

Remuneration to Senior Management

Below Remuneration Committee Chairman Barbara Milian Thoralfsson reports on the company's approach to remuneration to senior management.

The ability to recruit and retain competent employees is essential to the future of Electrolux. We aim to pay the right level of remuneration in proportion to responsibility and performance.

Some companies choose only to pay a fixed salary to senior management. We believe this is wrong for a number of reasons. The variable component is not a payment that comes on top of the fixed salary, like an extra bonus; instead we have decided that a portion of the salary should only be paid if certain predetermined targets are met. If the company underperforms and we have not met the established targets, there will be no outcome from the variable component and the payroll expense for Electrolux will thus be lower.

The long-term variable component of the salary is based on a combination of the company's development in the form of annual increases in earnings per share and how well the share performs. Accordingly, a strong correlation exists to the development for shareholders.

We believe that it is important to have a Group Management that faces the same reality as you the shareholders and the proposal for a long-term incentive program for 2012, just like last year's program, is based on targets for annual growth of earnings per share and personal investment by the participants in the program.

As well as aligning the interests of executives with shareholders, we have developed our remuneration policy to deal pragmatically with the very different remuneration levels and approaches that exist in our main markets. We seek to offer competitive total remuneration within relevant markets, i.e., in the country or region where our executives are employed. This has allowed Electrolux to attract and retain a highly diverse management group with the top 13 executives representing six different nationalities.

We have, as usual, set targets for both the short-term and long-term variable plans. For the short-term plan, targets are focused on financial goals, including operating margin, growth in net sales and net operating working capital. For the long-term plan, we will again focus on average annual growth in earnings per share over the next three-year performance period.

We are confident that our overall remuneration management and approach are in the best interest of our shareholders and will engage our talented and committed executive team in what is always a very demanding market.

Electrolux share program for senior management

Since 1998, Electrolux has offered annual long-term incentive programs to the Group's senior management. Option programs were offered in 1998–2003. Since 2004, Electrolux has long-term share programs. The Board of Directors proposes also for 2012 a performance-based, long-term share program.

As in previous years, the share program comprises financial goals that are based on the average annual increase in earnings per share over a three-year period. Participants are required to individually invest in Electrolux shares as in previous programs. The aim is to increase the participants' holdings in the company and therefore reinforce the mutual interest of managers and shareholders in good, long-term development for Electrolux.

The Board expects that the share program will be beneficial to the company's shareholders and will contribute to recruiting and retaining competent personnel within the Group. The share program is part of the total remuneration package for senior managers and is aimed at motivating managers to remain with Electrolux and become long-term shareholders. The value of the program for the participants is based on a combination of the Group's earnings development, the development of the share price and the size of own investments in Electrolux shares.

Summary of the proposed share program 2012

- Participants will receive performance shares if earnings per share increase annually by at least 4% on an average over the three-year period 2012-2014, versus the actual outcome in earnings per share 2011.
- The program is capped if the annual average increase in earnings per share exceeds 16%.
- A participant in the program must invest in Electrolux shares in an amount corresponding to at least 10% of the maximum value of the performance-based share program for each participant's position.
- The shares must be retained during the performance period. At the end of this period, the participant is allotted one additional share to match each share acquired.

- The program covers a maximum of 180 managers and key employees.

Invitations to participate in the program are scheduled to be posted in May 2012. The entire proposal is given in item 15 in the notification of the AGM and at www.electrolux.com/agm2012

Answers to the most frequently asked questions about the share program to be approved by the AGM are given below, together with an example of how the program would affect an individual participant.

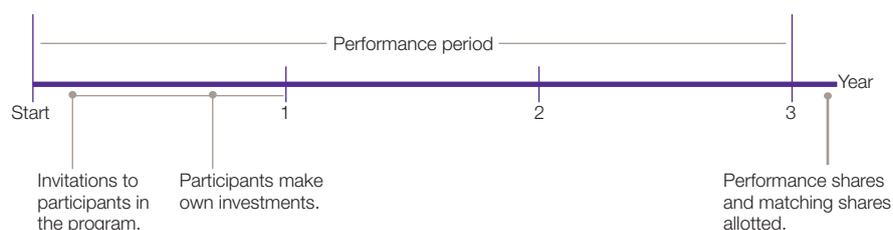
How is the proposed share program designed?

