

*Non-official translation*

## **Proposals of the Board of Directors of AB Electrolux for resolution on implementation of a performance based long-term share program for 2011**

---

The Board of Directors has decided to propose a long-term incentive program for 2011. The Board is convinced that the proposed program will be beneficial to the company's shareholders as it will contribute to the possibilities to recruit and retain competent employees, is expected to increase the commitment and the motivation of the program participants and will strengthen the participants' ties to the Electrolux Group and its shareholders.

The Board of Directors proposes, in view of the above, that the Annual General Meeting resolves to implement a performance based, long-term share program for 2011 (the Share Program 2011) with the following principal terms and conditions:

- a) The program is proposed to include up to 170 senior managers and key employees of the Electrolux Group, which are divided into five groups; the President and CEO, other members of Group Management and three additional groups for other senior managers and key employees. Invitation to participate in the program shall be provided by Electrolux no later than on May 13, 2011.
- b) Participants who accept the invitation to the program shall acquire Electrolux B-shares (Savings Shares) on NASDAQ OMX Stockholm. Savings to acquire shares shall be made in 2011. Investments must be made in at least a minimum amount specified for each participant category, and may not exceed a maximum amount. The minimum investment amount for the CEO and President will be SEK 500,000, for other members of Group Management SEK 180,000 and for the three additional groups the minimum investment amount will be between SEK 135,000 and 67,500. The maximum amount that may be invested under the program shall be 50 per cent higher than the minimum amount for each participant category.
- c) In order to qualify for any benefits under the program, participants shall meet certain requirements, including that (i) Savings Shares shall be held at least for the period until January 1, 2014 and that (ii) the participant shall remain employed until such time. Exemptions may be prescribed to these requirements in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company from the Electrolux Group.
- d) Subject to the requirements in c) each participant shall be entitled to one (1) B-share in Electrolux (a Matching Share) for each Savings Share he or she has held. Subject to the requirements in c) and the additional performance requirements in item g), each participant will also have the opportunity to receive additional shares (Performance Shares).
- e) The Performance Shares shall be based on maximum performance values for each participant category. The maximum performance value for the President and CEO will be SEK 5,000,000, for the other members of Group Management SEK 1,800,000 and for the three other groups of senior managers and key employees not more than 1,350,000 and not less than SEK 675,000, respectively. The total sum of the maximum values thus defined for all participants will not exceed SEK 156,500,000, excluding social costs.
- f) Each maximum value shall thereafter be converted into a maximum number of Performance Shares, based on the average closing paid price of Electrolux B-shares on NASDAQ OMX Stockholm during a period of ten trading days before the day the participants are invited to participate in the program, reduced by the present value of estimated dividend payments for the period until shares are allotted.

- g) The calculated number of Performance Shares shall be connected to performance targets established by the Board for average annual growth in earnings per share (excluding items affecting comparability) for the Group during a three-year performance period 2011–2013, versus the actual outcome on earnings per share in the financial year 2010. The performance targets stipulate a minimum level, at 2.0 per cent average annual growth in earnings per share for the Group, and a maximum level, at 12.0 per cent average annual growth in earnings per share for the Group.
- h) Performance outcome will be determined by the Board of Directors after the expiry of the three-year performance period, in 2014. If the maximum performance level is reached or exceeded, the allocation may amount to (and will not exceed) the maximum number of Performance Shares following from items e) and f). If the minimum level is reached, the allocation will amount to approximately 17.0 per cent of the maximum number of Performance Shares. If performance is below the maximum level but exceeds the minimum level, a proportionate allocation will be made. No allocation will be made if performance is below the minimum level.
- i) The total award of Matching Shares and Performance Shares (if any) may never exceed one (1) per cent of the total number of shares in Electrolux. If required, awards shall be reduced to ensure that this dilution cap is observed.
- j) If all conditions in the Share Program 2011 are met allocation of Matching Shares and, if applicable, Performance Shares will take place in 2014. Allocation will be free of charge, except for tax liabilities.
- k) Certain deviations in or adjustments of the terms and conditions for the Share Program 2011 may be made based on local rules and regulations as well as applicable market practice.
- l) 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 2011, within the framework of the aforementioned terms and conditions.

