

*Non-official translation*

## **Proposal of the Board of Directors of AB Electrolux for resolution on implementation of a performance based long-term share program for 2017**

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The Board of Directors has decided to propose a long-term incentive program for 2017. 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 2017 (the "Share Program 2017") with the following principal terms and conditions:

- a) The program is proposed to include up to 350 senior managers and key employees of the Electrolux Group, who are divided into six groups; the President and CEO ("Group 1"), other members of Group Management ("Group 2"), and four additional groups for other senior managers and key employees ("Group 3-6"). Invitation to participate in the program shall be provided by Electrolux no later than on May 16, 2017.
- b) Participants are offered to be allocated Performance Shares, provided that the participant remains employed until January 1, 2020. Exemptions to this requirement may be prescribed in specific cases, including a participant's death, disability, retirement or the divestiture of the participant's employing company from the Electrolux Group.
- c) The Performance Shares shall be based on maximum performance values for each participant category. The maximum performance value for the participants in Group 1 will be 100 per cent of the participant's annual base salary for 2017, for participants in Group 2, 90 per cent of the participant's annual base salary for 2017, for participants in Group 3, 80 per cent of the participant's annual base salary for 2017, for participants in Group 4, 60 per cent of the participant's annual base salary for 2017, for participants in Group 5, 50 per cent of the participant's annual base salary for 2017, and for participants in Group 6, 40 per cent of the participant's annual base salary for 2017. The total sum of the maximum values of the Performance Shares thus defined for all participants will not exceed SEK 330m excluding social costs.
- d) Each maximum value shall thereafter be converted into a maximum number of Performance Shares<sup>1</sup>, based on the average closing price paid for Electrolux B shares on Nasdaq 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.
- e) The calculation of the number of Performance Shares shall be connected to performance targets for the Group established by the Board for (i) earnings per share, (ii) return on net assets,<sup>2</sup> and (iii) organic sales growth, for the 2017 financial year. The performance targets adopted by the Board will stipulate a minimum level and a maximum level, with the relative weight of the performance targets (i), (ii) and (iii) being 40 per cent, 50 per cent and 10 per cent respectively.

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<sup>1</sup> With a possibility for the Board of Directors to make adjustments for extraordinary events such as bonus issue, split, rights issue and/or other similar events.

<sup>2</sup> With a possibility for the Board of Directors to make adjustments to (i) and (ii) for extraordinary events.

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- f) Performance outcome of the established performance targets will be determined by the Board after the expiry of the one-year performance period. If the maximum performance level is reached or exceeded, the allocation will amount to (and will not exceed) the maximum number of Performance Shares following from c) and d). If performance is below the maximum level but exceeds the minimum level, a proportionate allocation of shares will be made. No allocation will be made if performance amounts to or is below the minimum level. Information on the performance targets and the outcome will be provided no later than in connection with the allocation of Performance Shares in accordance with h).
  - g) The total award of Performance Shares may never exceed one (1) per cent of the total number of shares in Electrolux. If required, allotments shall be reduced to ensure that this dilution cap is observed.
  - h) If all conditions in the Share Program 2017 are met, allocation of Performance Shares will take place in the first half of 2020. Allocation will be free of charge except for tax liabilities.
  - i) Certain deviations in or adjustments of the terms and conditions for the Share Program 2017 may be made based on local rules and regulations as well as applicable market practice or market conditions, including cash settlement instead of delivery of shares under certain circumstances.
  - j) 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 2017, within the framework of the aforementioned terms and conditions.
  - k) If material changes would occur within the Electrolux Group or on the market that, according to the Board's assessment, would lead to the conditions for allocation of Performance Shares no longer being reasonable, the Board will have the right to make also other adjustments of the Share Program 2017, including e.g. a right to resolve on a reduced allotment of shares.

#### **Costs for the Share Program 2017**

The total costs for the Share Program 2017 if the maximum number of Performance Shares are delivered, are estimated to a maximum of SEK 393m, which corresponds to approximately 2 per cent of total employment cost for 2016. The costs will be recognized over the years 2017-2019. The costs have been calculated as the sum of salary costs, including social costs, and administration costs for the program. Administration costs are estimated to be less than SEK 1m. If no allotment of shares is made, only administration costs will arise.

The salary costs have been calculated based on the value, at the start of the program, of the Performance Shares that may be allotted at maximum performance, with a reduction of the present value of estimated dividend payments during a three-year period. The estimate on maximum costs assumes maximum performance 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. In the calculation, a maximum share price of SEK 310 per share has been applied.

If repurchased shares are allocated under the program the number of outstanding shares is estimated to increase with not more than 1,914,000 B shares.<sup>3</sup> Such maximum increase would have a dilutive effect on earnings per share of approximately 0.66 per cent. The total maximum increase in the number of outstanding shares of all outstanding share programs is estimated to not more than 3,802,900 B shares, corresponding to a dilutive effect on earnings per share of approximately 1.3 per cent. In this calculation, maximum allotment of shares has been assumed for Share Program 2017 and expected allotment has been assumed for the share programs for 2015 and 2016.

The above calculations assume that Electrolux undertakings under the Share Program 2017 are secured with own shares.

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<sup>3</sup> With a possibility for the Board of Directors to make adjustments for extraordinary events such as bonus issue, split, rights issue and/or other similar events.

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**Hedging measures for the Share Program 2017**

The Board of Directors does not currently propose any method for securing the undertakings under the Share Program 2017. Delivery of Performance Shares in accordance with the terms of the Share Program 2017 will take place in 2020.

**Preparation of the proposal for the Share Program 2017**

The proposal regarding the Share Program 2017 has been prepared by the Remuneration Committee and 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 2016, note 27, and the company's website, [www.electroluxgroup.com](http://www.electroluxgroup.com). In addition to the programs described, no other share related incentive programs have been implemented in Electrolux.

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**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.

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Stockholm, January 2017  
*THE BOARD OF DIRECTORS*