

“We are increasing our investments in new, innovative products and building Electrolux into a leading global brand. That’s the way to achieve sustainable, profitable growth and to create value for shareholders and other stakeholders.”

Annual Report 2003

 **Electrolux**

AB Electrolux

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Financial reports in 2004

Consolidated results	February 12
Annual report	Early April
Form 20-F	June
Quarterly report, 1st quarter	April 21
Quarterly report, 2nd quarter	July 16
Quarterly report, 3rd quarter	October 20

The above reports are available on request from AB Electrolux, Investor Relations and Financial Information, SE-105 45 Stockholm, Sweden. Financial information from Electrolux is also available on the Group’s website, www.electrolux.com/ir

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Factors affecting forward-looking statements

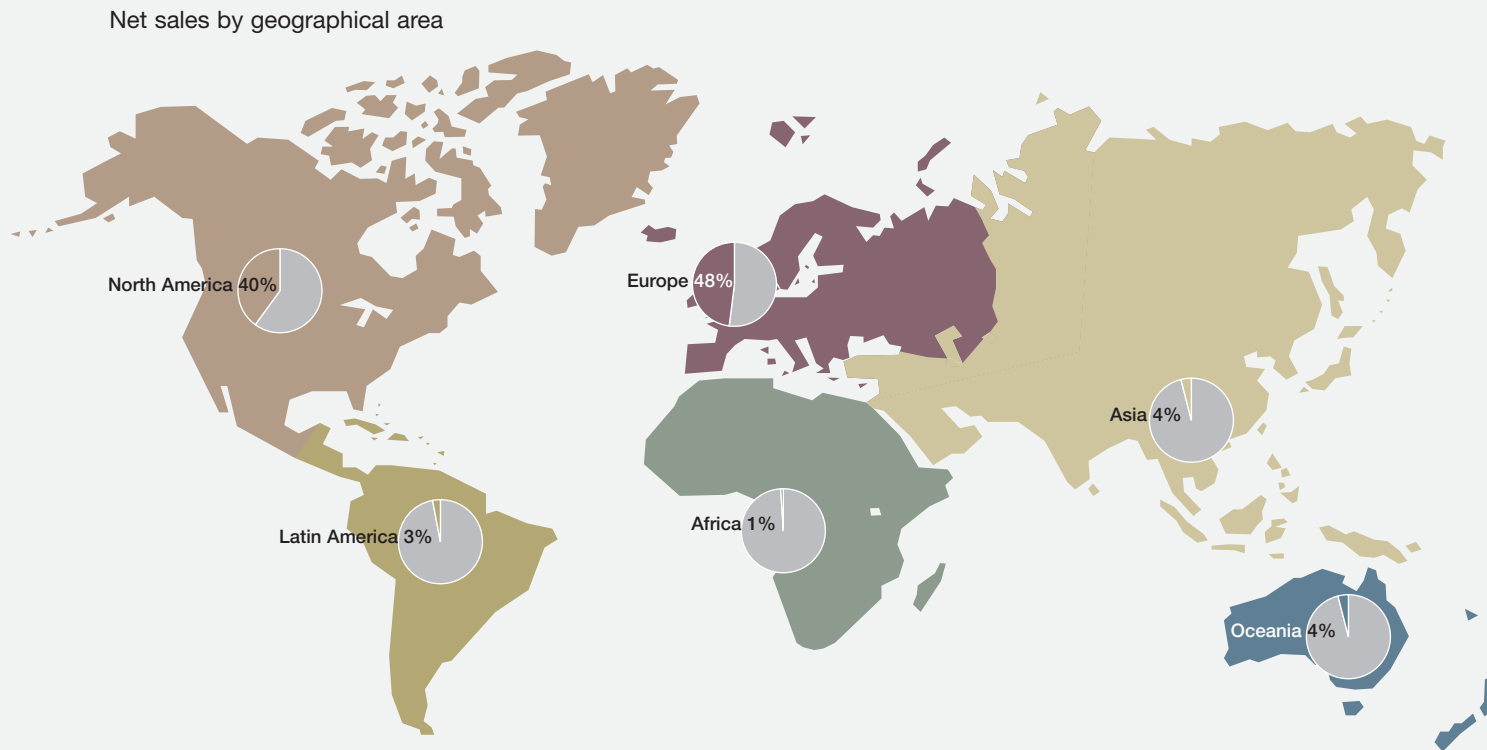
This report contains “forward-looking” statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following: consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

