

Information regarding redemption of  
shares in AB Electrolux 2006/2007

*Thinking of you*

 **Electrolux**

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## The proposed share redemption procedure in summary

- Upon approval of shareholders at the Extraordinary General Meeting on December 12, 2006, each Electrolux share (A as well as B) is split into two shares (of the same series) of which one will be named redemption share in the VPC system. The redemption share is automatically redeemed at SEK 20 in cash.
- The procedure is automatic. No action is needed on behalf of the shareholder.
- Record date for the share split and entitlement to redemption shares is January 5, 2007.
- Payment of the redemption amount is expected towards the end of January, 2007.

### TIMETABLE 2006/2007



This document does not constitute an offer and is merely information on the Board of Directors' proposal of capital distribution to the shareholders of Electrolux through a mandatory redemption of shares. The purpose of this document is only to provide the shareholders in Electrolux with information for the Extraordinary General Meeting on December 12, 2006, which meeting is proposed to resolve on a mandatory redemption of shares. The Board of Directors' complete proposal is available at the company and at the company's website, and is sent to shareholders at request.

This document is a translation of the Swedish document. The English version contains information for holders of Electrolux American Depositary Receipts as well as information on tax consequences of the redemption procedure for shareholders in the US and the UK, which have been deemed to be relevant only for shareholders resident in the US and the UK. In the event of any discrepancy between this translation and the Swedish version, apart from the above-mentioned additional information, the Swedish version shall prevail.

# Background and reasons

Against the background of the Group's overly strong balance sheet following the distribution of Husqvarna to Electrolux shareholders, the Board of Directors proposes that an Extraordinary General Meeting be held to resolve on a mandatory redemption of shares at SEK 20 per share. This corresponds to a capital distribution totalling approximately SEK 5,600m<sup>1)</sup> to Electrolux shareholders in addition to the ordinary cash dividend and the ongoing share buyback program. The reason for the redemption procedure is to adapt the Group's capital structure after the distribution of Husqvarna and thus to contribute to an increase in shareholder value.

It is important for Electrolux to maintain its strong financial position in the future. After the proposed capital distribution, the Group will have a capital structure that continues to provide the flexibility required to implement the Group's strategy, which includes investments in product development and brand building, conducting restructuring measures and generating growth via possible acquisitions.

In accordance with the proposal, each Electrolux A-share and B-share will be split into two shares, A or B, of which one will be named redemption share in the register kept by VPC (the Swedish Central Securities Depository & Clearing Organization). Subsequently, the redemption shares will be redeemed automatically at SEK 20 per share. The redemption shares will be traded on the Stockholm Stock Exchange during the period January 8 to 19, 2007 following which they will be redeemed automatically. The redemption amount is expected to be paid at the end of January, 2007. The proposal regarding mandatory redemption will be addressed at an Extraordinary General Meeting on December 12, 2006.

In addition to the proposed redemption procedure worth approximately SEK 5,600m and the distribution of Husqvarna, the Group has distributed funds to shareholders via the ordinary cash dividend as well as through the repurchase of shares on the stock market. The dividend for the financial year 2005 amounted to approximately SEK 2,200m, and, during the first nine months of 2006, the Group repurchased shares for a total of approximately SEK 1,600m.

