



new structure is not expected to entail any tax consequences. Shares that previously have been listed on the O-list are expected to continue to be exempted from net wealth tax. According to OMX, an application for an advance tax ruling has been filed to confirm whether this view is correct.

### Shareholders not resident in Sweden

For shareholders who are not fiscally resident in Sweden and who receive dividends from Swedish corporations, Swedish withholding tax is generally payable. However, the distribution of shares in Husqvarna is exempt from Swedish withholding tax under the “Lex ASEA-provisions”. The distribution may, however, entail tax consequences in the shareholder’s country of residence.

Swedish withholding tax will normally be payable on dividends paid by Husqvarna to shareholders not fiscally resident in Sweden. The statutory tax rate is 30%. This rate is normally reduced by tax treaties for the avoidance of double taxation that Sweden has concluded with other countries. The withholding tax is normally withheld by VPC or, for nominee-registered shares, by the nominee.

Shareholders who are not fiscally resident in Sweden and are not carrying on business operations from a fixed place or a permanent establishment in Sweden are generally exempt from capital gains taxation in Sweden on the disposal of shares. However, shareholders may be liable for tax in their country of residence. If a shareholder, being an individual, has been resident or lived permanently in Sweden at any time during the year of the sale or the ten calendar years immediately preceding the year of the sale of Swedish shares, Sweden has the right under domestic rules to tax such holder. This right to tax is, however, limited by several tax treaties that Sweden has concluded with other countries.

## Certain US federal income tax consequences

The following discussion describes the material US federal income tax consequences of the distribution of Husqvarna shares to shareholders of Electrolux in the transaction contemplated by this prospectus. This discussion is based on the Code, the Treasury Regulations promulgated thereunder, judicial opinions, published positions of the IRS, and all other applicable authorities as of the date of this Prospectus, all of which are subject to change, possibly with retroactive effects.

The following discussion applies only to a holder of Electrolux common shares who holds those shares as capital assets within the meaning of the Code (generally, for investment purposes) and is for US federal income tax purposes (1) a citizen or resident of the US, (2) a corporation or other entity taxable as a corporation organized under the laws of the US or any political subdivision thereof (including the states and the District of Columbia), (3) a trust, if a court within the US is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust, or the trust has made a valid election under the applicable Treasury Regulations to be treated as a US person or (4) an estate that is subject to US federal income tax regardless of its source. This discussion does not address all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances or to persons that are subject to special tax

rules. We urge you to consult your own tax advisor as to the specific tax consequences of the distribution, including the applicable federal, state, local and foreign tax consequences to you of the distribution.

Electrolux received a private letter ruling from the IRS, and will receive an opinion of Squire Sanders & Dempsey L.L.P., to the combined effect that, for US federal income tax purposes, the distribution of Husqvarna shares will generally qualify as a tax-free distribution under Sections 355 and 368 of the Code and the distribution of Husqvarna shares will also generally be tax-free to Electrolux and its shareholders and that private letter ruling also include other assurances as to tax matters relating to the separation that the Electrolux Board of Directors deems appropriate. Electrolux received the IRS ruling dated June 27, 2005. It addresses certain issues relevant to the qualification of the distribution of Husqvarna shares as a tax-free distribution under Sections 355 and 368 of the Code, except with respect to any “excess loss account” or “intercompany transaction” required to be taken into account by Electrolux under the Treasury regulations relating to consolidated returns.

### Principal US Federal Income Tax Consequences to Shareholders of Electrolux

Based on the IRS ruling and the opinion that Electrolux will receive from Squire Sanders & Dempsey L.L.P., for US federal income tax purposes:

- no gain or loss will be recognized by, and no amount will be includible in the income of, a holder of Electrolux shares solely as a result of the receipt of Husqvarna shares in the distribution;
- the holding period for the Husqvarna shares received in the spin off will include the period during which the Electrolux shares with respect to which such shares was received was held;
- and the aggregate basis of the Electrolux and Husqvarna shares in the hands of each Electrolux shareholder after the distribution will, in each instance, be the same as the aggregate basis of the Electrolux shares held by such shareholder immediately before the distribution, allocated in proportion to the fair market value of each.

## Certain UK tax considerations

What follows is intended as a general guide to certain aspects of current UK law and practice as presently applied to the distribution and listing of shares in Husqvarna to shareholders who are resident for tax purposes in the UK. The comments may not apply to certain categories of UK resident shareholders (such as dealers in securities).

### Distribution of shares in Husqvarna

The distribution of shares in Husqvarna to Electrolux shareholders takes place, under Swedish company law, via a dividend distribution and does not involve any partial liquidation or return of capital by Electrolux. Electrolux shareholders who are resident for tax purposes in the UK and who receive a distribution of shares in Husqvarna should therefore be treated as receiving income equal to the value of the shares in Husqvarna received. Such income will generally constitute income from foreign possessions assess-

able under Case V of Schedule D and shareholders may have a liability to income tax or (as the case may be) to corporation tax, depending on their own particular circumstances.

The distribution of shares in Husqvarna should constitute income in the hands of UK shareholders, the base cost (for the purposes of taxation of capital gains) of shareholder's holding in Electrolux should not require to be adjusted in consequence of the distribution of shares in Husqvarna.

As described under "Swedish tax considerations – Shareholders not resident in Sweden", the distribution of shares in Husqvarna is exempt from Swedish withholding tax.

### **Disposal of shares in Husqvarna**

Shareholders resident in the UK who, having received Husqvarna shares by way of distribution, subsequently sell or otherwise dispose of those shares may, depending on their particular circumstances, incur a liability to UK taxation of capital gains. For these purposes, a UK shareholder's acquisition cost should be equal to the amount taxed as income on receipt of the Husqvarna shares.

UK shareholders who are in any doubt about their position should consult their professional advisor without delay.

### **Dividends from Husqvarna**

Dividends payable in the future to UK resident shareholders in respect of their new holding of Husqvarna shares will likewise generally constitute income from foreign possessions. Under the terms of the Double Taxation Convention presently in force between Sweden and UK, Swedish tax may be withheld from dividends payable by a Swedish company to certain classes of UK resident shareholders but so long as the UK shareholder is the beneficial owner of the dividend and provided the shareholding is not effectively connected with a permanent establishment in Sweden, the Swedish tax will not exceed 5% of the dividend. Such tax withheld in Sweden will generally be available as a credit to set against the shareholder's liability to UK tax in respect of dividend.

*We urge you to consult your own tax advisor as to the specific tax consequences of the distribution.*