This is Electrolux

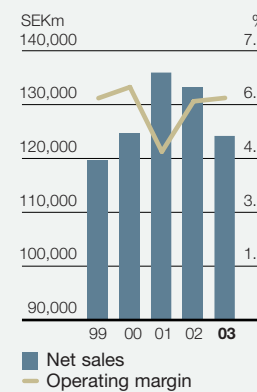
With sales of SEK 124.1 billion, Electrolux is the world's largest producer of appliances and equipment for kitchen, cleaning and outdoor use, such as refrigerators, cookers, washing machines, chainsaws, lawn mowers and garden tractors. Electrolux is also one of the largest producers in the world of similar equipment for professional users.

Key data	2003	2002	2003 EUR	2003 USD	Net sales in 2003 in the 10 largest countries SEKm
Net sales	124,077	133,150	13,590	15,356	USA 44,469
Operating income	7,175	7,731	786	888	Germany 10,777
Margin, %	5.8	5.8			UK 6,610
Income after financial items	7,006	7,545	767	867	France 6,525
Net income per share, SEK, EUR, USD	15.25	15.60	1.67	1.89	Italy 6,027
Dividend per share, SEK, EUR, USD	6.50 ¹⁾	6.00	0.72	0.90	Australia 4,727
Return on equity, %	17.3	17.2			Canada 4,703
Return on net assets, %	23.9	22.1			Sweden 4,307
Value creation	3,449	3,461	378	427	Spain 3,306
Net debt/equity ratio	0.00	0.05			Brazil 2,575
Average number of employees	77,140	81,971			Total 94,026

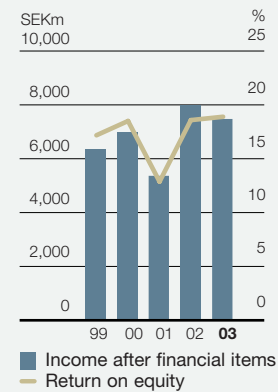
1) Proposed by the Board of Directors.



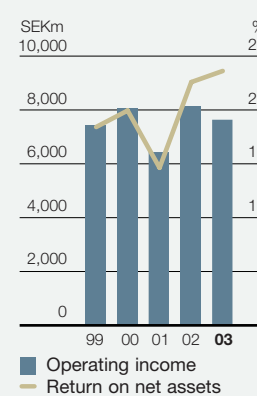
Net sales and operating margin*



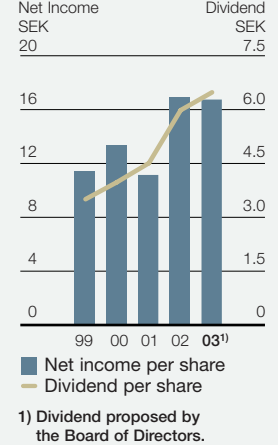
Income after financial items and return on equity*



Operating income and return on net assets*



Net income and dividend per share*



1) Dividend proposed by the Board of Directors.

* Excluding items affecting comparability.

