

Proposal of the Board of Directors of AB Electrolux concerning (A.) principles for remuneration and other employment conditions for the management of the company (B.) implementation of a performance based, long-term incentive program for 2006 (Electrolux Performance Share Plan 2006) (“the Electrolux Share Program”), (C.) adjustment of the terms and conditions for the performance based, long-term incentive programs in Electrolux for the years 2004 and 2005, and (D.) approval of a performance based, long-term incentive program for 2006 (Husqvarna Performance Share Plan 2006) (“the Husqvarna Share Program”) proposed by the Board of Directors of the present subsidiary Husqvarna AB

A. Principles for remuneration and other employment conditions for the management of the company

The Board of Directors proposes that the Annual General Meeting approves the following principles for remuneration and other employment conditions for the management of the Electrolux group.

The principles set forth in this Item A shall apply to the remuneration and other terms of employment for the President and CEO and other members of Group Management of AB Electrolux (“Electrolux” and the “Group Management”). The principles shall be applied for employment agreements entered into after the Annual General Meeting in 2006 and for changes made to existing employment agreements thereafter.

Remuneration for Group Management is set by the Board of Directors in Electrolux, based on the recommendation of the remuneration committee in Electrolux (the “Remuneration Committee”).

Guiding principles

Electrolux shall strive to offer total remuneration that is fair and competitive relative to the home country of each Group Management member and the performance of the Group Management member and the group. An emphasis on “pay for performance” means that variable compensation can represent a significant proportion of total compensation for Group Management.

Salary

Fixed salary shall be the foundation of the total remuneration. The salary shall be competitive relative to the relevant market and reflect the scope of the job responsibilities. Salary levels shall be reviewed periodically (usually in the annual salary review process) to ensure continued competitiveness and to recognize performance.

Variable Salary – Short Term Incentive (STI)

Group Management members may receive STI in addition to the fixed salary. The main focus in the STI shall be on financial performance of the group or of the sector where

the Group Management member is employed. In addition key performance indicators may be used to create focus on issues of particular interest at group, sector or individual level.

Clearly defined target and stretch levels of performance shall be defined in the beginning of each year, reflecting plans approved by the Board of Directors. Targets for the financial performance measure(s) shall be determined for relevant organizational and geographical areas. Targets for the key performance indicators may be determined on group, team and/or individual level.

The STI shall be dependent on job size and may amount up to maximum 70 % of salary at target and 110 % of salary at stretch levels. Reflecting market norms the corresponding numbers are 100 % of salary at target and 150 % of salary at stretch in the US.

Long Term Incentive (LTI)

On a yearly basis, the Board of Directors will evaluate whether a share or share-price related incentive program should be proposed to the Annual General Meeting or not.

Insurable Benefits

Old age pension, disability benefits and medical benefits, shall be designed to reflect home country practices and requirements. When possible, pension plans shall be based on defined contribution as governed by a group pension policy. In individual cases, other schemes and mechanisms for pension benefits may be offered.

Other Benefits

Other benefits may be provided in line with local market practices. These benefits shall not constitute a material portion of total remuneration. In individual cases other benefits may be offered.

Notice of Termination and Severance Pay

For Group Management members resident in Sweden, the termination period from the group will be 12 months and 6 months from the Group Management members.

In individual cases, the group may consider other notice periods for termination and for severance payment.

Group Management members resident outside Sweden may be offered notice periods for termination and terms for severance payment that are competitive in the country where the Group Management member is resident.

B. Implementation of the Electrolux Share Program for 2006

B. 1. Introduction and Description

The Share Programs for Electrolux and Husqvarna

The proposed Electrolux Share Program is, as the share program proposed for Husqvarna pursuant to item D., structured in the same manner as the share programs for 2004 and 2005 approved by the Electrolux Annual General Meetings in 2004 and 2005. The both latter programs include employees in both the Husqvarna operations as well as the remainder of Electrolux operations. In light of the proposed dividend of Husqvarna, two separate programs for Electrolux and Husqvarna, respectively, are now proposed. The proposed programs taken together include not more than 200 participants, and the sum of the target values that are proposed to be established for all participants in both programs will not exceed SEK 120 million. These limitations were also applied for the 2004 and 2005 Electrolux programs.

Reasons for the proposal regarding the Electrolux Share Program

The proposed Electrolux 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 principles of "pay for performance" and is an integrated part of the total remuneration package for senior managers and key employees of Electrolux. Substantially corresponding programs for the years 2004 and 2005 were proposed by the Board of Directors and were approved by the Annual General Meetings in the years 2004 and 2005.