The value of the program is based on the average annual growth in earnings per share (EPS), excluding items affecting comparability, over a three-year period, "performance period". The invitation to the program states the value of the program and the number of performance shares that may be allotted to each participant if the goal is achieved. Minimum and maximum levels for allotment of shares have been defined. The final outcome is confirmed by the Board at the end of the three-year period.

After three years, Electrolux B-shares are allotted to participants free of charge if earnings per share as a minimum have increased by an average of 4% annually. The actual allotment of shares are based on the outcome for earnings per share.

Managers and key employees who are invited to participate in the program must invest in Electrolux shares in an amount corresponding to a minimum of 10% and a maximum of 15% of the maximum value of the performance-share program for their specific positions, as indicated in the table on page 3. At the end of the three-year period, one matching share is allotted for each share acquired.

Overview of the share program



Earnings per share for Electrolux, excluding items affecting comparability, has to increase by an average of at least 4% annually during the three-year period 2012-2014 versus the actual outcome in 2011 before any performance shares will be allotted.

Participants in the program must invest in Electrolux shares. At the end of the three-year period, one matching share is allotted for each share acquired.

How many shares can be generated by the proposed program?

The Board has proposed maximum values for conversion to shares. These values are related to the participant's position. The maximum value for the President and CEO is SEK 5m and for other members of Group Management SEK 1.8m. For other participating senior managers there are three different levels of value related to their positions, with a maximum of SEK 1.3m at the highest level and SEK 675,000 at the lowest level. See table below.

To calculate how many shares that can be allotted as a maximum the maximum values are converted to shares on the basis of the average closing share price for Electrolux B-shares on the exchange Nasdaq OMX Stockholm during the ten trading days prior to the date the managers are invited to participate in the program. The value of the shares is reduced by the present value of the estimated dividend during the performance period. The number of shares allotted depends on the average annual growth in the Group's earnings per share.

The table below shows the value that the program can generate. If the target of an average annual increase of 4% in earnings per share is achieved, 17% of the maximum number of shares is allotted. If Electrolux earnings per share increase by an average of 16% or more annually, 100% of the maximum number of shares is allotted. If the average annual increase is less than 4%, no performance shares will be allotted. See figure on next page.

The total sum of the maximum values for all participants is SEK 166m.

In addition to possible performance shares, one matching share is allotted for each share acquired through individual investment in accordance with the program requirements.

What is the cost of the proposed program?

The total cost of the program is estimated at not less than SEK 15m, if only matching shares are allotted, and at a maximum of SEK 195m, if the maximum number of matching and performance shares is allotted.

How does the program affect the number of outstanding shares?

Use of repurchased shares in accordance with the program would involve a maximum increase of approximately 0.7% in the total number of outstanding shares. The aggregated increase in the number of outstanding shares generated by the proposed share program for 2012 and the share programs for 2009–2011 is a maximum of approximately 1.7%.

The share program is one component in the total remuneration package for senior managers. The other components comprise fixed salary, variable salary based on annual targets, and other benefits such as pensions and insurances.

The value of the program for an individual participant depends on three factors; the extent to which the targets for earnings per share are achieved, the trend for the share price during the performance period and the size of own share investments. One of the benefits with variable components in remuneration is that the company's cost for remuneration varies with the performance of the business.

Values of the performance-based share program

Position	Group	Maximum value, SEK	No. of shares* (rounded)
President		5,000,000	32,258
Group Management		1,800,000	11,613
Others, approx. 150 managers	C	1,350,000	8,710
	B	900,000	5,807
	A	675,000	4,355

* Based on a share price of SEK 155 after reduction of a total expected dividend of SEK 8.20 over two years.