Business areas

Business Area	Share of total Group sales	Market position	Key brands	Performance in 2003	Strategic priorities
Consumer Durables	<p>Share of total Group sales</p>	<p>Indoor products</p> <p>White goods: Market leader in Europe and Australia, third largest producer in US</p>		<ul style="list-style-type: none"> Strong sales growth and higher income in USD for appliances in North America Continued positive trend for sales volume and income within appliances in Europe Continued negative income for appliances outside Europe and North America, but improvement in fourth quarter 	<ul style="list-style-type: none"> Increase investments in product development and the Electrolux brand Relocate production facilities, e.g. new plants in Eastern Europe, Asia and Mexico Increase purchases from low-cost countries Launch new high-end products in US under Electrolux brand
		<p>Outdoor products</p> <p>World's largest producer of garden tractors, lawn mowers and other portable petrol-driven garden equipment</p>		<ul style="list-style-type: none"> Strong sales growth and higher income in USD for consumer outdoor products in North America Weaker demand and somewhat lower sales in Europe, improved operating income 	<ul style="list-style-type: none"> Leverage synergies with Professional Outdoor Products Create Electrolux-branded product offering Roll-out up-market product range under Husqvarna brand in US
Professional Products	<p>Share of total Group sales</p>	<p>Indoor products</p> <p>Food-service equipment: Market leader in Europe, third largest producer in the world</p>		<ul style="list-style-type: none"> Continued weak market conditions in food-service equipment and laundry systems Overall lower income, unchanged margin Divestment of compressor operation 	<ul style="list-style-type: none"> Focus on core areas within food service and laundry systems Establish sales organization for food service in US Launch new product concepts
		<p>Outdoor products</p> <p>Chainsaws: World's largest producer</p> <p>Diamond tools: One of the world's largest producers of diamond tools and related equipment for the construction and stone industries</p>		<ul style="list-style-type: none"> Increased demand for chainsaws and garden equipment, decline for diamond tools Increased income, margin remained at high level 	<ul style="list-style-type: none"> Maintain profitable position within chainsaws Continue to grow commercial lawn and garden business Improve cost structure within diamond tools

A clear strategic direction

Electrolux is the world's leading supplier of consumer durables for indoor and outdoor use. Our operations are global. We sell over 55 million consumer products annually in more than 150 countries. We also sell professional products for indoor and outdoor use throughout the world.

We're seeing a continued trend to greater globalization in our product areas. More competitors from Asia are entering the European and North American markets. Our traditional European and American competitors are moving more of their production to low-cost countries. Within the retailing sector, a similar global-

ization is under way as the big chains enter new markets.

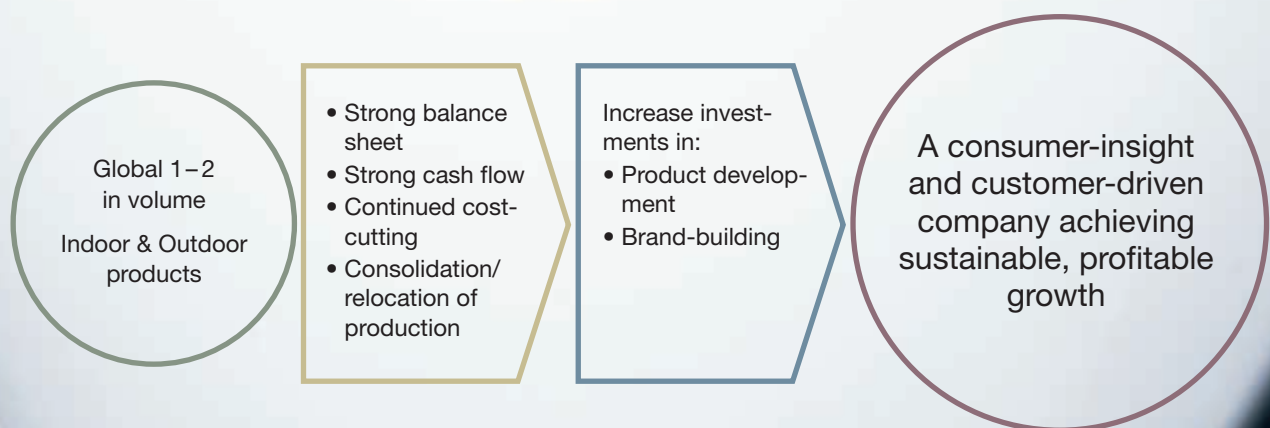
Electrolux is one of the few truly global companies in the industries in which we operate. These trends create new opportunities to further leverage the size and scope of the Group's operations to achieve cost-savings, and to fund increased investments in new, innovative products and marketing.