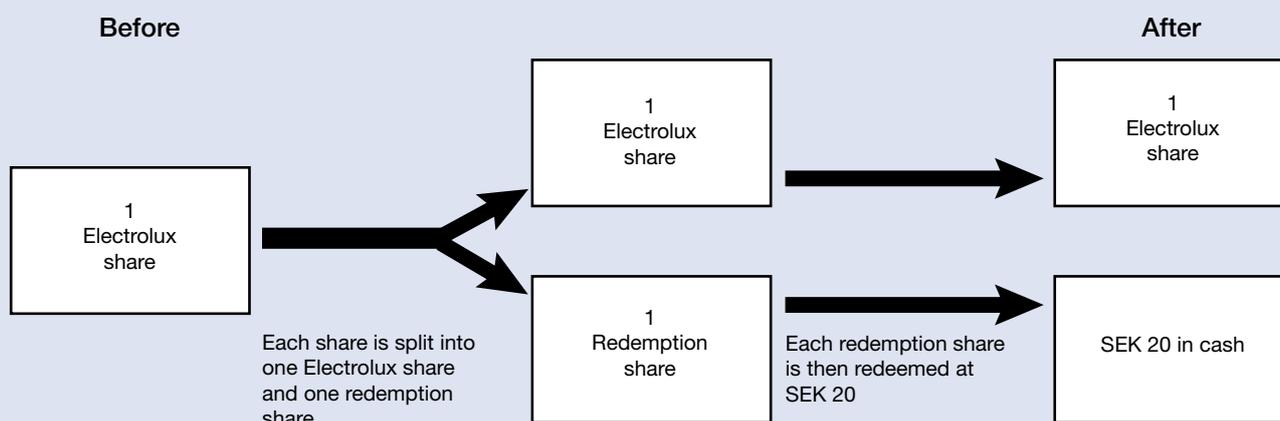
Stockholm, November 24, 2006

**AB Electrolux**

1) This amount could increase or decrease depending on the company's holding of treasury shares, which do not carry entitlement to refunds but could total as much as SEK 6,178,406,160.

# How the share redemption procedure works

- Each Electrolux share (A as well as B) is split into two shares (of the same series) of which one will be named redemption share in the VPC system.
- The redemption share is then automatically redeemed at a redemption price of SEK 20 per share in cash.



## Illustrative example:

As of the record date for the redemption procedure, you are the registered owner of 100 Electrolux shares. In this example, the current price per share is assumed to be SEK 135. Your shares are thus worth:

- **100 Electrolux shares x SEK 135 = SEK 13,500**

When the redemption procedure starts, each share will be split into one Electrolux share and one redemption share. Electrolux will automatically redeem the redemption share at SEK 20 in cash; accordingly, the theoretical price for the Electrolux share after the split is calculated at approximately SEK 115, that is, the difference between the price per share before the split (SEK 135) and the value of the redemption share (SEK 20). The value of your holding then becomes as follows:

- 100 Electrolux shares x SEK 115 = SEK 11,500
- 100 redemption shares x SEK 20 = SEK 2,000

Electrolux will then redeem your redemption shares for SEK 20 each in cash. This does not require any action on the shareholder's part. After the redemption procedure is completed, you will hold:

- **100 Electrolux shares x SEK 115 = SEK 11,500**
- **Cash payment for 100 redemption shares x SEK 20 = SEK 2,000**

**Therewith, you will still own the same number of ordinary shares in Electrolux as you did prior to the redemption procedure and will have been paid SEK 20 in cash for each share you owned as of the record date.**

*This example does not take into account any tax effects that may arise in connection with the redemption. For a summary of certain tax consequences, please see the sections under the headings "Tax considerations in Sweden", "Tax considerations in the US", "Tax considerations in the UK" and "Q&A" for further information.*

# Description of the share redemption procedure

## Share split and redemption

Those registered with VPC as shareholders in Electrolux on the record date January 5, 2006 for the share split are entitled to redemption shares. For each A-share and B-share held, the shareholders receive two shares (of the same series), of which one will be named redemption share in the VPC system. Each redemption share will be automatically redeemed, at a cash payment of SEK 20 per redemption share.

## Last day for trading in shares including the right to redemption shares

The last day for trading in Electrolux shares including the right to redemption shares will be January 2, 2007. Starting January 3, 2007 the Electrolux share will be listed excluding the right to redemption shares.

## Record date

The record date at VPC for the share split of the Electrolux share and entitlement to redemption shares is January 5, 2007. The redemption shares are thereafter booked into the shareholder's VP-account. The shareholder will receive a VP-notice as confirmation of the number of redemption shares received.

## Trading in redemption shares

Trading in redemption shares will take place on the Stockholm Stock Exchange during the period January 8 to 19, 2007. Banks and other securities companies with the necessary permits can assist with trading in redemption shares.