Own investments in Electrolux shares

Position	Group	Minimum*, SEK	Maximum**, SEK
President		500,000	750,000
Group Management		180,000	270,000
Others, approx. 150 managers	C	135,000	202,500
	B	90,000	135,000
	A	67,500	101,250

Participants in the program must invest in Electrolux shares. At the end of the period, one matching share is allotted for each share acquired.

* 10% of the maximum value of the performance-based share program.

**15% of the maximum value of the performance-based share program.

How does the program benefit the individual participant?

The example below shows the potential value of participating in the share program for Bertil, a manager from Group B. The maximum value of the program for him is SEK 900,000. The share price used to convert value to shares in this example is SEK 155. This means that Bertil can expect a maximum allocation of 5,807 performance shares (see table on the previous page).

This example involves an assumption that earnings per share for Electrolux will increase on average by 6% annually over the three-year period, and the share price will rise to SEK 225 at the end of the period.

1. In May 2012, Bertil is invited to participate in the long-term share program, on condition that he acquires Electrolux shares. He may invest a minimum of 10% and a maximum of 15% of the maximum value of SEK 900,000. During 2012, Bertil invests SEK 90,000, corresponding to 530 Electrolux shares at an average market price of SEK 170. He must retain the shares until the end of the performance period.
2. The maximum value of the share-based program of SEK 900,000 is converted to shares. The share price in our example is SEK 155. The invitation to the program therefore specifies that Bertil is entitled to a maximum allocation of 5,807 performance shares.
3. This gives Bertil several incentives to remain with Electrolux during the years covered by the program. At the end of this period, Bertil will receive in addition to possible performance shares one matching share for each Electrolux share he acquired. If he leaves the company during the three-year period covered by the program, he will not receive any shares.

4. The number of performance shares that will be allocated to Bertil depends on the trend for Electrolux earnings. If the company does not achieve the goal of an average annual increase in earnings per share of at least 4%, no shares will be allotted.

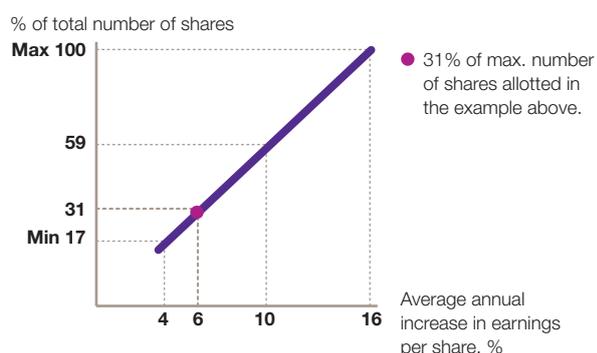
5. We assume in our example that when the three-year period ends in 2014, Group earnings have increased by an annual average of 6%. Bertil will be allocated 1,800 performance shares, corresponding to 31% of the maximum number of 5,807 shares (see the graph below). In addition to these shares, one matching share will be allocated to Bertil for every share he purchased. He will thus receive another 530 shares without cost.

6. Bertil has received a total of 2,330 shares under the program. If he is a resident of Sweden and his marginal tax is 55%, 1,282 shares will be used to cover the tax.

7. Bertil has thus received 1,048 Electrolux shares net of tax under the program. If the price of the Electrolux share has risen to SEK 225, the total value of these shares is approximately SEK 236,000. In addition, due to the positive share-price development the value of his own investment in 530 shares has risen from approximately SEK 90,000 to SEK 119,000. The outcome of the program for Bertil has been determined by the positive earnings trend for the Group, the increase in the trading price of the share and the size of his own investment in Electrolux shares.

If you have further questions about the program, please contact Electrolux Investor Relations at +46 8 738 60 03, or by e-mail ir@electrolux.se

Allotment of shares (figures are rounded)



The value of the program for an individual participant depends on three factors, i.e., the extent to which the targets for earnings per share are achieved, the trend for the share price during the period and the size of own investment in Electrolux shares.

If the target of a minimum 4% average annual increase in earnings per share during the three year period is not achieved, no performance shares will be allotted.