Attractive products comprise the foundation for building strong brands. Strong brands enable higher margins and greater profitability for us and for our retailer partners. That's why we're committed to making Electrolux a leading global brand.



Hans Stråberg
President and CEO

The automated Trilobite vacuum cleaner.



Building on a position of strength

The Group's operations are now focused on our core areas, after several years of divestments and restructuring. Earnings and profitability have improved steadily. Our cash flow is stronger, and we've reduced tied-up capital. We have a strong balance sheet. At year-end our net debt/equity ratio was zero.

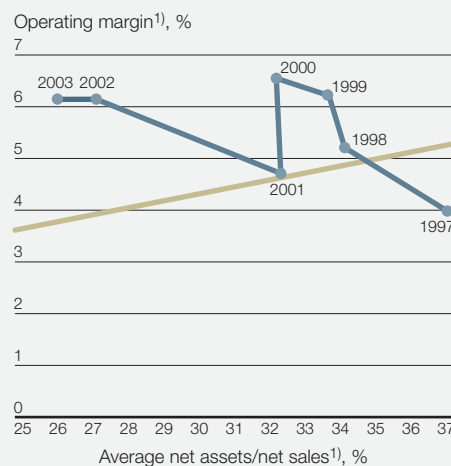
We apply a model for value creation internally in order to drive and evaluate operations. The model links operating income and asset efficiency with the cost of the capital employed in operations. Electrolux has covered its cost of capital every year since 1998.

But improvements have not been limited to key financial indicators. The Group's market shares have also risen in the US, and in Europe as well. And we've strengthened our positions with leading retailers.

Electrolux strengths

- Leading market positions, global 1–2 in most categories
- Global presence
- No. 1 or 2 with leading retailers in Europe and North America
- Benefits of scale in e.g. production, distribution and product development
- Leading brands
- Competitive edge with indoor and outdoor products for retailers who buy both
- High-margin professional products that enable transferring product concepts to the consumer market
- Strong balance sheet and cash flow

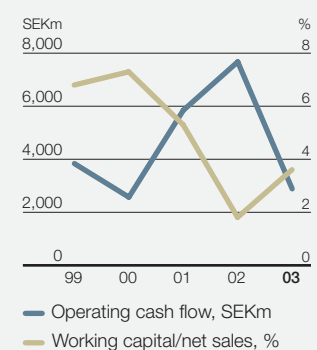
Operating margin and return on net assets



1) Excluding items affecting comparability.

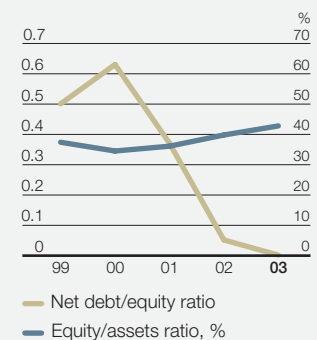
The graph shows the trend for the Group's operating margin since 1997. The yellow line indicates the level where value is created, based on a 13% Weighted Average Cost of Capital (WACC).

Cash flow and working capital



Cash flow declined in 2003, mainly due to an increase in working capital from a record low level at year-end 2002.

Capital structure



The net debt/equity ratio and the equity/assets ratio have improved gradually and were 0 and 42.7% respectively at year-end 2003.