## Payment of redemption amount

In connection with the payment of the redemption amount, the redemption shares registered in the shareholder's VP-account will be removed. A VP-notice relating to this will not be sent out.

Cash payment of SEK 20 for each redemption share is expected to take place around January 29, 2007. Payment will be made via VPC to the yield account linked to the shareholder's VP-account. A VP-notice will be sent out as confirmation of payment.

## Shares registered with nominees

Shareholders in Electrolux whose shares are registered with a nominee, for example, a bank or another securities company, will receive redemption shares in accordance with the information given by each nominee.

## Foreign shareholders

Foreign shareholders (non-Swedish) who participate in the redemption procedure and have shares redeemed are obliged to pay Swedish withholding tax on the redemption amount, refer to "Tax considerations in Sweden". Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount. Foreign shareholders (non-Swedish) should note that part of the redemption price could be withheld to cover withholding tax.

## Information for ADR holders

Electrolux intends to instruct The Bank of New York, as Depository for its ADR program, to sell over the Stockholm Stock Exchange all redemption shares attributable to American Depositary Shares on deposit in the ADR program on the record date and to remit net proceeds to ADR holders.

## Preconditions for the redemption procedure

The redemption procedure requires resolution by the Extraordinary General Meeting on December 12, 2006 of a mandatory redemption procedure in accordance with the proposal by the Board of Directors. The proposal regarding the redemption procedure will include decisions on changes to the company's Articles of Association, share split, a reduction of the share capital and the restoring of the share capital through a bonus share issue. The completion of the redemption procedure implies that the decisions taken by the Extraordinary General Meeting are carried into effect and registered with the Swedish Companies Registration Office ("Bolagsverket").

## Questions

Questions regarding the share redemption procedure will be answered by:

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For particular questions regarding the tax consequences of the redemption procedure, beyond what is clear from this brochure, a tax advisor should be consulted.

# Effects for Electrolux

Following the distribution of Husqvarna the Group's balance sheet is overly strong. The purpose of the proposed redemption procedure is to adjust the Group's capital structure and thereby contribute to increased shareholder value. After the proposed capital distribution the Group will attain a capital structure that will provide the flexibility that is necessary for the Group to implement its strategy, which includes investments in product development and building the Electrolux brand, conducting restructuring measures as well as growth through possible acquisitions.

To illustrate how the redemption procedure would have affected Electrolux consolidated financial statements as of September 30, 2006, pro-forma figures are presented below for certain income statement and balance sheet items as well as certain key ratios. The income for the period is calculated assuming that the redemption procedure was completed as of January 1, 2006. The balance sheet items are prepared assuming that the redemption procedure was completed as of September 30, 2006.

The redemption amount of approximately SEK 5,600m could increase or decrease depending on the Group's holding of treasury shares.

## Financial effects of the redemption procedure for the Electrolux Group

Key ratios	Sept. 30, 2006	Adjustment	Pro-forma Sept. 30, 2006
Average number of shares after buy-backs	291.6	–	291.6
Income for the period, SEKm <sup>1)</sup>	1,213	–79	1,134
Equity, SEKm	18,303	–5,600	12,703
Net borrowings, SEKm <sup>2)</sup>	–504	5,600	5,096
Earnings per share, SEK <sup>3)</sup>	4.16	–0.27	3.89
Net debt/equity ratio <sup>4)</sup>	–0.03	0.43	0.40
Equity/assets ratio, % <sup>5)</sup>	30.9	–9.5	21.4

1) Income for the period for continuing operations excluding the distributed outdoor operations, Husqvarna. The adjustment of the income is due to higher interest expenses as a result of increased net borrowings.

2) Total interest-bearing liabilities less liquid funds.

3) Calculated for the continuing operations based on an average number of shares after buy-backs.

4) Net borrowings in relation to total equity.

5) Equity as a percentage of total assets less liquid funds.

