

Proposal of the Board of Directors of AB Electrolux concerning
(A.) implementation of a performance based long-term
incentive program (Electrolux Performance Share Plan)
("the Share Program")
(B.) transfer of own shares as a result of the Share Program
(C.) transfer of own shares as a result of the Employee Stock
Option Programs for the years 1999–2003

This is a non-official translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text shall prevail.

Information concerning the reasons for the Board of Directors' proposal regarding the Share Program, description of previous incentive programs, preparation of the matter, costs and dilution effects are described in Appendix 1 hereto.

PROPOSALS

A. The Share Program

The Board of Directors of AB Electrolux ("Electrolux") proposes that the Annual General Meeting of the Shareholders resolves to implement a performance based, long term share program for less than 200 senior managers and key employees of the Electrolux group with a possibility to be allocated shares of series B in the company free of charge, in accordance with the following principal terms and instructions.

Principal terms of the Share Program

- (a) The participants of the Share Program shall be divided into five groups; the President, other members of the Group management and three other groups for other senior managers and key employees. For each group, the Board of Directors will determine a target value for the Share Program denominated in SEK. The target value for the President amounts to SEK 2.4 million, for the other members of the Group management to SEK 1.2 million and for other senior managers and key employees not less than SEK 450,000 and not more than SEK 900,000. The total sum of the target values for all participants will not exceed SEK 120 million.
- (b) Each target value shall be converted into a specific number of shares (which shall be subject to a certain rounding where applicable), based on the average closing share price of the Electrolux series B shares on Stockholm Stock Exchange during the period of ten trading days before the day participants are invited to the program, reduced by the present value of estimated dividend payments for the period until shares are allotted.
- (c) The calculated number of shares shall be connected to a certain goal for value creation established by the Board of Directors. The goal shall be set for an initial three-year performance period. If a lower or a higher value creation is achieved during the three-year performance period, a lower or a higher number, respectively, of shares may be allocated.
- (d) The value creation levels established by the Board of Directors include a minimum level, which has to be exceeded for

any allocation to take place, as well as a maximum level. The maximum allocation is limited to 1.5 times the number of shares established in accordance with items a) and b) above.

- (e) Allocation of shares requires, among other things, that the persons participating in the program during the entire performance period, with certain exemptions, are employed in the Electrolux group. If all conditions in the Share Program are met, allocation of shares will take place free of charge after the expiry of the three-year performance period, i.e. during 2007.
- (f) Allocation of shares may take place before the expiry of the three-year performance period only in exceptional cases, i.e. if someone, alone or together with related parties, acquires a sufficient number of shares in Electrolux and in accordance with the applicable rules will be under the obligation to announce a mandatory offer to acquire all outstanding shares of the company or, for individual participants, based on individual circumstances. In such cases, allocation shall be proportionate to how long time of the performance period that have elapsed and based on the assumption that the goal for value creation set out in item c) first sentence above has been achieved.
- (g) Shares allocated under the Share Program shall, with the exception of those shares may be sold to cover income tax for the participants in the program, be under certain disposition restrictions for an additional two-year period after the expiration of the performance period. The persons being allotted shares shall be entitled to exercise voting rights for such shares, as well as to receive dividends on such shares (if any).
- (h) Some participants may be offered the possibility to settle in cash a portion of the allocated shares, such portion however not to exceed the number of shares required to be sold to cover any taxes levied. Cash settlement shall be effected based on the market value of any shares being cash settled as per the allotment day.

Guiding principles for the Share Program

- (a) Less than 200 senior managers and other key employees in the Electrolux group shall be offered participation in the Share Program. Offer to participate in the program shall be provided by Electrolux not later than 30 June 2004. Members of the Board of Directors having been appointed by a General Meeting of the Shareholders and who are not also employed by the company, shall not be offered the opportunity to participate in the Share Program.

(b) The Board of Directors, or a committee established by the Board for these purposes, shall be responsible for the preparation and management of the Share Program, within the framework of the aforementioned terms and conditions and guiding principles.