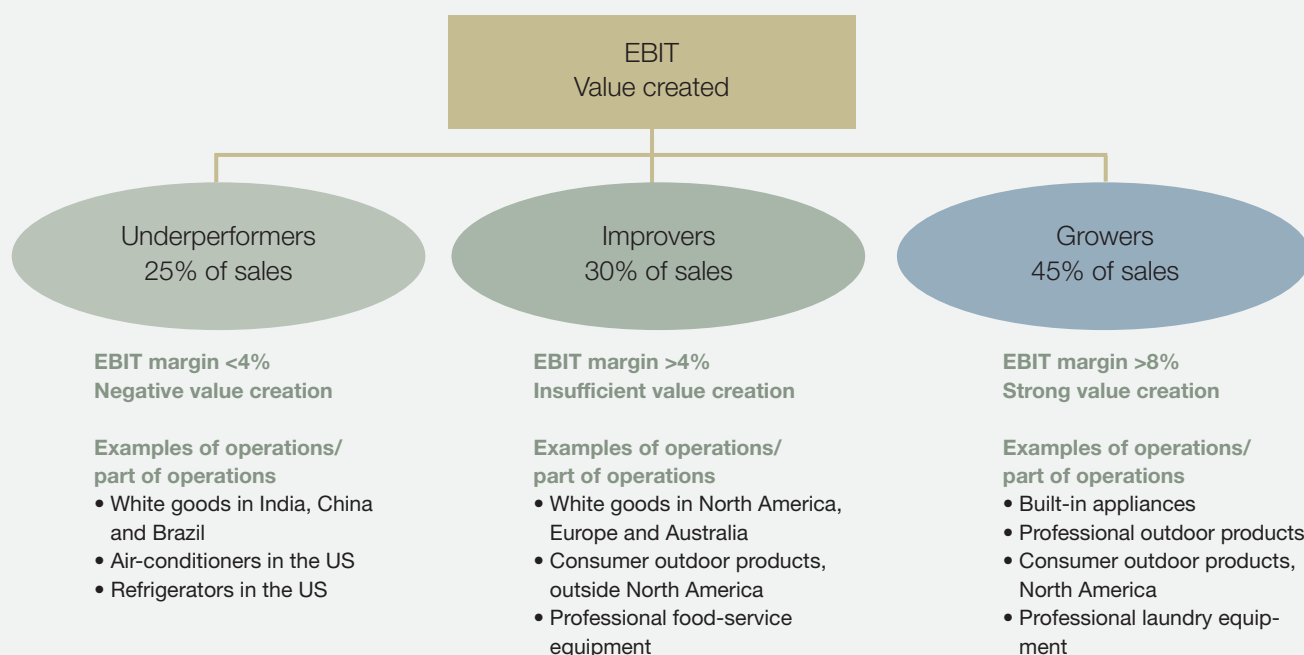
We're continuing to address underperformers

Over the past few years, we have dealt with unprofitable Group units through restructuring and divestments, such as the operations for compressors and air-conditioners. But there are still operations within the Group that report negative value created or do not create enough value.

In 2003, the share of operations reporting negative value decreased to about 25% of sales, from 35% in 2002. So our actions are taking effect and we are making progress. Operations that were value-positive but should create more value, accounted for about 30% in 2003, up from 15% in the previous year. Operations reporting strong value creation accounted for about 45% of sales, compared with 50% in 2002. This decline refers mainly to the floor-care operation in North America and to food-service equipment, which reported

lower earnings due to weak market conditions.

On the basis of our in-depth annual strategy process, we continue to implement specific action programs for all operations. These include reducing costs through fewer product platforms, increasing standardization of components and relocation of plants, and improving the product offering. But it naturally takes time to achieve improvements. For example, in 2003, we implemented comprehensive changes within appliances in China and India. Our goal is to break even in China by the end of 2004, and in India by year-end 2005. We also shut down an unprofitable plant for air-conditioners in the US, and we now source these products externally. We will see the effect of these changes gradually over the next few years.



Active talent management is decisive for success

We are continuing to transform Electrolux into a consumer-insight and customer-driven company that creates more value. We have to move fast and dare to do things differently, which requires more emphasis on developing and strengthening leadership and on ensuring key competence in the Group.

That is why we assign high strategic priority to talent management – processes and tools for developing and retaining leaders.

We have established a structured process for evaluating and developing managers within the Group in order to make the best use of our managerial resources. More than 1,300 senior

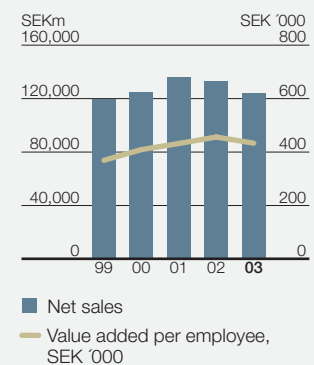
managers are evaluated annually.

