

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.

Proposal of the Board of Directors of AB Electrolux concerning (A.) remuneration guidelines for the Electrolux Group Management and (B.) implementation of a performance based, long-term incentive program for 2007 (Electrolux Performance Share Program 2007)

A. REMUNERATION GUIDELINES FOR THE ELECTROLUX GROUP MANAGEMENT

The Board of Directors proposes that the Annual General Meeting approves the following remuneration guidelines for the Electrolux Group Management.

The guidelines set forth in this section A. shall apply to the remuneration and other terms of employment for the President and CEO and other members of Group Management of Electrolux ('Group Management'). Group Management currently comprises eight executives; the heads of sectors (Major Appliances Europe, Major Appliances North- & Latin America, Professional Indoor Products and Floor Care & Small Appliances) and the heads of the functions Finance, Communication & Branding, Legal and HR & Organization. The principles shall be applied for employment agreements entered into after the Annual General Meeting (AGM) in 2007 and for changes made to existing employment agreements thereafter.

Remuneration for Group Management is set by the AB Electrolux Board of Directors, based on the recommendation of the Remuneration Committee.

Guiding principles

Electrolux shall strive to offer total remuneration that is fair and competitive in relation to the home country or region of each Group Management member. For the President and CEO, a European comparison shall be made. The remuneration terms shall emphasize 'pay for performance', and vary with the performance of the individual and the Group. The total remuneration for Group Management can comprise the components as are set forth hereafter.

Fixed compensation

Annual Base Salary (ABS) shall be the foundation of the overall remuneration package of Group Management. The salary shall be competitive relative to the relevant country 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 individual performance.

ABS paid during 2006 totals MSEK 37,4. It is estimated ¹ that ABS for 2007 will not exceed 37,7.

Variable compensation

Following the 'pay for performance' principle, variable compensation shall represent a significant portion of the total compensation opportunity for Group Management. Variable compensation can be offered both with short term performance targets (up to 1 year) and long term performance targets (3 years or longer).

¹ Estimation made on the assumptions that the AGM in 2007 approves the Board of Directors' proposals and that Group Management is unchanged

Performance may be measured against both financial and non-financial targets. The financial targets shall comprise Value Creation on Group level and may comprise other financial measures such as EBIT Margin. Non-financial targets shall focus on elements in line with the Electrolux strategic plans. The targets shall be specific, clear, measurable and time bound and be determined by the Board of Directors from year to year.

Short Term Variable (STI)

Group Management members shall participate in a STI plan under which they may receive variable compensation in addition to the fixed salary. The main objectives in the STI shall be on financial targets. These shall be set based on annual financial performance of the Group and, for the Sector Heads, the performance of the Sector for which the Group Management member is responsible. In addition, non-financial targets in line with Electrolux strategic plans may be used to create focus on issues of particular interest at Group, Sector or the individual functional level.

For each STI plan, entry (the level of performance that must be reached to earn any allocation), target and stretch (maximum) levels of performance shall be defined in the beginning of each year and be approved by the Board of Directors.

The size of STI entitlements shall be dependent on job size and may amount up to maximum 70% of ABS at target- and 110% of ABS at stretch performance. Reflecting market norms, the corresponding numbers for Group Management members in the USA are 100% of ABS at target- and 150% of ABS at stretch performance.

STI paid during 2006 totals MSEK 20,2.

The STI payments for 2007 are estimated² to range between no payout at entry level, MSEK 23,3 at target level and MSEK 40,4 at stretch/ maximum level.

Long Term Variable (LTI)

Each year, the Board of Directors will evaluate whether or not a long term incentive program shall be proposed to the Annual General Meeting and, if affirmative, whether the proposed long term incentive program shall involve the transfer of company shares.

In 2006 the Annual General Meeting of Electrolux approved a performance share program based on Value Creation targets for the Group as established by the Board of Directors. The program involves an allocation of shares if these targets have been reached or exceeded after a three-year period. Allocation of shares under the program is determined on the basis of three levels of value creation; entry, target and stretch. Stretch is the maximum level for allocation and may not be exceeded regardless of the Value Creation created during the period. The number of shares allocated at stretch is 50% higher than target.