The Board of Directors of Electrolux is convinced that the Electrolux 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 maintains the confidence for the company and will increase the share value. The Electrolux Share Program is also 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 in Electrolux

Electrolux has previously allocated employee stock options free of charge to slightly less than 200 senior managers and key employees of the Electrolux Group. A total of 4,597,000 employee stock options are still outstanding under the Electrolux stock option programs 2001–2003. 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 2001–2003 entitle the holders to purchase shares of series B in Electrolux, are non-transferable and contain certain disposition restrictions. On account of the redemption of shares in 2004, a recalculation of the strike prices has been performed, which has resulted in new strike prices varying between SEK 161.50 (2003) and SEK 188.10 (2002). The recalculation on account of the redemption of shares in 2004 has also resulted in each option entitling the holder to acquire 1.02 shares (previously each option entitled the holder to acquire 1 share). The quoted price for the Electrolux share of series B on February 27, 2006, amounted to SEK 220.

The Annual General Meetings in 2004 and 2005 respectively resolved to implement new long term incentive programs, on terms and conditions essentially corresponding to the terms and conditions for the Electrolux Share Program. The programs give the program participants, under the conditions specified in the programs, an opportunity to be allocated B-shares in the company free of charge. The programs are based on targets for the Group's value creation during a three-year period established by the Board of Directors and entails that allocation of shares is made if the targets have been met. The program participants have been divided into five groups, which have a target value between SEK 450,000 and SEK 2,400,000.

Previous Annual General Meetings of Electrolux have also resolved to transfer a maximum of 12,595,800 shares of series B to the holders of employee stock options exercising such options to acquire shares in Electrolux and to the participants in the share program for 2004 and 2005 respectively who will be allocated shares pursuant to the terms of the programs.

To cover the costs, primarily social security charges, which may arise as a result of the employee stock option programs, the Annual General Meeting of Electrolux has further resolved, during the period until the next Annual General Meeting, to authorize the company to sell a maximum of 1,107,235 shares of series B of Electrolux. The shares may be transferred on the Stockholm Stock Exchange at a price within the price interval registered from time to time.

Under the assumption that all allocated employee stock options under the 2001–2003 programs will be exercised, and that allocation of shares under the share programs of the years 2004 and 2005 will be made at target, a sale of previously repurchased shares would entail an increase in the number of outstanding shares with 2.5%. The sale of shares to cover social security charges is included in this figure.

The financing costs for the repurchased shares that hedge the Electrolux incentive programs for 2001–2005 amount to approximately SEK 50 million per year.

No allocation of employee stock options has been made for 2005, and none will be made for 2006.

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

Preparation of the proposal

The proposal regarding the Electrolux Share Program has been prepared by the Remuneration Committee. At a meeting with the Remuneration Committee held on 13 February 2006, 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 February 13, 2006 to propose to the Annual General Meeting 2006 to resolve on implementation of the Electrolux 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 Electrolux Share Program.

Costs for the Electrolux Share Program

The total costs for the Electrolux Share Program during a three-year period have been calculated to approximately SEK 120 million, including costs for social security charges and financing costs for repurchased own shares. The costs are estimated not to exceed SEK 185 million.

The costs for the Electrolux Share Program 2006 have been calculated as the sum of salary costs for the program and the financing cost for the repurchased shares hedging the program. The salary cost has been calculated based on the value, at the start of the program, of the shares that may be allotted, 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 11 million, corresponding to the financing costs for the repurchased shares hedging the program.

The Board of Directors' proposal assumes implementation of the Electrolux Share Program during 2006 and possible allocation of shares free of charge during 2009, i.e. after the expiration of an initial three-year performance period. Allotment of repurchased shares under the Electrolux Share Program will entail a maximum increase in the number of outstanding shares of approximately 0.26 %. The total maximum increase in the number of outstanding shares of the proposed Electrolux Share Program, the share program of year 2004 and 2005, and the Electrolux employee stock option programs for 2001–2003 amounts to a maximum of approximately 3.0 %.

B.2. Proposal of the Board of Directors

In view of the account in Section B. 1. above, the Board of Directors of Electrolux proposes that the Annual General Meeting resolves to offer a performance based, long-term incentive program for 2006. The program for 2006 is proposed to include 160 senior officers 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 Electrolux Share Program

a) The participants of the Electrolux Share Program shall

be divided into five groups; the President and CEO, other members of the group management and three other groups for other senior officers and key employees. For each group, the Board of Directors will determine a target value for the Electrolux Share Program denominated in SEK. The target value for the President and CEO amounts to SEK 2.4 million, for the other members of the group management to SEK 1.2 million and for other senior officers 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 96 million.

