually be moved to the Group’s facilities in China.

Overall, production units will become fewer, larger and more cost-efficient.

### New production facility in Poland

The new facility in Mielec, Poland will gradually be placed on stream during 2011 and has been constructed to meet the demands for scalability, flexibility, quality and cost-efficiency.

### Increased purchases from low-cost countries

The manufacturing of wheeled products like lawn mowers and garden tractors consists mainly of assembling of sourced components that have a high completion rate. The manufacturing of hand-held products, like chainsaws, is more integrated and the input materials consists to a greater extent of raw materials or components with lower completion rates.

Purchased components account for the greatest cost in the manufacturing process. An increasing share of the components is purchased from low-cost countries. During 2010, the share was approximately 26 percent, compared with 23 percent in 2009.

### Fewer suppliers

A global purchasing organization enables Husqvarna to reduce the number of its suppliers, thus simplifying and improving purchasing processes. At the end of 2010,

## HUSQVARNA OPERATING SYSTEM – GREATER STANDARDIZATION FOR PROFITABLE PRODUCTION



The Husqvarna Operating System (HOS) is Husqvarna’s platform for continuous improvement in the manufacturing process, or “Lean Manufacturing”. HOS is essentially about identifying best-practise, working in standardized and harmonized ways, and making the knowledge widely available in the Group.

HOS is based on ten leadership principles and five main pillars. The main pillars guide efficient manufacturing: continuous improvement, built-in quality, just-in-time, flexibility and employee focus. The ten lean principles are the leadership principles and philosophy by which the business is managed.

HOS was launched at the end of 2009, and introduced across the Group’s production facilities during 2010. It aims to create a culture that facilitates change and continuous learning, where all employees participate actively in the daily improvement work, searching for solutions that can optimize production. The results become standardized work processes that are continually measured and improved.

The focus in 2010 laid on creating conditions for the effective implementation and daily control of HOS in production facilities. The measurement of daily procedures in production facilities is now based on a number of Group-wide key performance indicators for, among others, productivity, quality and inventory turnover.

Husqvarna had approximately 2,400 suppliers. The ambition is to further reduce this figure by 10 percent per year during some years.

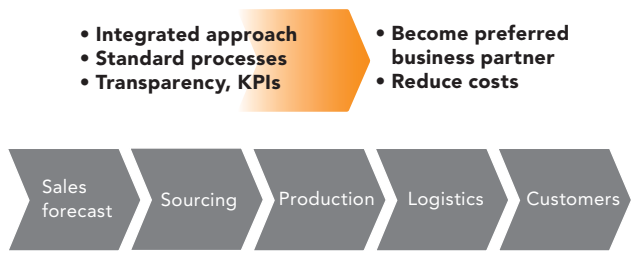
**Fewer warehouses**

The number of warehouses will be reduced from 70 to 36 by 2011 lowering our inventory level, improving supply reliability and generally, creating a more efficient logistics structure.

**Lean manufacturing**

At the end of 2009, Husqvarna introduced its own version of Lean Manufacturing – Husqvarna Operating System, HOS – to drive continuous improvements in its manufacturing processes. Productivity improvements in the units that have introduced Husqvarna Operating System are excellent. *Read more about HOS on page 10.*

**SUPPLY CHAIN**



**Initiatives to strengthen operations**

- Optimization of the manufacturing footprint – fewer and larger facilities, and more production in low-cost countries.
- Increased sourcing of components from low-cost countries.
- Reduced number of suppliers.
- Reduced number of warehouses.
- Introduction of programs to continuously improve manufacturing processes in all production units.

**NUMBER OF PRODUCTION FACILITIES**



The number of production units will decrease from 36 to 28 when current announced initiatives are completed.

**LOW-COST COUNTRY COMPONENT SOURCING**



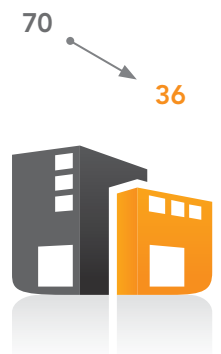
There is a potential to double the low-cost country sourcing ratio in five years. Since 2008, the ratio has grown from 18 percent to 26 percent 2010.

**NUMBER OF SUPPLIERS**



The goal is to reduce the number of suppliers by 10 percent per year during some years. Between 2008 and 2010, the number was reduced from 3,100 to 2,400.

**NUMBER OF WAREHOUSES**



The number of warehouses will decrease from 70 to 36 by 2011.

# The market

## Husqvarna – a global leader

The global market for Husqvarna's forest, park and garden and construction products is estimated to approximately SEK 150 billion.

The largest markets are Europe and North America, where a significant part of the world's forest, park and garden areas are found. In combination, they represent around 90 percent of the global market. Historically, the average growth of these markets has kept pace with the gross domestic product, between two and three percent per year. Growth in these markets is, to a large extent, driven by the general economic trend and purchasing power of consumers.

There are also large forested areas in South America and, to a certain extent, in China. These markets are less mechanized and demand is driven to a large extent by professional users. These markets are significantly smaller in total, but their growth rate is higher, ten percent per year in South America.

The long-term annual growth rate for Husqvarna's product offering for the construction and stone industries has been around three percent for construction industry products, and slightly higher for stone industry products. Historically, growth in Eastern Europe and Asia has been higher than in the western world. Demand for Husqvarna's product offering correlates strongly with activities in the construction industry.

### Major seasonal variations throughout the year

In 2010, Husqvarna's sales of park and garden products amounted to approximately 65 percent of the Group's total sales. These products are mainly used during spring and summer, which in the Northern

hemisphere implies that sales normally culminate during the second quarter and can be considered finished after the third quarter. The season for watering products is normally shorter and often ends after the second quarter.

Demand for forestry products is usually somewhat higher during the second half of the year. Sales of cutting equipment and diamond tools for the construction industry are more evenly distributed across the year.

In total, the first half of the year usually accounts for around two thirds of Husqvarna's annual sales. *See diagram on page 13.*

### Production resources are mainly in North America and Europe

Since the sales season is short and demand can be impacted by weather conditions, lead times from order to delivery are short. Accordingly, production is often carried out close to the largest markets to ensure high delivery capacity, optimize inventory management and minimize freight costs. As a result a major part of production for Husqvarna and the industry is located in Europe and North America.

### Dealers and retailers are Husqvarna's customers

Husqvarna sells forest, park and garden products to dealers and retailers, which then sell to end-users. Retailers also include Do It Yourself (DIY) stores and supermarkets.

Dealers sell to professional users and consumers who demand high levels of performance, which primarily comprises products in the high-price segments. Most dealers also service the products.

The retail chains sell products in the low and medium price segments to consumers. Prices and margins are lower than for dealers.

Construction and stone industry products are sold either directly to end-users, such as sawing and drilling contractors and quarry operators, or to rental companies that rent the equipment to end-users, or to dealers who sell to end-users.

### FOREST, PARK AND GARDEN

Competitor	Products	Market
Stihl	Mainly handheld products for forest, park and garden such as chainsaws, clearing saws and trimmers for professional users and consumers.	Global
Global Garden Products (GGP)	Mainly ride-on lawn mowers and lawn mowers.	Europe
Bosch	Electrical and battery-powered garden products and watering products for consumers.	Europe
Modern Tool and Die Company (MTD)	Lawn mowers and ride-on lawn mowers for consumers.	North America and Europe
Toro	Ride-on lawn mowers for professional lawn care as well as ride-on lawn mowers and lawn mowers for consumers.	North America and Europe
John Deere	Garden tractors and lawn mowers for professional lawn care and consumers.	North America and Europe
Echo and Shindaiwa	Handheld products for forest, park and garden for professional users and consumers.	Global
TTI	Mainly handheld products for forest, park and garden as well as lawn mowers for consumers.	Global
Stanley Black and Decker	Electrical and battery-powered garden products for consumers.	Global
Hozelock	Watering and garden tools for consumers.	UK and Nordic region

### GLOBAL COMPETITORS, CONSTRUCTION AND STONE INDUSTRIES

Competitor	Products
Hilti	Drilling equipment, wall saws, drills and diamond tools.
St Gobain	Floor- and tile saws, and diamond tools.
Stihl	Power cutters.
Tyrolit	Drilling equipment, wall-, floor- and tile saws and drills and diamond tools.



**EUROPE & ASIA/PACIFIC**  
Forest, park and garden products

End-user market value  
**SEK 55bn**

Husqvarna's market share  
**30%**

**AMERICAS**  
Forest, park and garden products

End-user market value  
**SEK 75bn**

Husqvarna's market share  
**20%**

**CONSTRUCTION**  
Construction products

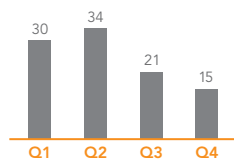
End-user market value  
**SEK 18bn**

Husqvarna's market share  
**15%**

**2-3%**  
GLOBAL MARKET  
LONG-TERM GROWTH RATE

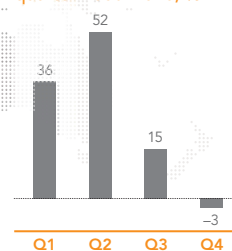
**NET SALES, SEASONALITY**

Average distribution per quarter 2006-2010, %



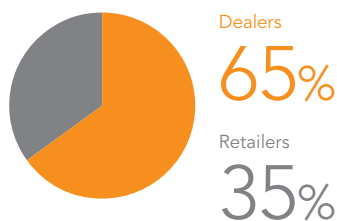
**OPERATING INCOME, SEASONALITY**

Average distribution per quarter 2006-2010, %



**TOTAL MARKET; FOREST, PARK AND GARDEN**

**EUROPE & ASIA/PACIFIC**  
Distribution of sales



● Dealers  
● Retailers

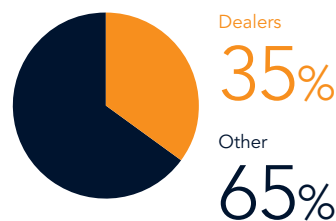
**AMERICAS**  
Distribution of sales



● Dealers  
● Retailers

**TOTAL MARKET; CONSTRUCTION**

**CONSTRUCTION**  
Distribution of sales



● Dealers  
● Other

# Europe & Asia/Pacific

## Increased demand and strong growth in dealer channel



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### HUSQVARNA 560 XP® CHAINSAW

Developed for professional users. The saw has a ground breaking design and is loaded with innovative solutions for efficient, convenient operation.

Several new products, including Husqvarna branded ride-on, walk-behind and robotic lawn mowers, were introduced during the year. The products contributed to strengthened market shares and strong growth in dealer channel sales. The business area's sales increased and operating income improved substantially.

The market for forest, park and garden products in the Europe and Asia/Pacific region is estimated to approximately SEK 55 billion. Europe accounts for around 85 percent of the market whereof the largest local markets are Germany, France, Russia, Sweden and the UK.

Sales to dealers are estimated at around 65 percent of the value of the total market in the Europe and Asia/Pacific region, with the remaining 35 percent to retail chains. The European retail market is relatively fragmented.

*Read more about the market on pages 12–13.*

**Leading market positions**

Husqvarna holds a strong position in Europe with a market share of around 30 percent. The share is particularly high for high-performance products, which are primarily sold to dealers. The end-users for these products are professional users or consumers who demand high-level performance.

Husqvarna holds leading positions in professional chainsaws and clearing saws in the major

forestry markets such as Russia, the Baltic States and the Nordic region. In the lawn mower and ride-on lawn mower market, Husqvarna has a leading position in several European markets.

Husqvarna is the European leader for watering products under the Gardena brand, with strong positions in Germany, Austria and Switzerland.

**Increased sales to dealers**

The total market demand for forest, park and garden products improved in most of the business area's markets due to the general economic recovery. Recovery was strongest in Russia, while it fell in France and the UK.

Husqvarna's sales increased in most countries except for UK and France. Sales to dealers developed favorably in most countries.

The Group's market shares in ride-on lawn mowers and lawn mowers increased during the year. *Read more about sales and income in the Report by the Board of Directors on page 35.*

**New products contributed to stronger market position**

Several new products were launched during the year. A series of lawn mowers, ride-on lawn mowers for homeowners and new, fully automatic robotic lawn mowers was introduced under the Husqvarna brand. The latter product range, branded Automower®, was expanded with models that can cut lawn areas of up to 6,000 square meters.

Under the Gardena brand, new battery-powered products such as lawn mowers, trimmers and chainsaws were introduced. The range of watering and garden tools was also expanded.

**Strengthened relations with dealers**

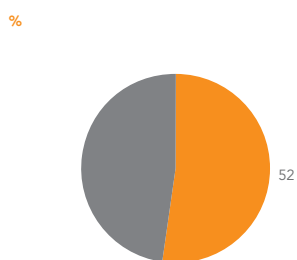
Husqvarna has increased its focus on brand-building at points-of-sale, product training and product service programs during the year, aimed at strengthening relations with dealers. In addition to attractive products, high delivery reliability and access to spare parts are key for building long-term relationships with dealers.

**More efficient sales organization**

Sales offices have been merged to improve customer service and increase efficiency. There is now only one sales office in each country but with separate sales forces for retail chains and dealers.

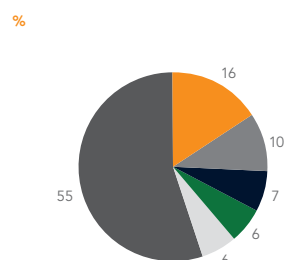
**BUSINESS AREA DATA, 2010**

**SHARE OF GROUP NET SALES**



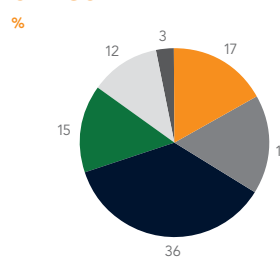
● Europe & Asia/Pacific

**NET SALES BY COUNTRY**



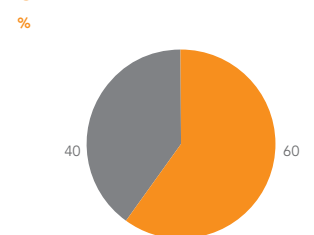
● Germany ● Sweden  
● France ● Japan  
● Russia ● Other countries

**NET SALES BY PRODUCT CATEGORY**



● Ride-on products ● Watering products  
● Walk-behind products ● Accessories and garden tools  
● Handheld products ● Other

**NET SALES BY DISTRIBUTION CHANNEL**



● Dealer ● Retailer



**HUSQVARNA AUTOMOWER®**

The robotic lawn mower, Automower®, is one of the Group's user successes.

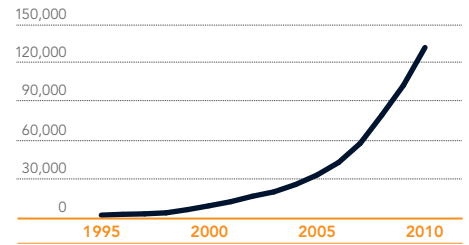
Automower® is battery-powered and finds its own way back to the charging station when the batteries are running low. It is silent, produces no emissions and consumes very little energy.

Sales growth for Automower® during the first ten years was slow until sales began to accelerate after 2005. The most successful markets in terms of volume are Sweden, Germany and Switzerland.

Husqvarna is the world leader in robotic lawn mowers, with the widest range on the market. The largest Automower® model can handle up to 6,000 square meters of lawn and can send text messages to its owner's cell phone. During 2011, the offering has been

expanded with Automower® 305, a model for small gardens with lawns up to 500 square meters.

**HUSQVARNA AUTOMOWER®**  
Accumulated number of units sold

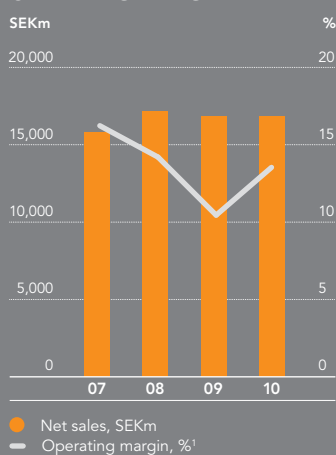


**HUSQVARNA LC 48 LAWN MOWER**

This new lawnmower is designed to meet the needs of a homeowner with high demands on ergonomics, durability, performance and ease of use.

KEY DATA	2010	2009	2008	2007
Net sales, SEKm	16,621	16,594	16,934	15,589
Share of Group net sales, %	52	49	52	47
Operating income excl. items affecting comparability, SEKm	2,383	1,710	2,368	2,490
Operating margin excl. items affecting comparability, %	14.3	10.3	14.0	16.0
Net assets, SEKm	11,550	12,201	14,457	12,066
Capital expenditure, SEKm	788	557	684	468
Average number of employees	7,278	—	—	—

## NET SALES AND OPERATING MARGIN



<sup>1)</sup> Excluding items affecting comparability.

## PRODUCT RANGE

- Ride-on products: riders (with front-mounted cutting deck), garden tractors and zero turn lawn mowers.
- Walk-behind lawn mowers, robotic lawn mowers, tillers and snow throwers.
- Handheld products: chainsaws, trimmers, clearing saws, blowers and hedge trimmers.
- Watering products: hoses, couplings, sprinklers, etc.
- Accessories, garden tools and spare parts.

## BRANDS

- Global premium brands: Husqvarna, Gardena and McCulloch.
- Other brands: Jonsered, Flymo, Klippo and Zenoah.

*Read more about the Group's brands on page 6.*

## END-USERS

- Home and landowners.
- Professional landscape and ground care.
- Professional forest and tree care.

## PRODUCT SOURCING

- Czech Republic: watering products and garden tools.
- Germany: watering products, garden tools and battery-powered garden tools.
- Poland: lawn mowers and ride-on lawn mowers.
- Sweden: trimmers, clearing saws, chainsaws, lawn mowers and ride-on lawn mowers.
- UK: electrical lawn mowers, and robotic lawn mowers.
- US: ride-on lawn mowers, lawn mowers and snow throwers.
- Brazil: handheld products such as chainsaws and trimmers.
- China: handheld products such as trimmers and chainsaws in the low-price segment.
- Japan: chainsaws and other handheld products.

## DISTRIBUTION CHANNELS

- Large retailers such as B&Q, Leroy Merlin, OBI, Bauhaus.
- Dealers.

*Read more about the distribution channels on page 7.*

## MAIN COMPETITORS

- Bosch
- Echo
- Fiskars
- Global Garden Products (GGP)
- Hozelock
- John Deere
- Modern Tool and Die Company (MTD)
- Shindaiwa
- Stihl
- Toro

*Read more about competitors and the market on pages 12–13.*

# Americas

## Strengthened relations with dealers



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### HUSQVARNA 2146 XLS GARDEN TRACTOR

A wide range of accessories and a built-in choice of several cutting methods give Husqvarna's garden tractors excellent usability.

Market demand in North America improved after four years of decline. Husqvarna’s sales to the dealer channel in the region increased, but total sales decreased due to reduced listings.

The market for forest, park and garden products in Americas is estimated at approximately SEK 75 billion. The US accounts for around 84 percent of the market, Canada 9 percent and Latin America 7 percent. Brazil is the largest market in Latin America.

Sales to dealers are estimated to be around 35 percent of the value of the total market in North and Latin America, with the remaining 65 percent sold to retail chains. The four largest retail chains account for around 70 percent of the total market sales to retail chains in North America.

*Read more about the market on pages 12–13.*

**Strong market positions**

Husqvarna holds strong market positions for chainsaws, garden tractors, lawn mowers and trimmers. The combined market shares amount to around 20 percent. Historically, sales of consumer products to the retail chains have been Husqvarna’s strength in North America, and market shares are thus higher in this market.

**Improved demand after several years of decline**

After four years of decline, demand in the US improved. Demand also improved in Latin America, but remained unchanged in Canada. Demand for all products improved, except for chainsaws.

However, Husqvarna’s sales decreased, primarily due to reduced listings at one of the major retail chains in the US. Measures to increase sales in the dealer channel were successful. Sales to the dealer channel in North America increased by double-digit figures. Sales to other retail chains also increased but, altogether, the increase did not compensate for all of the reduced listings.

Sales growth was good in Latin America, but from small volumes and the contribution to the business area’s total sales is thus limited.

*Read more about sales and income in the Report by the Board of Directors on page 35.*

**Successful product launches**

WeedEater One, a ride-on lawn mower with a price level that lies between that of a traditional high-performance lawn mower and a garden tractor, was launched during the year. WeedEater One was a great success, and sold well to several retail chains.

The offering of ride-on lawn mowers for professional lawn care was strengthened with a new range of zero turn mowers (a ride-on lawn mower with no turning radius). The mowers are sold by dealers under the Husqvarna brand.

**Increased presence in the dealer channel**

New dealers were recruited during the year. To support the recruitment of dealers, a customized interior design have been produced that display Husqvarna’s products attractively, in addition to improvements to product training and service programs. The offering of spare parts and accessories has also increased. Brand and product campaigns were implemented to raise awareness of the Husqvarna brand.

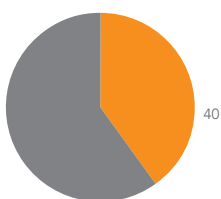
**Long-term measures for increasing the margin**

Husqvarna’s margin in the US is lower than in Europe. Compared with Europe, sales of consumer products to the retail chains constitute a larger share of sales. Sales to retail chains have a lower margin than sales to dealers.

There is already a strong product range for products to dealers. To drive dealer sales, several measures are being implemented including brand and product-oriented campaigns, strengthening of the spare parts and accessories offering and continued improvement of product training and product service programs. Continued investments in new differentiated consumer products will also contribute to a higher margin.

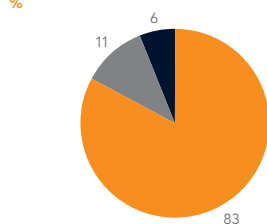
**BUSINESS AREA DATA, 2010**

**SHARE OF GROUP NET SALES**  
%



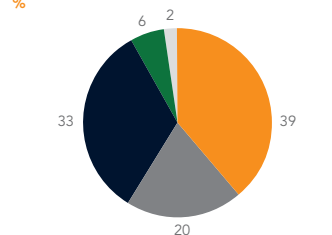
● Americas

**NET SALES BY GEOGRAPHICAL AREA**  
%



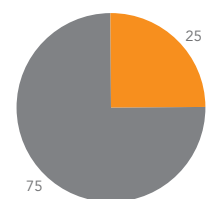
● US ● Latin America ● Canada

**NET SALES BY PRODUCT CATEGORY**  
%



● Ride-on products ● Accessories and garden tools ● Handheld products ● Walk-behind products ● Other

**NET SALES BY DISTRIBUTION CHANNEL**  
%



● Dealer ● Retailer



### WEEDEATER ONE – END-USER-DRIVEN PRODUCT INNOVATION

During the recession, US consumers were trading down to lower price point tractors. Our response was to develop a ride-on lawn mower in a new price point – below a garden tractor, but above a walk-behind lawn mower.

Initially to address customer trends, focus was on reducing the cost of existing, entry level tractors to support customer buying behavior. Husqvarna reached the conclusion that we could not reduce the existing cost of our entry level tractors enough to improve profitability while remaining competitive. A better approach was to turn to the consumer to gather insights on features and benefits that were critical to selling success.

Customer feedback indicated that instead of reducing specifications on an existing tractor, a new mower should be developed.

It resulted in the design and development of the WeedEater One.

The WeedEater One was a great success and achieved significant listings during the first year and is currently sold at Home Depot, Sears, WalMart, Kmart and others.



### HUSQVARNA 345 FXT CLEARING SAW

The world's first clearing saw with unique comfort heating of the handles for smooth work during cold and wet conditions.



KEY DATA	2010	2009	2008	2007
Net sales, SEKm	12,944	14,845	12,266	14,274
Share of Group net sales, %	40	43	38	43
Operating income excl. items affecting comparability, SEKm	312	535	347	799
Operating margin excl. items affecting comparability, %	2.4	3.6	2.8	5.6
Net assets, SEKm	5,217	4,848	5,884	5,402
Capital expenditure, SEKm	411	251	381	304
Average number of employees	5,582	—	—	—

## NET SALES AND OPERATING MARGIN



<sup>1</sup> Excluding items affecting comparability.

## PRODUCT RANGE

- Ride-on products: garden tractors and zero turn mowers (ride-on lawn mowers with no turning radius).
- Walk-behind lawn mowers, robotic lawn mowers, tillers and snow throwers.
- Handheld products: chainsaws, trimmers, clearing saws, blowers and hedge trimmers.
- Watering products (Canada).
- Accessories, garden tools, and spare parts.

## BRANDS

- Global premium brands: Husqvarna, Gardena (Canada) and McCulloch.
- Other brands: PoulanPro, WeedEater, Dixon, Bluebird and RedMax.
- Private label: supplier to the Sears brand, Craftsman.

*Read more about the Group's brands on page 6.*

## END-USERS

- Home and landowners.
- Professional landscape and ground care.
- Professional forest and tree care.

## PRODUCT SOURCING

- Sweden: handheld products such as chainsaws and clearing saws.
- US: McRae, Georgia: walk-behind lawn mowers.
- US: Nashville, Arkansas: handheld products such as chainsaws, trimmers and blowers.
- US: Orangeburg, South Carolina: ride-on lawn mowers and snow throwers.
- Brazil: handheld products such as chainsaws and trimmers.
- China: handheld products such as trimmers and chainsaws in the low-end segment.

## DISTRIBUTION CHANNELS

- Large retail chains such as Sears, Lowe's, Walmart and Home Depot.
- Dealers.

*Read more about the distribution channels on page 7.*

## MAIN COMPETITORS

- Echo
- John Deere
- Modern Tool and Die Company (MTD)
- Stanley Black & Decker
- Shindaiwa
- Stihl
- Toro
- Private labels

*Read more about competitors and the market on pages 12–13.*

# Construction

Increased market shares through innovative product development



---

## HUSQVARNA K 970 POWER CUTTER

Husqvarna's latest and most powerful hand-held power cutter, featuring the revolutionary X-Torq® engine technology. It is a unique machine, in a class of its own when it comes to emission levels, efficiency and maneuverability.

After a few challenging years for the construction industry, market demand turned upward. Husqvarna’s focus on and continued investments in new innovative products gave results. Sales and income increased and market shares were strengthened.

Husqvarna is a world leader in products for the construction and stone industries. The products are sold in more than 70 countries under the Husqvarna and Diamant Boart brands.

Husqvarna develops, manufactures and sells mainly light construction products for cutting drilling, grinding, polishing and demolition of concrete and other hard material and steel. Products include demolition robots and power cutters, drilling equipment, wall- and wire saws, floor- and tile saws and all related diamond tools.

Husqvarna also develops, manufactures and sells a full range of diamond tools for the natural stone cutting and grinding markets.

The global market for Husqvarna’s product range for the construction and stone industries is valued at approximately SEK 18 billion. The market is fragmented, with many small, local competitors and few global suppliers in the product areas where Husqvarna is active.

The largest product categories for the industry are power cutters, drill motors and floor saws. Husqvarna’s products are primarily used for the renovation and construction of commercial properties and infrastructure projects, and in the stone industry.

*Read more about the market on pages 12–13.*

**Global market leader**

Husqvarna’s combined global market share in relevant product categories amounts to around 15 percent. The Group is either the largest or second-largest player in most product categories. Positions are strongest for power cutters, floor-, wall- and wire saws.

The product development rate is high, and Husqvarna has launched many new techniques and products over recent years. The products are used exclusively by professional users who demand high-level performance, reliability and high levels of technical service. Satisfying these demands is crucial for success.

**Rising sales after several challenging years**

The economic situation in the construction industry was strengthened during 2010, which was positive for Husqvarna’s sales in Europe and North America. The construction industry in North America also benefitted from economic stimulus from the US government, which led to increased infrastructure investments.

During 2008 and 2009, when economic conditions for the construction industry were weak and demand for Husqvarna’s products fell, the Group introduced a number of initiatives that aimed to adapt the capacity and costs to the weaker market. Some of these initiatives were completed during 2010. They included closing down several small production facilities and moving production to larger units in Huskvarna, Sweden, Xiaomen, China and Hebei, China. The focus on product development continued at the same time as efficiency enhancement measures were implemented.

**New products contributed to higher market shares**

Sales increased in all major markets during the year. Sales of power cutters were particularly successful. New product launches, such as a new series of power cutters, demolition robots, wall saws and diamond tools also contributed to higher sales and increased market shares.

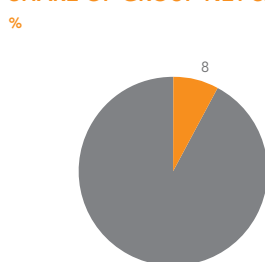
**Improved earnings**

Operating income increased sharply due to higher sales and production volumes, the introduction of new products with higher margins, and cost reduction programs.

*Read more about sales and income in the Report by the Board of Directors on page 35.*

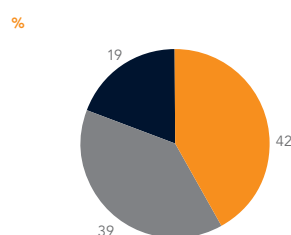
**BUSINESS AREA DATA, 2010**

**SHARE OF GROUP NET SALES**



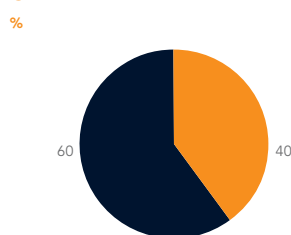
● Construction

**NET SALES BY GEOGRAPHICAL AREA**



● Europe  
● North America  
● Rest of the world

**NET SALES BY DISTRIBUTION CHANNEL**



● Dealers  
● Other



### HUSQVARNA DEMOLITION ROBOT

Over the past two years, Husqvarna has launched a completely new range of remote-controlled demolition robots. They are a key complement to Construction's other product portfolios, and are available in three different size categories – DXR 310, DXR 250, and the smallest robot DXR 140.