# Tax considerations in Sweden

*The presentation below is a summary of certain Swedish tax regulations that apply to shareholders in Electrolux as a result of the redemption procedure. Unless otherwise stated, the summary is based on regulations and practice currently in force for shareholders with an unlimited tax liability in Sweden. The summary does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes.<sup>1)</sup> Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of “qualified shares” in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences are affected by provisions of the shareholder’s home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend on the shareholder’s specific circumstances. All shareholders should consult a tax advisor for information on the specific tax consequences arising from the redemption procedure for their part.*

## **In brief**

Receipt of redemption shares by share split does not give rise to any Swedish taxation. Taxation will arise when the redemption shares are disposed of in the market or redeemed. The tax basis of the original shares shall be allocated between the redemption shares and the ordinary shares relative in proportion to the fair market value of the shares at the time of the share split. In the case of shareholders that are tax resident outside of Sweden, a Swedish withholding tax is payable on the cash proceeds received when the shares are redeemed. However, no withholding tax is payable if the redemption shares are sold in the market.

## Receipt of redemption shares

The receipt of redemption shares pursuant to the share split as such does not give rise to any taxation. Instead, the acquisition cost of the original Electrolux A and B shares immediately before the split shall be allocated between the redemption shares and the ordinary shares in Electrolux. The allocation will be made separately regarding

A shares and B shares, based on the market values of the redemption shares and the ordinary shares in relation to the split and the detachment of the redemption shares. Electrolux intends to seek general advice from the Swedish Tax Agency regarding how this allocation shall be made.<sup>2)</sup>

## **Example of allocation of acquisition cost**

*Assume in this example, that a shareholder has one B share in Electrolux with an average acquisition cost of SEK 100 immediately before the split. The trading price at the time of the split is SEK 135 and the price of the redemption share is SEK 20. Furthermore, assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 85 per cent (note that this is solely an assumption) of the acquisition cost for one original B share will be allocated to the ordinary share and 15 per cent will be allocated to the redemption share. The acquisition cost of the redemption share will consequently be SEK 15 (15 per cent of SEK 100). The acquisition cost of the ordinary B share will then be SEK 85 (85 per cent of SEK 100). Thus, if the redemption share is redeemed, a capital gain of  $(20-15) = \text{SEK } 5$  will arise on each redemption share. The same consequence will arise if the redemption share is sold for SEK 20.*

1) Quoted shares are deemed to be held for business purposes if the shares are considered as portfolio shares and if the total number of voting rights for the owning company’s overall participation corresponds to 10 per cent or more of the voting rights of all shares in the company or if the holding is related to the operations carried out by the owning company or another, specifically defined related company. The rules are applicable to quoted shares held for business purposes if specific provisions on a minimum holding period are fulfilled.

2) The Swedish Tax Agency’s general advice will be published on the Electrolux website ([www.electrolux.com](http://www.electrolux.com)) during 2007 and the Swedish Tax Agency’s website ([www.skatteverket.se](http://www.skatteverket.se)).

## Redemption and sale of redemption shares

Redemption of shares and sale of redemption shares, for example by sale in the market, give rise to capital gains taxation. Both redemption of shares and sale of redemption shares will occur during 2007 and should therefore normally be declared in the tax assessment year of 2008.

A capital gain or capital loss shall be computed based on the difference between the received payment, after deduction of sales costs, if any, and the acquisition cost of the shares redeemed or sold. The received payment for shares redeemed is the redemption amount. The received payment for redemption shares sold in the market is the sales price.

The acquisition cost for redemption shares received at the split shall be calculated by allocating the acquisition cost as described above under the heading "Receipt of redemption shares". The acquisition cost of shares acquired in the market is the purchase price for the shares. The acquisition cost of all shares of the same series and type shall be computed collectively in accordance with the average method. It should be noted that the redemption shares of series A and B respectively are no longer considered to be of the same series and type as the ordinary Electrolux shares. For shares that are quoted on a market, the acquisition cost may alternatively be determined in accordance with the standard method to 20 per cent of the sales price after deduction of sales costs.

### Individuals

For individuals, the capital gain is taxed in the capital income category. The tax rate is 30 per cent. A capital loss on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70 per cent deductible against other income from capital.