#### **Costs for the Share Program 2011**

The total costs for the Share Program 2011 are estimated to range between a minimum of MSEK 10 (if only Matching Shares are delivered) and a maximum of MSEK 242 (if the maximum number of Matching Shares and Performance Shares are delivered). The estimated costs correspond to between 0.1 and 1.45 per cent of total employment cost for 2010. The costs will be distributed over the years 2011-2014.

The costs have been calculated as the sum of salary costs, including social costs, for the program, administration costs and the financing cost for the repurchased shares intended to be used for the hedging of the program.

The salary costs have been calculated based on the value, at the start of the program, of the Matching and Performance Shares that may be allotted at either minimum or maximum performance, with a reduction of the present value of estimated dividend payments during a three-year period. The estimate on minimum costs assumes that only Matching Shares will be delivered, that participants will invest at the minimum required level and that the number of participants that will leave the Group during the performance period is the same as the historical average since the introduction of share programs in 2004. The estimate on maximum costs assumes maximum performance, that the maximum number of participants will save at the maximum allowed level and that no participants will leave the Group during the performance period. The estimates also use varying share prices between the start of the program in May 2011 and the settlement in 2014. In calculating these estimates, share prices have been assumed to range between SEK 100 and SEK 250 per share.

Administration costs and the financing cost for repurchased shares hedging the program are estimated to be less than 1 MSEK.

Allocation of repurchased shares under the program is estimated to increase the number of outstanding shares with not more than 1,850,000 B-shares. Such maximum increase would have a dilutive effect on earnings per share of approximately 0.6 per cent. The total maximum increase in the number of outstanding shares of the Share Program 2011 and the share programs for 2009 and 2010 is estimated to

not more than 4,500,000 B-shares, corresponding to a dilutive effect on earnings per share of approximately 1.6 per cent.

The above calculations presuppose that Electrolux' undertakings under the Share Program 2011 are secured with own shares (see further below).

#### ***Hedging measures for the Share Program 2011***

The Board of Directors has evaluated different methods for securing the undertakings under the Share Program 2011, and considers that repurchased shares provide the most cost-efficient and flexible hedge for the Share Program 2011.

Electrolux holds a significant amount of repurchased shares, which have been repurchased under mandates from previous Annual General Meetings for the purpose of i.a. securing undertakings under Electrolux incentive programs. The holding is sufficient to hedge the Share Program 2011.

If the Annual General Meeting approves the Share Program 2011, the program will provide for delivery of Matching Shares and possibly Performance Shares in 2014. To meet the delivery undertakings at such time, the Board has decided to propose that the Annual General Meeting resolves to transfer repurchased shares to program participants. The full proposal in this respect is set out in the Board's proposal to the Annual General Meeting concerning acquisition and transfers of own shares.

If the proposal to transfer repurchased shares to program participants would not be approved by the Annual General Meeting, the Board of Directors will consider other means to meet the delivery undertakings under the program. One such method would be to enter into a share swap agreement with a third party at a later stage, whereby the third party will deliver Matching Shares and Performance Shares (if any) to the participants, and to sell repurchased shares in the market to offset the costs of such swap arrangement. Such arrangement would increase the costs of the Share Program 2011, although no significant cost increases would be anticipated.

#### ***Preparation of the proposal for the Share Program 2011***

The proposal regarding the Share Program 2011 has been prepared by the Remuneration Committee and has been presented to the Board of Directors.

#### ***Previous incentive programs in Electrolux***

For a description of the company's other share related incentive programs, reference is made to the annual report for 2010, note 27, and the company's website, [www.electrolux.com](http://www.electrolux.com). In addition to the programs described, no other share related incentive programs have been implemented in Electrolux.

---

#### **Majority requirements**

In order for the Annual General Meeting's resolution in accordance with the above proposal 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, February 2011  
**THE BOARD OF DIRECTORS**