Demolition robots are being used increasingly for demolition work, which is why Husqvarna started developing the robot family. Contractors can work faster and more safely with demolition robots. The robots have been designed, down to the very last detail, to meet the demands of the demolition industry. They are low weight but extremely powerful. Their compact design makes them highly maneuverable. Service and maintenance is also easy.

The robots are used for demolition work indoors, outdoors and in sensitive environments such as the processing industry. The new robot family has been well received by the market, and Husqvarna has delivered robots to North America, Europe and Asia.



### HUSQVARNA DS 150 DRILL STAND

As a part of the Husqvarna drill stand family, the DS 150 is a versatile and lightweight drill stand.

KEY DATA	2010	2009	2008	2007
Net sales, SEKm	2,675	2,635	3,142	3,421
Share of Group net sales, %	8	8	10	10
Operating income excl. items affecting comparability, SEKm	129	-69	150	472
Operating margin excl. items affecting comparability, %	4.8	-2.6	4.8	13.8
Net assets, SEKm	2,596	2,645	3,312	2,961
Capital expenditure, SEKm	103	60	97	85
Average number of employees	2,094	—	—	—

### NET SALES AND OPERATING MARGIN



<sup>1)</sup> Excluding items affecting comparability.

### PRODUCT RANGE

- Power cutters.
- Floor-, tile- and brick saws, wall- and wire saws.
- Drill motors with stands.
- Floor grinding machines.
- Demolition robots.
- All types of diamond tools for the construction industry.
- Diamond tools for the stone industry.

### BRANDS

- Husqvarna
- Diamant Boart

*Read more about the Group's brands on page 6.*

### END-USERS

- The construction industry, including infrastructure projects such as road and bridge construction, renovation and construction of commercial properties, and to a lesser extent, residential properties.
- The stone industry.

### PRODUCT SOURCING

- Belgium: diamond segments for wires and blades.
- Portugal: final assembly of wire- and diamond saw blades for natural stone.
- Sweden: power cutters, wall- and wire saws, drill motors and stands, demolition robots, diamond saw blades and drill bits.
- US: large floor saws, tile and masonry saws, soff-cut floor saws, diamond saw blades and drill bits.
- China: floor saws, tile and masonry saws, drill stands, surface-finishing machines, diamond saw blades, grinding tools and drill bits.

### DISTRIBUTION CHANNELS

- Direct to sawing, drilling and demolition contractors and the stone industry.
- Rental companies that rent equipment to building contractors and end-users.
- Dealers.

*Read more about the distribution channels on page 7.*

### MAIN COMPETITORS

- Hilti
- St Gobain
- Stihl
- Tyrolit

*Read more about competitors and the market on pages 12–13.*

# Sustainable development

Husqvarna is committed to operating in a responsible manner in order to achieve development that is economically, socially and ecologically sustainable. This responsibility includes all of the Group's activities and processes, and is aimed at creating long-term value for shareholders, employees and other stakeholders who affect or are affected by the Group's operations.



# Introduction

Approximately two-thirds of Husqvarna's personnel are employed in manufacturing at the Group's facilities throughout the world.

## POLICY DOCUMENTS

Husqvarna's sustainability and social responsibility practices are primarily guided by the Group's Code of Conduct and Environmental Policy.

The Code of Conduct defines Husqvarna's ethical position. The Code applies to all employees regulating areas, such as the business principles that apply to employees in their dealings with business partners and stakeholders, and respect for human rights, fair working conditions, the environment and workplace safety.

The Environmental Policy describes the focus and objectives of Husqvarna's strategic environmental work practices; the significance of constant improvements and the effort to reduce the long-term environmental impact of its products.

There are also a number of internal policies in addition to the Group's Code of Conduct and Environmental Policy, which regulate specific aspects of sustainability and social responsibility in more detail, including how Husqvarna's employees should act. Some of the areas which are regulated are corruption and bribes, financial reporting, insider information, personnel administration, safety, quality and purchasing.

Husqvarna also has a global whistleblower function for employees and other anonymous contributors who can report breaches of laws and internal policies via e-mail or telephone.

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)



## The Sustainability Year, 2010

Husqvarna's products are used to care for nature. It is essential that the operation also take a responsibility for its own impact on the shared environment. By improving processes and creating products with a lower environmental impact, the Group can reduce its total environmental impact.

The Group has a long history of innovation, which in recent years has led to a development of products and technologies with a lower environmental impact. Husqvarna was first in the world to launch a robotic mower, Automower®, and since then, the offering of products with an environmental profile has increased and become part of product development efforts. For example, Design for Environment, a tool in the product development process, aims to reduce the environmental impact of products while improving quality, safety and functionality.

In 2010, Husqvarna improved the internal conditions for efficient sustainability work. Efforts to create a comprehensive sustainability strategy with goals for the environmental and social responsibility began.

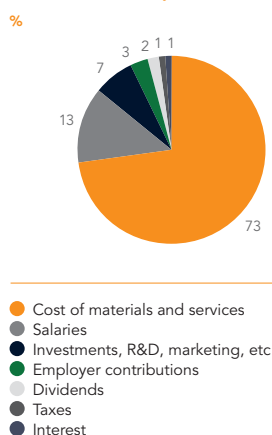
Environmental management systems have been introduced in order to rationalize the Group's environmental practices and reach the goal that all production facilities with more than 100 employees should be ISO 14001-certified. Five production facilities have obtained ISO 14001 certification during 2010. To continue the systemization of workplace safety, the Safety@Work project has begun in several production facilities. Husqvarna has also begun implementing a new method of monitoring the suppliers' sustainability work and their responsibilities toward their employees; this includes suppliers of both material and transport.

Efforts to improve Husqvarna's environmental performance are constantly ongoing. It is the Group's responsibility to monitor the development of laws and regulations, satisfy customer demands and as such, reduce operational risks. Husqvarna also plans to start reporting on its sustainability work according to the Global Reporting Initiative Guidelines from the 2011 fiscal year, to drive improvements in the area of sustainability and social responsibility.

# Economic responsibility

Husqvarna's goal is to create value for stakeholders. The Group strives to generate long-term economic value by achieving its financial goals, but also by contributing to sustainable development.

## COST DISTRIBUTION BY STAKEHOLDER, 2010



For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

## Distribution of added value

The economic value that Husqvarna creates by selling the Group's products and services is mainly distributed between employees, suppliers, customers, the government and municipalities and shareholders. A certain proportion stays in the Group to secure long-term value creation through investments, product development and marketing.

Husqvarna's total added value in 2010 amounted to SEK 8,813m (8,013).

## Green product development

Husqvarna has been working to reduce the impact of its products on the environment for a long time. An early example is the robotic mower, Automower®. Because it is battery-powered, it produces no emissions while in use and the energy consumption is very low. The Group's other battery-powered products, such as lawn mowers, trimmers and chain-saws, are marketed mainly under the Gardena brand.

Another area for green product development is watering systems. The Group offers several systems for watering lawns under the Gardena brand, such as the Micro-Drip system. These products reduce the environmental impact by reducing water usage.

A number of products have been developed for the construction industry in recent years, which reduces the environmental impact when cutting stone. Vinci Multiwire, for example, is a wire for cutting stone that significantly reduces the energy consumption and residue compared with previous products.

## Ethical index

Husqvarna is represented in a number of indexes for sustainable companies.

## OMX GES Sustainability

Since 2010, Husqvarna has been included on the NASDAQ OMX sustainability index OMX GES Sustainability. The index ranks companies based on how well they meet criteria for environmental, social and governance criteria.

## FTSE4Good

Husqvarna is included in the FTSE4good Index Series, a market index that measures the performance of companies that meet globally recognized corporate responsibility standards.

## Folksam

The Swedish insurance company Folksam compiles an annual index of sustainability performance among Swedish listed companies.

## Kempen SRI

Husqvarna was evaluated by the Dutch bank Kempen in 2010 and approved for inclusion in the Kempen SNS European SRI Universe, an index for responsible investments.

## VALUE ADDED, SEKm

Stakeholder		2010	2009
Customers	Group net sales	32,240	34,074
Suppliers	Cost of materials and services	-23,427	-26,061
	<b>Value added</b>	<b>8,813</b>	<b>8,013</b>

## Distributed to stakeholders

Stakeholder		2010	2009
Employees	Salaries	4,080	3,988
	Employer contributions	1,108	1,160
State and municipality	Taxes	302	191
Credit institutions	Interest	394	466
Shareholders	Dividends	574	0
<b>Total</b>		<b>6,458</b>	<b>5,805</b>



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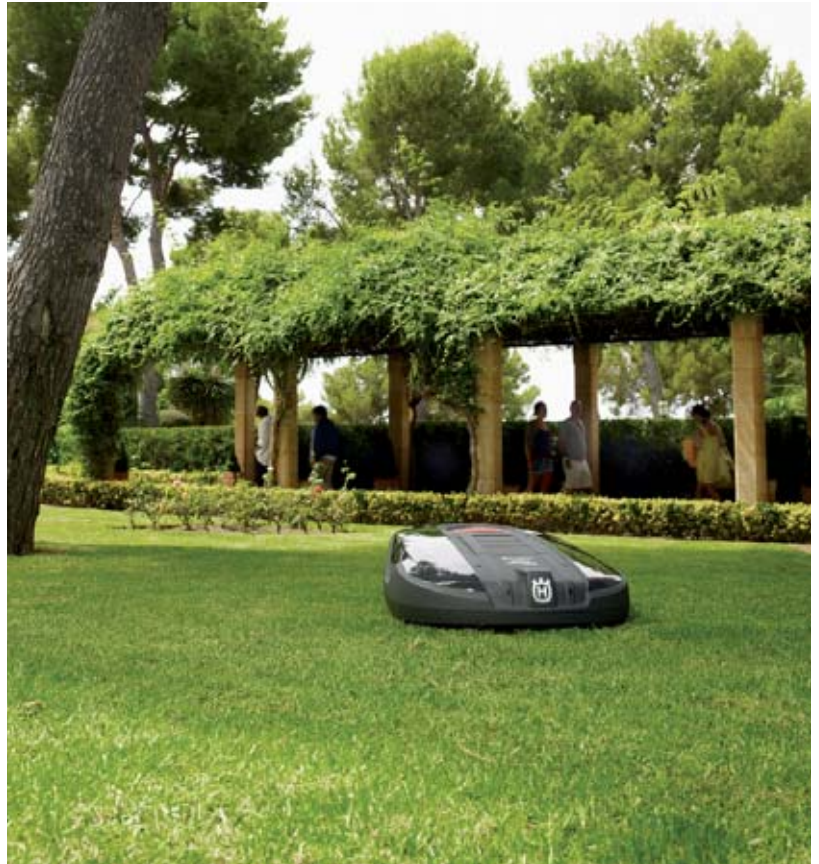
**HUSQVARNA  
AUTOMOWER® 260 ACX**

Automower® runs by itself, is silent and efficient, emits no exhaust gases and features low energy consumption.

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**GARDENA  
MICRO-DRIP-SYSTEM**

Water-conserving garden irrigation. Fertilizes and waters in one go.



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**GARDENA CST 2018-  
LI ACCU CHAINSAW**

Powerful, safe Li-Ion battery-powered pruning chainsaw for an efficient, clean cut.

# 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.

## Highlights 2010

- Environmental management systems have been implemented in five of the Group's production facilities, two in the US and three in China, in order to make environmental practices more effective. Third party audits were carried out in compliance with ISO 14001, and all facilities obtained certification.
- Several environmental site assessments of Husqvarna's production facilities have been carried out by qualified, independent consultants to assess the risk of environmental damage to land and water areas. The results indicate that most of the assessed facilities have a low risk of pollution, remaining areas are under observation and the assessments will continue.
- Husqvarna's largest suppliers of material and transport have been assessed by Husqvarna Environmental Affairs during the year, to ensure compliance with the Group's Code of Conduct and environmental requirements. The results of the survey show a high level of compliance with both

the Code of Conduct and environmental requirements.

- A comprehensive life cycle analysis of two lawn mower models has been carried out, to assess their environmental impact and identify opportunities for improvement.
- Husqvarna's annual award for "Best Green Innovation" was awarded to Vinci Multiwire, which significantly reduces energy consumption and residue when cutting stone.
- The Husqvarna Automower® Solar Hybrid robotic mower won the European Consumers Choice Awards 2010. Contributing factors were user-friendliness and environmental performance.

## Environmental Policy

In June 2009, Husqvarna adopted a revised Environmental Policy. The Environmental Policy describes the focus and objectives of Husqvarna's strategic environmental work practices, the significance of constant improvements and reducing the long-term environmental impact of the Group's products.

## Strategy for efficient environmental work practices

Husqvarna's comprehensive environmental practices have proceeded from a number of key strategies in 2010:

### Implementation of the Environmental Policy

Husqvarna's Environmental Policy applies for the entire Group, and was implemented in Husqvarna's facilities during 2010.

### Design for Environment

The environmental aspects of products received a higher profile in the Group's process for product development, the product creation process.

### Environmental performance of products

Investments were made in products with better environmental performance during 2010 by continuing to develop battery technology. AutoTune™ technology was introduced, which regulates fuel flow to the motor of chainsaws and thereby optimizes performance while reducing emissions.

## Environmental management system

The Group's production facilities with more than 100 employees should be ISO 14001-certified. Three quarters of the production facilities that are part of this goal are now certified.

## Environmental impact of suppliers

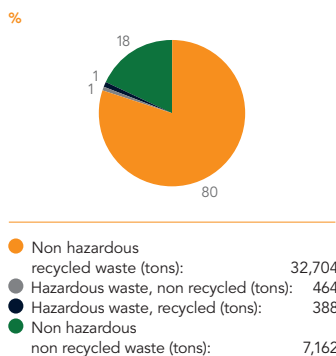
Husqvarna works actively to influence suppliers' sustainability practices, and to ensure compliance with the Group's established environmental requirements via a supplier sustainability declaration.

## Environmental impact

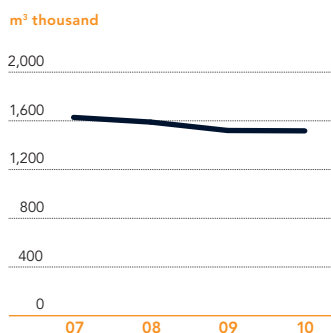
Husqvarna's greatest environmental impact is when its products are used. As such, Husqvarna's environmental impact has a wide geographic spread.

In the production stage, energy consumption has the greatest environmental impact, but the use of chemicals, and emissions into water and air, also have a significant environmental impact. All significant environmental parameters are measured at every facility and reported externally to authorities, and internally for a compilation of Best Practice comparisons.

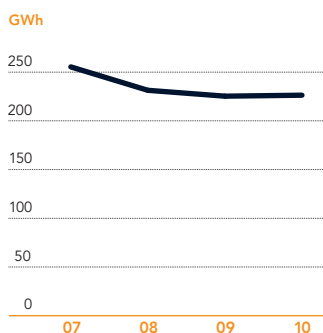
## RECYCLE OF NON-HAZARDOUS AND HAZARDOUS WASTE, 2010



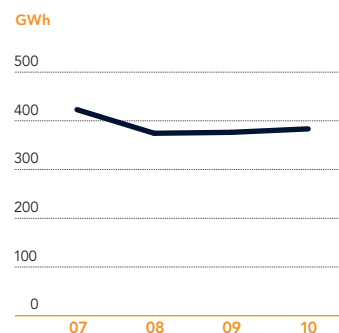
## WATER PURCHASED



## ELECTRICITY PURCHASED



## ENERGY CONSUMPTION<sup>1)</sup>



<sup>1)</sup> Stationary fuel for heating, district heating and purchased electricity.

The environmental impact of suppliers has a direct and indirect impact on Husqvarna's environmental performance. Husqvarna places continuous demands on its suppliers, monitoring compliance and communicates opportunities for improvement.

**Products**

The environmental impact of Husqvarna's products varies throughout their life cycle, but is usually greatest during usage. A key component in the Group's environmental responsibility is thus to improve the environmental performance of products while they are being used.

Husqvarna's product development process provides a structure for development efforts and creates conditions for integrating environmental aspects into the operation. Environmental initiatives in product creation focus on developing products with the right performance combined with improvements in relation to energy consumption, exhaust emissions, safety, ergonomics, recycling and efficient service.

Husqvarna's ambition is to limit the environmental impact of its products in every stage of their

**LIFE CYCLE THINKING**



Life Cycle Thinking is going beyond the focus on manufacturing site so that environmental impact over the products entire life cycle is taken into account. Life Cycle Thinking helps us continuously improve the environmental aspects of our products and processes in each phase of the product life cycle, from raw material sourcing till the end of life of the product. Life Cycle Thinking seeks

to identify possible improvements to products in the form of lower environmental impacts and reduced use of resources across all life cycle stages.

This begins with raw material extraction and conversion, then manufacturing and distribution, through to use and/or consumption. It ends with recycling of materials and disposal.

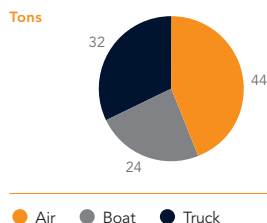
life cycle – from product creation, procurement of material and production, to use and recycling. In order to reduce the environmental impact of products during use, Husqvarna is developing several technologies such as X-TORQ®,

which reduces hydrocarbon emissions and fuel consumption.

**Carbon Disclosure Project (CDP)**  
CDP is an independent not-for-profit organization, supported by hundreds of investors from all

over the world, that gathers information from companies and organizations about their climate impact and what it means for their operation. Husqvarna has been reporting to CDP since 2008.

**AVERAGE CO<sub>2</sub> EMISSIONS FROM TRANSPORTATION AND DISTRIBUTION PER SHIPMENT, 2010**



Approximation of the total average CO<sub>2</sub> emissions per shipment. All transport companies are not included in the survey.

**KEY ENVIRONMENTAL RATIOS**

	2010	2009
Emissions of carbon dioxide, tons	163,606	159,800
of which employees' air travel, tons	5,852	4,800
Number of serious environmental incidents	1	1
Plants and larger warehouses with defined environmental goals, % <sup>3</sup>	95	78
Plants with installed environmental management systems, % <sup>1,2</sup>	78	66
Production area with installed environmental management system, %	81	78

<sup>1</sup> According to ISO 14001.  
<sup>2</sup> Plants with more than 50 employees.  
<sup>3</sup> Warehouses above 5,000 m<sup>2</sup>.

# Social responsibility

Husqvarna's social responsibility includes the development of personnel, the working environment, working conditions, respect for human rights, and a constructive social commitment.

## AIESEC – THE PARTNERSHIP IS AN INVESTMENT IN THE FUTURE

In 2009, Husqvarna began a partnership with AIESEC, the world's largest student organization. AIESEC is represented in more than 1,700 universities across over 100 countries.

AIESEC is a platform for students who are looking for international career opportunities. Husqvarna's objective with the partnership is to help students enter the labor market and secure the Group's global need for individuals with the appropriate expertise and level of ambition.

Since beginning the partnership, Husqvarna has employed 20 trainees through AIESEC placed at six of the Group's facilities. To date, 85 percent of the trainees have remained at Husqvarna after the conclusion of their traineeship.

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

## Highlights 2010

- The Safety@Work project, which has previously proved successful in reducing the number of workplace accidents in the US, was introduced in China.
- A major training initiative was implemented during the year to ensure that Group employees are familiar with Husqvarna's Code of Conduct. The Code is also part of the introduction for new employees.
- In 2010 Husqvarna conducted the employee team survey in line with the employee satisfaction index, with good result.
- A project was started during the year that aimed to increase diversity in the Group. The focus is to attract more qualified women to management positions.

## Employees

Husqvarna has about 15,000 employees in more than 40 countries, of whom 88 percent work outside Sweden. Motivated and skilled employees are critical for Husqvarna's success, all employees shall thus be treated with tolerance and respect, in a secure work environment that offers opportunities for individual development.

Fundamental and overall principles for personnel relations are described in the Husqvarna People Process. The process is designed to support leaders in recruitment and selection, performance evaluation, career development and remuneration. The process also ensures that people who contact the company are treated correctly.

The Code of Conduct, internal policies and guidelines, and the Husqvarna People Process Provide a foundation for creating an attractive global workplace.

## Seasonal variations

Seasonal variations in the Group's sales entails that the number of temporary employees in production varies throughout the year. The number of employees is usually higher during the first quarter and at the beginning of the second quarter when the manufacture of garden products is highest. In a normal year, the average proportion of temporary employees is slightly more than 20 percent.

The large number of seasonal employees generates a relatively large employee turnover and means that some employees must be trained at the beginning of each new season.

## Health and safety

Many of the Group's employees are engaged in the production stage, which is why workplace safety plays such a key role in Husqvarna's social responsibility. Safety features in all plants and warehouses are inspected regularly. Accidents and minor incidents are evaluated and used as a benchmark for improvements aimed at preventing future accidents.

## Diversity

Like many other companies in the engineering industry, Husqvarna has a male-dominated workforce. In an effort to create a workplace that attracts women, a diversity project was introduced in the US and Europe in 2010. The project also aims to show how Husqvarna as a company can benefit from wider diversity among employees.

## Safety@Work

The Safety@Work project was launched in the US in 2007, with a primary focus on minimizing the number of work-related accidents by establishing a risk management plan and key indicators. Injury prevention initiatives are integrated into the business process (planning, management, organization and financial governance), and lead to a considerably lower injury frequency with a consequent reduction of the associated costs.

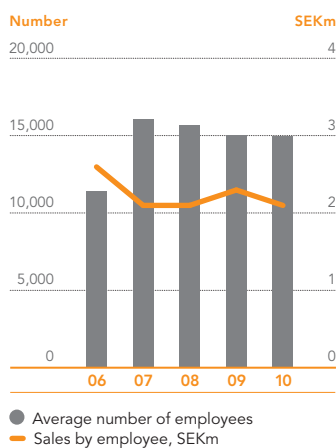
In 2010, Safety@Work was introduced into the Group's four production facilities in China. Each facility has undergone an initial assessment, which led to an individual action plan. The process of implementing actions has begun and from 2011, these facilities will be assessed on an annual basis in the same way as in the US.

## Talent management

Husqvarna has a well-developed process for talent management. It evaluates, develops and ensures access to future managers through both succession and mobility planning.

In 2010, the Talent Management process was upgraded to strengthen efforts to develop a performance-based corporate culture, where employees can see their own contribution to Husqvarna's earnings and success. The key aspects have been to formulate clearer guidelines for objectives, strengthen the employee dialogue and improve leadership assessment.

**NUMBER OF EMPLOYEES AND SALES BY EMPLOYEE**



**Manager and project manager training**

Husqvarna offers its employees three different Group-wide programs in leadership development, which are held regularly every year. The Husqvarna next Level Leader program is designed for the management level directly under senior management. The Husqvarna Leader program is designed for levels lower down in the organization. The customized training program, Husqvarna Project Leader, is designed to develop project management and project manager skills. During the year, Husqvarna’s Leadership Academy for leader development has delivered according to plan. More than 350 people have taken part in the training programs.

**Employee surveys**

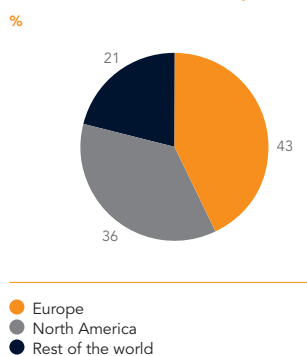
Husqvarna conducts annual employee and team surveys designed to improve and develop Group efficiency, and the working conditions of individuals. In 2010, approximately 4,900 (3,100) employees were invited to take part in the survey. The response frequency was more than 86 percent (76).

**Suppliers**

As part of the continuous dialogue with suppliers and an assessment of them, a Supplier Sustainability Declaration survey was conducted in 2010 for the first time. Nearly 100 of Husqvarna’s largest suppliers of material and transport responded to questions about the Husqvarna Code of Conduct and environmental requirements.

The results show that the suppliers comply with the Husqvarna Code of Conduct to a large degree.

**EMPLOYEES BY GEOGRAPHICAL AREA, 2010**



**Career opportunities**

Husqvarna works actively to increase internal recruitments and job mobility. Vacant management positions and specialized appointments are advertised internally in the Group’s open job market and externally on the Group’s website, www.husqvarna.com, and through other channels.

AVERAGE NUMBER OF EMPLOYEES	2010	2009
Europe	6,449	6,469
North America	5,403	5,581
Rest of the world	3,102	2,980
<b>Total</b>	<b>14,954</b>	<b>15,030</b>
<i>of whom women, %</i>	35	36
<i>of whom men, %</i>	65	64
<i>of whom white-collar, %</i>	39	38
<i>of whom blue-collar, %</i>	61	62

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# Report by the Board of Directors

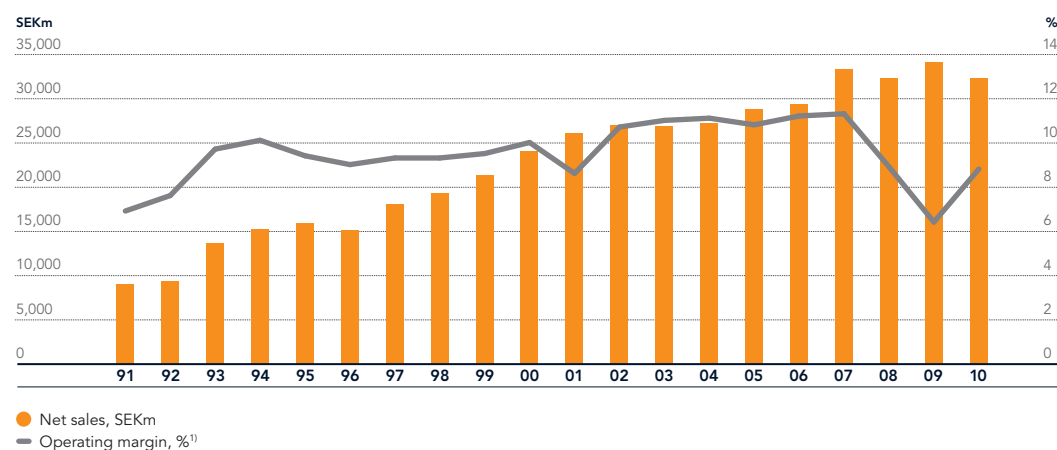
- Net sales amounted to SEK 32,240m (34,074).
- Operating income increased to SEK 2,445m (1,560).
- Operating margin increased to 7.6 percent (4.6).
- Operating income includes items affecting comparability in the amount of SEK 207m (452).
- The increase in operating income was mainly a result of higher volumes, favorable mix, lower items affecting comparability as well as positive currency effects.
- Net sales and operating income for Europe & Asia/Pacific and Construction increased, but decreased for Americas.
- Income for the year increased significantly to SEK 1,749m (903), or SEK 3.03 (1.64) per share.
- The net debt/equity ratio at year-end improved to 0.46 (0.52).
- Operating cash flow amounted to SEK 962m (3,737).
- Strengthened market shares for park and garden products in Europe and Asia/Pacific and for construction products in North America.
- Strong growth for dealer channel sales.
- A new organization as well as a new reporting structure were implemented as of January 1, 2010.
- Adjusted dividend policy: The dividend shall normally exceed 40 percent of income for the year (previous policy: 25–50 percent).
- The Board of Directors proposes a dividend for 2010 of SEK 1.50 per share (1.00).

## Key figures

SEKm	2010	2009	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	32,240	34,074	-5	0
EBITDA	3,666	3,060	20	12
EBITDA margin, %	11.4	9.0	—	—
Operating income	2,445	1,560	57	23
Operating income, excl. items affecting comparability	2,652	2,012	32	23
Operating margin, %	7.6	4.6	—	—
Operating margin, excl. items affecting comparability, %	8.2	5.9	—	—
Income after financial items	2,051	1,094	87	—
Income for the period	1,749	903	94	—
Earnings per share after dilution, SEK	3.03	1.64	85	—
Return on capital employed, %	11.0	6.6	—	—
Return on equity, %	13.9	7.5	—	—
Net debt/equity ratio, times	0.46	0.52	—	—
Capital expenditure	1,302	914	42	—
Average number of employees	14,954	15,030	-1	—

<sup>1</sup> Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 36.

## NET SALES AND OPERATING MARGIN



1991–2004 according to Electrolux reporting for the Outdoor Product segment i.e. excluding corporate costs. For comparison, corporate costs have not been included 2005–2010. 2008–2010 excluding items affecting comparability.

<sup>1</sup> Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 36.

## Net sales and operating income

### Net sales

Net sales declined by 5 percent to SEK 32,240m (34,074). Adjusted for exchange rate effects, sales increased 0.4 percent or by SEK 142m. Sales prices were relatively stable. Europe & Asia/Pacific accounted for an adjusted sales increase of SEK 892m, Americas for an adjusted sales decrease of SEK -913m and Construction for an adjusted sales increase of SEK 161m. Efforts to grow sales in the dealer channel were successful and dealer sales grew double digit in all markets.