Participation in the Share Program is conditional upon that such participation being deemed legally possible and appropriate in relevant jurisdictions as well as, in the judgement of the Board of Directors, such participation taking place with reasonable administrative costs and financial efforts. For participants abroad, deviations in the terms and conditions for the Share Program may be made based on local rules and regulations as well as applicable market practice.

On account of it being considered that the Share Program will not entail any immediate taxes or charges for Electrolux, the Board of Directors has resolved not to propose any measures at present to enable the sale of repurchased shares to cover employer contributions incurred on account of the Share Program. The Board of Directors intends, however, to revert in this matter before the Annual General Meeting 2006.

B. Transfer of own shares as a result of the Share Program

The Board of Directors proposes that the Annual General Meeting of the Shareholders resolves to transfer own shares in the company on the following terms.

1. A maximum of 1.5 million shares of series B may be transferred.
2. Right to acquire shares shall be granted to the persons participating in the Share Program (“the Participants”), with a right for each Participant to acquire the maximum amount of shares stipulated in the terms and conditions for the Share Program.
3. The participants right to receive shares is conditional upon all terms and conditions of the Share Program being fulfilled.
4. Shares shall be transferred free of charge under the Share Program.
5. The number of shares that may be transferred under the Share Program may be subject to recalculation as a result of bonus issue, share split, rights issues and similar issues in accordance with the terms and conditions of the Share Program.

C. Transfer of own shares as a result of employee Stock Option Programs 1999 – 2003

The Board of Directors further proposes, as a result of the

company’s employee stock option programs 1999–2003, that the Annual General Meeting of the Shareholders resolves that the company shall be entitled, for the period until the next Annual General Meeting, to transfer a maximum of 1,313,010 shares of series B in the company to cover costs, primarily employer contributions, that may arise as a result of these employee stock option programs. Transfer may take place on the Stockholm Stock Exchange at a price within the registered price interval from time to time.

The reasons for deviation from the shareholders’ preferential rights and the basis for determination of transfer prices for transfers of own shares are as follows.

The transfer of own shares is an integrated part of previously implemented employee stock options programs as well as the Share Program. The Board of Directors considers it to be an advantage to Electrolux and its shareholders that senior managers and key employees of Electrolux are offered the possibility to become shareholders of the company. The Board of Directors further considers that shares previously repurchased by Electrolux shall be used, where applicable, to cover the costs, primarily employer contributions, arising as a consequence of already implemented employee stock options programs and to enable delivery of shares under the Share Program. The basis for determination of the applicable transfer prices follows from the proposals by the Board set out above.

Majority requirements

In order for the General Meeting’s resolution in accordance with the Board of Directors’ proposal under item A. above to be valid, shareholders representing more than fifty per cent of the votes cast must be in favour of such proposal or, in case of parity of votes, the chairman of the meeting being in favour of such proposal. In order for the General Meeting’s resolution in accordance with the proposal under item B. above to be valid, shareholders representing at least nine tenths of the votes cast as well as the shares represented at the meeting must be in favour of the proposal. In order for the General Meeting’s resolution in accordance with the proposal under item C. above to be valid, shareholders representing at least two thirds of the votes cast as well as the shares represented at the meeting must be in favour of the proposal.

Stockholm in March 2004

The Board of Directors



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Additional information regarding the Share Program

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Reasons for the proposal

The proposed Share Program is based on certain goals for value creation established by the Board of Directors for a three-year period. The Program supports Electrolux principle of remuneration in accordance with performance and is an integrated part of the total remuneration package for senior managers and key employees of Electrolux.

The Board of Directors is thus convinced that the Share Program will be beneficial to both the employees participating in the program and the company's shareholders and that it will contribute to the possibilities to recruit and keep competent employees. A performance based share program enabling senior managers and key employees to participate in the company's long-term growth maintain the confidence for the company and will increase the share value. The Share Program is expected to increase the commitment and the motivation of the program participants and to strengthen the participants' ties to the company and the group.