If an overall capital deficit arises, a reduction from tax on income from employment and business operations as well as real estate tax is granted. A tax reduction of 30 per cent is provided for deficits that do not exceed SEK 100,000 and 21 per cent of any remaining deficit. Deficits cannot be carried forward to later fiscal years.

### Limited liability companies

In the case of limited liability companies, capital gains on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 28 per cent. Deductible capital losses on shares and other share related securities may only be offset against taxable capital gains on shares and other such share related securities. In certain cases, capital losses may be offset against capital gains within a certain corporate Group if Group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

## Certain tax considerations for shareholders with a limited tax liability in Sweden

In the case of shareholders that are not tax resident in Sweden (limited tax liability), the redemption of shares for cash payment is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The tax rate is 30 per cent but is generally reduced according to tax treaties that Sweden has concluded with other countries. Swedish withholding tax is levied regardless of the redemption shares being received by the split or acquired in the market. A right to claim a refund for the withholding tax that is attributable to the acquisition cost of the shares or, provided that the shares are quoted, 20 per cent of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example under the heading "Receipt of redemption shares". A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

Shareholders with a limited tax liability in Sweden and who 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 a domestic rule to tax such a holder. This right to tax is, however, limited by several tax treaties that Sweden has concluded with other countries.

**It should be noted that no Swedish withholding tax is payable if the redemption shares are not redeemed, but instead sold in the market.**

# Tax considerations in the US

The following discussion is a summary of certain material United States federal income tax consequences of the redemption procedure to US holders (defined below). This discussion is based on the tax laws of the United States and the US-Sweden Tax Treaty, all as in effect as of the date hereof, all of which are subject to change or changes in interpretation, possibly with retroactive effect. The discussion is not a full discussion of all the tax considerations that may be relevant to the redemption procedure and does not deal with the tax treatment of holders subject to special US tax rules including persons who own shares pursuant to the exercise of employee stock options or otherwise as compensation. Persons who may be subject to US taxation with respect to the redemption procedure are advised to consult their own tax advisors about the US federal, state, local and foreign tax consequences of the redemption procedure in light of their own particular circumstances and are also urged to consult with their tax advisors concerning whether they are eligible for benefits under the US-Sweden Tax Treaty.

All holders are advised that a more detailed discussion of the US federal income tax consequences of the redemption procedure will be available on Electrolux website at [www.electrolux.com](http://www.electrolux.com) well in advance of the Extraordinary General Meeting.

For purposes of this discussion, a "US holder" is a beneficial owner of shares or American Depositary Shares (ADSs) who holds those shares or ADSs as capital assets and is for US federal income tax purposes: a citizen or individual resident of the United States, a corporation (or any other entity taxable as a corporation) that is organized in or under the laws of the United States or any State thereof (including the District of Columbia), a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of the trust, or an estate the income of which is subject to United States federal income taxation regardless of its source.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PERSONS SUBJECT TO US TAX ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY TAXPAYERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON TAXPAYERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## Receipt of redemption shares

Although the matter is not free from doubt, for US federal income tax purposes the distribution of a redemption share as a result of the share split generally will be taxable as a dividend in an amount equal to the US dollar value of the fair market value of the redemption share on the date of distribution. In general, the fair market value of the redemption share will be the mean of the high and low trading prices of the redemption share on the date of distribution. This dividend will not be eligible for the dividends received deduction in the United States and generally will be treated as foreign source "passive" income for foreign tax credit purposes. A US holder will obtain a tax basis in the redemption share equal to the fair market value of the redemption share on the date of distribution. The distribution of the redemption share will not affect the tax basis in the Electrolux share or the ADS with respect to which the redemption share was distributed.

Certain US holders (including individuals) are eligible for reduced rates of United States federal income tax (to a maximum rate of 15 per cent) in respect of "qualified dividend income" received in taxable years beginning before January 1, 2011, provided that certain holding period and other requirements are met. If the distribution of the redemption share is taxable as a dividend, Electrolux currently believes that it should constitute qualified dividend income for US federal income tax purposes.