### Operating income

Operating income increased by 57 percent and amounted to SEK 2,445m (1,560). Currency changes had a positive effect of approximately SEK150m and the net positive effect from items affecting comparability was SEK 245m. Adjusted operating income thus increased by SEK 490m.

The increase in adjusted operating income was mainly a result of favorable channel and regional mix, higher volumes and lower material costs, partly offset by higher distribution and IT costs.

The operating margin, excluding items affecting comparability, increased to 8.2 percent (5.9). Operating income includes restructuring charges of SEK -207m for the closure of production facilities in North America and Greece and costs related to a legal settlement in North America. Operating income 2009 included items affecting comparability totaling SEK -452m related mainly to restructuring charges and personnel cut-backs (see table beside).

Operating income and the operating margin for Europe & Asia/Pacific and Construction increased, but decreased for Americas.

### Exchange rates effects

Changes in exchange rates, including both translation and transaction effects net of hedging, had a total positive effect on operating income with SEK 150m (30). Hedging contracts had a positive effect of SEK 80m (-109).

### Restructuring charges

In 2010, the Group announced further restructuring to increase efficiency by consolidating the manufacturing footprint. The production facility in Beatrice, Nebraska, was closed and the production was transferred to the production facility in Orangeburg, South Carolina. The production facility for construction products in Athens, Greece was also

closed. Annual savings from the initiatives will amount to SEK 60m and will be realized gradually with full effect from the first quarter of 2012. Operating income was charged with SEK 157m, of which the closure of the Beatrice plant accounted for SEK 110m.

In October 2009, the Group announced the implementation of a number of structural changes during 2009-2011. These measures are aimed at eliminating overlaps and increasing efficiency within production and administration which involves the consolidation of production in Sweden and the US, and of the sales organization in Europe & Asia/Pacific. The total cost of these measures amounts to SEK 399m and annual savings are expected to approximately SEK 400m, and will be realized gradually from the second half of 2010 with full effect from the first quarter of 2012. Capital expenditure related to the restructuring is expected to be approximately SEK 400m, of which a new plant in Poland will account for approximately SEK 250m.

In September 2008, an initiative to reduce fixed costs through personnel cut-backs was announced. The total costs affecting 2008 and 2009 for the cut-backs were SEK 369m and the annual savings are SEK 450m as of the third quarter 2009.

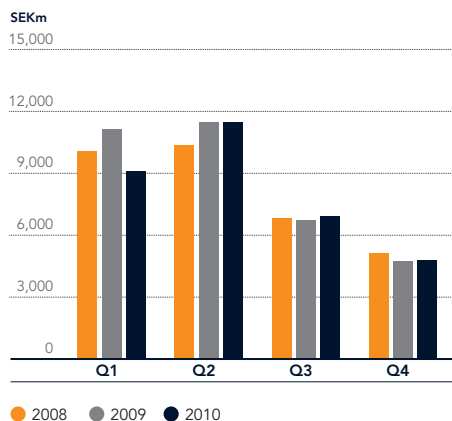
### Items affecting comparability

SEKm	2010	2009	2008
Restructuring charges	-157	-399	—
Costs for personnel cut-backs	—	-53	-316
Legal settlement cost	-50	—	—
<b>Total</b>	<b>-207</b>	<b>-452</b>	<b>-316</b>

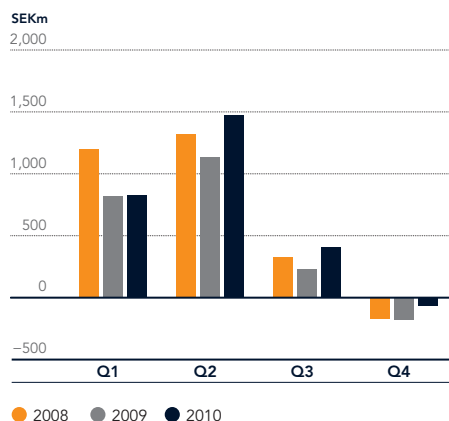
### Operating income development

SEKm	
<b>Operating income 2009</b>	<b>1,560</b>
Mix and price	300
Volumes	240
Items affecting comparability	245
Changes in exchange rates	150
Cost of materials	120
Productivity	50
Selling and administrative costs	-220
<b>Operating income 2010</b>	<b>2,445</b>

## NET SALES BY QUARTER



## OPERATING INCOME BY QUARTER<sup>1</sup>



<sup>1</sup> Excluding items affecting comparability.



**Net financial items**

Net financial items amounted to SEK –394m (–466). The lower net financial costs are mainly due to lower net debt and lower interest rates during the first half of the year. The average interest rate on borrowings at the end of the year was 4.8 percent (3.2). The increase is due to changes in the currency composition of net debt.

**Income after financial items**

Income after financial items increased by 87 percent to SEK 2,051m (1,094) corresponding to a margin of 6.4 percent (3.2).

**Taxes**

Taxes amounted to SEK –302m (–191), corresponding to a tax rate of 15 percent (18) of income after financial items. The tax rate is positively affected by utilization of tax-losses carried forward.

**Earnings per share**

Income for the year increased by 94 percent to SEK 1,749m (903), corresponding to SEK 3.03 (1.64) per share.

**Value creation**

Value creation is an indicator for evaluating financial performance, and is the basis for short-term 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 creation in 2010 amounted to SEK 511m (–631). The cost of capital used for 2010 was 10 percent (10).

**Group net sales by country**

2010	Share of Group net sales, %
USA	36
Germany	8
France	6
Canada	5
Russia	4
Sweden	4
Australia	3
UK	3
Japan	3
Italy	2

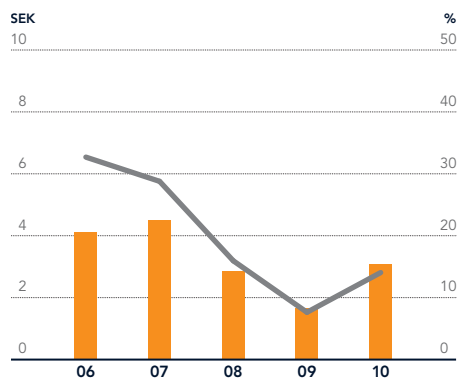
**Cash flow**

Operating cash flow amounted to SEK 962m (3,737). Inventories and trade receivables increased during the year. The higher inventory resulted in a negative cash flow amounting to SEK –645m (1,678) and the higher trade receivables resulted in a negative cash flow of SEK –331m (694).

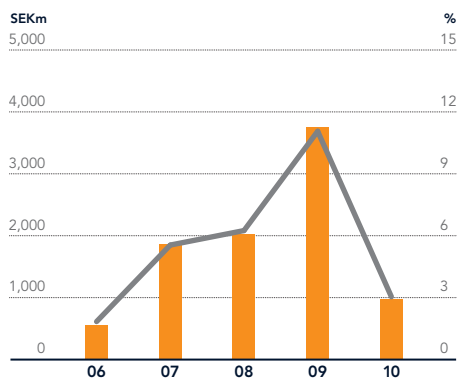
The inventory increase is mainly a result of a temporary build-up to facilitate the ongoing restructuring of the manufacturing footprint. The increase in trade receivables is mainly explained by higher sales during the end of 2010 compared to end of 2009.

**Cash flow**

SEKm	2010	2009
Cash flow from operations, excluding changes in operating assets and liabilities	2,888	2,749
Changes in operating assets and liabilities	–613	1,897
<b>Cash flow from operations</b>	<b>2,275</b>	<b>4,646</b>
Cash flow from investments	–1,313	–909
<b>Operating cash flow</b>	<b>962</b>	<b>3,737</b>
Acquisitions of operations	0	–43
<b>Total cash flow from operations and investments</b>	<b>962</b>	<b>3,694</b>

**EARNINGS PER SHARE AND RETURN ON EQUITY**

● Earnings per share, SEK  
— Return on equity, %

**OPERATING CASH FLOW**

● Operating cash flow, SEKm  
— Operating cash flow/net sales, %

### Capital expenditure and Research & Development

Capital expenditure in 2010 increased to SEK 1,302m (914), corresponding to 4.0 percent (2.7) of net sales. The increase is mainly explained by the new plant in Poland. Investments in fixed assets amounted to SEK 991m and investments in intangible assets amounted to SEK 311, of which SEK 190m (188) referred to R&D and SEK 121m (60) referred to IT and software.

Approximately 38 percent of capital expenditure in 2010 referred to new products, approximately 32 percent to rationalization and replacement of production equipment, approximately 14 percent to the new production facility in Poland, approximately 5 percent to expansion of capacity, and approximately 11 percent to IT-systems.

Investments related to new products mainly refer to new platforms for professional chain saws, an updated range of watering products, new models of ride-on lawn mowers and an updated range of snow throwers.

Costs for R&D in 2010 amounted to SEK 831m (695), of which SEK 190m (188) was capitalized. R&D expenses corresponded to 2.6 percent (2.0) of net sales.

### Financial position

#### Operating working capital

Operating working capital at year-end increased to SEK 7,765m (7,237). Inventories increased to SEK 7,000m (6,706) and the trade receivables to SEK 3,575m (3,385). Trade payables declined slightly to SEK 2,810m (2,854). The inventory increase is mainly a result of a temporary build-up to facilitate the ongoing restructuring of the manufacturing footprint.

#### Change in operating working capital

SEKm	
<b>December 31, 2009</b>	<b>7,237</b>
Changes in exchange rates	-335
Changes in working capital	863
<b>December 31, 2010</b>	<b>7,765</b>

#### Equity

Group equity as of December 31, 2010, excluding non-controlling interests, increased to SEK 12,154m (12,082), corresponding to SEK 21.2 (21.1) per share. Group equity was negatively affected by exchange differences on translating foreign operations to SEK.

### Net debt

Net debt at year-end decreased to SEK 5,600m (6,349). Liquid funds amounted to SEK 2,067m (2,745) and interest bearing debt decreased to SEK 7,667m (9,094). The reduction in net debt was a result of the positive cash flow and changes in exchange rates. During the year a dividend of SEK 574m was distributed to the shareholders. The major currencies used for debt financing are EUR, USD and JPY. The impact on net debt due to changes in exchange rates was a decrease of SEK 700m.

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

The net debt/equity ratio improved to 0.46 (0.52) and the equity/assets ratio to 42.8 percent (40.1).

### Net debt

SEKm	2010	2009
Interest-bearing liabilities	7,667	9,094
Liquid funds	2,067	2,745
<b>Net debt</b>	<b>5,600</b>	<b>6,349</b>
Net debt/equity ratio, times	0.46	0.52
Equity/assets ratio, %	42.8	40.1

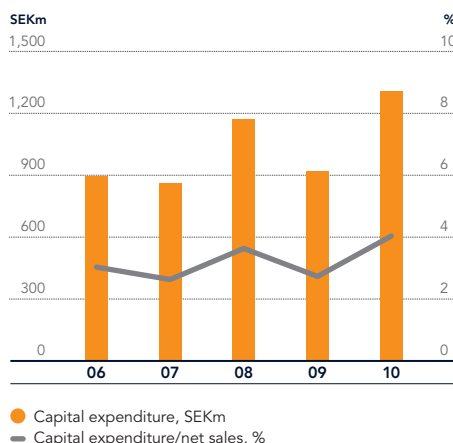
For more information about the Group's funding, see Note 2.

### Seasonality in sales and income

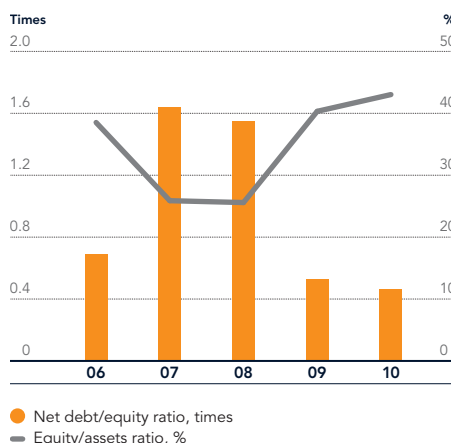
The majority of Group sales are park and garden products, which show a distinct seasonality in terms of sales and income. The first half of the year normally accounts for around two thirds of annual Group sales, with the second quarter usually being the strongest. Normally watering products have a larger share of sales and operating income in the first half of the year, particularly in the second quarter, than the rest of the Group's park and garden products. Forestry products show stronger demand and higher sales during the second half of the year, while products 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 lawn mowers and tractors, but to increase demand for watering products. Demand for chain-saws normally increases after storms.

### CAPITAL EXPENDITURE



### NET DEBT/EQUITY AND EQUITY/ASSETS RATIOS



### MATURITY PROFILE OF LOANS



## Performance by business area

## Europe &amp; Asia/Pacific

SEKm	2010	2009	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	16,621	16,594	0	6
Operating income	2,383	1,410	69	30
Operating margin, %	14.3	8.5	—	—

<sup>1</sup> Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 36.

Sales for Europe & Asia/Pacific in 2010 were unchanged. Adjusted for exchange rate effects, sales increased by 6 percent. Sales prices were relatively stable.

Sales to the dealer channel developed strongly throughout the year. Most countries, except the UK and France, had higher sales than in the preceding year. Several new products, including Husqvarna branded lawn mowers, riders and an expanded Automower® range, contributed to this increase. Sales of Gardena branded watering products were also strong.

Total market demand in Europe & Asia/Pacific is estimated to have increased compared with the preceding year. It is also estimated that the Group strengthened the market shares in several product categories, including lawn mowers and riders, during the year.

Operating income and operating margin increased substantially. The increase was mainly a result of higher volumes and improved mix. The mix improved as a result of better product and channel mix, as dealer sales grew more than retail sales.

Operating income for 2009 includes items affecting comparability amounting to SEK –300m. There were no items affecting comparability in 2010. Operating income, excluding items affecting comparability, increased to SEK 2,383m (1,710) and the corresponding operating margin increased to 14.3 percent (10.3).

## Americas

SEKm	2010	2009	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	12,944	14,845	–13	–7
Operating income	152	437	–65	–41
Operating margin, %	1.2	2.9	—	—

<sup>1</sup> Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 36.

Sales for Americas decreased by 13 percent. Adjusted for exchange rate effects the decrease was 7 percent. Sales prices were relatively stable.

Total market demand in North America increased after four years of decline. Industry shipments increased in most product categories except chainsaws.

Reduced listings with a major retailer in North America for the 2010 season had a negative effect on sales. Efforts to grow sales in the dealer channel and with other retail accounts were successful, but could not compensate for all of the reduced listings. Sales in the dealer channel increased by double digits, however from a low level.

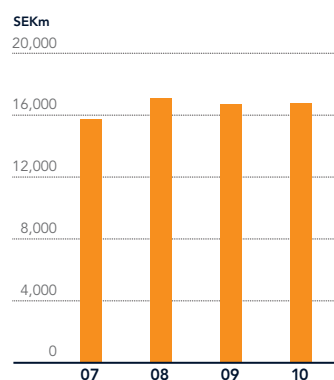
Operating income was negatively affected by lower volumes, which to some extent were offset by improved mix. Costs for distribution and IT increased as well as costs for merchandising and marketing in association with efforts to grow sales to dealers.

Operating income for 2010 includes items affecting comparability amounting to SEK –160m (–98) of which SEK –110m is related to the closure of the plant in Beatrice and SEK –50m to a legal settlement.

Operating income for 2010, excluding items affecting comparability, amounted to SEK 312m (535) and the corresponding operating margin was 2.4 percent (3.6).

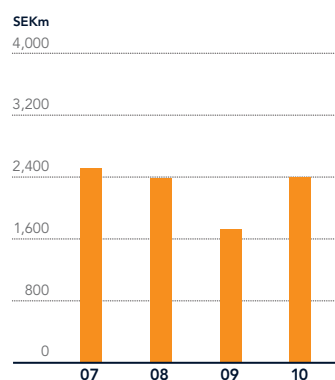
## EUROPE &amp; ASIA/PACIFIC

## NET SALES



● Net sales, SEKm

## OPERATING INCOME

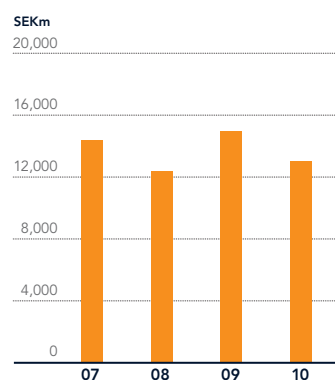


● Operating income, SEKm<sup>1</sup>

<sup>1</sup> Excluding items affecting comparability.

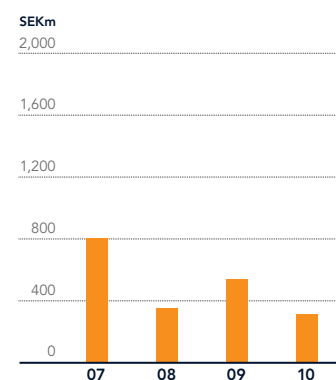
## AMERICAS

## NET SALES



● Net sales, SEKm

## OPERATING INCOME



● Operating income, SEKm<sup>1</sup>

<sup>1</sup> Excluding items affecting comparability.

**Construction**

SEKm	2010	2009	Change, %	
			As reported	Adjusted <sup>1</sup>
Net sales	2,675	2,635	2	6
Operating income	82	-123	N/A	N/A
Operating margin, %	3.1	-4.7	—	—

<sup>1</sup> Adjusted for items affecting comparability (including restructuring charges), changes in exchange rates and acquisitions/divestments. Items affecting comparability are provided on page 36.

Sales for Construction in 2010 increased by 2 percent. Adjusted for exchange-rate effects sales increased by 6 percent, of which sales in the US accounted for the majority of the increase. Sales prices were relatively stable.

Total market demand for construction products improved in both North America and Europe during the year. Group sales to all sales channels – rental companies, dealers and contractors – increased. A number of new products were successfully launched and the Group's market shares are estimated to have increased.

Operating income increased to SEK 82m (-123) and the operating margin improved to 3.1 percent (-4.7), mainly as a result of higher volumes as well as sales of new products with higher margins.

Operating income was charged with restructuring costs amounting to SEK -47m (-54). Operating income, excluding items affecting comparability, increased to SEK 129m (-69) and the corresponding operating margin increased to 4.8 percent (-2.6).

**Other information****New organization**

A new organization was implemented as of January 1, 2010.

Instead of the previous six product-based business sectors, the new organization comprises five business units – Supply Chain, Products & Marketing, Sales in Europe & Asia/Pacific, Sales in Americas and Construction. Supply Chain and Products & Marketing are shared services for the sales organizations in Europe & Asia/Pacific and Americas.

**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 now comprises of:

- Europe & Asia/Pacific (forest, park and garden products in Europe and the Asia/Pacific region).
- Americas (forest, park and garden products in North America and Latin America).
- Construction (global sales of construction products).

**Changes in Group Management**

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.

**Dividend policy**

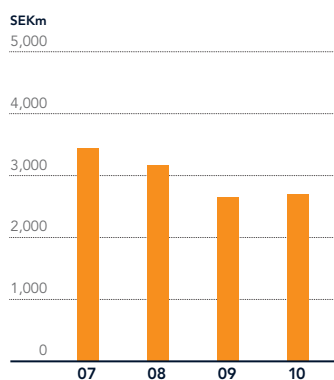
Husqvarna's dividend policy has been adjusted. The new policy is that the dividend shall normally exceed 40 percent of income for the year. Previously, the policy was to pay a dividend corresponding to between 25 percent and 50 percent of income for the year.

The proposed dividend of SEK 1.50 per share for 2010 corresponds to 49 percent of income for 2010.

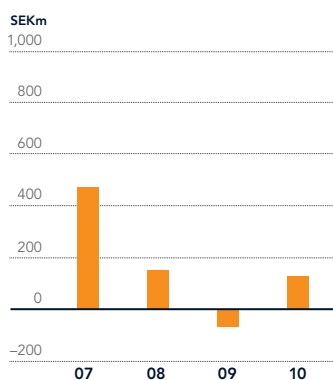
**The Husqvarna share**

At year-end the share capital in Husqvarna amounted to SEK 1,153m (1,153), comprising 134,755,087 A-shares (147,570,030) and 441,588,691 B-shares (428,773,748).

At Husqvarna AB's Annual General Meeting (AGM) on April 27, 2010, it was resolved to amend Husqvarna's Articles of Association, whereby shareholders in Husqvarna, who hold A-shares shall be entitled to request conversion of their A-shares into B-shares from time to time.

**CONSTRUCTION****NET SALES**

● Net sales, SEKm

**OPERATING INCOME**

● Operating income, SEKm<sup>1</sup>

<sup>1</sup> Excluding items affecting comparability.

The change in number of shares in each series of shares during the year refers to the conversion of A-shares to B-shares on behalf of shareholders. The total number of outstanding shares was unchanged during the year.

Each A-share carries one vote, and each B-share 1/10 of a vote. All shares enjoy equal rights in terms of the company's assets and earnings.

There are no restrictions on the 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 on page 95.

As of December 31, 2010 the largest shareholders were Investor AB with 30.8 percent (28.9) of the votes and LE Lundbergföretagen with 15.6 percent (14.4) of the votes.

*For more information on major shareholders, see page 106.*

#### Repurchase of own shares

The Annual General Meeting 2010 authorized the Board to acquire B-shares totaling up to 3 percent of the total number of shares, and to pay for the shares in cash.

The shares may be purchased on NASDAQ OMX Stockholm in order to hedge the company's obligations, including employer contributions, pursuant to the long-term incentive programs for 2008, 2009 and 2010.

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.

1,270,000 B-shares were repurchased during the year. As of year-end 2010, Husqvarna owned 3,906,007 repurchased B-shares (2,723,128) corresponding to 0.68 percent (0.47) of the total number of outstanding shares.

#### Long term incentive program for 2010

The Annual General Meeting 2010 adopted a new performance based long-term incentive program based on parameters similar to those of the 2007, 2008 and 2009 programs.

The program comprises approximately 45 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 value of between 5 percent and 10 percent 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 and performance based stock options, if the lowest performance target level, the development of the Group's earnings per share during the period in 2010–2012, is achieved. Each share award entitles the employee to one B-share free of charge, three years after grant subject to reaching certain criteria.

Each stock option entitles the holder to purchase one B-share at a price of SEK 52.70. 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 2010–2012.

The program comprises a maximum of 3,133,808 B-shares. If all share awards and a maximum of granted stock options are fully exercised, it is estimated that the 2010 program will comprise no more than 0.54 percent of the share capital.

#### Legal matters

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 takes action when deemed necessary. The company believes that these activities help to minimize the risks. It is difficult to predict the outcome of each 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 matter is 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 13 other companies, authorities and private persons, received notifications of allegedly 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 proceedings in the Court of First Instance in Tournai were concluded during the course of 2010.

Husqvarna was acquitted together with 9 other parties. This judgment was appealed and the proceedings in the Court of Appeal in Mons are expected to result in a judgement in the summer of 2011. Following the appellate proceedings, and subject to the outcome of them, the distribution of liability between the parties found guilty, will commence.

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.

The following matter was resolved in 2010:

#### US engine-capacity lawsuit

On March 1, 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, was thus 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 amounted to approximately SEK 50m (USD 7m) and was charged to operating income 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.

### Environmental activities

In 2010, 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 30.*

### Employees

The average number of employees in 2010 was 14,954 (15,030), of which 1,806 (1,700) were in Sweden. At year-end, the total number of employees was 15,820 (15,334).

Of the total average number of employees in 2010, 9,675 (9,608) were men and 5,279 (5,422) were women.

Salaries and remuneration in 2010 amounted to SEK 4,080m (3,998), of which SEK 836 (763) refers to Sweden.

*For more information, see Note 19 on page 88.*

### Annual General Meeting 2011

The Annual General Meeting (AGM) of Husqvarna AB (publ) will be held on 4 May 2011, in the Elmia Congress and Concert Hall in Jönköping, Sweden.

### Proposals to the Annual General Meeting in 2011

The full proposal to the AGM 2011 will be announced no later than the date of notification of the AGM, which is expected to be published on March 30, 2011.

### Dividend for 2010

The Board of Directors proposes a dividend for 2010 of SEK 1.50 (1.00) per share, corresponding to a total dividend payment of SEK 859m (574) based on the number of outstanding shares at the end of 2010. Monday 9 May 2011 is proposed as record date. The last day for trading in Husqvarna shares including the right to dividend for 2010 is Wednesday 4 May 2011.

### Long-term incentive program for 2011

The Board of Directors proposes that the AGM 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 2010 (LTI 2010) which is described in Note 19 on page 88.

### Repurchase of own shares

The Board of Directors proposes that the AGM authorize the Board of Directors to acquire B-shares totaling up to 3 percent 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.

### Authorization for new share issue

The Board of Directors proposes that the AGM authorizes the Board to resolve to issue not more than 57,634,377 B-shares (corresponding to 10 percent of shares) for payment in kind, on one or several occasions during the period until the next AGM. The price for the new shares shall be based on the market price of the company's series B shares. The purpose of the authorization is to facilitate acquisitions where the consideration will be paid with own shares.

### Changes to the Articles of Association

The Board of Directors proposes that the AGM approves an amendment to the Articles of Association regarding the term of office for the auditor of the company.

### Principles for remuneration to Group Management

The Board of Directors proposes that the AGM 2011 approve the current principles for remuneration and other conditions of employment for Husqvarna Group Management in 2011. 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 AGM 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 remuneration". 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 incentives "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 "entry", "target" and "stretch" levels of performance shall be stated at the beginning of every year and shall reflect the plans approved by the Board of Directors.

STI shall be dependent on the position and may amount to a maximum of 50 percent of the salary on attainment of the "target" level and a maximum of 100 percent 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 percent on attainment of the "target" level and a maximum of 150 percent of the salary on attainment of the "stretch" level.

The Board of Directors shall decide if the full 50/100/150 percent 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 AGM.

***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 on page 95, 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 AGM shall be informed of the reasons.

**The Nomination Committee's proposal**

The Nomination Committee's proposal to the AGM includes:

- Re-election of Lars Westerberg, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Magdalena Gerger, Tom Johnstone, Ulla Litzén, Ulf Lundahl, Anders Moberg and Magnus Yngen.
- Re-election of Lars Westerberg as Chairman of the Board, and proposed Chairman of the AGM.
- Board fees totaling SEK 5,975,000, of which SEK 1,650,000 for the Chairman and SEK 475,000 for other members not employed by Husqvarna.
- Unchanged Committee fees, with SEK 100,000 for the Chairman in the Remuneration Committee and SEK 50,000 for each of the other members. SEK 175,000 for the Chairman in the Audit Committee and SEK 75,000 each for the other members.
- Unchanged principles for appointment of Nomination Committee for AGM 2012.

The full proposal will be included in the notice of the AGM, and published on Husqvarna's web site, [www.husqvarna.com](http://www.husqvarna.com).

For more information, please visit  
[www.husqvarna.com](http://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 Group Treasury.

The Internal Audit function is tasked with monitoring the quality of financial reporting and is also responsible for performing an annual assessment of the Group's financial reporting risks.

The Risk Management function is 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 2010

- The Safety@Work initiative continued to advance throughout Husqvarna Group and the program was initiated in China.
- Enterprise Risk Management (ERM) continued to receive attention throughout the organization with formal reporting occurring.
- The Group entered into long-term property and marine cargo insurance contracts with a third-party insurance company to lock-in favorable pricing and achieve broadened coverage.

- An analysis of financial reporting risks was prepared and presented to the Audit Committee.

## 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 watering systems. Demand for chainsaws normally increases after storms, and during cold winters.

## SENSITIVITY ANALYSIS

- A change of 1 percent 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 -195m<sup>1</sup>, of which SEK -240m 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 EUR would have a positive effect on operating income of approximately SEK 250m<sup>1</sup>, of which SEK 235m 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<sup>1</sup>, 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 20m, on the basis of outstanding loans at year-end 2010.
- An increase or decrease of 10 percentage points in the price of steel would affect operating income by -/+ SEK 195m.
- An increase or decrease of 10 percentage points in the price of aluminum would affect operating income by -/+ SEK 50m.
- An increase or decrease of 10 percentage points in the price of plastics would affect operating income by -/+ SEK 90m.

<sup>1)</sup> Excluding hedging effects.

No dynamic effects are included in the above sensitivity analysis.



### 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 for the retail 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 fluctuations 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 are sold mainly through large retail chains. This market is highly consolidated in North America, while in Europe the market is more fragmented. This implies that the Group's customers are larger and fewer in number in North America, 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 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 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 normally sufficiently flexible to meet fluctuations in demand resulting from economical, seasonal and weather variations. 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 24 percent of the Group's total costs are fixed. 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 2010 Husqvarna purchased materials and components for approximately SEK 17,225m (20,000). Total raw material spend was SEK 3,529m (3,940). Direct spending on raw materials was SEK 1,381m (1,610), and indirect spending (i.e. raw material value in components) was SEK 2,148m (2,330). Direct spending on steel totaled SEK 870m (1,146), and indirect spending on steel was SEK 1,076m (1,082). Direct spending on aluminum totaled SEK 10m (7), and indirect spending was SEK 505m (590). Direct spending on plastics totaled SEK 304m (242) and indirect spending was SEK 567m (560).