- b) Each target value shall be converted into a specific number of shares, based on the average closing share price of the Electrolux series B shares on the 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 target for value creation established by the Board of Directors. The target 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 Electrolux Share Program are met, allocation of shares will take place free of charge after the expiration of the three-year performance period, i.e. during 2009.
- f) Allocation of shares may take place before the expiration of the three-year performance period if (i) 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, (ii) for individual participants based on individual circumstances, or (iii) it is deemed to be suitable or appropriate that the three-year performance period is shortened. In such cases, allocation shall normally be proportionate to how long time of the performance period that have elapsed and based on the assumption that the target for value creation set out in item c) above has been achieved.

- g) Shares allocated under the Electrolux Share Program, with the exception of those shares that are allocated in accordance with item f) above or which may be sold to cover income tax for the participants in the program, shall be under certain disposition restrictions, for an additional two-year period after the expiration of the performance period.
- 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 value of the number of shares that otherwise would be 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 Electrolux Share Program

- a) 160 senior officers and other key employees in the Electrolux group shall be offered participation in the Electrolux Share Program. An offer to participate in the program shall be provided by Electrolux not later than June 30, 2006. Members of the Board of Directors having been appointed by a General Meeting of Shareholders and who are not also employed by the company shall not be offered the opportunity to participate in the Electrolux 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 Electrolux Share Program, within the framework of the aforementioned terms and conditions and guiding principles.

Participation in the Electrolux 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 (i) administrative costs, (ii) tax effects for Electrolux or any other employing company within the Electrolux group or for the persons who are intended to participate in the program, and (iii) financial efforts. Some deviations in or adjustments to the terms and conditions for the Electrolux 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 Electrolux Share Program will not entail any initial 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 social costs incurred on account of the Electrolux Share Program. The Board of Directors intends, however, to revert in this matter at the Annual General Meeting 2008.

C. Adjustment of The Terms and Conditions for The Performance Based, Long-term Incentive Programs of The Years 2004 and 2005

In accordance with items B. f) and g) in the Board of Directors' above mentioned proposal for Electrolux Share Program, it is proposed that the three-year performance period for achievement of the levels of value creation established by the Board of Directors as well as the following two-year period when certain disposition restrictions shall apply, may be shortened in certain cases. Under the terms and conditions of the performance based, long-term incentive programs decided in the years 2004 and 2005, such shortening could only take place in certain exceptional cases. The Board of Directors is of the opinion that the terms and conditions for all share programs within the Electrolux group should have essentially the same wording and that it is important that the programs may be shortened also in other cases than those that follow from the share programs of the years 2004 and 2005. One such case is the proposed distribution of the shares in Husqvarna. In the opinion of the Board of Directors that there is no reason for those participants in Electrolux programs of the years 2004 and 2005 that henceforth will be employed in Husqvarna to remain in these programs. The Board of Directors therefore proposes that the terms and conditions for the share programs implemented in the years 2004 and 2005 are adjusted and that the wording of the relevant provision in these programs thus shall have the same wording as in the above proposed program for 2006.

D. Approval of a performance based, long-term incentive program for 2006 (Husqvarna Performance Share Plan 2006) ("the Husqvarna Share Program") proposed by the Board of Directors of the present subsidiary Husqvarna AB

D.1. Introduction and Description of the Husqvarna Share Program

Reasons for the proposal regarding the Husqvarna Share Program

The proposed Husqvarna Share Program is structured in the same manner as the Electrolux Share Program.

The Board of Directors of Husqvarna is convinced that the Husqvarna 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 maintains the confidence for the company and will increase the share value. The Husqvarna Share Program is also expected to increase the commitment and the motivation of the program participants and to strengthen the participants' ties to the company and the Husqvarna group.

Previous share-related incentive programs in Husqvarna

There are no previous share related incentive programs in Husqvarna.

Preparation of the proposal

The proposal regarding the Husqvarna Share Program has been prepared by Husqvarna, in cooperation with Electrolux. The Board of Directors in Husqvarna resolved on its meeting on 31 January 2006, subject to the approval of the Board of Directors in Electrolux and the Annual General Meeting 2006 of Electrolux, to implement a performance based Share Program for 2006. The Board of Directors in Electrolux resolved on its meeting on 13 February 2006 to propose to the Annual General Meeting 2006 of Electrolux to decide to approve the such Share Program. The Husqvarna Share Program was also taken up at a meeting of the Board of Directors of Husqvarna in February. Members of the Board of Directors having been appointed by General Meeting of Shareholders and who are not also employed within the company shall not be offered to participate in the Husqvarna Share Program.