The shares will be allocated free of charge after the three-year period. Participants are permitted to sell allocated shares to cover personal income tax, but the remaining shares must be held for two years.

The Board of Directors has determined a target award value in SEK under the program. For the President, the target award value is MSEK 2.4 and for other members of Group Management MSEK 1.2. Each target award value has subsequently been converted into a number of shares, based on the average closing price of the Electrolux B-share on the Stockholm Exchange during a period of ten trading days before the day participants are invited to the program, reduced by the estimated value of dividends during the performance period.

² Estimation made on the assumptions that the AGM in 2007 approves the Board of Directors' proposals and that Group Management is unchanged

For further information on the LTI program approved in 2006, and Electrolux other long terms incentive arrangements, please refer to the Annual Report for 2006.

If value created is at target level, the cost of the 2006 program is estimated at MSEK 15 for Group Management. The estimated costs include employer contributions and the financing cost for repurchase of own shares. The corresponding cost for Group Management if value created equals or exceeds stretch is estimated at a maximum of MSEK 22. Corresponding costs in 2007 are estimated³ to range between MSEK 1 at entry level, MSEK 15 at target and MSEK 22 at stretch/ maximum level.

Extraordinary arrangements

In addition to STI and LTI, variable compensation may be approved by the Board of Directors in extraordinary circumstances, under the conditions that such extraordinary arrangement shall be made for recruitment or retention purposes, may only be agreed on an individual basis, shall never exceed three (3) times the annual salary and shall be earned and/or paid out in installments over a minimum of two (2) years.

Additionally, extraordinary retention arrangements shall include performance targets. Extraordinary recruitment arrangements may include such targets.

One of the members of Group Management is covered by agreements that entitle him to variable compensation subject to achievement of defined financial targets during the years 2005-2007 and 2007-2009. The compensation shall be due if the targets are achieved and the individual is employed until the end of 2007 respectively 2009.

It is estimated that the sum due in 2007 is at target level MSEK 11; this also represents the maximum cost.

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. In individual cases, depending on tax and/or social security legislation to which the individual is subject, other schemes and mechanisms for pension benefits may be approved by the Board of Directors.

The insurable benefits total MSEK 23,5 for the year 2006.

Other Benefits

Other benefits may be provided on individual level or to the entire Group Management. These benefits shall not constitute a material portion of total remuneration.

Notice of Termination and Severance Pay

The notice period shall be twelve months if the company takes the initiative and six months if the Group Management member takes the initiative.

In individual cases, the Board of Directors may approve severance arrangements in addition to the notice periods.

Severance arrangements may only be payable upon Electrolux termination of the employment arrangement or where a Group Management member gives notice as the result of an important change in his or hers working situation, because of which he or she can no longer perform to

³ Estimation made on the assumptions that the AGM in 2007 approves the Board of Directors' proposals and that Group Management is unchanged

standard. This may be the case in e.g. the event of a substantial change in ownership of Electrolux in combination with a change in reporting line and/or job scope.

Severance arrangements may provide as a benefit to the individual the continuation of the ABS for a period of up to twelve months following termination of the employment agreement; no other benefits shall be included. These payments shall be reduced with the equivalent value of any income that the individual earns during that period of up to twelve months from other sources, whether from employment or independent activities.

Deviations from the guidelines

The Board of Directors shall be entitled to deviate from these guidelines if special reasons for doing so exist in any individual case.

B. IMPLEMENTATION OF THE ELECTROLUX PERFORMANCE SHARE PROGRAM 2007

B. 1. Introduction and Description

Reasons for the proposal regarding the Electrolux Performance Share Program 2007

The proposed Electrolux Performance Share Program 2007 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 each of the years 2004 - 2006 were proposed by the Board of Directors and were approved by the Annual General Meetings in the respective years.

The Board of Directors of Electrolux is convinced that the Electrolux Performance Share Program 2007 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. The Electrolux Performance Share Program 2007 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. 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.