## Sale or exchange of redemption shares

For US federal income tax purposes, a US holder who sells (or, on whose behalf the ADR Depository sells) redemption shares in the open market generally will recognize gain or loss equal to the difference between the US dollar value of the amount realized on the sale or exchange and the US holder's adjusted tax basis (determined in US dollars) in the redemption share. Such gain or loss will be capital, and generally will be short-term capital gain or loss (since by their terms the redemption shares will not be outstanding for a period in excess of one year). Any gain or loss generally will be US source gain or loss. The deductibility of capital losses is subject to significant limitations.

As described above in the section entitled "Certain tax considerations for shareholders with a limited tax liability in Sweden", no Swedish withholding tax is payable if a redemption share is sold in the market.

## Redemption by Electrolux

In addition to the dividend income described above with respect to the receipt of the redemption share, a US holder who has a redemption share redeemed by Electrolux generally will recognize gain or loss equal to the difference between the US dollar value of the net purchase price received (i.e., the SEK 20 redemption price per share less any Swedish withholding tax thereon) and the US holder's adjusted tax basis (determined in US dollars) in the redemption share. Any gain will be short term and taxable at ordinary income rates. The deductibility of capital losses is subject to significant limitations.

As described above in the section entitled "Shareholders with a limited tax liability in Sweden", under Swedish law, the redemption of the redemption share is deemed to be a dividend resulting in Swedish withholding tax being levied on the amount paid. The tax rate may be reduced to 15 per cent for US holders who are eligible for benefits under the US – Sweden Tax Treaty, upon making certain representation and certifications with respect to their Treaty eligibility. Certain refunds may be available by making a claim with the Swedish Tax Agency.

**As a result of the applicability of the Swedish withholding tax, US holders may find it advantageous to sell redemption shares in the market rather than having them redeemed by Electrolux. This is because a sale in the market may result in the receipt of a greater amount of net cash proceeds to a selling US holder.**

## Foreign currency considerations

US holders who receive foreign currency as a result of the redemption procedure may be subject to special rules.

## United States information reporting and backup withholding

In general, the receipt of redemption shares and the proceeds from the redemption or other disposition of the redemption shares may be subject to information reporting to the Internal Revenue Service and possible federal backup withholding at a current rate of 28 per cent. Backup withholding will not apply to a holder who furnishes required US tax forms and information to their broker or the payor of the income.

**As described above, persons who may be subject to US taxation are advised to consult their own tax advisors with regard to the specific tax consequences to them of the redemption procedure.**

# Tax considerations in the UK

The comments below are intended as a general guide only to the likely treatment of the share redemption procedure under current UK taxation legislation and the published practice of the UK tax authorities as at the date of this document, both of which are subject to change (possibly with retrospective effect). They only apply to shareholders in Electrolux who (a) are resident or ordinarily resident for UK tax purposes in (and only in) the United Kingdom, or (b) carry on a trade, profession or vocation in the United Kingdom through a UK branch or agency (in the case of an individual shareholder) or a UK permanent establishment (in the case of a corporate shareholder) and such shareholder's Electrolux A and/or B shares are or have been used or held by or for the purposes of the branch, agency or permanent establishment (as the case may be) (a "UK Holder"). In addition, the following statements only apply to UK Holders who hold their shares as an investment and who are the absolute beneficial owners of them. They do not apply to certain classes of shareholders, such as, for example, dealers in securities, insurance companies, pension funds, collective investment schemes, persons who directly or indirectly control 10 per cent or more of the voting power in Electrolux and persons who have acquired Electrolux shares as a result of or in connection with any employment. UK Holders who are in any doubt as to their UK tax position, or are or may be resident or otherwise subject to tax in any jurisdiction other than the United Kingdom, are advised to consult their professional advisers.