Previous incentive programs

Electrolux has previously allocated employee stock options free of charge to approximately 200 senior managers and key employees of the Electrolux group. A total of 9,389,300 employee stock options are still outstanding under the Electrolux stock option programs 1999–2003. Employee stock options allocated under the programs for each of the years 1999–2000 have a term of five years and employee stock options allocated under the programs for each of the years 2001–2003 have a term of seven years. All allocated employee stock options for the years 1999–2003 entitle the holder to purchase shares of series B in Electrolux, are non-transferable and contain certain disposition restrictions. The strike price varies between SEK 164 (year 2003 program) and SEK 216 (year 1999 program). The quoted price for the Electrolux share of series B on 4 March 2004, amounted to SEK 158.50.

Shareholders' meetings of Electrolux have resolved to transfer a maximum of 12.410.000 shares of series B to the holders of employee stock options exercising such options to purchase shares in Electrolux.

To cover the costs, primarily employer contributions, which may arise as a result of the employee stock option programs, the Annual General Meeting of the Shareholders of Electrolux has further resolved, during the period until the next Annual General Meeting, to transfer a maximum of 1,447,572 shares of series B of Electrolux. The shares may be transferred on Stockholm Stock Exchange at a price within the price interval registered from time to time.

The dilution effect of Electrolux employee stock option

programs 1999–2003 – i.e. the number of shares that may be delivered to the holders exercising employee stock options for purchases of shares as well as the number of shares that may be sold in the market to cover the costs of the programs, primarily employer contributions – amounts to approximately 3.4 per cent.

The financing costs for the repurchased shares that hedge the Electrolux employee stock option programs for 1999–2003 amount to approximately SEK 72 million per year.

During 2000, 118,400 synthetic employee stock options were allocated to Mr Wolfgang König, head of white goods Europe, entitling the holder to receive a cash amount for each option corresponding to the difference between the share price of the Electrolux share of series B at the date of exercise and the established strike price, SEK 147. The options may be exercised until 1 July 2006. The program has been hedged by an equity swap. The costs for the swap arrangement amounts to approximately SEK 0.7 million per year.

No allocation of employee stock options will be made for 2004.

In addition to the above option programs, no other share related incentive programs has been implemented in Electrolux.

Preparation of the proposal

The proposal regarding the Share Program has been prepared by the remuneration committee of Electrolux. At a meeting with the remuneration committee held on 3 February 2004, it was resolved to present a proposal of a performance based share program to the Board of Directors. The Board of Directors resolved on its meeting on 11 February 2004 to propose to the annual general meeting 2004 to resolve on implementation of the Share Program. Members of the Board of Directors having been appointed by Shareholders' Meetings and who are not also employed within the Electrolux group, shall not be offered to participate in the Share Program.

Costs for the Share Program

The total costs for the Share Program during a three-year period, based on the assumption that the number of shares determined pursuant to item b) in the Board's decision (target) will be allocated, have been calculated to approximately SEK 150 million, including costs for employer contributions and financing costs for repurchased own shares. The costs are estimated not to exceed SEK 240 million at maximum allocation under the Share Program.

The costs for the Share Program have been calculated as

the sum of salary costs for the program and the financing cost for the repurchase shares hedging the program. The salary cost has been calculated based on the value of the shares that may be allotted at the start of the program, with a reduction of the present value of estimated dividends during a three-year period.

If no shares are allotted, the minimum cost for the program has been calculated to SEK 17 million, corresponding to the financing costs for the repurchased shares hedging the program.

Dilution

The Board of Directors' proposal assumes implementation of the Share Program during 2004 and possible allocation of shares free of charge during 2007, i.e. after the expiration of a initial three-year performance period. Allotment of repurchased shares under the Share Program will entail a dilution effect of a maximum of approximately 0.55 per cent. The total dilution effect of the Share Program together with Electrolux employee stock option programs for 1999-2003 amounts to a maximum of approximately 3.88 per cent.



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