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

In some cases, Husqvarna's material requirements are 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 shortfall in deliveries by a supplier could have negative consequences for production and for deliveries of finished products.

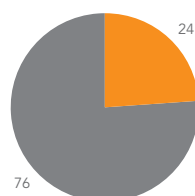
Husqvarna's purchasing organization works closely with suppliers in order to manage deliveries, and monitors the suppliers' financial stability, quality-assurance systems and flexibility of production.

### Acquisitions

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

### COST STRUCTURE

%



● Fixed costs  
● Variable costs

### TRANSACTION EXPOSURE BY CURRENCY, FORECAST COMMERCIAL FLOWS 2011

SEKm	Net flow	Hedge amount	Transaction exposure net
EUR	2,343	-1,793	550
CAD	1,145	-764	381
RUB	752	-513	239
AUD	529	-346	183
GBP	383	-275	108
Other currencies	1,665	-980	685
JPY	-382	215	-167
CNY	-714	172	-542
USD	-2,394	2,058	-337
SEK	-3,326	2,226	-1,100

For more information, see Note 2 on page 73.

**Risks related to restructuring**

The Group is currently undertaking a number of structural changes of the manufacturing footprint and a new organization was implemented in 2010. 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 on pages 68 and 73 respectively.*

**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, CAD, RUB, CNY and EUR. 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. The Group has during 2010 changed the Group Financial Policy with an effect of reduced hedges of net investments in foreign operations. At year-end 2010, most foreign net assets were in USD and EUR.

*For more information on risks related to currency exposure, see Note 2 on page 73.*

**Hedging of currency exposure**

Husqvarna uses currency derivatives to hedge estimated transaction exposure on a horizon of 0–12 months. Normally, 75–100 percent of the invoiced and estimated currency flow for the next 6 months is hedged, and 50–75 percent for the next 7–12 months. At year-end 2010 the market value of the Group's hedges referring to transaction exposure amounted to SEK 7m (–68).

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 2010 amounted to SEK –44m (–18).

**Interest-rate risk**

At year-end 2010, the average interest rate on external borrowings was 4.8 percent (3.2) and the average fixed interest-term was 1.5 years (2.2). 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 for the amount of –/+ 18m (38).

*For more information on interest rate risk, see Note 2 on page 73.*

**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 of 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.

Evaluation of financial risks involves the 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 the evaluation of financial risks. Future seasonal

**Net sales and exchange rates**

	Net sales, SEKm 2010	Average exchange rate, SEK		Year-end exchange rate, SEK	
		2010	2009	2010	2009
USD	12,552	7.20	7.63	6.80	7.18
EUR	8,369	9.55	10.63	9.02	10.30
CAD	1,616	6.96	6.67	6.80	6.85
GBP	906	11.13	11.84	10.50	11.39
JPY	895	0.08	0.08	0.08	0.08

variations are therefore continuously taken into account in liquidity planning. The average maturity period for Husqvarna's loans was 2.4 years (3.2) at year-end 2010.

For more information on financing risks, see Note 2 on page 73.

#### 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 the 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 on page 73.

#### Pension commitments

At year-end 2010, Husqvarna's commitment for pensions and other remuneration following terminated employment, amounted to SEK 2,845m (2,964). The Group manages pension funds amounting to SEK 1,627m (1,540). At year-end 2010, 40 percent (38) of these funds were placed in shares, 54 percent (53) in bonds and 6 percent (9) in liquid assets or other investments.

Annual changes in the value of assets and liabilities depends primarily on trends for share prices and interest rates. Factors affecting pensions include changes in the assumptions regarding average life expectancy and expected salary increases. The income statement for 2010 includes the costs for pensions and remuneration as referred to above, amounting to SEK 226m (232). During 2010, SEK 59m (65) 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 on page 88.

#### Changes in legislation

Husqvarna products are subject to national and international regulations regarding their environmental impact and other issues arising from the use and recycling of 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. the 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 our 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 Committee on Product Safety 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	2010
Steel	1,946
Plastic	871
Aluminium	515
Other raw materials	197
<b>Total</b>	<b>3,529</b>

#### Cost structure

	2010	
	% of sales	SEKm
<i>Cost of goods sold</i>		
Components	42.5	13,696
Raw materials	10.9	3,529
Factory OH, R&D, tools	11.6	3,729
Direct wages	4.2	1,366
Other	2.2	717
<b>Total cost of goods sold</b>	<b>71.5</b>	<b>23,037</b>
Gross operating income	28.5	9,203
Selling expense	16.2	5,232
Administrative expense	4.7	1,524
Other	0.0	2
<b>Operating margin</b>	<b>7.6</b>	<b>2,445</b>

# Corporate Governance Report 2010

Husqvarna AB is a publicly traded company listed on the NASDAQ OMX Stockholm. Husqvarna applies the Swedish Code of Corporate Governance and presents its Corporate Governance Report 2010, in this section.

The report was prepared by the company's Board of Directors and has been reviewed by the company's auditors. The review for 2010 did not result in any deviations from the code.

Husqvarna's corporate governance is based on external and internal regulatory frameworks, including Husqvarna AB's Articles of Association, the Swedish Companies Act, the Rule Book for Issuers by NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance, other applicable Swedish and foreign legislation and regulations, as well as internal codes, policies and guidelines.

## FURTHER INFORMATION CONCERNING THE GROUP'S GOVERNANCE

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

The following information is available at [www.husqvarna.com](http://www.husqvarna.com):

- Corporate Governance Reports 2006–2009.
- Articles of Association.
- Husqvarna's Code of Conduct.
- Information regarding Husqvarna's AGM:
  - Nomination Committee
  - Notice of the AGM
  - Minutes of the AGM
  - Press releases
- Further information concerning the share, ownership structure, Board of Directors and Group Management.

The Swedish Code of Corporate Governance is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se)

## Shareholders

Husqvarna's shares have been traded on the NASDAQ OMX Stockholm since June 2006. At year-end 2010, Husqvarna's share capital amounted to SEK 1,153m, represented by 134,755,087 A-shares and 441,588,691 B-shares, each with a par value of SEK 2.

Series A-shares carry one vote and series B-shares carry one tenth of a vote. According to the Articles of Association, holders of series A-shares are entitled to demand conversion of series A-shares to series B-shares.

In 2010, 12,814,943 series A-shares were converted to an equivalent number of series B-shares.

At December 31, 2010, the number of shareholders was 66,041 (71,750). Of the total number of shares, foreign shareholders accounted for approximately 19 percent (18). At the end of the year, 90 percent (89) of the total shares were owned by legal entities, 10 percent (11) by private individuals representing 91 percent (91) and 9 percent (9),

respectively, of the total number of votes. Investor AB is the single largest shareholder, with a holding of about 16 percent (16) of the capital and approximately 31 percent (29) of the votes as of December 31, 2010. Measured by the number of votes, LE Lundbergföretagen is the second-largest owner, with a holding of about 5 percent (5) of the capital and approximately 16 percent (14) of the votes as of December 31, 2010.

For further information concerning the share and shareholders, see page 106, and Husqvarna's website.

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

## Annual General Meeting

The Annual General Meeting (AGM) must be held within six months of the close of the fiscal year. All shareholders who are listed in the share registry on the record date, and who have notified the company of their participation in due time, are entitled to participate in the AGM and cast votes based on their total shareholding. Shareholders who are personally unable to attend may be represented by a proxy with a power of attorney.

The AGM was held in Jönköping, Sweden on April 27, 2010. The AGM was attended by about 250 shareholders (200), personally or by proxy, representing about 64 percent (61) of the votes in the company and approximately 47 percent (47) of the share capital.

The resolutions passed by the meeting included the following;

- Adoption of the income statements and balance sheets for 2009, the dividend and discharge of liability for the Board of Directors and the President.
- Reelection of Lars Westerberg, Peggy Bruzelius, Robert F. Connolly, Börje Ekholm, Tom Johnstone, Ulf Lundahl, Anders Moberg and Magnus Yngen. Magdalena Gerger and Ulla Litzén were elected new members of the Board. Gun Nilsson had declined reelection. Lars Westerberg was elected Chairman of the Board.
- The Chairman will be paid a fee of SEK 1,600,000, and each AGM-elected member not employed by the company will be paid SEK 460,000. The Chairman of the Audit Committee will be paid SEK 175,000 and each of the Committee's two members will be paid SEK 75,000. The Chairman of the Remuneration Committee will be paid SEK 100,000 and each of the Committee's two members will be paid SEK 50,000.
- Election of PwC as auditors for a period of four years, through the 2014 AGM.
- Auditors will be paid as invoices are approved.
- Principles for the remuneration of and terms and conditions of employment for the President and other members of Group Management.

- A performance-based incentive program for 2010.
- Rules for the appointment and work of the Nomination Committee.
- Authorization for the Board to repurchase and transfer own shares.
- Authorization for the Board to make resolutions concerning new share issues paid for by contribution in kind to enable acquisitions paid for with own shares.
- Implementation of a conversion clause in the Articles of Association.

The 2011 AGM will be held on May 4, 2011 at the Elmia Congress and Concert Hall in Jönköping, Sweden.

For proposals to the AGM 2011, see page 42.

### Nomination process

#### Board members

The process of nominating Board members whose names will be proposed for election at the 2011 AGM is conducted in accordance with the nomination process that was adopted at the 2010 AGM.

Husqvarna's Nomination Committee shall comprise representatives from each of the four largest shareholders, as measured by votes, and of the Chairman of the Board. The ownership structure at August 31, 2010 is used to determine the largest shareholders, as measured by votes. The names of the four shareholder representatives must be published no later than six months prior to the AGM. The Nomination Committee has a term of office until the date of which a new Nomination Committee is appointed. If the group of major shareholders changes during the nomination process, the composition of the Nomination Committee may be changed accordingly.

The composition of the Nomination Committee was announced on Husqvarna's website and by press release on October 5, 2010. The 2011 Nomination Committee held three meetings, and had a number of

telephone contacts. The Nomination Committee has, among other duties evaluated the Board's work, competence, composition as well as the members' independence. The Nomination Committee has also considered other criterias such as the Board members' background, experiences and diversity. The Chairman of the Board presented the Board's evaluation for the Nomination Committee.

The Nomination Committee for the 2011 AGM comprises:

- Petra Hedengran (Chairman), Investor AB
- Claes Boustedt, LE Lundbergföretagen AB
- Ramsay Brufer, Alecta Mutual Pension Insurance
- Torbjörn Callvik, Skandia Liv
- Lars Westerberg, Chairman of Husqvarna's Board.

The Nomination Committee's assignment is to produce proposals for the following matters, which will be presented to the 2011 AGM to be resolved:

- Proposal for the AGM Chairman,
- Proposal for Board members,
- Proposal for Chairman of the Board,
- Proposal for Board fees and remuneration for Committee work allocated to each member,
- Proposal for auditor's fee,
- Proposals for the Nomination Committee for the 2012 AGM.

The Nomination Committee's proposals as well as a report on its work will be published not later than in connection with the notice of the 2011 AGM.

Members do not receive fees or remuneration for their work on the Nomination Committee.

### Board of Directors

Name	Nationality	Independence <sup>1</sup>	Attendance 2010			Authorized fees, total in SEK <sup>2</sup>	Holdings, number of A-shares <sup>3</sup>	Holdings, number of B-shares <sup>3</sup>	
			Board meetings	Audit Committee	Remuneration Committee				
Lars Westerberg	Board Chairman	SE	Yes/Yes	8/8		2/2	1,650,000	0	234,000
Magnus Yngen		SE	No/Yes	8/8			—	0	67,678
Peggy Bruzelius	Committee member	SE	Yes/Yes	7/8	5/5		535,000	2,925	9,750
Robert F. Connolly		US	Yes/Yes	8/8			460,000	300	1,000
Börje Ekholm	Committee Chairman	US/SE	Yes/No	8/8	5/5		635,000	54,200 <sup>8</sup>	14,000
Magdalena Gerger <sup>5</sup>		SE	Yes/Yes	5/6			460,000	0	0
Tom Johnstone	Committee Chairman	UK	Yes/Yes	8/8		2/2	560,000	990	4,800
Ulla Litzén <sup>5</sup>		SE	Yes/Yes	5/6			460,000	0	10,000
Ulf Lundahl	Committee member	SE	Yes/No	8/8	3/3		535,000	1,125	3,750
Anders Moberg	Committee member	SE	Yes/Yes	8/8		2/2	510,000	180	110,600
Gun Nilsson <sup>4</sup>	Committee member	SE	Yes/Yes	2/2	2/2		0	—	—
Johan Ihrman <sup>6</sup>	Employee representative	SE	—	6/6			—	0	0
Annika Ögren	Employee representative	SE	—	8/8			—	0	0
Carita Spångberg	Employee representative	SE	—	8/8			—	0	0
Malin Björnberg <sup>7</sup>	Employee representative	SE	—	1/2			—	—	—
Fredrik Lilliestielke	Employee representative	SE	—	8/8			—	0	0
<b>Total</b>				<b>8</b>	<b>5</b>	<b>2</b>	<b>5,805,000</b>	<b>59,720</b>	<b>455,578</b>

<sup>1</sup> Refers to independence in relation to the the company and management, and independence in relation to major shareholders.

<sup>2</sup> In accordance with the resolution by the AGM 2010, 25% or 50% of the Board fee shall be received in synthetic shares, see further under the heading Fees to Board members on page 94. The composition of authorized fees in terms of cash payment and synthetic shares, see Note 24.

<sup>3</sup> Refers to December 31, 2010.

<sup>4</sup> Resigned at the 2010 AGM, remuneration presented during 2009.

<sup>5</sup> Elected at the 2010 AGM.

<sup>6</sup> Appointed in time for the 2010 AGM.

<sup>7</sup> Resigned in time for the 2010 AGM.

<sup>8</sup> Including 50,000 A-shares as legal entity.

## Board of Directors

### Composition of the Board

Husqvarna's Board of Directors shall comprise of no less than five and no more than ten members, with no more than three deputies, all of whom are elected by the AGM for a period of one year. Swedish employee representative organizations also appoint two representatives, with two deputies.

In 2010, Husqvarna's Board comprised of ten members elected by the AGM including the President and CEO.

The Board members hold extensive competence and experience in areas such as international industrial commerce, financial expertise, sales and marketing of consumer goods and knowledge of the retail business.

### Independence of the Board

The Board is deemed to comply with the Swedish Code of Corporate Governance's independence requirements. The Board's members are not employed by the Group with the exception of the President and CEO Magnus Yngen.

The Nomination Committee's assessment as to whether each proposed member fulfills the independence requirement will be announced in conjunction with the Nomination Committee submitting its proposals to the AGM.

See page 56 for a presentation of the Board of Directors and Auditors.

### Rules of procedures and written instructions

The Board has established rules of procedures that are reviewed at least once a year or when necessary. These rules involve allocation of tasks between the Board and the President, detailed instructions for the President, other corporate functions concerning the matters requiring the Board's approval, and the financial reports and other information to be submitted to the Board.

### The Board's activities in 2010

In 2010, the Board held eight scheduled meetings, three of which were held in Stockholm, two in Huskvarna, one in Germany and two by telephone.

The Board regularly addresses such strategic matters as Husqvarna's operations and orientation, potential acquisitions and the review of these, all investments in excess of SEK 50m and changes in the credit terms and conditions for major customers. The year-end report and the annual report are dealt with at the beginning of the year, as are the matters to be presented at the AGM. Late in the year, the budget for the following year and the Group's long-term plan were addressed. Each quarter, the quarterly results are reviewed and interim reports approved for release. The Committees' work between meetings is also reported during each scheduled Board meeting. Current legal disputes are reviewed on a quarterly basis.

All meetings adhere to a preapproved agenda, which, along with documentation for each item on the agenda, is sent to all Board members about one week before the meeting. Each Board meeting commences with the President reviewing the Group's earnings and the current business environment, including key business environment factors that may affect the Group's performance. Husqvarna's CFO subsequently accounts for the Group's financial position. Members of corporate management or the Board's Committees report on any open items from previous Board meetings or present plans and businesses. In addition to the information provided in connection with Board meetings, the President sends a monthly report to Board members and is in continuous contact with the Chairman of the Board.

## BOARD OF DIRECTORS

### Agenda items 2010

#### February

- Approval of the Year-end report and the Annual Report.
- Approval of the allocation and distribution of matching shares for the LTI program.
- Proposals to the AGM:
  - Summons to the AGM
  - Guidelines for remuneration of Senior Management;
  - Changes to the Articles of Association;
  - LTI program for 2010;
  - Repurchases and transfers of the Company's own shares;
  - Authorization to the Board to issue new shares;
  - Board report according to the Companies Act;
  - Dividend.
- Approval of land acquisition;
- Approval of a lease for the consolidated R&D functions in the US;
- Approval of real estate acquisition. Lease for the consolidated R&D function in the US;
- Approval of a loan from EKN.

#### April

- Approval of the Interim report January–March.
- Approval of an MTN program and prospectus.
- Approve of capital contributions and credit limits.
- Authorization to sign for the Company.
- Adoption of Rules of Procedure.
- Election of Members to the Board's Committees.
- Board Meetings in 2011.

#### May

- Mandate Management to take necessary legal and other actions to evaluate and execute a move of production from the Beatrice plant.
- Establishment of new subsidiaries.
- Convene the AGM for 2012 earlier in the year.

#### July

- Approval of the Interim report January–June.

#### September

- Approval of repurchase of B-shares.
- Approval of divestment of real estate.
- Delegation of a decision on IT Outsourcing to Management under certain conditions.
- Approval of Board Meetings and AGM schedule for 2012.

#### October

- Approval of the Interim report January–September.

#### December

- Approval of conditions to be applied in the 2011 budget.
- Structure for reporting of certain operation key performance indicators to the Board.
- Approval of remuneration to the President and CEO and Group Management for 2011.
- Approval of criteria and targets for Short Term Incentive plan and Long Term Incentive program for 2011.
- Establishments of new subsidiaries.
- Approval of credit limits.
- Approval of a revised Financial Policy.
- Approval of a new ADR provider for the company's ADR program in the US.
- Approval to include the Corporate Governance Report into the Board's Report of the Annual Report.
- Rescheduling of Board Meetings in 2011.

The annual report for 2010 was approved at a scheduled meeting on February 23, 2011.

### Assessment of the Board's work

The Chairman of the Board is responsible for assessing the Board's work including the efforts of individual members. This is done on an annual basis pursuant to an established process. The assessments focus on such factors as the availability of and requirements for specific expertise, and work methods. An independent assessment of the Chairman's work is also conducted, which is headed by the Chairman of the Remuneration Committee. This assessment also comprises the documentation on which the Nomination Committee can propose Board members and remuneration levels.

### Audit Committee

In 2010, the Audit Committee comprised Board members Börje Ekholm, who is also the Chairman of the Committee, Peggy Bruzelius and Gun Nilsson. The latter resigned at the AGM and was replaced by Ulf Lundahl.

The CFO, the General Counsel and the Head of Internal Audit, who is also the secretary of the Audit Committee, attend the Audit Committee meetings.

After each meeting, the Audit Committee presents a report to the entire Board. Minutes are taken for each Committee meeting and the minutes are available to all Board members and the auditors.

No fewer than three meetings are held each year. The Audit Committee convened five times in 2010.

### Auditor

At the 2010 AGM, the auditing company PricewaterhouseCoopers (PwC) was elected Husqvarna's auditor, headed by Anders Lundin (Auditor in charge) for the period through the 2014 AGM.

### Remuneration Committee

In 2010, the Remuneration Committee comprised Board members Tom Johnstone, who is also the Committee's Chairman, Anders Moberg and Lars Westerberg. Husqvarna's Head of Group HR, Lars Worsøe-Petersen, was secretary of the Committee. No fewer than two meetings must be held each year. The Remuneration Committee convened two times in 2010.

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### AUDIT COMMITTEE

#### Agenda items 2010

#### February 15

- Auditors' report on auditing of year-end accounts.
- Draft of Annual Report and the Year-end report 2010.
- Internal audits in Australia, Finland, US and Ukraine.
- Internal audit plan for 2010.

#### April 19

- Draft of Interim report January–March 2010.
- External audit plan 2010.
- One-year review of the Jenn-Feng acquisition.
- Results of Control Self Assessment.
- Internal audits in Turkey and Sweden.

#### July 16

- Draft of Interim report January–June.
- 

#### October 15

- Draft of Interim report January–September 2010.
- Internal audits in France, Russia, China, South Africa, Slovenia and the US.
- Strategies for the Group's long-term financing.

#### November 22

- Report by auditors on hard-close audit as of September 30, 2010.
  - Result of risk analysis regarding financial reporting.
  - Internal audits in the US and Canada.
  - The Group's principles for equity hedging.
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### REMUNERATION COMMITTEE

#### Agenda items 2010

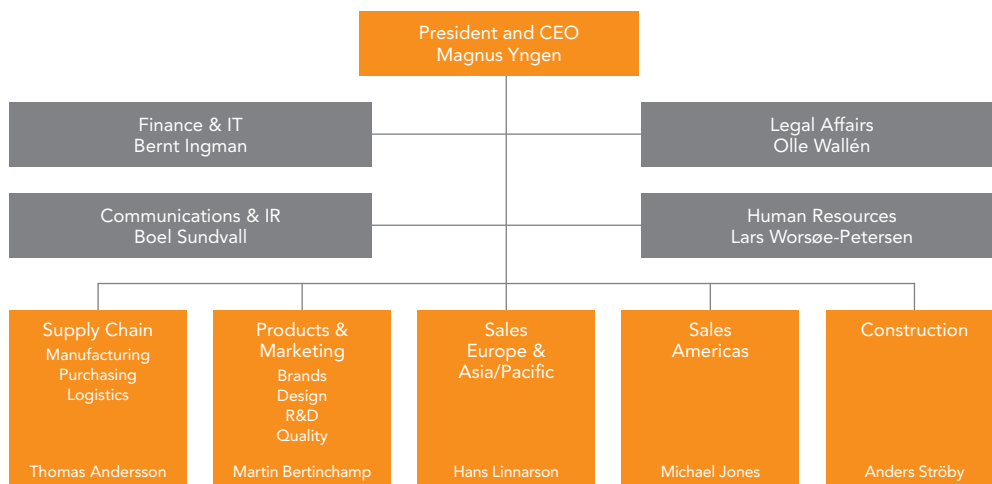
#### November 15

- Fixed salaries for 2011.
- Introduce company cars.

#### November 30

- Remuneration to Group Management in 2011.
  - LTI 2011 proposals.
  - STI targets for 2011.
  - Statements from Swedish Securities Council.
  - CEO evaluation input.
-

## ORGANIZATION AS OF JANUARY 1, 2010



For information on members of Group Management, see pages 58 and 59.

### Group management and structure

As of January 1, 2010, a new functional organizational structure was implemented. The organization encompasses five business units and four Group staff functions.

#### President and Group Management

Group Management comprises the President and CEO, 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 the 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 legislation or ordinances, including competition regulations. The President shall also ensure compliance with goals, policies and strategic plans as well as updating these when necessary. The President appoints all members of Group Management.

The heads of the business units are responsible for the revenues, costs and use of capital in their respective operations. Overall management of the business areas is exercised through the quarterly meetings convened to review operations. In addition to the President, who directs the meetings, the heads of business units participate along with relevant representatives from the units.

Group staff functions 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 among the business

units. 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 regularly convene 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 the organization and management of the Group's financial operations, permissible risk exposure, levels of risk, and the reporting thereof. The Finance Board comprises the President, the CFO and the Head of Group Treasury.

#### Remuneration to the Board and senior executives Principles

The remuneration principles for senior executives of the Husqvarna Group set out below were established at the 2010 AGM, see Note 24, page 95.

Husqvarna's remuneration principles for Group Management state that the company shall offer terms and conditions that are in line with the market and that enable the company to recruit, train and retain senior executives. Remuneration for Group Management is based on position, individual performance, the Group's earnings, and for the remuneration to be competitive in the country of employment. The compensation structure shall comprise of fixed salary, variable salary in the form of a short-term incentives based on annual performance targets, long-term incentives, pension and other benefits, which combined, comprise total compensation.

The combined remuneration level shall be competitive and emphasize "payment for performance". This means that the variable remuneration may comprise a significant percentage of the overall remuneration. Variable remuneration to the President, the heads of the Supply Chain, Products and Marketing business units, and the Group Staff heads is based on value creation for the Group. Variable remuneration to the heads of the other three business areas is based on the following: 25 percent on value creation for the Group and 75 percent on value creation for each of their business units.

For more information concerning remuneration, see Note 24 on page 95.



Members of Group Management are included in the Group's long-term incentives program for 2008, 2009 and 2010.

For further information concerning these programs, see Note 24 on page 95.

## Remuneration to the Board 2010

### Remuneration to the Board

Remuneration to AGM-elected Board members is resolved on by the AGM based on proposals from the Nomination Committee. The 2010 AGM resolved on combined fees of SEK 5,805,000. It was also resolved that a portion of the Boards fees would be paid in the form of synthetic shares.

See Note 24 on page 95 for more information concerning remuneration to the Board.

In 2010, remuneration was paid as below. No consulting fees were paid to Board members. No remuneration is paid to Board members who are also employed by the Group.

### 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 Husqvarna's series B-shares. In 2010, Board members could opt to receive 25 percent or 50 percent of their gross fee before tax, excluding fees for Committee work, in the form of synthetic shares. For administrative reasons, Board members who were registered abroad could opt to receive 100 percent of their fee in cash.

After five years, meaning 2015, a holder of synthetic shares is entitled to receive a cash payment per share that corresponds to the average trading price of the serie B-shares at the time of payment.

## External information

Husqvarna regularly publishes information in the market concerning the Group's performance and financial position.

Husqvarna's 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 regularly issued in the form of:

- Interim reports, published as press releases.
- Husqvarna's Annual Report.
- Press releases concerning news and important issues.
- Presentations and telephone conferences for financial analysts, investors and media on the day of publication of the interim and year-end reports, and in connection with the publication of other important information.
- Presentations for financial analysts and investors in connection with such events as Capital Market Days and Road Shows etc.

All reports, presentations and press releases are published simultaneously at the Group's web site, [www.husqvarna.com](http://www.husqvarna.com).

For more information, please visit  
[www.husqvarna.com](http://www.husqvarna.com)

## Fees to the Board 2008–2010<sup>1</sup>

SEK	2010	2009	2008
<b>Authorized fees, total</b>	<b>5,805,000</b>	<b>5,345,000</b>	<b>5,345,000</b>
Chairman	1,600,000	1,600,000	1,600,000
Board member	460,000	460,000	460,000
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

<sup>1</sup> Refers to fees prior to the AGMs in 2011, 2010 and 2009 respectively. For information about the composition of the 2010 fees in terms of cash payment and synthetic shares, see Note 24 on page 95.

## Auditors' fees

Auditors' fees are paid as invoices are approved.

See Note 25 on page 97.

## Remuneration to Group Management 2008–2010

SEKt	Fixed salary	Variable salary	Pension costs	Long-term incentive	Other benefits	Total 2010	Total 2009	Total 2008
President and CEO	5,900	5,900	2,647	1,310	0	15,757	10,930	5,016
President and CEO, former <sup>1</sup>	—	—	—	—	—	—	—	16,989
Group Management, other	28,487	18,701	9,211	3,350	243	59,992	45,982	38,480
<b>Total</b>	<b>34,387</b>	<b>24,601</b>	<b>11,858</b>	<b>4,660</b>	<b>243</b>	<b>75,749</b>	<b>56,912</b>	<b>60,485</b>

<sup>1</sup> 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 was taken in 2008.

For more information on remuneration to Group Management, see Note 24 on page 95.

# 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 of 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 51.

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, 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 accounting and reporting are stipulated in an accounting manual that is available for all personnel in finance and accounting. 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 upon 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 intangible assets as well as provisions in captive insurance companies and provisions pensions. 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 in the financial reporting. 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 business unit 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 the 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 meetings

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

### Self-Assessment

Each reporting operative unit submits an annual Control Self-Assessment regarding the status of its area of responsibility that is subject to internal control. The Self-Assessment report is signed by the controller. The assessment is based on a comprehensive questionnaire designed

to measure the extent of compliance with defined requirements. The unit measures its own compliance. The results of Self-Assessment are collated at Group level for evaluation of control routines, and are submitted to the Audit Committee.

#### Routines related to acquisitions

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

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

#### Information and communication

Husqvarna maintains information and communication systems to ensure that financial reporting is correct and complete. 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, these 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.

#### Alert line

For several years the Group's operations in the US have 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 the 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 business unit level.

#### Financial reporting

Detailed financial data is reported every month by approximately 140 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 operational perspectives, which generates quarterly legal reports, i.e. complete profit and loss and balance sheet statements for each company as well as consolidated, 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 business unit level. Interim reports are posted on the Group's web site, [www.husqvarna.com](http://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 2010. The internal auditors report to the Audit Committee regarding their observations and recommendations for improvement of internal control over financial reporting.