## Receipt of redemption shares

For the purposes of the UK taxation of chargeable gains, the share split by Electrolux should constitute a reorganisation of Electrolux share capital. Accordingly, UK Holders of A or B shares in Electrolux should not be treated for relevant UK tax purposes as having disposed of their A or B shares as a result of the receipt of redemption shares pursuant to the share split and no liability to UK taxation of chargeable gains should arise. Instead, each UK Holder should generally be treated as having acquired the ordinary and redemption A or B shares they hold after the share split at the same time, and for the same acquisition cost, as their original A or B shares. A UK Holder's base cost (including the relevant cost of acquisition) in their original A or B shares will be apportioned between the ordinary and redemption A or B shares received pursuant to the share split, broadly by reference to the quoted market value of the ordinary and redemption shares A or B shares on the first day on which such values are available following the share split.

## Sale or other disposal of redemption shares

Subject to comments below under the heading "Section 703", a UK Holder who sells or otherwise disposes of any redemption shares in the market should generally be treated as disposing of such redemption shares for the purposes of the UK taxation of chargeable gains. Such sale or other disposal may, depending on the UK Holder's particular circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains. The amount of any such gain or loss will generally be calculated by reference to the difference between the sterling equivalent of the base cost of the redemption shares at the date on which they are treated as having been acquired and the sterling equivalent of the consideration received for the sale or other disposal at the date of such sale or other disposal.

Special rules may apply to impose a charge with respect to the UK taxation of chargeable gains on the sale or other disposal of redemp-

tion shares by a UK Holder who is an individual at a time when that UK Holder was not resident or not ordinarily resident in the United Kingdom.

## Redemption of redemption shares

Although the matter is not entirely free from doubt and subject to comments below under the heading "Section 703", the redemption of redemption shares by Electrolux should result in a disposal of such redemption shares by a UK Holder for the purpose of the UK taxation of chargeable gains. Such disposal may, depending on the UK Holder's particular circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains. The amount of any such gain or loss will generally be calculated by reference to the difference between the sterling equivalent of the base cost of the redemption shares at the date on which they are treated as having been acquired and the sterling equivalent of the consideration received on their redemption (which will generally include any amount of Swedish withholding tax levied on the amount paid by Electrolux – see the section entitled "Tax considerations in Sweden – Certain tax considerations for shareholders with a limited tax liability in Sweden" above). UK Holders who are liable to UK capital gains tax or UK corporation tax with respect to any such chargeable gain may, depending on their particular circumstances, be entitled to a credit for any Swedish withholding tax that may be finally incurred by them (after taking into account any reduction in and/or refund of such Swedish withholding tax, as to which see below) with respect to the amount paid by Electrolux notwithstanding that the redemption should not be treated as the payment of a dividend by Electrolux for relevant UK tax purposes.

Special rules may apply to impose a charge with respect to the UK taxation of chargeable gains on the disposal of redemption shares by a UK Holder who is an individual at a time when that UK Holder was not resident or not ordinarily resident in the United Kingdom.

As mentioned above and as described in the section entitled "Tax considerations in Sweden – Certain tax considerations for shareholders with a limited tax liability in Sweden", for Swedish tax purposes the redemption of redemption shares by Electrolux is deemed to be a dividend resulting in Swedish withholding tax being levied on the amount paid by Electrolux, generally at the rate of 30 per cent. UK Holders may be entitled, pursuant to the provisions of the UK-Sweden Tax Treaty and subject to complying with certain procedural requirements, to a reduction in the rate of applicable Swedish withholding tax rate of 5 per cent and/or to certain refunds.

## Section 703

UK Holders should be aware of an anti-avoidance provision, section 703 of the Income and Corporation Taxes Act 1988 ("Section 703"), which the UK tax authorities may apply where they have reason to believe that a person obtains a tax advantage in consequence of a "transaction in securities". If the UK tax authorities were successful in applying Section 703 to the proceeds of any sale or redemption of any redemption shares received by a UK Holder, the general effect would be to tax all or part of such proceeds as income.

## Stamp duty and stamp duty reserve tax ("SDRT")

No liability to UK stamp duty or SDRT should arise for a UK Holder in connection with the share split by Electrolux. No liability to UK stamp duty or SDRT should arise for a UK Holder on the sale of redemption shares in the market or on the redemption of redemption shares by Electrolux.