Hedging measures

Husqvarna does not at present have the possibility to secure the obligations under the Husqvarna Share Program with repurchased own shares. However, provided the proposed Husqvarna Share Program is approved, the Board of Directors of Husqvarna intends to present a proposal to the Annual General Meeting of year 2007 whereby such repurchases will be enabled.

Costs for the Husqvarna Share Program

The total costs for the Husqvarna Share Program during a three-year period have been calculated to approximately SEK 29 million. The costs are estimated not to exceed SEK 45 million. The estimated costs can change on account of the share price development for the Husqvarna B-share.

The costs for the Husqvarna Share Program have been calculated as the sum of salary costs for the program and the financing cost for the shares that will be proposed to be repurchased to hedge the undertakings under the program during the two last years of the program. The salary cost has been calculated based on the value, at the start of the program, of the shares that may be allotted, 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 2 million, corresponding to the financing cost for the shares that will be proposed to be repurchased to hedge the undertakings under the program.

D. 2. Proposal of the Board of Directors

In view of the account in Section D. 1. above, the Board of Directors of Husqvarna proposes that the Annual General Meeting decides to approve a performance based, long-term incentive program for 2006 proposed by the Board

of Directors of the present subsidiary Husqvarna AB ("Husqvarna"). The Program for 2006, which corresponds to the Electrolux Share Program for 2006 in accordance with item B. 2. above, is proposed to include 40 senior officers and key employees of the Husqvarna 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 Husqvarna Share Program

- a) The participants of the Husqvarna Share Program shall be divided into four groups; the President and CEO, other members of the group management and two other groups for other senior officers and key employees. For each group, the Board of Directors will determine a target value for the Husqvarna Share Program denominated in SEK. The target value for the President and CEO amounts to SEK 1.8 million, for the other members of the group management to SEK 900,000 and for the two other groups of senior officers and key employees SEK 600,000 or SEK 450,000. The total sum of the target values for all participants will not exceed SEK 24 million.
- b) Each target value shall be converted into a specific number of shares, based on the average closing share price of the Husqvarna 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 target for value creation established by the Board of Directors. The target 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 Husqvarna group. If all conditions in the Husqvarna Share Program are met, allocation of shares will take place free of charge after the expiration of the three-year performance period, i.e. during 2009.

- f) Allocation of shares may take place before the expiration of the three-year performance period if (i) someone, alone or together with related parties, acquires a sufficient number of shares in Husqvarna 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, (ii) for individual participants, based on individual circumstances, or (iii) it is deemed to be suited or appropriate that the three-year performance period is shortened. In such cases, allocation shall normally be proportionate to how long time of the performance period that have elapsed and based on the assumption that the target for value creation set out in item c) above has been achieved.
- g) Shares allocated under the Husqvarna Share Program, with the exception of those shares that are allocated in accordance with item f) above or which may be sold to cover income tax for the participants in the program, shall be under certain disposition restrictions, for an additional two-year period after the expiration of the performance period.
- 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 value of the number of shares that otherwise would be 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 Husqvarna Share Program

- a) 40 senior officers and other key employees in the Husqvarna group shall be offered participation in the Husqvarna Share Program. Offer to participate in the program shall be provided by Husqvarna not later than August 31, 2006, and presupposes that the Husqvarna series B shares have been listed on the Stockholm Stock Exchange during at least ten trading days before the time of the offer. Members of the Board of Directors having been appointed by a General Meeting of Shareholders and who are not also employed by the company shall not be offered the opportunity to participate in the Husqvarna 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 Husqvarna Share Program, within the framework of the aforementioned terms and conditions and guiding principles.

Participation in the Husqvarna 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 (i) administrative costs and (ii)

tax effects for Husqvarna or any other employing company within the Husqvarna group or for the persons who are intended to participate in the program, and (iii) financial efforts. Some deviations in or adjustments to the terms and conditions for the Husqvarna Share Program may be made based on local rules and regulations as well as applicable market practice.

The above proposal regarding the Husqvarna Share Program is conditional upon that the Annual General Meeting 2006 in Electrolux resolves to distribute the Husqvarna shares to the shareholders of Electrolux.

Majority requirements

In order for the Annual General Meeting's resolutions in accordance with the Board of Directors' proposal under items A.–D. 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.

Stockholm in March 2006

THE BOARD OF DIRECTORS