#### Structure of control over financial reporting within the Husqvarna Group

Responsible function	Level in Group	Control Activity	Periodicity	Responsibility for monitoring
Controller	Group	<ul style="list-style-type: none"> <li>• Ensure observance of control routines in accordance with the Husqvarna Accounting Manual.</li> <li>• Control of consolidated financial statements.</li> </ul>	Continuously	Country Officer, Internal Audit, Group Accounting Department
	Business unit	<ul style="list-style-type: none"> <li>• Analysis and monitoring of reported results.</li> <li>• Preparation of budget and forecast.</li> </ul>	Monthly	Group Management
	Reporting units	<ul style="list-style-type: none"> <li>• Control Self-Assessment.</li> <li>• Preparation of instructions for attestation.</li> <li>• Ensure that financial information is correct and complete and delivered on time.</li> </ul>	Annually Continuously Monthly	Internal Audit Internal Audit, Group Staff Legal Affairs Group Accounting Department, Internal Audit
Internal Audit	Group	<ul style="list-style-type: none"> <li>• Preparation of risk analysis, financial reporting.</li> </ul>	Annually	Audit Committee
		<ul style="list-style-type: none"> <li>• Collection of Letters of Representation from all units.</li> </ul>	Annually	Audit Committee
Country Officer	All subsidiaries within the country	<ul style="list-style-type: none"> <li>• Ensure that interests of owners are safeguarded.</li> <li>• Identify and report on risks related to fiscal and other and legislation.</li> </ul>	Continuously	Group CFO
Group Management	Group	<ul style="list-style-type: none"> <li>• Review of monthly results, updated forecasts, plans and strategic issues.</li> </ul>	Continuously	Board of Directors, Audit Committee
		<ul style="list-style-type: none"> <li>• Definition of policies and guidelines.</li> </ul>	Continuously	Board of Directors, Audit Committee
Audit Committee	Group	<ul style="list-style-type: none"> <li>• Evaluation of acquisitions.</li> </ul>	12 and 24 months subsequent to acquisition	

# 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, SSAB and Sandvik AB.

**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, 2006–2008, 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:** 67,678 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. Deputy Chairman of AB Electrolux. Board member of Akzo Nobel n.v., Axfood AB, Diageo Plc, 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 Chairman of the University Board of Royal Institute of Technology. Board member of AB Chalmersinvest, EQT Partners AB, Lindorff Group AB, Scania AB and Telefonaktiebolaget LM Ericsson.

**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:** 4,200 A-shares, 50,000 A-shares (by legal entity), 14,000 B-shares.

## Auditors

PricewaterhouseCoopers AB is appointed auditors for a four-year period until the Annual General Meeting 2014.

## Anders Lundin

PricewaterhouseCoopers AB  
Born 1956. Authorized Public Accountant, Auditor in charge.

**Other audit assignments include:** AarhusKarlshamn, Electrolux, Industrivärden, Loomis, Melker Schörling and SCA.

**Holdings in Husqvarna:** 0 shares.

For more information, please visit  
[www.husqvarna.com](http://www.husqvarna.com)



**Magdalena Gerger**

Born 1964. M. Econ., and MBA, Stockholm School of Economics, Sweden. Elected 2010. President of Systembolaget AB.

**Other major assignments:**

Board member of IKEA (Ingka Holding BV).

**Previous positions:**

Senior Vice President and responsible for Marketing & Innovation in the Nordic region, Arla Foods 2005–2009. Management consultant, Futoria AB, 2004. Category Director (UK and Ireland) Nestlé UK Ltd, 2000–2003, ICI Paints 1998–2000 and in Procter & Gamble 1996–1997.

**Holdings in Husqvarna:**  
0 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 Chalmers University of Technology and Investor AB.

**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.



**Ulla Litzén**

Born 1956. M. Sc. in Econ. and BA., Stockholm School of Economics, Sweden and MBA, Massachusetts Institute of Technology, USA. Elected 2010.

**Other major assignments:**

Board member of Atlas Copco AB, AB SKF, Boliden AB, Alfa Laval AB and NCC AB.

**Previous positions:**

President of W Capital Management AB, wholly owned by the Wallenberg Foundations, 2001–2005. Senior management positions and Member of the Management Group, Investor AB, 1996–2001. Managing Director, responsible for Core Holdings 1999–2000. President of Investor Scandinavia AB, 1996–1998.

**Holdings in Husqvarna:**

10,000 B-shares.



**Ulf Lundahl**

Born 1952. M. of Law and MBA, Lund University, Sweden. Elected 2008. Member of the Audit Committee. Executive Vice President and deputy President of L E Lundbergföretagen AB.

**Other major assignments:**

Board member of Holmen AB, Cardo AB, Indutrade AB, Stockholm City Fire Insurance Office and Handelsbanken, Regional Bank Stockholm.

**Previous positions:**

Senior adviser of L E Lundbergföretagen 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 Götabanken/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, 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:**

180 A-shares, 110,600 B-shares.

**Employee representatives**



Member  
**Johan Ihrman**

Born 1963. Representative of the Federation of Salaried Employees in Industry and Services.

**Holdings in Husqvarna:**  
0 shares.



Member  
**Annika Ögren**

Born 1965. Representative of the Swedish Confederation of Trade Unions.

**Holdings in Husqvarna:**  
0 shares.



Deputy member  
**Fredrik Lilliestielke**

Born 1976. Representative of the Federation of Salaried Employees in Industry and Services.

**Holdings in Husqvarna:**  
0 shares.



Deputy member  
**Carita Spångberg**

Born 1968. Representative of the Swedish Confederation of Trade Unions.

**Holdings in Husqvarna:**  
0 shares.

# Group Management



**1. Magnus Yngen**  
*President and CEO*

Born 1958. M. Eng. Lic.Tech., Royal Institute of Technology, Stockholm, Sweden. Employed 2008.

**Other major assignments:** Board member of Duni AB and the Association of Swedish Engineering Industries (Teknikföretagen), 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:** 67,678 B-shares.



**2. Thomas Andersson**  
*Executive Vice President, Head of Supply Chain*

Born 1966. MBA General Business Management, Henley University of Reading, UK. Employed and member of Group Management since 2010.

**Previous positions:**

Head of Volvo Powertrain Sweden Division, 2008. Programme Director of Volvo Cars Manufacturing, Volvo Car Corporation, 2006–2008. Head of Engine Division, Volvo Car Corporation, 2002–2006. Head of HR Manufacturing, Volvo Car Corporation, 1999–2002.

**Holdings in Husqvarna:** 7,075 B-shares.



**3. Martin Bertinchamp**  
*Executive Vice President, 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 of BEURER GmbH. Board member of Rothenberger AG and PAUL BAUDER GmbH & Co.

**Previous positions:**

President and CEO of Gardena AG 2004. President and CEO of Metabo AG 1996.

**Holdings in Husqvarna:** 0 shares.



**4. Michael Jones**  
*Executive Vice President, Head of Sales Americas*

Born 1962. B.A. in Business Administration, California Coast University, USA. 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:** 8,005 B-shares.

**5. Hans Linnarson**  
*Executive Vice President, Head of Sales Europe & 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 Nibe AB.

**Previous positions:**

Head of Consumer Products Rest of the world, Electrolux 2004. Various management positions in product development, marketing and production within Major Appliances, Europe 1996–2003.

**Holdings in Husqvarna:** 3,229 A-shares, 52,873 B-shares.

For more information, please visit  
[www.husqvarna.com](http://www.husqvarna.com)

**6. Anders Ströby**

*Executive Vice President,  
Head of Construction*

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.

**Holdings in Husqvarna:**

7,848 A-shares, 61,721 B-shares.

**Related parties:**

3,420 A-shares, 23,400 B-shares.



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**7. Bernt Ingman**

*Senior Vice President, 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.

**Holdings in Husqvarna:**

38,100 A-shares, 67,998 B-shares.



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**8. Boel Sundvall**

*Senior Vice President, Head of  
Group Staff Communications and  
Investor Relations*

Born 1959. M. Sc. in Econ. and BA., Stockholm School of Economics, Sweden. Employed and member of Group Management since 2010.

**Previous positions:**

Consultant, WG & Partners 2009, Head of Comm. & IR, Mekonomen AB 2008–2009, Head of Comm. & IR, Eniro AB 2002–2007, Consultant H&H 2000–2001, Head of IR, Swedish Match AB 1997–1999.

**Holdings in Husqvarna:**

16,127 B-shares.



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**10. Lars Worsøe-Petersen**

*Senior Vice President, 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.

**Holdings in Husqvarna:**

2,817A-shares, 44,422 B-shares.

**9. Olle Wallén**

*Senior Vice President, 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:**

4,842 A-shares, 47,048 B-shares.

# Group Income Statement

	Note	2010	2009
SEKm			
<b>Net sales</b>	3, 4	<b>32,240</b>	<b>34,074</b>
Cost of goods sold		-23,037	-25,423
<b>Gross operating income</b>		<b>9,203</b>	<b>8,651</b>
Selling expenses		-5,232	-5,547
Administrative expenses		-1,524	-1,541
Other operating income	5	2	5
Other operating expenses	6	-4	-8
Shares of income in associated companies		0	0
<b>Operating income</b>		<b>2,445</b>	<b>1,560</b>
Financial income	8	15	36
Financial expenses	8	-409	-502
<b>Financial items, net</b>		<b>-394</b>	<b>-466</b>
<b>Income after financial items</b>		<b>2,051</b>	<b>1,094</b>
Taxes	9	-302	-191
<b>Income for the period</b>		<b>1,749</b>	<b>903</b>
Income for the period attributable to:			
Equity holders of the Parent Company		1,739	899
Non-controlling interests in income for the period		10	4
Earnings per share			
Before dilution, SEK		3.03	1.64
After dilution, SEK		3.03	1.64
Average number of shares			
Before dilution, million	17	573,4	548,6
After dilution, million		574,2	548,8

# Group Comprehensive income statement

	Note	2010	2009
SEKm			
<b>Income for the period</b>		<b>1,749</b>	<b>903</b>
Other comprehensive income, net of tax:			
Exchange differences on translating foreign operations		-1,056	-581
Available for sale instruments		0	0
Cash flow hedges		10	-1
<b>Other comprehensive income, net of tax</b>	16	<b>-1,046</b>	<b>-582</b>
<b>Total comprehensive income for the period</b>		<b>703</b>	<b>321</b>
Attributable to:			
Equity holders of the Parent Company		695	316
Non-controlling interests in comprehensive income		8	5



# Group Balance Sheet

	Note	Dec 31, 2010	Dec 31, 2009
SEKm			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7, 11	4,125	4,375
Goodwill	10	5,995	6,461
Other intangible assets	10	3,989	4,411
Investments in associates	26	5	6
Derivatives	2	1	7
Deferred tax assets	9	614	756
Other financial assets	12	168	173
<b>Total non-current assets</b>		<b>14,897</b>	<b>16,189</b>
<b>Current assets</b>			
Inventories	13	7,000	6,706
Trade receivables	2	3,575	3,385
Derivatives	2	417	160
Tax receivables		335	671
Other current assets	14	529	540
Other short-term investments	2	173	245
Cash and cash equivalents	2	1,476	2,333
<b>Total current assets</b>		<b>13,505</b>	<b>14,040</b>
<b>Total assets</b>		<b>28,402</b>	<b>30,229</b>
<b>Pledged assets</b>	<b>15</b>	<b>42</b>	<b>45</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders in the Parent Company			
Share capital	17	1,153	1,153
Other paid-in capital		2,605	2,605
Other reserves	16	-565	479
Retained earnings		8,961	7,845
<b>Total equity attributable to equity holders in the Parent Company</b>		<b>12,154</b>	<b>12,082</b>
Non-controlling interests		49	44
<b>Total equity</b>		<b>12,203</b>	<b>12,126</b>
<b>Non-current liabilities</b>			
Long-term borrowings	2	6,985	7,934
Deferred tax liabilities	9	1,571	1,870
Provisions for pensions and other post-employment benefits	19	992	1,116
Derivatives	2	39	17
Other provisions	20	707	740
<b>Total non-current liabilities</b>		<b>10,294</b>	<b>11,677</b>
<b>Current liabilities</b>			
Trade payables	2	2,810	2,854
Tax liabilities		340	594
Other liabilities	21	1,783	1,494
Short-term borrowings	2	309	661
Derivatives	2	334	482
Other provisions	20	329	341
<b>Total current liabilities</b>		<b>5,905</b>	<b>6,426</b>
<b>Total equity and liabilities</b>		<b>28,402</b>	<b>30,229</b>
<b>Contingent liabilities</b>	<b>22</b>	<b>28</b>	<b>54</b>

# Group Cash Flow Statement

	Note	2010	2009
SEKm			
<b>Operations</b>			
Income after financial items		2,051	1,094
Depreciation and amortization		1,180	1,325
Restructuring provision		108	213
Capital loss/Impairment		41	189
Change in accrued and prepaid interest		11	-39
Taxes paid		-503	-33
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>		<b>2,888</b>	<b>2,749</b>
<b>Change in operating assets and liabilities</b>			
Change in inventories		-645	1,678
Change in trade receivables		-331	694
Change in trade payables		73	-345
Change in other operating assets/liabilities		290	-130
<b>Cash flow from operating assets and liabilities</b>		<b>-613</b>	<b>1,897</b>
<b>Cash flow from operations</b>		<b>2,275</b>	<b>4,646</b>
<b>Investments</b>			
Acquisitions of operations	23	-	-43
Capital expenditure in property, plant and equipment	11	-991	-667
Capitalization of product development and software	10	-311	-247
Other		-11	5
<b>Cash flow from investments</b>		<b>-1,313</b>	<b>-952</b>
<b>Total cash flow from operations and investments</b>		<b>962</b>	<b>3,694</b>
<b>Financing</b>			
Change in short-term investments		63	-243
Change in short-term loans		-857	-2,813
Amortizations of long-term loans		-1,993	-4,870
New long-term loans		1,600	1,671
Dividend paid to shareholders		-574	0
Rights issue		-	2,988
Repurchase of shares		-59	0
Dividend paid to non-controlling interests		-3	-4
<b>Cash flow from financing</b>		<b>-1,823</b>	<b>-3,271</b>
<b>Total cash flow</b>		<b>-861</b>	<b>423</b>
Cash and cash equivalents at beginning of year		2,333	1,828
Exchange rate differences referring to cash and cash equivalents		4	82
<b>Cash and cash equivalents at year-end</b>		<b>1,476</b>	<b>2,333</b>

# Group Statement of shareholders' equity

SEKm	Attributable to equity holders of the Parent Company				Total	Non-con- trolling interests	Total equity
	Share capital	Other paid-in capital	Other reserves (Note 16)	Retained earnings			
<b>Opening balance Jan 1, 2009</b>	<b>770</b>	<b>0</b>	<b>1,062</b>	<b>6,940</b>	<b>8,772</b>	<b>43</b>	<b>8,815</b>
Total comprehensive income			-583	899	316	5	321
Share-based payment				6	6		6
Rights issue	383	2,605			2,988		2,988
Dividend SEK 0 per share					0	-4	-4
<b>Closing balance Dec 31, 2009</b>	<b>1,153</b>	<b>2,605</b>	<b>479</b>	<b>7,845</b>	<b>12,082</b>	<b>44</b>	<b>12,126</b>
Total comprehensive income			-1,044	1,739	695	8	703
Share-based payment				10	10		10
Repurchase of shares				-59	-59		-59
Dividend SEK 1.00 per share				-574	-574	-3	-577
<b>Closing balance Dec 31, 2010</b>	<b>1,153</b>	<b>2,605</b>	<b>-565</b>	<b>8,961</b>	<b>12,154</b>	<b>49</b>	<b>12,203</b>

# Parent Company

## The operations of the Parent Company Husqvarna AB

(Corporate Identity Number 556000-5331) include the production, development, marketing and sales of forest, park and garden products as well as machines and diamond tools for the construction and stone industries. The Parent Company also includes the functions of the Group's head office including Finance, Legal, Human Resources and Communication.

Net sales for the Parent Company in 2010 amounted to SEK 10,304m (8,694), of which SEK 7,768m (6,553) related to sales to Group companies and SEK 2,536m (2,141) to external customers. Income after financial items in 2010 amounted to SEK 2,495m (2,933). After appro-

priations of SEK –109m (3) and taxes of SEK –335m (–238), net income for the year was SEK 2,051m (2,698). Investments in tangible and intangible fixed assets during the year were SEK 339m (290). Cash and cash equivalents amounted to SEK 642m (1,262).

Non-restricted equity in the Parent Company at year-end amounted to SEK 17,511m (16,753).

Group contributions in 2010 amounted to SEK –913m (–908).

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

For information on shareholdings and participations, see Note 26.

# Parent Company Income Statement

	Note	2010	2009
SEKm			
<b>Net sales</b>	3	<b>10,304</b>	<b>8,694</b>
Cost of goods sold		–8,027	–7,024
<b>Gross operating income</b>		<b>2,277</b>	<b>1,670</b>
Selling expenses		–823	–846
Administrative expenses		–473	–379
Other operating income	5	127	7
Other operating expenses	6	–1	–3
<b>Operating income</b>		<b>1,107</b>	<b>449</b>
Financial income	8	1,741	2,896
Financial expenses	8	–353	–412
<b>Income after financial items</b>		<b>2,495</b>	<b>2,933</b>
Appropriations	18	–109	3
<b>Income before taxes</b>		<b>2,386</b>	<b>2,936</b>
Taxes	9	–335	–238
<b>Income for the period</b>		<b>2,051</b>	<b>2,698</b>

# Parent Company Comprehensive Income

	2010	2009
SEKm		
<b>Income for the period</b>	<b>2,051</b>	<b>2,698</b>
Other comprehensive income, net of tax:		
Group Contribution	–913	–908
Cash flow hedges	9	100
Income tax relating to items of other comprehensive income	239	213
<b>Other comprehensive income, net of tax</b>	<b>–665</b>	<b>–595</b>
<b>Total comprehensive income for the period</b>	<b>1,386</b>	<b>2,103</b>

# Parent Company Balance Sheet

	Note	Dec 31, 2010	Dec 31, 2009
SEKm			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	597	552
Tangible assets	11	541	510
Other financial assets	12	29,089	30,031
<b>Total non-current assets</b>		<b>30,227</b>	<b>31,093</b>
<b>Current assets</b>			
Inventories	13	1,439	1,238
Receivables			
Receivables from Group companies		2,738	1,753
Trade receivables		348	280
Deferred tax assets		29	42
Tax-refund claim		72	77
Derivative instruments		558	302
Other receivables		82	69
Prepaid expenses and accrued income		70	69
		<b>3,897</b>	<b>2,592</b>
Short-term investments		0	0
Cash and cash equivalents		642	1,262
<b>Total current assets</b>		<b>5,978</b>	<b>5,092</b>
<b>Total assets</b>		<b>36,205</b>	<b>36,185</b>
<b>Pledged assets</b>	15	–	–
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital	17	1,153	1,153
Statutory reserves		18	18
Revaluation reserve		4	4
<b>Non-restricted equity</b>			
Fair value reserve		–7	–14
Share-premium reserve		2,605	2,605
Profit or loss brought forward		12,862	11,464
Income for the period		2,051	2,698
<b>Total equity</b>		<b>18,686</b>	<b>17,928</b>
<b>Untaxed reserves</b>	18	<b>1,010</b>	<b>901</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	19	32	35
Other provisions	20	78	98
<b>Total provisions</b>		<b>110</b>	<b>133</b>
<b>Interest-bearing liabilities</b>			
Liabilities to Group companies		6,457	6,422
Long-term loans		6,571	7,383
Short-term loans		0	450
<b>Total interest-bearing liabilities</b>		<b>13,028</b>	<b>14,255</b>
<b>Current liabilities</b>			
Liabilities to Group companies		1,944	1,558
Trade payables		551	514
Tax liabilities		0	0
Other liabilities	21	481	365
Derivative instruments		395	531
<b>Total current liabilities</b>		<b>3,371</b>	<b>2,968</b>
<b>Total equity and liabilities</b>		<b>36,205</b>	<b>36,185</b>
<b>Contingent liabilities</b>	22	<b>349</b>	<b>383</b>

# Parent Company Cash Flow Statement

	2010	2009
SEKm		
<b>Operations</b>		
Income after financial items	2,495	2,933
Depreciation according to plan charged against above	262	285
Adjustment for non-cash items	12	111
Capital gain/loss included in operating income	-123	1
Taxes paid	-82	141
<b>Cash flow from operations, excluding change in operating assets and liabilities</b>	<b>2,564</b>	<b>3,471</b>
<b>Change in operating assets and liabilities</b>		
Change in inventories	-201	117
Change in trade receivables	-68	78
Change in inter-company claims	-326	2,618
Change in other current assets	-270	619
Change in current liabilities and provisions	-6	-2,239
<b>Cash flow from operations</b>	<b>1,693</b>	<b>4,664</b>
<b>Investments</b>		
Acquisitions of operations	0	-46
Sale of fixed assets	1	4
Change in shares and participations	828	-533
Capital expenditure in property, plant and equipment	-151	-139
Capitalization of product development and software	-188	-151
<b>Cash flow from investments</b>	<b>490</b>	<b>-865</b>
<b>Total cash flow from operations and investments</b>	<b>2,183</b>	<b>3,799</b>
<b>Financing</b>		
Change in short-term loans	-450	-2,149
Change in long-term loans	-812	-2,904
Change in short-term investments	0	0
Repurchase of own shares	-59	0
Rights issue	-	2,988
Dividend paid to shareholders	-574	0
Group contribution paid	-908	-1,154
<b>Cash flow from financing</b>	<b>-2,803</b>	<b>-3,219</b>
<b>Total cash flow</b>	<b>-620</b>	<b>580</b>
Cash and cash equivalents at beginning of year	1,262	682
<b>Cash and cash equivalents at year-end</b>	<b>642</b>	<b>1,262</b>

# Parent Company Change in equity

	Share capital	Restricted reserves	Fair value reserve	Share-premium reserve	Profit or loss brought forward	Total
SEKm						
<b>Opening balance, Jan 1, 2009</b>	<b>770</b>	<b>22</b>	<b>-88</b>		<b>12,130</b>	<b>12,834</b>
Rights issue	383			2,605		2,988
Share-based payments					3	3
Total comprehensive income			74		2,029	2,103
<b>Closing balance, Dec 31, 2009</b>	<b>1,153</b>	<b>22</b>	<b>-14</b>	<b>2,605</b>	<b>14,162</b>	<b>17,928</b>
Repurchase of shares					-59	-59
Dividend SEK 1.00 per share					-574	-574
Share-based payments					5	5
Total comprehensive income			7		1,379	1,386
<b>Closing balance, Dec 31, 2010</b>	<b>1,153</b>	<b>22</b>	<b>-7</b>	<b>2,605</b>	<b>14,913</b>	<b>18,686</b>

## 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 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.

### 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. The valuation includes evaluation of any contingent consideration which is recognised at fair value at the acquisition date. All subsequent changes in the contingent consideration are recognized in the income statement. Transaction costs related to the business combination are expensed as they are incurred. If the consideration paid for 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 consideration paid for 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 acquired or divested during the year.

Transactions with non-controlling interests are treated as transactions with equity holders where control is maintained. Disposals to non-controlling interests which result in a loss of control are recorded as gains and losses in the income statement. Acquisitions from non-controlling interests result in an adjustment to equity, corresponding to the difference between the consideration paid and the carrying value of the non-controlling interest.

At year-end 2010, the Group comprised 140 operating units, and 111 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 and the result is reported as part of 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 comprises three business areas (segments): Europe & Asia/Pacific which includes production, development, logistic, marketing and sale of forest, park and garden products for the European and the Asia/Pacific Market; Americas which includes production, development, logistic, marketing and sale of forest, park and garden products for the North- and Latin American market; and Construction which includes production, development, logistic, marketing and sale of machines and diamond tools for the construction and stone industries. 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 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



Cont. Note 1

not included in the segments are shown under Husqvarna's common costs, which mainly include costs for Husqvarna's corporate functions.

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

### Accounting and valuation principles

#### Revenue recognition

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

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

#### 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 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

Cont. Note 1

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 Europe & Asia/Pacific, Americas 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 or 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.

#### 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.

Cont. Note 1

**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.

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 2008, 2009 and 2010. 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.

Cont. Note 1

### 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.

Shares and participation in subsidiaries and associates are reported at historical cost. These investments are evaluated for impairment yearly or whenever there is a risk for that the carrying value of the investment is higher than the recoverable amount. Transaction costs related to business combinations is included in the cost of the acquisition. The parent company does not disclose segment information but disclose, in accordance with the Annual Accounts Act, revenue by geography.

Group contributions are reported in accordance with UFR 2 (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 2010

The IASB has issued standards, interpretations and amendments to standards applicable for Husqvarna as from 2010. The below described standards have had no impact on Husqvarna during 2010.

**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 remeasured to fair value and a gain or loss is recognised in profit or loss. The Group applies IAS 27 (Revised) prospectively to transactions with non-controlling interests as 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 applies IFRS 3 (Revised) prospectively to all business combinations as from 1 January 2010.

### New accounting principles from 2011 and onwards

Husqvarna has reviewed the upcoming revised standards, amendments and interpretations changes for 2011 and does not expect any of them to have significant impact on the Group's financial statements and disclosures for 2011.

### 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 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 4,125m. The carrying amount for goodwill and other intangible assets at year-end amounted to SEK 9,984m. A key assumption in making the impairment test is the setting of the discount rate. The current pre-tax discount rate used is 11%. Under the current business environment management do not believe that any reasonably possible change in this assumption or in any of the other key assumptions on which the cash-generating units recoverable amounts are based upon would result in the carrying amount exceeding the recoverable amount.

#### 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 2010, Husqvarna recognized a net amount of SEK 957m as deferred tax liabilities. Tax loss carry-forwards, unused tax credits and other deductible temporary differences of SEK 1,569m 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

Cont. Note 1

expectations are based on circumstances known at balance sheet date. 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 168m and the trade receivables, net of provision amounted to SEK 3,575m.

#### 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 2010 was 5.4% (SEK 77m), which is based on historical results. During 2010 the actual return on assets was SEK 145m. The average discount rate used to estimate liabilities at the end of 2009 and the calculation of expenses during 2010 was 5.0%. A decrease of 0.5% in this rate would have increased the service cost component of the expense by approximately SEK 8m.

#### Restructuring

During 2008–2010 Husqvarna has announced a number of restructuring programs. The total charge against operating income 2010 was SEK 157m (452) of which SEK 41m (175) was impairment of fixed assets.

End of 2010 SEK 8m has been paid out from 2010 program and SEK 96m from 2009 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. See Note 20 on page 94.

#### 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. See Note 22 on page 94.

## 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 to have a capital structure corresponding to a long-term creditworthiness that at least is equivalent to BBB rating, according to the principles for credit assessment of Standard & Poor's or a similar agency's. This implies that seasonally adjusted net debt in proportion to earnings before interest, tax, depreciations and amortizations (EBITDA) is not to exceed 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.

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.

Cont. Note 2

	Dec 31, 2010	Dec 31, 2009
Interest-bearing liabilities	7,667	9,094
Less: liquid funds	-2,067	-2,745
Net debt	5,600	6,349
<b>Total equity excl. non-controlling interests</b>	<b>12,154</b>	<b>12,082</b>
<b>Total assets</b>	<b>28,402</b>	<b>30,229</b>
Net pension liabilities	892	999
Adjusted financial debt <sup>1</sup>	6,492	7,348
EBITDA (12m) <sup>1</sup>	3,666	3,060
Adjusted financial debt/EBITDA <sup>1</sup>	1.77	2.40
Adjusted equity/assets ratio <sup>2</sup>	42.8%	40.0%

<sup>1</sup> Adjusted financial debt and EBITDA have in the table above not been adjusted for acquisitions and extraordinary items.

<sup>2</sup> Husqvarna defines its equity as the sum of share capital, other reserves and retained profits less non-controlling interests.

## 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 Group companies. The bulk of the Group's financing is currently conducted through bilateral loan agreements and through a Swedish Medium Term Note (MTN) 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 2010 been managed mainly by utilizing the Group's commercial paper (CP) 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 distribution of maturities. A maximum of SEK 3,000m in long-term 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 2.4 years (3.2) at the end of 2010, taking the unutilized part of committed credit facilities into account.

### Interest-bearing liabilities

At year-end 2010, the Group's total interest-bearing liabilities amounted to SEK 7,667m (9,094), of which SEK 6,985m (7,934) referred to long-term loans. The major portion of the long-term borrowings pertains to bilateral loan agreements and MTN issued in the domestic market. During the year bilateral loans amounting to EUR 105m and SEK 1,000m respectively, originally maturing 2011, have been repaid. New bond loans, outside of the Group's MTN program, amounting to SEK 1,600m have been issued.

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 dividend into account.

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

### Market programs

Husqvarna has a MTN program, 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 450m have matured and no new issuance has been made. In addition, Husqvarna has a CP program. The total amount of the program is SEK 7,000m. The table on the next page shows outstanding amounts under these two programs.

## Maturity profile of loans and other financial instruments as of December 31, 2010<sup>1</sup>

	2011	2012	2013	2014	2015	2016	Total
Financial leases	45	39	34	31	31	137	317
Bond loans	98	612	695	91	1,560	621	3,677
Utilized part of committed revolving credit facility							—
Bank and other loans	288	1,129	1,060	1,020	22	562	4,081
Derivative liabilities, balance sheet <sup>2</sup>	397	62	41	41			541
<b>Total</b>	<b>828</b>	<b>1,842</b>	<b>1,830</b>	<b>1,183</b>	<b>1,613</b>	<b>1,320</b>	<b>8,616</b>
Unutilized committed revolving credit facilities covering short-term financing	-9,000	1,810	7,190				
<b>Adjusted maturity profile</b>	<b>-8,172</b>	<b>3,652</b>	<b>9,020</b>	<b>1,183</b>	<b>1,613</b>	<b>1,320</b>	<b>8,616</b>
Liquid funds excl. derivative assets	-1,649						-1,649
Derivative assets, balance sheet <sup>2</sup>	-457	-42	-37	-48			-584
Trade receivables	-3,575						-3,575
Trade payables	2,810						2,810
<b>Net</b>	<b>-11,043</b>	<b>3,610</b>	<b>8,983</b>	<b>1,135</b>	<b>1,613</b>	<b>1,320</b>	<b>5,618</b>

<sup>1</sup> 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.