# Q&A

## **Why is Electrolux proposing a share redemption?**

Following the distribution of Husqvarna, Electrolux financial position strengthened to a level above what is required for the Group to implement its strategy. Redemption of shares is a good way for Electrolux to distribute the surplus to shareholders. Redemption of shares is favourable from a tax perspective for certain shareholders, for example private persons in Sweden.

## **Why does Electrolux not use the surplus funds for future investments rather than distributing them?**

Even after the ordinary dividend, share buybacks and the redemption procedure, Electrolux financial position will be strong enough and the company will have substantial scope to invest and enable further growth.

## **What does mandatory redemption of shares entail?**

Mandatory redemption entails that the shares that are named redemption shares in the VPC system, once the share split has taken place, are redeemed from shareholders in exchange for a predetermined cash consideration, with no need for any action on the part of shareholders. It is a simple and effective way for Electrolux to distribute funds to shareholders.

## **As a shareholder, do I need to do anything?**

Provided that the Extraordinary General Meeting on December 12, 2006 resolves on a mandatory redemption procedure in accordance with the Board of Directors' proposal, you who are a shareholder on January 5, 2007 do not need to do anything. Electrolux will automatically redeem your redemption shares and you will receive SEK 20 per redemption share in cash.

## **How and when will the Electrolux share price be affected?**

It is impossible to predict in detail how the share price will be affected by the split into Electrolux shares and redemption shares. Theoretically, the price of the Electrolux share should decrease by the price of the redemption share, that is, SEK 20. This share price change will occur two trading days prior to the record date for the split of the Electrolux share.

## **How many shares will I have?**

You will have the same number of shares in Electrolux before and after the redemption procedure is carried out presuming that you do not buy or sell any Electrolux shares. The redemption shares created will all be subject to automatic redemption.

## **Why is the redemption procedure mandatory?**

A mandatory redemption procedure is relatively simple and cost-efficient.

## **When will the record date for entitlement to redemption shares take place?**

The record date for the share split and entitlement to redemption shares is January 5, 2007.

## **What are my options as a shareholder?**

Once the redemption is approved at the Extraordinary General Meeting, you can await the redemption procedure without doing

anything. The redemption shares you are allotted will then be automatically redeemed at SEK 20 per share in cash. Alternatively, you may sell your redemption shares before the redemption procedure is completed. Trading in redemption shares will take place during the period January 8 to 19, 2007.

## **What are the tax consequences of the share redemption procedure?**

The tax consequences for you as a shareholder will vary depending on your particular situation. In the case that you feel a need for more information on your personal tax consequences, we recommend you to contact a tax advisor for assessment of possible tax consequences and any required measures.

### *Swedish shareholders*

At the split of the Electrolux share into two shares, of which one is named redemption share in the VPC system, the acquisition cost of the original Electrolux share will be allocated between the old Electrolux share and the redemption share. The redemption share is deemed as disposed of at redemption. Any capital gain that arises will be subject to capital gains taxation. The capital gain is computed as the difference between the redemption payment (SEK 20 per share) and the acquisition cost for the redemption share (see page 5 for an example).

### *Shareholders with limited tax liability in Sweden*

If you are tax resident outside of Sweden, you will usually be subject to withholding tax in Sweden on the redemption amount at redemption of shares regardless of the redemption shares being received by the split or acquired in the market. The tax rate is 30 per cent but it is generally reduced under tax treaties between Sweden and other countries. Refund for the part of the withholding tax that is attributable to the acquisition cost of the shares or to 20 per cent of the redemption payment may be admitted if a claim for a refund is filed with the Swedish Tax Agency.

No Swedish withholding tax is payable when redemption shares are sold in the market.

## **What will the withholding tax rate be?**

The withholding tax rate for shareholders tax resident outside of Sweden may vary depending on the shareholder's tax residence. For further information, please visit the Swedish Tax Agency's website, [www.skatteverket.se](http://www.skatteverket.se).

### **If you have questions regarding the redemption procedure, please contact:**

AB Electrolux

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For particular questions regarding the tax consequences of the redemption procedure, beyond what is clear from this brochure, a tax advisor should be consulted.



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