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. As of February 20, 2007, a total of 1,018,707 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, the distribution of Husqvarna in 2006 and the redemption of shares completed in 2007, a recalculation of the strike prices has been performed, which has resulted in new strike prices varying between SEK 89 (2003) and SEK 103.70 (2002). The recalculations have also resulted in each option entitling the holder to acquire 2.17 shares (initially each option entitled the holder to acquire 1 share). The quoted price for the Electrolux share of series B on February 20, 2007, amounted to SEK 166.50.

The Annual General Meetings in 2004, 2005 and 2006, respectively, resolved to implement performance share programs, on terms and conditions essentially corresponding to the terms and conditions for the Electrolux Performance Share Program 2007. 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 11,095,800 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 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 900,000 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 2005 – 2006 will be made at target, a sale of previously repurchased shares would entail an increase in the number of outstanding shares with 1,9%. 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 – 2003 and 2005 - 2006 amount to approximately SEK 45 million per year.

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 Performance Share Program 2007 has been prepared by the Remuneration Committee. At a meeting with the Remuneration Committee held on 13 February 2007, it was resolved to present a proposal of a performance based share program to the Board of Directors. The Board of Directors resolved in its meeting on February 13, 2007 to propose to the Annual General Meeting 2007 to resolve on implementation of the Electrolux Performance Share Program 2007. 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 Performance Share Program 2007.

Costs for the Electrolux Share Program 2007

The total costs for the Electrolux Performance Share Program 2007 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 180 million.

The costs for the Electrolux Performance Share Program 2007 have been calculated as the sum of salary costs for the program and the financing cost for the repurchased shares which is intended for the 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 which are intended to hedge the program.

The Board of Directors' proposal assumes implementation of the Electrolux Share Program during 2007 and possible allocation of shares free of charge during 2010, i.e. after the expiration of an initial three-year performance period. Allotment of repurchased shares under the Electrolux Performance Share Program 2007 will entail a maximum increase in the number of

outstanding shares of approximately 0,3%. The total maximum increase in the number of outstanding shares of the proposed Electrolux Performance Share Program 2007, the share programs for 2005 - 2006, and the Electrolux employee stock option programs for 2001-2003 amounts to a maximum of approximately 2,8%.

The above calculations presupposes that Electrolux undertakings under Electrolux Performance Share Program 2007 are secured with own shares. The costs could be expected to exceed the above figures, if the undertakings should be secured in any other manner. Such measures are, however, not expected to imply any more significant increased costs.

Hedging measures

The Board of Directors does not currently propose any measures to secure Electrolux undertakings under the program. Delivery of shares under the program shall not take place until 2010. Several measures could be applied to that effect. One such measure could be an equity swap agreement with a third party. Electrolux also holds a significant amount of repurchased shares, which has been repurchased in accordance with the mandate granted by the Annual General Meeting for the purpose of i.a. securing undertakings under Electrolux incentive programs.

B. 2. Proposal of the Board of Directors

In view of the account in Section B. 1. above, the Board of Directors proposes that the Annual General Meeting resolves to offer a performance based, long-term share program for 2007. The program for 2007 is proposed to include a maximum of 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 Performance Share Program 2007

- a) The participants of the Electrolux Performance Share Program 2007 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 program denominated in SEK. The target value for the President and CEO amounts to SEK 2,400,000, for the other members of the group management to SEK 1,200,000 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 program are met, allocation of shares will take place free of charge after the expiration of the three-year performance period, i.e. during 2010.
- 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 Performance Share Program 2007, 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) Certain 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 Performance Share Program 2007

- a) Up to 160 senior officers and other key employees in the Electrolux group shall be offered participation in the Electrolux Performance Share Program 2007. An offer to participate in the program shall be provided by Electrolux not later than May 30, 2007. 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 Performance Share Program 2007.
- 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 program, within the framework of the aforementioned terms and conditions and guiding principles.

Participation in the Electrolux Performance Share Program 2007 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 Performance Share Program 2007 may be made based on local rules and regulations as well as applicable market practice.

On account of it being considered that the Electrolux Performance Share Program 2007 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 program. The Board of Directors intends, however, to revert in this matter at the Annual General Meeting 2009.

Majority requirements

In order for the Annual General Meeting's resolutions in accordance with the Board of Directors' proposal under items A. and B. 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 2007
THE BOARD OF DIRECTORS