<sup>2</sup> For more detailed information on derivative contracts, see table under "Credit risk in financial activities" in Note 2 on page 77.

Cont. Note 2

**Borrowings**

	Total borrowings 2010	Facility amount 2010	Total borrowings 2009	Facility amount 2009
Medium Term Note Program	1,540	5,000	2,067	5,000
Other bond loans	1,668		72	
Committed revolving credit facility	—	10,000	—	10,000
Long-term bank loans	3,583		5,942	
Financial leases	221		344	
Commercial papers	—	7,000	—	7,000
Other short-term loans	282		170	
Fair value derivative liabilities	373		499	
<b>Total</b>	<b>7,667</b>	<b>22,000</b>	<b>9,094</b>	<b>22,000</b>

Issued – Maturity	Program	Nominal amount	Currency	Coupon
	CP	0	SEK	
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%
2010–2013	Other	600	SEK	STIBOR+1.15%
2010–2015	Other	1,000	SEK	STIBOR+1.40%

**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**

	Dec 31, 2010		Dec 31, 2009	
	Net debt excl. currency swaps	Net debt incl. currency swaps	Net debt excl. currency swaps	Net debt incl. currency swaps
SEK	3,052	4,901	2,550	-4,096
EUR	2,038	-2,318	3,429	5,308
USD	643	985	645	2,977
JPY	-98	672	-155	833
AUD	-24	482	-43	460
CAD	-31	300	-25	402
BRL	257	257	163	163
ZAR	-31	89	-24	48
NZD	-4	85	-4	69
Other	-202	147	-187	185
<b>Total</b>	<b>5,600</b>	<b>5,600</b>	<b>6,349</b>	<b>6,349</b>

**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% (37.4). 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 95 days (21) at the end of 2010.

**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 57 days (14) at the end of 2010. A downward shift in the yield curve of one percentage point would reduce the Group's interest income by approximately SEK 16m (26) and the Group's equity by SEK 12m (19).

**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 floating or vice-versa. The average fixed interest term for the non-seasonal debt was 1.5 (2.2) years at year-end. On the basis of volumes and interest fixings at the end of 2010, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/- 18m (+/- 38). Interest rates with 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 2010, the average interest rate in the total loan portfolio was 4.8% (3.2). At year-end, Husqvarna had outstanding interest rate derivatives with a nominal amount of SEK 2,452m (2,505) hedging the interest rate risk.

Cont. Note 2

**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.

**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 2011 and hedges at year-end 2010.

**Commercial flows**

Currency	2011 Forecast flow, SEKm	Dec 31, 2010 Total hedge amount, SEKm	2010 Forecast flow, SEKm	Dec 31, 2009 Total hedge amount, SEKm
EUR	2,343	-1,793	2,473	-2,266
CAD	1,145	-764	1,017	-633
RUB	752	-513	598	-390
AUD	529	-346	515	-298
GBP	383	-275	365	-265
Other	1,665	-980	1,374	-728
JPY	-382	215	-230	152
CNY	-714	172	-81	13
USD	-2,394	2,058	-2,667	2,035
SEK	-3,326	2,226	-3,364	2,380

The effect of hedging on operating income amounted to SEK 80m (-109) during 2010. At year-end 2010, the unrealized exchange rate result on forward contracts amounted to SEK 17m (-57), all of which will mature in 2011.

**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, RUB 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 +/- 157m (-133) for one year, using a static calculation. This assumes the same distribution of earnings and costs as in 2010 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 Group has during 2010 changed the Group Financial Policy with an effect of reduced hedges of net investments in foreign operations. The effect of the hedging is included in the analysis of the currency composition of the Group's net debt, as shown on page 75.

**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 7m as of 31 December 2010, of which SEK 1m is reported in the hedge reserve. Assuming an unchanged exchange rate, the effects on income after financial items for 2011 would be SEK 6m for Q1, SEK -6m for Q2, SEK 0m for Q3 and SEK 1m for Q4, 2011. During the year a minor degree of ineffectiveness has occurred in the hedging of commercial flows in foreign operations as well as in the hedging of net investments. A total amount of SEK 0.5m (0.2) 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 percent 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 195m (223), everything else being equal. The same effect on the price of aluminum would impact the results by +/-SEK 50m (60) and a 10% change in the price of plastics would give an effect on results of SEK +/- 90m (80).

**Credit risk****Credit risk in trade receivables**

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

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



Cont. Note 2

**Credit portfolio**

	2010	2009
Total	3,575	3,385
Low to Moderate Risk	2,158	1,847
Medium Risk to Elevated	1,277	1,281
High Risk	140	257

As of 31 December 2010, net trade receivables, after provisions for doubtful accounts, amounted to SEK 3,575m (3,385), 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 168m (183), of which SEK 164m refer to invoices due.

**Overdue trade receivables**

Trade receivables that were due but not yet written down amounted to SEK 548m (569) as of 31 December 2010.

**Ageing analysis for overdue trade receivables**

Due but not written down	Due for payment	
	2010	2009
Up to 1 month	194	207
1 to 3 months	123	121
>3 months	231	241
	<b>548</b>	<b>569</b>

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 26m (74).

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 Dec 31, 2010		As of Dec 31, 2009	
	Number of customers	Percent of total portfolio	Number of customers	Percent of total portfolio
Exposure <SEK 15m	N/A	79%	N/A	78%
Exposure SEK 15–100m	8	7%	10	9%
Exposure >SEK 100m	2	14%	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**

	Dec 31, 2010	Dec 31, 2009
	2011	2010
Amount sold	-26,853	-29,753
Amount purchased	26,893	29,373
Net settled derivatives (NDF)	-7	0
<b>Net</b>	<b>33</b>	<b>-380</b>

**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. Husqvarna applies to 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 (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs that are not based on observable market data (Level 3).

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 has 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.

Cont. Note 2

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Financial assets held for trading valued at fair value</b>				
– of which currency derivatives where hedge accounting is not applied	55	55	15	15
– of which currency derivatives where hedge accounting for cash flow hedges is applied	82	82	62	62
– of which interest derivatives where hedge accounting for cash flow hedges is applied	6	6	8	8
– of which currency derivatives where hedge accounting for net investment in foreign currency is applied	275	275	82	82
Loans and receivables				
Trade receivables	3,575	3,575	3,385	3,385
Other receivables	435	435	339	339
Other short-term investments	173	173	245	245
Cash and cash equivalents	1,476	1,476	2,333	2,333
<b>Total financial assets</b>	<b>6,077</b>	<b>6,077</b>	<b>6,469</b>	<b>6,469</b>
<b>Financial liabilities</b>				
<b>Financial liabilities that are held for trading at fair value</b>				
– of which derivatives where hedge accounting is not applied	202	202	158	158
– of which currency derivatives where hedge accounting for cash flow hedges is applied	78	78	120	120
– of which interest derivatives where hedge accounting for cash flow hedges is applied	35	35	19	19
– of which currency derivatives related to net investments in foreign currency where hedge accounting is applied	58	58	202	202
<b>Other financial liabilities</b>				
Trade payables	2,810	2,810	2,854	2,854
Other liabilities	208	208	151	151
Financial leases	221	250	344	409
Loans	7,003	7,011	8,251	8,190
<b>Total financial liabilities</b>	<b>10,615</b>	<b>10,652</b>	<b>12,099</b>	<b>12,103</b>

**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.

## NOTE 3 SEGMENT INFORMATION

### Business areas

Husqvarna comprises three segments (business areas); Europe & Asia/Pacific, Americas and Construction. The operative organization, which is shown on page 52, comprises five business units; Supply Chain (Manufacturing, Purchasing, Logistics), Products & Marketing (Brands, Design, R&D, Quality), Sales Europe & Asia/Pacific, Sales Americas and Construction.

Europe & Asia/Pacific includes selling of forest, park and garden products to retailers and dealers in the Europe and Asia/Pacific region. The business area's production, product development, logistics and marketing are performed by the global business units Supply Chain and Products & Marketing.

Americas includes selling of forest, park and garden products to retailers and dealers in North- and Latin America. The business area's production, development, logistics and marketing are performed by the global business units Supply Chain and Products & Marketing.

Business area Construction includes development, production, logistics, marketing and selling of machines and diamond tools for the construction and stone industries.

Forest, park and garden products comprises five product categories; Ride-on products (mainly riders, garden tractors and zero turn mowers), Walk-behind products (mainly lawn mowers, robotic mowers, tillers and snow throwers), Handheld products (mainly chainsaws, trimmers, clearing saws, blowers and hedge trimmers), Watering products (mainly water hoses, couplings and sprinklers) and Accessories and Garden tools (mainly accessories, spare parts and garden tools such as saw chains, mower blades, safety equipment and clothes).

Machines and diamond tools for the construction and stone industries include products such as power cutters and related diamond tools, floor saws, tile and brick saws, demolition robots, machines for polishing and grinding and diamond tools for the stone industry.

	Net Sales		Operating income		Where of one-time costs	
	2010	2009	2010	2009	2010	2009
Europe & Asia/Pacific	16,621	16,594	2,383	1,410	—	-300
Americas	12,944	14,845	152	437	-160	-98
Construction	2,675	2,635	82	-123	-47	-54
<b>Total</b>	<b>32,240</b>	<b>34,074</b>	<b>2,617</b>	<b>1,724</b>	<b>-207</b>	<b>-452</b>
Group common costs			-172	-164	—	0
<b>Total</b>	<b>32,240</b>	<b>34,074</b>	<b>2,445</b>	<b>1,560</b>	<b>-207</b>	<b>-452</b>

During 2010 and 2009 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 <sup>1</sup>	
	2010	2009	2010	2009	2010	2009
Europe & Asia/Pacific	15,564	16,115	4,014	3,914	2,123	3,130
Americas	6,826	6,835	1,609	1,987	-552	1,301
Construction	3,161	3,286	565	641	23	390
<b>Total</b>	<b>25,551</b>	<b>26,236</b>	<b>6,188</b>	<b>6,542</b>	<b>1,594</b>	<b>4,821</b>
Other <sup>2</sup>	784	1,248	2,344	2,467	254	-546
	26,335	27,484	8,532	9,009	1,848	4,275
Liquid funds	2,067	2,745	—	—	—	—
Interest-bearing receivables	—	—	—	—	—	—
Interest-bearing liabilities	—	—	7,667	9,094	—	—
Total equity	—	—	12,203	12,126	—	—
Acquisitions	—	—	—	—	—	-43
Financial items	—	—	—	—	-383	-505
Taxes paid	—	—	—	—	-503	-33
<b>Total</b>	<b>28,402</b>	<b>30,229</b>	<b>28,402</b>	<b>30,229</b>	<b>962</b>	<b>3,694</b>

<sup>1</sup> Cash flow from operations and investments.

<sup>2</sup> Includes deferred taxes and common Group services such as Holding, Treasury and Risk Management.

	Capital expenditure Tangible assets		Capital expenditure Intangible assets		Depreciation/ amortization/impairment <sup>1</sup>	
	2010	2009	2010	2009	2010	2009
Europe & Asia/Pacific	552	404	236	153	572	800
Americas	372	227	39	24	487	530
Construction	67	36	36	24	159	169
Other	—	—	—	46	3	1
<b>Total</b>	<b>991</b>	<b>667</b>	<b>311</b>	<b>247</b>	<b>1,221</b>	<b>1,500</b>

<sup>1</sup>Impairment in the Group amounted to SEK 41m (175), whereof SEK 0m (117) referred to Europe & Asia/Pacific, 28m (53) to Americas and SEK 13m (5) to Construction.

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 their 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.

The table below shows sales per geographical market, regardless of where the goods are produced.

#### External sales, per geographical market

	2010	2009
Sweden	1,191	1,033
Other Europe	13,716	14,454
North America	13,378	15,152
Rest of the world	3,955	3,435
<b>Total</b>	<b>32,240</b>	<b>34,074</b>

#### Parent company information

	2010	2009
Net sales		
Europe	7,756	6,917
North America	849	738
Rest of the world	1,699	1,039
<b>Total</b>	<b>10,304</b>	<b>8,694</b>

#### Assets and capital expenditure, per geographical area

	Assets		Capital expenditure Tangible assets		Capital expenditure Intangible assets	
	2010	2009	2010	2009	2010	2009
Sweden	5,064	4,484	145	153	188	153
Other Europe	11,614	14,151	383	157	51	43
North America	8,727	8,734	380	270	22	27
Rest of the world	2,997	2,860	83	87	50	24
<b>Total</b>	<b>28,402</b>	<b>30,229</b>	<b>991</b>	<b>667</b>	<b>311</b>	<b>247</b>

## NOTE 4 NET SALES AND OPERATING INCOME

Net sales for the Group amounted to SEK 32,240m (34,074). The Group's reported net sales mainly refer to revenues from sales of finished products. Net sales in the Swedish companies amounted to SEK 1,167m (988). Exports from Sweden during the year amounted to SEK 9,518m (8,027), of which SEK 7,806m (6,543) refers to entities within the Group. Operating income for the Group amounted to SEK 2,445m (1,560). Operating income includes net exchange-rate differences which amounted to SEK 18m (-137). Costs for research and development for the Group amounted to SEK 641m (507) and are included in Cost of goods sold. Depreciation and amortizations for the year amounted to SEK -1,180m (-1,325). Salaries, remuneration and employer contributions amounted to SEK 4,962m (4,926) and expenses for pensions and other post-employment benefits amounted to SEK 226m (232).

## NOTE 5 OTHER OPERATING INCOME

	Group		Parent Company	
	2010	2009	2010	2009
Gain on sale of				
Property, plant and equipment	2	5	1	3
Operations and shares	—	—	122	0
Other operating income	—	—	4	4
<b>Total</b>	<b>2</b>	<b>5</b>	<b>127</b>	<b>7</b>

## NOTE 6 OTHER OPERATING EXPENSE

	Group		Parent Company	
	2010	2009	2010	2009
Loss on sale of				
Property, plant and equipment	-4	-8	-1	-3
Impairment, shares	—	—	—	—
<b>Total</b>	<b>-4</b>	<b>-8</b>	<b>-1</b>	<b>-3</b>

## 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 311m (320) in 2010.

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

2011	286
2012–2015	724
2016–	207
<b>Total</b>	<b>1,217</b>

### 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 221m.

At December 31, 2010, Husqvarna's financial leases, recognized as non-current assets, consisted of:

	2010	2009
<b>Acquisition costs</b>		
Buildings	364	410
Machinery and other equipment	57	67
<b>Closing balance Dec 31</b>	<b>421</b>	<b>477</b>

### Accumulated depreciation

Buildings	270	222
Machinery and other equipment	34	39
<b>Closing balance Dec 31</b>	<b>304</b>	<b>261</b>
<b>Carrying amount Dec 31</b>	<b>117</b>	<b>216</b>

### Liabilities referring to financial leasing – minimum lease fees

Within 1 year	45
After 1 year	272
	<b>317</b>

Future financial costs for financial leasing	-96
<b>Present value of future minimum lease fees</b>	<b>221</b>

### Present value of financial leasing liabilities

Short-term liabilities	27
Long-term liabilities	194
	<b>221</b>

## NOTE 8 FINANCIAL INCOME AND EXPENSE

	Group		Parent Company	
	2010	2009	2010	2009
<b>Financial income</b>				
Interest income				
from subsidiaries	—	—	51	93
from others	15	23	2	7
whereof:				
on loans	15	23	23	100
on derivatives held for trading	—	—	30	—
Exchange-rate differences	—	9	585	974
whereof:				
on loans	—	524	269	364
on derivatives held for trading	—	-515	316	610
Dividends				
from subsidiaries	—	—	1,103	1,822
from others	0	—	—	—
Other financial income	0	4	—	—
<b>Total financial income</b>	<b>15</b>	<b>36</b>	<b>1,741</b>	<b>2,896</b>
<b>Financial expenses</b>				
Interest expense				
to subsidiaries	—	—	-20	-24
to others	-359	-424	-305	-364
whereof:				
on loans <sup>1</sup>	-210	-351	-176	-315
on cashflow hedges, interest derivatives	-47	-13	-47	-13
on derivatives held for trading <sup>2</sup>	-102	-60	-102	-60
Exchange-rate differences	-4	—	—	—
whereof:				
on loans	669	—	—	—
on derivatives held for trading	-673	—	—	—
Other financial expenses	-46	-78	-28	-24
<b>Total financial expenses</b>	<b>-409</b>	<b>-502</b>	<b>-353</b>	<b>-412</b>
<b>Financial income and expenses, net</b>	<b>-394</b>	<b>-466</b>	<b>1,388</b>	<b>2,484</b>

<sup>1)</sup> Interest expense on loans includes interest expense on loans in foreign currencies used for hedging net investments SEK -36m (-94).

<sup>2)</sup> Financial expenses on hedging of foreign net investments include interest expenses from derivatives used for hedging net investments SEK -44m (-18).

## NOTE 9 TAXES

	Group		Parent Company	
	2010	2009	2010	2009
Current taxes	-606	-188	-326	-221
Deferred taxes	304	-3	-9	-17
<b>Total</b>	<b>-302</b>	<b>-191</b>	<b>-335</b>	<b>-238</b>

Taxes on Group Contributions for 2010 are included with SEK -240m (-239) in the Parent Company. The deferred tax assets in the Parent Company totaled SEK 29m (42) and related mainly to pensions, restructuring provisions and derivative instruments.

The Group accounts include deferred tax liabilities of SEK -266m (-237) referring to untaxed reserves in the Parent Company.

### Theoretical and actual tax rates

	Group	
	2010	2009
%		
Theoretical tax rate	31.9	31.8
Losses for which deductions have not been made	6.0	8.6
Non-taxable/non-deductible income statement items, net	-2.5	-7.7
Changes in estimates relating to deferred tax	-6.9	-1.5
Utilized tax loss carry-forwards	-8.5	-7.1
Effect of tax rate change	0.6	-0.9
Withholding tax	0.8	0.7
Other	-6.7	-6.5
<b>Actual tax rate</b>	<b>14.7</b>	<b>17.4</b>

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 December 31, 2010, the Group has tax loss carry-forwards, other deductible temporary differences and tax credits of SEK 1,569m (1,958), which have not been included in computation of deferred tax assets. The tax loss carry-forwards will expire as follows:

	2010
2011	0
2012	0
2013	0
2014	3
2015	0
Subsequent years	484
Without time limit	649
<b>Total</b>	<b>1,136</b>

The change from the previous year as regards deductible temporary differences was SEK -14m (-8), excluding unused tax losses not recognized in the balance sheet.

As of 31 December 2010, the Group had deferred taxes recognized in equity totalling SEK -259m (-252). Deferred taxes recognized in the income statement amounted to SEK 304m (-3). Exchange-rate differences amounted to SEK 112m (42).

Cont. Note 9

**Changes in deferred taxes**

	2010	2009
<b>Net deferred taxes and liabilities, Jan 1</b>	<b>-1,114</b>	<b>-901</b>
<b>Recognized in equity</b>	<b>-259</b>	<b>-252</b>
Hedge accounting	-253	-248
Other	-6	-4
<b>Recognized in the income statement</b>	<b>304</b>	<b>-3</b>
Non-current assets	-176	-126
Inventories	-2	59
Current receivables	90	-23
Provision for pensions and similar commitments	-10	19
Other provisions	-34	60
Financial and operating liabilities	205	-173
Other items	237 <sup>1</sup>	226 <sup>1</sup>
Recognized unused tax losses	-6	-45
<b>Exchange-rate differences</b>	<b>112</b>	<b>42</b>
Non-current assets	157	37
Inventories	2	12
Current receivables	-7	5
Provision for pensions and similar commitments	-9	0
Other provisions	-6	-1
Financial and operating liabilities	-10	-1
Other items	-15	-10
<b>Net deferred tax assets and liabilities, Dec 31</b>	<b>-957</b>	<b>-1,114</b>

<sup>1)</sup> Other items include tax allocation reserves of SEK -21m (0m) referring to the Parent Company and its subsidiaries in Sweden.

Deferred tax assets amounted to SEK 614m, whereof SEK 187m will be utilized within 12 months. Deferred tax liabilities amounted to SEK 1,571m, whereof SEK 17m 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**

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Non-current assets	151	350	1,563	1,743	-1,412	-1,393
Inventories	151	149	129	127	22	22
Current receivables	202	128	10	19	192	109
Provisions for pensions and similar commitments	114	125	49	37	65	88
Other provisions	156	152	52	8	104	144
Financial and operating liabilities	141	113	1	168	140	-55
Other items <sup>1</sup>	11	9	174	153	-163	-144
Recognized unused tax losses	95	115	0	0	95	115
<b>Deferred tax assets and liabilities</b>	<b>1,021</b>	<b>1,141</b>	<b>1,978</b>	<b>2,255</b>	<b>-957</b>	<b>-1,114</b>
Set-off of tax	-407	-385	-407	-385	—	—
<b>Net deferred tax assets and liabilities</b>	<b>614</b>	<b>756</b>	<b>1,571</b>	<b>1,870</b>	<b>-957</b>	<b>-1,114</b>

<sup>1)</sup> Other items include tax allocation reserves of SEK -174m (-153m) referring to the Parent Company and its subsidiaries in Sweden.

## NOTE 10 INTANGIBLE ASSETS

	Group					Parent Company
	Goodwill	Trademark	Product development	Other	Total	Product development and other
<b>Acquisition costs</b>						
<b>Opening balance, Jan 1, 2009</b>	<b>6,788</b>	<b>3,880</b>	<b>1,135</b>	<b>687</b>	<b>12,490</b>	<b>1,079</b>
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	—
<b>Closing balance, Dec 31, 2009</b>	<b>6,461</b>	<b>3,659</b>	<b>1,325</b>	<b>831</b>	<b>12,276</b>	<b>1,237</b>
Acquired during the year	—	—	—	121	121	98
Product development	—	—	190	—	190	90
Acquired companies	—	—	—	—	0	—
Fully amortized	—	—	—	-3	-3	—
Exchange-rate differences	-466	-440	-64	-36	-1,006	—
<b>Closing balance, Dec 31, 2010</b>	<b>5,995</b>	<b>3,219</b>	<b>1,451</b>	<b>913</b>	<b>11,578</b>	<b>1,425</b>
<b>Accumulated amortization<sup>1</sup></b>						
<b>Opening balance, Jan 1, 2009</b>	<b>—</b>	<b>147</b>	<b>540</b>	<b>226</b>	<b>913</b>	<b>488</b>
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	—
<b>Closing balance, Dec 31, 2009</b>	<b>—</b>	<b>173</b>	<b>791</b>	<b>440</b>	<b>1,404</b>	<b>685</b>
Amortization for the year	—	33	179	79	291	143
Acquired companies	—	—	—	—	0	—
Fully amortized	—	—	—	-3	-3	—
Impairment	—	—	—	—	0	—
Exchange-rate differences	—	-20	-46	-32	-98	—
<b>Closing balance, Dec 31, 2010</b>	<b>—</b>	<b>186</b>	<b>924</b>	<b>484</b>	<b>1,594</b>	<b>828</b>
<b>Carrying amount, Dec 31, 2009</b>	<b>6,461</b>	<b>3,486</b>	<b>534</b>	<b>391</b>	<b>10,872</b>	<b>552</b>
<b>Carrying amount, Dec 31, 2010</b>	<b>5,995</b>	<b>3,033</b>	<b>527</b>	<b>429</b>	<b>9,984</b>	<b>597</b>

<sup>1</sup>In the income statement amortization is primarily accounted for within Cost of goods sold.

### Intangible assets with indefinite useful lives

Goodwill as per December 31, 2010 amounts to SEK 5,995m, whereof SEK 3,871m relates to Europe & Asia/Pacific and SEK 1,260m to the Americas and SEK 864m to Construction. Husqvarna has assigned the Gardena trademark indefinite life, with a total carrying amount of SEK 2,903m. The trademark is included in Europe & Asia/Pacific. 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 approved long-term plans that are established for each cash-generating unit. These plans are used for the impairment tests made at the end of 2010. Terminal values of each cash generating unit are based on cash flows of the last forecasted year in the plan with an estimated long-term growth rate of 2% (2). The pre-tax discount rate used in 2010 was 11%. 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.



## 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
<b>Acquisition costs</b>						
<b>Opening balance, Jan 1, 2009</b>	<b>301</b>	<b>2,863</b>	<b>8,171</b>	<b>1,068</b>	<b>387</b>	<b>12,790</b>
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
<b>Closing balance, Dec 31, 2009</b>	<b>282</b>	<b>2,794</b>	<b>9,273</b>	<b>1,007</b>	<b>275</b>	<b>13,631</b>
Acquired companies	—	—	—	—	—	—
Acquired during the year	4	43	469	69	406	991
Transfer of work in progress and advances	5	151	128	0	-284	0
Sales, scrap, etc.	-6	-31	-367	-91	0	-495
Exchange-rate differences	-21	-193	-600	-67	-26	-907
<b>Closing balance, Dec 31, 2010</b>	<b>264</b>	<b>2,764</b>	<b>8,903</b>	<b>918</b>	<b>371</b>	<b>13,220</b>
<b>Accumulated depreciation<sup>1</sup></b>						
<b>Opening balance, Jan 1, 2009</b>	<b>40</b>	<b>1,363</b>	<b>5,587</b>	<b>765</b>	<b>—</b>	<b>7,755</b>
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
<b>Closing balance, Dec 31, 2009</b>	<b>48</b>	<b>1,402</b>	<b>7,041</b>	<b>765</b>	<b>—</b>	<b>9,256</b>
Acquired companies	—	—	—	—	—	—
Depreciation for the year	7	111	685	86	—	889
Impairment	0	39	2	0	—	41
Sales, scrap, etc.	-1	-12	-337	-83	—	-433
Exchange-rate differences	-3	-95	-502	-58	—	-658
<b>Closing balance, Dec 31, 2010</b>	<b>51</b>	<b>1,445</b>	<b>6,889</b>	<b>710</b>	<b>—</b>	<b>9,095</b>
<b>Carrying amount, Dec 31, 2009</b>	<b>234</b>	<b>1,392</b>	<b>2,232</b>	<b>242</b>	<b>275</b>	<b>4,375</b>
<b>Carrying amount, Dec 31, 2010</b>	<b>213</b>	<b>1,319</b>	<b>2,014</b>	<b>208</b>	<b>371</b>	<b>4,125</b>

<sup>1</sup>In the income statement depreciation is primarily accounted for within Cost of goods sold.

The carrying amount for land is SEK 198m (212).

The tax assessment value of the Swedish Group companies was SEK 288m (291) for buildings, and SEK 56m (53) for land. The corresponding carrying amounts for buildings were SEK 124m (129), and SEK 14m (14) for land.

Accumulated impairments at year-end on buildings and land were SEK 39m (21) and SEK 2m (68) on machinery and other equipment.

Cont. Note 11

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
<b>Acquisition costs</b>						
<b>Opening balance, Jan 1, 2009</b>	<b>19</b>	<b>265</b>	<b>1,024</b>	<b>54</b>	<b>9</b>	<b>1,371</b>
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
<b>Closing balance, Dec 31, 2009</b>	<b>20</b>	<b>280</b>	<b>967</b>	<b>50</b>	<b>71</b>	<b>1,388</b>
Acquired companies	—	—	—	—	—	—
Acquired during the year	—	4	120	6	21	151
Transfer of work in progress and advances	—	—	—	—	—	0
Sales, scrap, etc.	—	-2	-110	-6	—	-118
<b>Closing balance, Dec 31, 2010</b>	<b>20</b>	<b>282</b>	<b>977</b>	<b>50</b>	<b>92</b>	<b>1,421</b>
<b>Accumulated depreciation</b>						
Opening balance, Jan 1, 2009	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
<b>Closing balance, Dec 31, 2009</b>	<b>7</b>	<b>157</b>	<b>679</b>	<b>35</b>	<b>—</b>	<b>878</b>
Acquired companies	—	—	—	—	—	—
Depreciation for the year	0	7	107	5	—	119
Sales, scrap, etc.	0	0	-112	-5	—	-117
Impairment	—	—	0	0	—	0
<b>Closing balance, Dec 31, 2010</b>	<b>7</b>	<b>164</b>	<b>674</b>	<b>35</b>	<b>—</b>	<b>880</b>
<b>Carrying amount, Dec 31, 2009</b>	<b>13</b>	<b>123</b>	<b>288</b>	<b>15</b>	<b>71</b>	<b>510</b>
<b>Carrying amount, Dec 31, 2010</b>	<b>13</b>	<b>118</b>	<b>303</b>	<b>15</b>	<b>92</b>	<b>541</b>

The tax assessment value of the Parent Company was SEK 259m (251) for buildings, and SEK 48m (45) for land. The corresponding book values were SEK 123m (123) for buildings, and SEK 7m (8) for land.

## NOTE 12 OTHER FINANCIAL ASSETS

	Group		Parent Company	
	2010	2009	2010	2009
Shares in subsidiaries	—	—	29,044	29,750
Long-term holdings in securities	1	2	1	1
Receivables Group	—	—	14	256
Other long-term receivables	67	54	—	—
Pension assets <sup>1</sup>	100	117	30	24
<b>Total</b>	<b>168</b>	<b>173</b>	<b>29,089</b>	<b>30,031</b>

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	
	2010	2009	2010	2009
Raw materials	1,523	1,504	325	272
Products in progress	215	246	14	11
Finished products	5,254	4,955	1,099	955
Advances to suppliers	8	1	1	0
<b>Total</b>	<b>7,000</b>	<b>6,706</b>	<b>1,439</b>	<b>1,238</b>

The cost of inventories recognized as expense and included in cost of goods sold amounted to SEK 22,478m (24,597). Provisions for obsolescence are included in the value of the inventory. Write-downs totaled SEK 72m (76) and previous write-downs have been reversed by a total of SEK 87m (64).

Inventories valued to net realizable value amounted to SEK 424m (261).

**NOTE 14** OTHER CURRENT ASSETS

	Group	
	2010	2009
Value added tax	240	188
Miscellaneous short-term receivables	142	141
Provision for doubtful accounts	-16	-18
Prepaid rents and leases	22	12
Prepaid insurance premiums	16	14
Other prepaid expenses	125	203
<b>Total</b>	<b>529</b>	<b>540</b>

**NOTE 15** ASSETS PLEDGED FOR LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
	2010	2009	2010	2009
Real-estate mortgages	32	35	—	—
Other	10	10	—	—
<b>Total</b>	<b>42</b>	<b>45</b>	<b>—</b>	<b>—</b>

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
<b>Opening balance Jan 1, 2009</b>	<b>0</b>	<b>-31</b>	<b>1,093</b>	<b>1,062</b>
<b>Available for sale instruments</b>				
Reclassification adjustment to the income statement	—	—	—	—
<b>Cash flow hedges</b>				
Loss arising during the year	—	-43	—	-43
Tax	—	11	—	11
Reclassification adjustment to the income statement	—	31	—	31
<b>Exchange rate differences on translation of foreign operations</b>				
Translation difference	—	—	-1,279	-1,279
Net investment hedge	—	—	946	946
Tax	—	—	-249	-249
<b>Closing Balance Dec 31, 2009</b>	<b>0</b>	<b>-32</b>	<b>511</b>	<b>479</b>
<b>Available for sale instruments</b>				
Reclassification adjustment to the income statement	—	—	—	—
<b>Cash flow hedges</b>				
Loss arising during the year	—	-75	—	-75
Tax	—	20	—	20
Reclassification adjustment to the income statement	—	65	—	65
<b>Exchange rate differences on translation of foreign operations</b>				
Translation difference	—	—	-1,752	-1,752
Net investment hedge	—	—	947	947
Tax	—	—	-249	-249
<b>Closing Balance Dec 31, 2010</b>	<b>0</b>	<b>-22</b>	<b>-543</b>	<b>-565</b>

## NOTE 17 SHARE CAPITAL AND NUMBER OF SHARES

### Share capital

SEKm	
On December 31, 2010, the share capital comprised:	
134,755,087 Class A-shares, par value SEK 2	270
441,588,691 Class B-shares, par value SEK 2	883
<b>Total</b>	<b>1,153</b>

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.

### Number of shares

	Owned by Husqvarna	Owned by other shareholders	Total
<b>Shares, Dec 31, 2009</b>			
Class A-shares	—	147,570,030	147,570,030
Class B-shares	2,723,128	426,050,620	428,773,748
<b>Performance share program 2007</b>			
Class A-shares	—	—	—
Class B-shares	-87,121	87,121	0
<b>Conversion of shares</b>			
Class A-shares	—	-12,814,943	-12,814,943
Class B-shares	—	12,814,943	12,814,943
<b>Repurchased shares</b>			
Class A-shares	—	—	—
Class B-shares	1,270,000	-1,270,000	0
<b>Shares, Dec 31, 2010</b>			
Class A-shares	—	134,755,087	134,755,087
Class B-shares	3,906,007	437,682,684	441,588,691

## NOTE 18 UNTAXED RESERVES, PARENT COMPANY

	Dec 31, 2010	Appropriations	Dec 31, 2009
<b>Accumulated depreciation in excess of plan on</b>			
Brands etc.	69	0	69
Machinery and equipment	223	24	199
Buildings	25	0	25
<b>Tax allocation reserve</b>	<b>662</b>	<b>80</b>	<b>582</b>
<b>Other financial reserves</b>	<b>31</b>	<b>5</b>	<b>26</b>
<b>Total</b>	<b>1,010</b>	<b>109</b>	<b>901</b>

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
<b>2010</b>			
Parent Company	1,655	1,286	369
Group Companies	13,299	8,389	4,910
<b>Total Group</b>	<b>14,954</b>	<b>9,675</b>	<b>5,279</b>
<b>2009</b>			
Parent Company	1,500	1,169	331
Group Companies	13,530	8,439	5,091
<b>Total Group</b>	<b>15,030</b>	<b>9,608</b>	<b>5,422</b>

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.

### Average number of employees by geographical area

Geographical area	2010	2009
Europe	6,449	6,469
North America	5,403	5,581
Rest of the world	3,102	2,980
<b>Total Group</b>	<b>14,954</b>	<b>15,030</b>

Of the Board members and other senior management in the Group, 78 (89) were men and 6 (8) women, of whom 14 (13) men and 5 (5) women were employed in the Parent Company.

Cont. Note 19

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

	2010	2009
<b>Parent Company</b>		
Salaries and other remuneration	50	32
(of which variable salaries)	(18)	(4)
Pension costs	11	15
<b>Group Companies</b>		
Salaries and other remuneration	75	62
(of which variable salaries)	(22)	(10)
Pension costs	5	6

Salaries and other remuneration for the total Group amounted to SEK 4,080m (3,998). This amount includes salaries and remuneration to the Board, the President, former President and other senior management of SEK 125m (94). Employer contributions excluding pension costs for the Group amounted to SEK 882m (928). The Group's total pension costs according to IAS 19 amounted to 226m (232).

Salaries and other remuneration in the Parent Company amounted to SEK 779m (701). This includes salaries and remuneration to the Board, President, former President and other senior management of SEK 50m (32). Employer contributions excluding pension costs in the Parent Company amounted to SEK 242m (240). Pension costs in the Parent Company amounted, according to Swedish GAAP, to SEK 62m (60).

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 56–59.

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

	Employees in the Parent Company		All employees in Sweden	
	2010	2009	2010	2009
<b>Total absence due to illness, as a percentage of total normal working hours</b>	<b>2.5</b>	<b>3.0</b>	<b>3.2</b>	<b>3.3</b>
Of which 60 days or more	27.1	36.8	23.4	39.7
<b>Absence due to illness, by category<sup>1</sup></b>				
Women	2.4	3.9	3.9	4.2
Men	2.0	2.7	3.0	3.0
29 years or younger	8.9	1.8	2.8	2.5
30–49 years	2.3	2.9	2.6	3.0
50 years or older	4.2	4.0	4.3	4.3

<sup>1</sup> % 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. Such 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.

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	875	733
Sweden	451	408
US	261	188
Japan	115	95
Norway	107	88
Germany	718	0
<b>Total</b>	<b>2,527</b>	<b>1,512</b>
Share of total	89%	93%

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.

Cont. Note 19

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

	2010			2009		
	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	732	17	749	800	28	828
Present value of obligations for funded plans	2,096	0	2,096	2,136	0	2,136
Fair value of plan assets	-1,627	0	-1,627	-1,540	0	-1,540
Unrecognized actuarial gains/losses	-321	-3	-324	-418	-5	-423
Unrecognized past-service cost	-2	0	-2	-2	0	-2
<b>Net provisions for pensions and other post-employment benefits</b>	<b>878</b>	<b>14</b>	<b>892</b>	<b>976</b>	<b>23</b>	<b>999</b>
Whereof reported as prepaid pension cost	100	0	100	117	0	117
<b>Provisions for pensions and other post-employment benefits</b>	<b>978</b>	<b>14</b>	<b>992</b>	<b>1,093</b>	<b>23</b>	<b>1,116</b>

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

	2010	2009
Current service costs	70	73
Interest expenses	139	138
Expected return on plan assets	-77	-77
Amortization of actuarial losses / gains	21	21
Amortization of past service cost	1	1
Effect of any curtailments and settlements	-8	0
<b>Expenses for defined benefit plans and other post-employment benefits</b>	<b>146</b>	<b>156</b>
Expenses for defined contribution plans	80	76
<b>Total expenses for pensions and other post-employment benefits</b>	<b>226</b>	<b>232</b>

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**

	2010			2009		
	Pension benefits	Other post-employment benefit	Total	Pension, benefit	Other post-employment benefits	Total
<b>Opening balance</b>	<b>2,936</b>	<b>28</b>	<b>2,964</b>	<b>2,822</b>	<b>33</b>	<b>2,855</b>
Current service cost	70	0	70	73	0	73
Interest expenses	138	1	139	136	2	138
Curtailments	-8	0	-8	0	0	0
Exchange rate differences on foreign plans	-191	-3	-194	-71	-3	-74
Benefits paid	-130	-8	-138	-123	-5	-128
Reclassification	0	0	0	14	0	14
Employee contributions	8	0	8	8	0	8
Actuarial losses (gains)	5	-1	4	77	1	78
<b>Closing balance</b>	<b>2,828</b>	<b>17</b>	<b>2,845</b>	<b>2,936</b>	<b>28</b>	<b>2,964</b>

Cont. Note 19

**Change in the fair value of plan assets**

	2010	2009
	Pension, benefits	Pension, benefits
<b>Opening balance</b>	<b>1,540</b>	<b>1,383</b>
Expected return	77	77
Employer contributions	59	65
Employee contributions	8	8
Exchange differences on foreign plans	-75	-12
Benefits paid	-50	-49
Actuarial gains and (losses)	68	68
<b>Closing balance</b>	<b>1,627</b>	<b>1,540</b>

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

%	Defined benefit pension plans
Equity instruments	40.0
Debt instruments	54.0
Property	1.0
Other	5.0

Actual return on plan assets was SEK 145m (144).

**Historical information**

	2010	2009	2008	2007	2006
Present value of defined benefit obligations	2,845	2,964	2,855	2,590	1,746
Fair value of plan assets	1,627	1,540	1,383	1,447	1,342
<b>Funded status</b>	<b>1,218</b>	<b>1,424</b>	<b>1,472</b>	<b>1,143</b>	<b>404</b>
Experience adjustment on plan liabilities	-14	-14	32	35	-3
Experience adjustment on plan assets	68	68	-183	-21	-26

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

%	Dec 31, 2010	Dec 31, 2009
<b>Discount rate</b>		
Europe	5.0	5.1
North America	5.5	5.8
Rest of the world	1.7	2.0

**Expected long-term return on assets**

	2010	2009
Europe	5.4	5.6
North America	5.5	5.7
Rest of the world	2.5	2.5

**Expected salary increases**

	2010	2009
Europe	3.4	3.4
North America	4.5	4.5
Rest of the world	N/A	N/A

In determining the discount rate, AA-rated corporate bonds indexes matching the duration of the pension obligations are applied in most countries. When valuing Swedish pension liabilities Husqvarna has in earlier years used government bonds as discount rate. In 2010 Husqvarna has instead used mortgage bonds when determining discount rate. This has led to a higher discount rate in Sweden due to the spread between gov-

ernment and corporate bond yields, from 3,85% to 4,50%. The change has decreased the Group's defined benefit obligation with approximately SEK 60m and is treated as an actuarial gain in the year-end closing.

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 150m to the plans during 2011.

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

	Pensions, defined benefit plans	Other post-employment benefits	Total
<b>Net provisions for pensions and other post-employment benefits, Dec 31, 2009</b>	<b>976</b>	<b>23</b>	<b>999</b>
Pension expenses	144	2	146
Employer contributions and benefits paid directly by the Company	-139	-8	-147
Exchange rate differences	-103	-3	-106
<b>Net provision for pensions and other post-employment benefits, Dec 31, 2010</b>	<b>878</b>	<b>14</b>	<b>892</b>

**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.

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

	2010	2009
Present value of the funded pension obligations	347	320
Fair value of plan assets	-380	-337
<b>Surplus of the pension fund</b>	<b>-33</b>	<b>-17</b>
Present value of unfunded pension obligations	32	35
Surplus of the pension fund, not recognized	33	17
<b>Net provision recognized in the balance sheet</b>	<b>32</b>	<b>35</b>

Cont. Note 19

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

	2010	2009
<b>Opening balance Jan 1</b>	<b>35</b>	<b>34</b>
Costs for pensions recognized in the income statement	5	10
Benefits paid	-8	-6
Other	0	-3
<b>Closing balance Dec 31</b>	<b>32</b>	<b>35</b>

Of total net provisions SEK 32m (35) is within the scope of the Swedish Safe-guarding of Pension Commitments Act.

**Pension costs recognized in the Income statement**

	2010	2009
<i>Own pensions</i>		
Current service costs	2	3
Interest expenses	0	1
Benefits paid	8	6
<b>Pension costs</b>	<b>10</b>	<b>10</b>
<i>Insured pensions</i>		
Insurance premiums	52	50
<b>Total net expenses for pensions</b>	<b>62</b>	<b>60</b>

Of total net expenses of SEK 62m (60), SEK 0m (1) is recognized in the financial net and the remaining portion is recognized in the operating results. The expected pension payments for 2011 total SEK 22m.

**Principal actuarial assumptions at balance sheet date**

%	Dec 31, 2010	Dec 31, 2009
Discount rate	4.0	4.0

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

%	Dec 31, 2010	Return	Dec 31, 2009	Return
Equity	41	17	48	17
Debt	59	3	49	-1
Other	—	—	3	0
<b>Total</b>	<b>100</b>	<b>14</b>	<b>100</b>	<b>7</b>

**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 2008, LTI 2009 and LTI 2010. All programs consist of restricted share awards and performance stock options.

The programs were authorized by the Annual General Meeting in 2008, 2009 and 2010 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 1:1,2 in LTI 2008 and 1:1 in LTI 2009 and 2010 through allocation of shares at a later date by the company free of charge. 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 58 per share (SEK 72 before recalculation due to the rights issue in 2009) in LTI 2008, SEK 48 per share in LTI 2009 and SEK 52.70 per share in LTI 2010. 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 three years (four years for the LTI 2008), 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 2008, LTI 2009 and LTI 2010 as well as the company's earnings per share, during 2008–2010 (LTI 2008), 2009–2011 (LTI 2009) and 2010–2012 (LTI 2010), 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 enable exercise of any stock options. The three levels correspond to the following numbers of stock options:

**Stock options**

Performance level/program	LTI 2008 <sup>1</sup>	LTI 2009	LTI 2010
Entry	6 options per purchased share plus 2,400 options	5 options per purchased share plus 2,000 options	5 options per purchased share plus 2,000 options
Target	12 options per purchased share plus 6,000 options	10 options per purchased share plus 5,000 options	10 options per purchased share plus 5,000 options
Stretch	18 options per purchased share plus 9,600 options	15 options per purchased share plus 8,000 options	15 options per purchased share plus 8,000 options

<sup>1)</sup> 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 15 options per purchased Class B-share (18 for LTI 2008) plus an additional 8,000 options (9,600 for LTI 2008).



Cont. Note 19

In accordance with the above, LTI 2009 and LTI 2010 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 2009			LTI 2010		
	Matching shares, number of Class B-shares	Number of stock options	Target Value <sup>1</sup> , SEKt	Matching shares, number of Class B-shares	Number of stock options	Target Value <sup>1</sup> , SEKt
President	11,542	120,420	1,785	18,636	191,360	3,286
Other members of Group Management	18,185	206,850	3,003	50,651	823,765	12,909
Other participants	59,546	750,460	10,648	104,076	943,505	16,710
<b>Total</b>	<b>89,273</b>	<b>1,077,730</b>	<b>15,436</b>	<b>173,363</b>	<b>1,958,630</b>	<b>32,905</b>
Maximum number of class B-shares	1,724,368 (LTI 2009)			3,133,808 (LTI 2010)		

<sup>1)</sup> 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 38.30 (LTI 2009)/SEK 41.80 (LTI 2010) and the fair value of the option SEK 11.15 (LTI 2009)/SEK 13.10 (LTI 2010). 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.

The performance period for LTI 2008 ended 31 December 2010. The table below shows the number of matching shares to be allocated to the participating employees as per 29 May 2011 (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 2008

Position/Category	Company share match Number of Class B-shares to be allocated
President and CEO <sup>1</sup>	0
Other members of Group Management	26,223
Other senior managers	52,960
<b>Total number of shares for all participants</b>	<b>79,183</b>

<sup>1)</sup> Does not participate in LTI 2008.

#### 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 2010 amounted to SEK 17m (10) whereof SEK 3m (2) refers to social security contribution. The total provision for share-based compensation amounted to SEK 6m (3).

#### Repurchased shares for the LTI programs

Husqvarna has 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. During 2010 Husqvarna has repurchased 1,270,000 number of Husqvarna class B-shares to an amount of SEK 59m. At December 31, Husqvarna owned 3,906,007 Husqvarna class B-shares.

## NOTE 20 OTHER PROVISIONS

	Group					Parent Company			
	Provisions for restructuring	Warranty commitments	Claims	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
<b>Opening balance, Jan 1, 2009</b>	<b>264</b>	<b>232</b>	<b>389</b>	<b>230</b>	<b>1,115</b>	<b>56</b>	<b>10</b>	<b>8</b>	<b>74</b>
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	—	—	—	—
<b>Closing balance, Dec 31, 2009</b>	<b>252</b>	<b>227</b>	<b>387</b>	<b>215</b>	<b>1,081</b>	<b>70</b>	<b>10</b>	<b>18</b>	<b>98</b>
Current provisions	171	79	—	91	341	36	10	12	58
Non-current provisions	81	148	387	124	740	34	—	6	40
<b>Opening balance, Jan 1, 2010</b>	<b>252</b>	<b>227</b>	<b>387</b>	<b>215</b>	<b>1,081</b>	<b>70</b>	<b>10</b>	<b>18</b>	<b>98</b>
Provisions made	116	237	31	137	521	3	8	14	25
Acquired companies	—	—	—	—	—	—	—	—	—
Provisions used	-158	-216	-4	-125	-503	-30	-10	-5	-45
Unused amounts reversed	0	-6	0	-2	-8	—	—	—	—
Exchange rate differences	-11	-12	-20	-12	-55	—	—	—	—
<b>Closing balance, Dec 31, 2010</b>	<b>199</b>	<b>230</b>	<b>394</b>	<b>213</b>	<b>1,036</b>	<b>43</b>	<b>8</b>	<b>27</b>	<b>78</b>
Current provisions	155	79	0	95	329	33	8	15	56
Non-current provisions	44	151	394	118	707	10	0	12	22

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	
	2010	2009	2010	2009
Accrued holiday pay	179	184	87	80
Other accrued payroll expenses	535	419	159	112
Other accrued expenses	860	740	205	150
Value added tax	53	20	—	—
Personnel taxes and other taxes	59	58	18	23
Other operating liabilities	97	73	12	—
<b>Total</b>	<b>1,783</b>	<b>1,494</b>	<b>481</b>	<b>365</b>

## NOTE 22 CONTINGENT LIABILITIES

### Guarantees and other commitments

	Group		Parent Company	
	2010	2009	2010	2009
On behalf of internal counterparties	—	—	342	377
On behalf of external counterparties	28	54	7	6
<b>Total</b>	<b>28</b>	<b>54</b>	<b>349</b>	<b>383</b>

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 2010 goods for a value of SEK 8m (10) 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 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.

Cont. Note 22

**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 13 other companies, authorities and private persons, received notifications of allegedly 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 proceedings in the Court of First Instance in Tournai were concluded during the course of 2010. Husqvarna was acquitted together with 9 other parties. This judgment was appealed and the proceedings in the Court of Appeal in Mons are expected to result in a judgement in the summer of 2011. Following the appellate proceedings, and subject to the outcome of them, the distribution of liability between the parties found guilty, will commence.

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.

**NOTE 23 BUSINESS COMBINATIONS**

Husqvarna made no acquisitions 2010. During 2009 there was one minor acquisition made. Husqvarna acquired a factory producing transaxles in the US. The consideration paid amounted to SEK 43m.

**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
<b>Net identifiable assets</b>	<b>32</b>	<b>11</b>	<b>43</b>
Goodwill			0
<b>Consideration paid</b>			<b>43</b>
Cash and cash equivalents acquired			0
<b>Net cash paid</b>			<b>43</b>

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

**NOTE 24 REMUNERATION TO THE BOARD OF DIRECTORS, THE PRESIDENT AND OTHER MEMBERS OF GROUP MANAGEMENT**

The Annual General Meeting 2010 authorized fees to Board members, totalling SEK 5,805,000, of which 5,280,000 (to the Chairman SEK 1,600,000 and to each of the eight 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 2010.

After five years, i.e. in 2015, 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.

**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.

**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 January 1.

The fixed annual salary to the President is SEK 5,900,000 effective January 1, 2010. The variable salary for 2010 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.

Cont. Note 24

The President participates in the Group's long-term incentive programs for 2009 (LTI 2009) and 2010 (LTI 2010). For information on these programs, see Note 19.

The notice period for termination is 12 months on the part of the Company and 6 months on the part of the President. 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 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 paid.

#### 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 January 1.

The variable salary is based on value creation for the Group and/or for the relevant business unit. The variable salary is 40–50% of the fixed

salary at target level and is capped at 80–100% at stretch level.

Members of Group Management participate in the Group's long-term incentive programs which consist of the programs for 2008, 2009 and 2010 (LTI 2008, LTI 2009 and LTI 2010). 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 (seven out of nine) are covered by the collectively agreed ITP plan, the alternative rule of the plan. 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 paid. 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 (five members of Group Management are covered by this pension benefit). The members of Group Management that are not employed in Sweden are covered by the Group's company pension plans in the respective country of employment (Germany and the US). Retirement age is 63 or 65.

#### Fees to the Board of Directors authorized by the Annual General Meeting 2010

SEKt	Fees excluding 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 <sup>2</sup>
	Cash payment	Value of synthetic shares at date of grant	Number of synthetic shares at date of grant <sup>1</sup>	Fees for committee work		
Lars Westerberg	1,200	400	7,421	50	1,650	1,672
Magnus Yngen	—	—	—	—	—	—
Peggy Bruzelius	345	115	2,134	75	535	541
Robert F. Connolly	345	115	2,134	—	460	466
Börje Ekholm	230	230	4,267	175	635	647
Magdalena Gerger	345	115	2,134	—	460	466
Tom Johnstone	230	230	4,267	100	560	572
Ulla Litzén	345	115	2,134	—	460	466
Ulf Lundahl	230	230	4,267	75	535	547
Anders Moberg	460	—	—	50	510	510
Johan Ihrman	—	—	—	—	—	—
Annika Ögren	—	—	—	—	—	—
<b>Total</b>	<b>3,730</b>	<b>1,550</b>	<b>28,758</b>	<b>525</b>	<b>5,805</b>	<b>5,887</b>

<sup>1</sup> Based on volume weighted average of the quoted price of the Husqvarna B share during five bank days immediately following the first quarterly report 2010 (April 28 to May 4): SEK 53.90.

<sup>2</sup> Based on the quoted closing rate of the Husqvarna B share in 2010 (December 30): SEK 56.80.

Cont. Note 24

**Remuneration to Group Management 2010**

SEKt	Fixed salary	Variable salary	Pension-cost	Long-term incentive	Other benefits <sup>1</sup>	Total
President	5,900	5,900	2,647	1,310	0	15,757
Other members of Group Management <sup>2</sup>	28,487	18,701	9,211	3,350	243	59,992
<b>Total</b>	<b>34,387</b>	<b>24,601</b>	<b>11,858</b>	<b>4,660</b>	<b>243</b>	<b>75,749</b>

<sup>1</sup> Refers to housing and travel benefits.<sup>2</sup> Other members of Group Management comprise nine individuals per December 31. Two individuals have been added and one has left Group Management during 2010. The remuneration shown above refers to the part of the year during which the individual in question was part of Group Management.**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 <sup>1</sup>	28,461	3,748	11,381	2,392	45,982
<b>Total</b>	<b>34,211</b>	<b>5,128</b>	<b>14,834</b>	<b>2,739</b>	<b>56,912</b>

<sup>1</sup> 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.**NOTE 25 FEES TO AUDITORS**

PwC has been appointed auditor for the period until the 2014 Annual General Meeting.

**Fees to PwC**

SEKm	Group		Parent Company	
	2010	2009	2010	2009
PwC				
Audit fees for the annual audit engagement	19	22	5	4
Audit fees not included in the annual audit engagement	0	0	0	0
Tax advice	1	2	0	0
Other services	1	0	0	0
<b>Total fees to PwC</b>	<b>21</b>	<b>24</b>	<b>5</b>	<b>4</b>
Audit fees to other Auditors	1	1	0	0

**NOTE 26 SHARES AND PARTICIPATIONS****Participation in associated companies**

SEKm	2010	2009
Opening balance	6	7
Operating result	0	0
Dividend	0	0
Exchange difference	-1	-1
Other	0	0
<b>Closing balance</b>	<b>5</b>	<b>6</b>

In participations in associated companies at December 31, 2010, 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 98):

**Major Group Companies**

Subsidiaries	Holding, %
Canada Husqvarna Canada Corp.	100
Russia Husqvarna LLC	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.

Cont. Note 26

**Associated companies 2010**

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group <sup>1)</sup>			Income Statement		Balance sheet	
				Liabilities	Sales	Purchases	Income	Net result	Total assets	Total liabilities
Diamant Boart, Argentina	46.7	4	0	—	0	—	13	-1	14	8
Diamant Boart, Philippines	20.0	1	0	0	—	0	2	0	5	3
<b>Total</b>		<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>-1</b>	<b>19</b>	<b>11</b>

<sup>1)</sup> Viewed from Husqvarna's perspective.**Associated companies 2009**

SEKm	Participation, %	Book value	Receivables	Relation to Husqvarna Group <sup>1)</sup>			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
<b>Total</b>		<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>-1</b>	<b>21</b>	<b>11</b>

<sup>1)</sup> Viewed from Husqvarna's perspective.

# Proposed Distribution of Earnings

	Thousands of SEK
Retained earnings	15,460,917
Net income for 2010	2,050,517
<b>Total</b>	<b>17,511,434</b>

The Board of Directors has proposed that the Annual General Meeting 2011 resolves that the above sum be disposed of as follows:

	Thousands of SEK
A dividend to the shareholders of SEK 1.50 per share <sup>1</sup>	858,657
To be carried forward	16,652,777
<b>Total</b>	<b>17,511,434</b>

<sup>1</sup> Calculated on the number of outstanding shares as per February 23, 2011.

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 23,410 thousand lower 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, February 23, 2011

Lars Westerberg  
Chairman of the Board

Peggy Bruzelius  
Board member

Robert F. Connolly  
Board member

Börje Ekholm  
Board member

Magdalena Gerger  
Board member

Tom Johnstone  
Board member

Ulla Litzén  
Board member

Ulf Lundahl  
Board member

Anders Moberg  
Board member

Magnus Yngen  
President and CEO  
Board member

Johan Ihrman  
Employee representative  
Board member

Annika Ögren  
Employee representative  
Board member

Our audit report was issued on February 23, 2011  
PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in charge

# Auditors' Report

## To the Annual General 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 (publ) for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version on pages 35–99. The board of directors and the managing director are responsible for these 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 consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and 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 the international accounting 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. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are 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 for the parent company and for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, February 23, 2011  
PricewaterhouseCoopers AB

Anders Lundin  
Authorized Public Accountant  
Auditor in charge



# 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 definitions

### **Adjusted**

As reported adjusted for items affecting comparability, changes in exchange rates and acquisitions/divestments.

### **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 net sales 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**

Capitalization of property, plant and equipment and 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).

### **Interest coverage ratio**

Income after financial items plus financial costs divided with financial costs.

Some of the historical key figures for 2006 are calculated pro forma or based on combined financial statements. For more information, see the Five-year review on pages 102–103.

# Five-year review

## Income, SEKm

	2010	2009	2008	2007	2006
<b>Net sales</b>	<b>32,240</b>	<b>34,074</b>	<b>32,342</b>	<b>33,284</b>	<b>29,402</b>
Europe & Asia/Pacific	16,621	16,594	16,934	15,589	n/a
Americas	12,944	14,845	12,266	14,274	n/a
Construction	2,675	2,635	3,142	3,421	n/a
Cost of goods sold	-23,037	-25,423	-22,965	-23,509	-21,477
<b>Gross operating income</b>	<b>9,203</b>	<b>8,651</b>	<b>9,377</b>	<b>9,775</b>	<b>7,925</b>
Selling and administrative costs	-6,758	-7,091	-7,016	-6,211	-4,804
<b>Operating income*</b>	<b>2,445</b>	<b>1,560</b>	<b>2,361</b>	<b>3,564</b>	<b>3,121</b>
<b>Operating income excl. items affecting comparability*</b>	<b>2,652</b>	<b>2,012</b>	<b>2,677</b>	<b>3,564</b>	<b>3,121</b>
Europe & Asia/Pacific	2,383	1,410	2,216	2,490	n/a
Europe & Asia/Pacific excl. items affecting comparability	2,383	1,710	2,368	2,490	n/a
Americas	152	437	321	799	n/a
Americas excl. items affecting comparability	312	535	347	799	n/a
Construction	82	-123	13	472	n/a
Construction excl. items affecting comparability	129	-69	150	472	n/a
Financial items, net	-394	-466	-594	-675	-429 <sup>1</sup>
<b>Income after financial items</b>	<b>2,051</b>	<b>1,094</b>	<b>1,767</b>	<b>2,889</b>	<b>2,692<sup>1</sup></b>
Taxes	-302	-191	-479	-853	-830 <sup>1</sup>
<b>Income for the period</b>	<b>1,749</b>	<b>903</b>	<b>1,288</b>	<b>2,036</b>	<b>1,862<sup>1</sup></b>
*of which depreciation, amortization and impairment	-1,221	-1,500	-1,163	-1,081	-836

## Financial position, SEKm

	2010	2009	2008	2007	2006
Total assets	28,402	30,229	34,337	28,803	16,355
Net assets	17,803	18,475	22,367	19,401	10,514
Europe & Asia/Pacific	11,550	12,201	14,457	12,066	n/a
Americas	5,217	4,848	5,884	5,402	n/a
Construction	2,596	2,645	3,312	2,961	n/a
Inventories	7,000	6,706	8,556	7,758	5,165
Trade receivables	3,575	3,385	4,184	3,912	3,106
Trade payables	2,810	2,854	3,280	2,731	2,209
Working capital	4,478	4,163	6,462	6,146	4,335
Total equity	12,203	12,126	8,815	7,389	6,264
Interest-bearing liabilities	7,667	9,094	16,287	13,318	5,090
Long-term borrowings	6,985	7,934	10,694	2,911	4,683
Short-term borrowings	309	661	3,159	10,130	303
Net debt	5,600	6,349	13,552	12,012	4,250

## Cash flow, SEKm

	2010	2009	2008	2007	2006
Cash flow from operations, excluding change in operating assets and liabilities	2,888	2,749	2,703	3,232	2,626 <sup>1</sup>
Cash flow from operating assets and liabilities	-613	1,897	441	-576	-1,194 <sup>1</sup>
<b>Cash flow from operations</b>	<b>2,275</b>	<b>4,646</b>	<b>3,144</b>	<b>2,656</b>	<b>1,432<sup>1</sup></b>
Cash flow from investments	-1,313	-909	-1,131	-813	-897
<b>Operating cash flow</b>	<b>962</b>	<b>3,737</b>	<b>2,013</b>	<b>1,843</b>	<b>535</b>
Acquisitions of operations	0	-43	-845	-8,876	-558
<b>Total cash flow from operations and investments</b>	<b>962</b>	<b>3,694</b>	<b>1,168</b>	<b>-7,033</b>	<b>-23</b>

<sup>1)</sup> The Husqvarna Group was established as of 31 May 2006, and listed on the NASDAQ OMX Stockholm as of June 13, 2006. The Husqvarna operations previously comprised the Outdoor Product segment within Electrolux Group. Figures for 2006 presented above are based on the pro forma figures. As the establishment of the Group was finalized by May 31, 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 on [www.husqvarna.com](http://www.husqvarna.com).

## Key data, SEKm

	2010	2009	2008	2007	2006
Net sales	32,240	34,074	32,342	33,284	29,402
Net sales growth, %	-5	5	-3	13	2
Gross margin, %	28.5	25.4	29.0	29.4	27.0
EBITDA	3,666	3,060	3,524	4,645	3,957
EBITDA margin, %	11.4	9.0	10.9	14.0	13.5
Operating income	2,445	1,560	2,361	3,564	3,121
Operating income excl. items affecting comparability	2,652	2,012	2,677	3,564	3,121
Operating margin, %	7.6	4.6	7.3	10.7	10.6
Operating margin excl. items affecting comparability, %	8.2	5.9	8.3	10.7	10.6
Europe & Asia/Pacific	14.3	8.5	13.1	16.0	n/a
Europe & Asia/Pacific excl. items affecting comparability, %	14.3	10.3	14.0	16.0	n/a
Americas	1.2	2.9	2.6	5.6	n/a
Americas excl. items affecting comparability, %	2.4	3.6	2.8	5.6	n/a
Construction	3.1	-4.7	0.4	13.8	n/a
Construction excl. items affecting comparability, %	4.8	-2.6	4.8	13.8	n/a
Income after financial items	2,051	1,094	1,767	2,889	2,692 <sup>1</sup>
Income for the period	1,749	903	1,288	2,036	1,862 <sup>1</sup>
Capital expenditure	1,302	914	1,163	857	890
Europe & Asia/Pacific	788	557	684	468	n/a
Americas	411	251	381	304	n/a
Construction	103	60	97	85	n/a
Operating cash flow	962	3,737	2,013	1,843	535 <sup>1</sup>
Cash flow per share	1.68	6.81	4.43 <sup>2</sup>	4.04 <sup>2</sup>	1.17 <sup>1,2</sup>
Earnings per share, diluted, SEK	3.03	1.64	2.81 <sup>2</sup>	4.46 <sup>2</sup>	4.08 <sup>1,2</sup>
Equity per share, SEK	21.2	21.1	19.3 <sup>2</sup>	16.1 <sup>2</sup>	13.7 <sup>2</sup>
Average number of shares, millions	573.4	548.8	454.5 <sup>2</sup>	456.2 <sup>2</sup>	456.9 <sup>2</sup>
Dividend per share, SEK	1.50 <sup>5</sup>	1.00	0.00	1.50 <sup>2</sup>	1.16 <sup>2</sup>
Dividend pay-out ratio, % <sup>4</sup>	49	64	-	42	35 <sup>3</sup>
Capital employed	19,870	21,220	25,102	20,707	11,354
Return on capital employed, %	11.0	6.6	10.7	17.6	23.8 <sup>1</sup>
Return on equity, %	13.9	7.5	15.8	28.6	32.5 <sup>1</sup>
Capital turn-over rate, times	1.7	1.6	1.5	1.8	2.4
Net debt/equity ratio	0.46	0.52	1.54	1.63	0.68
Interest coverage ratio, times	6.7	3.2	3.5	5.3	7.6 <sup>1</sup>
Equity/assets ratio, %	42.8	40.1	25.7	25.7	38.3
Salaries and remunerations	4,080	3,998	4,037	3,973	3,033
Average number of employees	14,954	15,030	15,720	16,093	11,412
Europe & Asia/Pacific	7,278	—	—	—	n/a
Americas	5,582	—	—	—	n/a
Construction	2,094	—	—	—	n/a

<sup>1</sup> The Husqvarna Group was established as of May 31, 2006, and listed on the NASDAQ OMX Stockholm as of June 13, 2006. The Husqvarna operations previously comprised the Outdoor Product segment within the Electrolux Group. Figures for 2006 presented above are based on the pro forma figures. As the establishment of the Group was finalized by May 31, 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 on [www.husqvarna.com](http://www.husqvarna.com).

<sup>2</sup> Number of shares 2006–2008 have been restated for the rights issue made in 2009. Number of shares 2006 have been restated for the bonus issue made in 2007.

<sup>3</sup> According to combined financial statements.

<sup>4</sup> Dividend pay out ratio is defined as total dividend in relation to the income for the period excluding non-controlling interest.

<sup>5</sup> As proposed by the Board.

# Quarterly data

## Income, SEKm

		Q1	Q2	Q3	Q4	Full year
Net sales	<b>2010</b>	9,082	11,457	6,907	4,794	32,240
	2009	11,152	11,481	6,709	4,732	34,074
	2008	10,043	10,343	6,830	5,126	32,342
EBITDA	<b>2010</b>	1,073	1,660	701	232	3,666
	2009	1,138	1,452	492	-22	3,060
	2008	1,488	1,595	593	-152	3,524
EBITDA margin, %	<b>2010</b>	11.8	14.5	10.1	4.8	11.4
	2009	10.2	12.6	7.3	-0.5	9.0
	2008	14.8	15.4	8.7	-3.0	10.9
Operating income	<b>2010</b>	778	1,319	411	-63	2,445
	2009	786	1,116	173	-515	1,560
	2008	1,202	1,321	310	-472	2,361
Operating income excl. items affecting comparability	<b>2010</b>	828	1,476	411	-63	2,652
	2009	821	1,134	232	-175	2,012
	2008	1,202	1,321	325	-171	2,677
Operating margin, %	<b>2010</b>	8.6	11.5	5.9	-1.3	7.6
	2009	7.0	9.7	2.6	-10.9	4.6
	2008	12.0	12.8	4.5	-9.2	7.3
Operating margin excl. items affecting comparability, %	<b>2010</b>	9.1	12.9	5.9	-1.3	8.2
	2009	7.4	9.9	3.5	-3.7	5.9
	2008	12.0	12.8	4.8	-3.3	8.3
Income after financial items	<b>2010</b>	690	1,250	310	-199	2,051
	2009	590	944	108	-548	1,094
	2008	1,060	1,141	178	-612	1,767
Margin, %	<b>2010</b>	7.6	10.9	4.5	-4.2	6.4
	2009	5.3	8.2	1.6	-11.6	3.2
	2008	10.6	11.0	2.6	-11.9	5.5
Income for the period	<b>2010</b>	535	936	402	-124	1,749
	2009	464	761	130	-452	903
	2008	753	810	143	-418	1,288
Earnings per share, SEK <sup>1</sup>	<b>2010</b>	0.92	1.62	0.70	-0.21	3.03
	2009	0.98	1.35	0.23	-0.79	1.64
	2008	1.65	1.77	0.32	-0.93	2.81

## Financial position, SEKm

		Q1	Q2	Q3	Q4	Full year
Inventories	<b>2010</b>	7,326	6,769	6,006	7,000	7,000
	2009	8,975	6,979	5,823	6,706	6,706
	2008	7,723	6,642	6,361	8,556	8,556
Equity	<b>2010</b>	12,458	13,079	12,406	12,203	12,203
	2009	12,579	13,003	12,416	12,126	12,126
	2008	7,903	7,939	8,614	8,815	8,815
Interest-bearing liabilities	<b>2010</b>	10,418	10,525	7,897	7,667	7,667
	2009	12,895	12,929	10,276	9,094	9,094
	2008	16,245	14,901	13,168	16,287	16,287
Net debt	<b>2010</b>	8,511	6,632	5,109	5,600	5,600
	2009	10,312	9,137	6,918	6,349	6,349
	2008	14,734	13,387	12,014	13,552	13,552
Working capital	<b>2010</b>	7,167	5,720	4,377	4,478	4,478
	2009	6,700	6,524	4,794	4,163	4,163
	2008	9,784	8,101	6,381	6,462	6,462

<sup>1</sup> Number of shares have been restated for the rights issue made in 2009.

**Net sales by business area, SEKm**

		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2010</b>	4,459	5,845	3,708	2,609	16,621
	2009	5,034	5,639	3,446	2,475	16,594
	2008	5,200	5,677	3,491	2,566	16,934
Americas	<b>2010</b>	4,028	4,863	2,482	1,571	12,944
	2009	5,470	5,142	2,584	1,649	14,845
	2008	4,052	3,777	2,556	1,881	12,266
Construction	<b>2010</b>	595	749	717	614	2,675
	2009	648	700	679	608	2,635
	2008	791	889	783	679	3,142

**Operating income by business area, SEKm**

		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2010</b>	732	1,145	511	-5	2,383
	2009	674	840	190	-294	1,410
	2008	957	1,130	317	-188	2,216
Europe & Asia/Pacific excl. items affecting comparability	<b>2010</b>	732	1,145	511	-5	2,383
	2009	708	858	249	-105	1,710
	2008	957	1,130	323	-42	2,368
Americas	<b>2010</b>	81	202	-92	-39	152
	2009	218	332	-8	-105	437
	2008	229	158	14	-80	321
Americas excl. items affecting comparability	<b>2010</b>	131	312	-92	-39	312
	2009	219	332	-8	-8	535
	2008	229	158	14	-54	347
Construction	<b>2010</b>	1	11	42	28	82
	2009	-67	-14	29	-71	-123
	2008	63	80	34	-164	13
Construction excl. items affecting comparability	<b>2010</b>	1	58	42	28	129
	2009	-67	-14	29	-17	-69
	2008	63	80	43	-36	150
Group common costs etc.	<b>2010</b>	-36	-39	-50	-47	-172
	2009	-39	-42	-38	-45	-164
	2008	-47	-47	-55	-40	-189
Group common costs excl. items affecting comparability	<b>2010</b>	-36	-39	-50	-47	-172
	2009	-39	-42	-38	-45	-164
	2008	-47	-47	-55	-39	-188

**Operating margin by business area, SEKm**

		Q1	Q2	Q3	Q4	Full year
Europe & Asia/Pacific	<b>2010</b>	16.4	19.6	13.8	-0.2	14.3
	2009	13.4	14.9	5.5	-11.9	8.5
	2008	18.4	19.9	9.1	-7.3	13.1
Europe & Asia/Pacific excl. items affecting comparability	<b>2010</b>	16.4	19.6	13.8	-0.2	14.3
	2009	14.1	15.2	7.2	-4.2	10.3
	2008	18.4	19.9	9.3	-1.6	14.0
Americas	<b>2010</b>	2.0	4.2	-3.7	-2.5	1.2
	2009	4.0	6.5	-0.3	-6.4	2.9
	2008	5.7	4.2	0.5	-4.3	2.6
Americas excl. items affecting comparability	<b>2010</b>	3.3	6.4	-3.7	-2.5	2.4
	2009	4.0	6.5	-0.3	-0.5	3.6
	2008	5.7	4.2	0.5	-2.9	2.8
Construction	<b>2010</b>	0.1	1.5	5.9	4.6	3.1
	2009	-10.3	-2.0	4.3	-11.7	-4.7
	2008	8.0	9.0	4.3	-24.2	0.4
Construction excl. items affecting comparability	<b>2010</b>	0.1	7.8	5.9	4.6	4.8
	2009	-10.3	-2.0	4.3	-2.8	-2.6
	2008	8.0	9.0	5.5	-5.3	4.8

# The Husqvarna share

## Listing and trading volume

Husqvarna shares have been listed on NASDAQ OMX Stockholm since June 2006.

A total of 585 million (631) Husqvarna shares were traded in 2010, with a total value of SEK 29.2 billion (27.5), corresponding to an average daily trading volume of 2.3 million (2.5) shares or SEK 115m (110).

The turnover velocity for the Husqvarna B-share was 128 percent in 2010, compared with a turnover velocity of 95 percent for all shares listed on NASDAQ OMX Stockholm exchange and 99 percent for shares listed on the Large Cap list.

According to the EU Markets in Financial Instruments Directive (MiFID), a share can also be traded on a "Multilateral Trading Facility" (MTF), i.e. on markets other than the stock exchange where it is listed. The Husqvarna share is traded on several MTFs including Chi-X, BATS and Turquoise. However, the NASDAQ OMX Stockholm exchange accounts for the majority of trading.

## Dividend and dividend policy

The Board of Directors has proposed a dividend of SEK 1.50 per share (1.00) for 2010, representing 49 percent (64) of income for the year. The policy is that the dividend shall normally exceed 40 percent of income for the year.

## Repurchase of shares

The AGM 2010 authorized the Board of Directors to repurchase a maximum of three percent of the total number of outstanding B-shares to ensure Husqvarna's commitments in terms of existing long-term incentive programs. 1,270,000 B-shares were repurchased during the year. At year-end, the total number of repurchased shares amounted to 3,906,007 B-shares (2,723,128) corresponding to 0.68 percent of the total number of outstanding shares.

## Incentive programs

Husqvarna has share-related long-term incentive programs for 2008, 2009 and 2010. The Board of Directors proposes that the AGM 2011 adopts a long-term incentive program for 2011.

For more information about the incentive programs, see Note 19.

## Conversion of shares

At Husqvarna AB's AGM on 27 April 2010, it was resolved to amend Husqvarna's articles of association, whereby shareholders in Husqvarna, who hold A-shares shall be entitled to request conversion of their A-shares into B-shares. In 2010, 12,814,943 A-shares were converted to B-shares.

## Analyst coverage

There are currently more than 15 analysts who analyze and follow Husqvarna and give recommendations on the share.

## ADR

Husqvarna sponsors a Level I American Depositary Receipt (ADR) program in the United States. The ADRs, which each represent 2 ordinary B-shares, are publicly traded in the US on the OTC Market, under symbol HSQVY. The ADR is a US dollar denominated security, and the associated dividends are paid to investors in US dollars. Citibank is Husqvarna's ADR depository bank.

More information is found on [www.citi.com/dr](http://www.citi.com/dr)

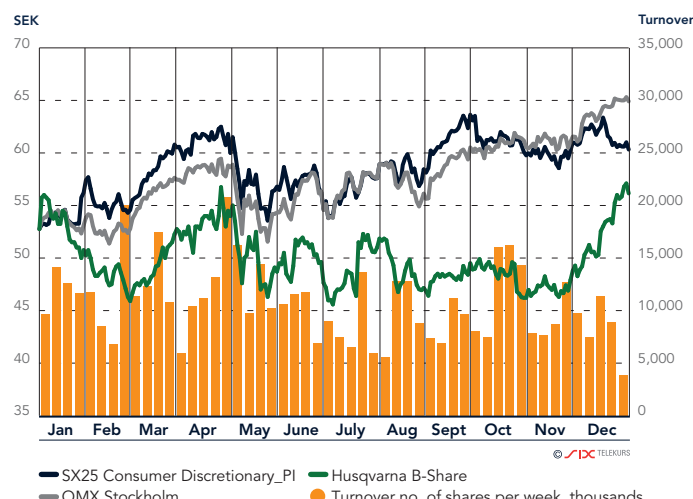
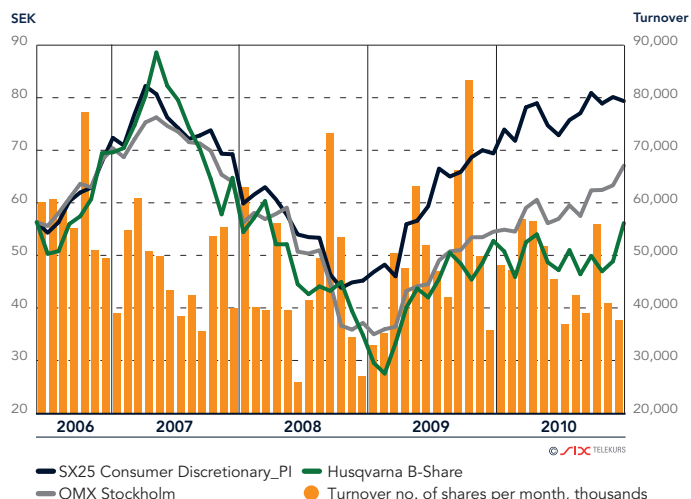
## FURTHER INFORMATION CONCERNING THE HUSQVARNA SHARE

The following information, and more, is available at [www.husqvarna.com](http://www.husqvarna.com).

- Share price development
- Shareholder ownership structure
- Conversion of A-shares
- Analyst coverage
- Repurchase of shares
- Share capital
- Insider trading

For more information, please visit [www.husqvarna.com](http://www.husqvarna.com)

## 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
2010: conversion from A-shares to B-shares	1,152,687,556	2	134,755,087	441,588,691	576,343,778

## Largest shareholders in Husqvarna AB

	Capital, %	Votes, %	Change during the year	
			Capital, %	Votes, %
Investor AB	15.7	30.8	0.1	1.9
Alecta Mutual Pension Insurance	9.4	7.0	-0.5	0.3
Swedbank Robur Investment Funds	6.3	2.0	0.5	0.1
LE Lundbergföretagen	5.2	15.6	0.2	1.2
SEB Investment Funds & SEB Trygg Liv	2.7	1.1	0.3	-0.1
Lannebo Funds	2.5	1.9	1.2	0.4
AMF Insurance & Pension Investment Funds	2.5	1.8	-0.1	-0.3
Nordea Investment Funds	2.2	1.2	0.3	0.2
Didner & Gerge Investment Funds	2.0	1.6	0.1	0.2
The Norwegian State	1.7	1.3	0.2	0.2
<b>Total for the 10 largest shareholders</b>	<b>50.2</b>	<b>64.3</b>	<b>2.3</b>	<b>4.1</b>

Source: SIS Ågarsservice as of December 31, 2010.

## Share data

	2010	2009	2008
Earnings per share, SEK <sup>1</sup>	3.03	1.64	2.81
Earnings per share after dilution, SEK <sup>1</sup>	3.03	1.64	2.81
Cash flow per share, operating, SEK <sup>1</sup>	1.68	6.81	4.43
Cash flow per share, operating, after dilution, SEK <sup>1</sup>	1.68	6.81	4.43
Equity per share, SEK <sup>1</sup>	21.2	22.0	19.3
Dividend per share, SEK <sup>1</sup>	1.50	1.00	0
Yield, % <sup>2</sup>	2.7	1.9	0
Dividend payout ratio, %	49	64	0
Year-end price, A-share, SEK	56	50	32
Highest price, A-share, SEK	57	51	65
Lowest price, A-share, SEK	41	24	32
Year-end price, B-share, SEK	56	53	35
Highest price, B-share, SEK	58	54	65
Lowest price, B-share, SEK	44	25	33
Number of shareholders	66,041	71,750	64,555
Market capitalization, SEKm	32,301	29,966	15,572

<sup>1</sup> Dividend 2010 as proposed by the Board. 2008 is restated for the rights issue made in 2009.<sup>2</sup> 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	2.7	50,083	75.8
1,001-10,000	5.7	14,319	21.7
10,001-100,000	4.0	1,317	2.0
100,001-1,000,000	7.3	237	0.4
1,000,001-	80.3	85	0.1
<b>Total</b>	<b>100.0</b>	<b>66,041</b>	<b>100.0</b>

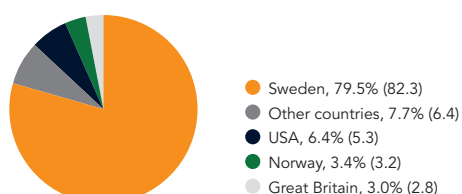
## Key facts, Husqvarna shares

Listing:	NASDAQ OMX Stockholm
Number of shares:	576,343,778
Market capitalization at year-end 2010:	SEK 32 bn
Ticker codes:	Bloomberg HUSQA SS, HUSQB SS, Reuters HUSQa.ST, HUSQb.ST, NASDAQ OMX Stockholm HUSQ A, HUSQ B
ISIN codes:	A-share SE0001662222, B-share SE0001662230

## Key facts, Husqvarna ADR

Ticker code:	HSQVY
ISIN code:	US4481031015
Ratio:	Two ordinary B-shares equals one ADR

## DISTRIBUTION OF SHAREHOLDERS BY COUNTRY



# Annual General Meeting 2011

The Annual General Meeting of Husqvarna AB will be held at 4 pm on Wednesday May 4, 2011, at the Elmia Congress Centre, the Hammarskjöld Hall, Elmiavägen 15, Jönköping, Sweden.

## Participation

Shareholders who intend to participate in the AGM must

- Be registered in the share register kept by Euroclear Sweden AB on Thursday April 28, 2011.
- Give notice of intent to participate, thereby stating the number of assistants attending, to Husqvarna no later than Thursday April 28, 2011.

## Notice of participation

Notice of intent to participate can be given

- By mail to Husqvarna AB, c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden.
- By telephone at +46 8 738 70 10 between 9 am and 4 pm weekdays.
- At [www.husqvarna.com/agm](http://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 AGM 2011. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Husqvarna prior to the AGM.

## 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 Thursday April 28, 2011, in order to participate in the AGM.

## Dividend

The Board of Directors has proposed a dividend of SEK 1.50 per share, and Monday May 9, 2011 as record date. With this record date, it is expected that dividends will be paid from Euroclear on Thursday May 12, 2011. The last day for trading in Husqvarna shares including the right to dividend for 2010 is Wednesday May 4, 2011.

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## Financial information 2011

April 19	Interim report January–March
May 4	Annual General Meeting
July 19	Interim report January–June
October 20	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](http://www.husqvarna.com/ir). Printed copies can be ordered from the Group's web site.

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# Husqvarna Website

Husqvarna’s corporate website – www.husqvarna.com – contains detailed and updated financial information for investors as well as information about Husqvarna’s objectives and strategies, corporate governance, Group-related news, and more. The website also has a subscription service for receiving press releases and reports by email. A selection of headlines and functions on the webpage is shown below.

**About Husqvarna**  
The Husqvarna strategy, business, organization and history.

**Corporate governance**  
Ownership structure, General Meetings, Board of Directors and Group Management.

**Corporate responsibility**  
Environmental, social and economical responsibility.

**The share**  
Largest shareholders, share price development, share facts etc.

**Financial reports**  
Annual and interim reports etc.

**Financial data**  
Annual and quarterly financial statistics.

**General Meetings**  
Notices, proposals and minutes from AGM etc.

**Husqvarna share price development**

**Latest press releases**

**Upcoming events**

**Investor Relations**  
Company overview  
Press releases  
Financial goals  
Risk management  
Acquisitions  
Capital markets day  
Presentations and web casts  
Calendar  
Subscriptions  
Mobile version  
RSS  
Contacts

**Investor Relations**  
The principle task of Husqvarna Investor Relations is to provide investors and the capital market with accurate, relevant and timely information that facilitates understanding the operations of the Husqvarna Group and evaluating the Husqvarna share.

**Latest press releases**  
22 February, 2011 14:00  
Year-end report 2010  
23 February, 2011 08:00  
Husqvarna launches new robotic mower for small gardens - Automower® 305  
14 February, 2011 10:30  
Imitation - fourth quarter results presentation

**Upcoming events**  
19 April, 2011  
Interim report for January-March  
04 May, 2011  
Annual General Meeting  
19 July, 2011  
Interim report for January-June

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**The Husqvarna share**

Date	+/-SEK	+/-%	Last	Bid	Ask	High	Low	Volume
2011-03-09 12:43	0.95	1.84	52.60	52.60	52.65	52.65	51.70	867,177

**Fourth quarter results**  
Husqvarna's year-end report 2010 and results for the fourth quarter 2010 was published on February 23 at 14:00 CET. The report, conference call slides and financial data is available:  
# The report  
# Presentation slides  
# Financial data

# History

## More than 300 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 logo 1882-1885.



### 1689 Weapons foundry

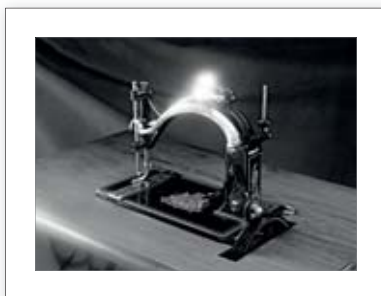
The foaming waterfall in Huskvarna, Sweden, turns out to be a hidden source of power. The first Husqvarna plant is established here as a weapons factory harnessing that energy. The last Husqvarna rifle was produced in 1989.

### 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.

### 1896 Bicycles

The company continues to produce bicycles until 1962.

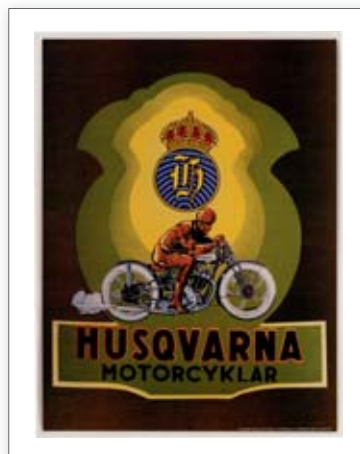


### 1872 Sewing machines

The production of sewing machines started in 1872 and were produced for more than 100 years until the operation was divested in 1997.

### 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.

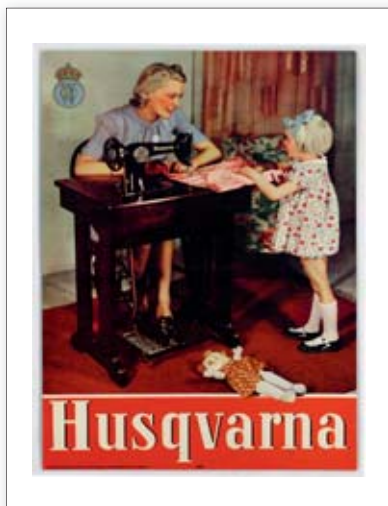


### 1903 Motorcycles

The dawn of a new era, as expertise in engines becomes a major asset for Husqvarna. The motorcycle operation was sold in 1987.



The first Husqvarna logo.



Over the centuries, Husqvarna has produced a wide range of products that includes sewing machines, outboard motors and mopeds.



**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 as well as Zenoah and Klippo.

**2008 Expanded presence in China**

Husqvarna expands production in China through the newly acquired Jenn Feng operation.

**1995 Robotic lawn mower**

Launch of Automower®, the world's first solar powered robotic lawn mower.

**2010 New production facility in Poland**

The new production facility in Mielec, Poland, is inaugurated. The facility will produce riders and walk-behind lawn mowers.

**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 Husqvarna logo 1932-1973.



*Market data, statistics and market shares are estimates made by Husqvarna.*

### **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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