Coaching, or purposeful development of our personnel so that they utilize their full capacity, is another vital component for creating a performance-oriented corporate culture. In 2003 more than 1,000 managers participated in our training program for coaching, which was double the number in the previous year.

Our efforts to generate greater mobility between functions and countries are also starting to give results.

We will maintain our efforts to strengthen leadership within the Group over the next few years.

Sales and value added



Value added per employee declined by 5% in 2003, as a result of changes in exchange rates.



Taking action for greater cost-efficiency

Electrolux today is a much leaner and more focused company. But there are still extensive opportunities to reduce complexity and increase cost-efficiency within the Group.

We are taking action to remove overlaps within the organization, reduce the number of product variations and increase standardization, streamline and consolidate production,

and make our purchasing even more efficient. This is the way to finance investments in product development and brands. Greater cost-efficiency remains the foundation of our future.

In recent years we've implemented a number of changes in this direction. These have included establishing a more in-depth annual strategy and planning process, introducing an organization based on product lines with global product councils, improving the efficiency of purchasing, and investing in production facilities in low-cost countries.

Keys to greater cost-efficiency

- Fewer product platforms and product variations
- Standardized components
- Streamlining/specialization of production
- Consolidation and relocation of production facilities
- Improved logistics/demand flow
- Focus on cost to serve
- Fewer suppliers
- Greater share of purchases from low-cost countries

Reduction of product platforms in Europe

Number of product platforms to be reduced by more than 50% by 2004–2005

Product area	Total reduction	Year-end 2003
Refrigerators	46 → 17 platforms	33
Cookers	41 → 27 structures	33
Ovens	32 → 10 cavities	25
Washing machines	13 → 6 platforms	10
Dishwashers	4 → 1 platform	2

Fewer product platforms

We are steadily consolidating the number of product platforms, which in Europe will be more than halved by year-end 2005 in comparison with 2001. In 2004 we will have only one platform for dishwashers in Europe, as against the previous four. The trend to global platforms is intensifying, e.g. we aim to have a single global platform for all our front-loaded washing machines.

The benefits of fewer platforms include greater standardization of components, fewer product variations, and increased specialization and consolidation of production.

Relocating production facilities

The trend towards greater globalization of products and markets creates opportunities for shifting production to low-cost countries. Building on our global structure, we're expanding our production base in Mexico, Eastern Europe and Asia. The costs for relocation could reach SEK 1–2 billion annually in the next few years, which is in line with the Group's previous restructuring costs.

However, a major share of restructuring costs in recent years was related to units that are no longer part of the Group. The actions that we are now taking are related directly to our core businesses and should therefore make a more positive contribution to profitability.

Investments in Eastern Europe, Mexico and Asia

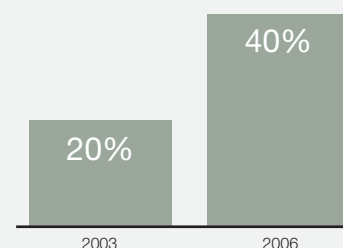
	New plant in Hungary	New plant in Russia	Increased capacity in Poland	New plant in Mexico	New plant in Thailand
Product	Refrigerators/freezers	Washing machines	Dryers	Refrigerators	Washing machines
Annual capacity	560,000	150,000 (Phase 1)	From 200,000 to 800,000	1,600,000	200,000
Investment	SEK 600m	SEK 80m	SEK 270m	SEK 1,500m	SEK 80m
Start of production	2005	2004	2006	2005	2003

Investment decisions in 2003 included two new plants in Eastern Europe, i.e. one in Hungary for refrigerators and one in Russia for washing machines, as well as one plant for washing machines in Thailand. We also decided to increase capacity at the plant for dryers in Poland. In 2004, we decided to invest in a new plant for refrigerators in Mexico.

More efficient purchasing

In 2003 the Group spent about SEK 90 billion on purchases of materials and services. Direct materials, including components, accounted for about two thirds of total purchases. In recent years we have succeeded in steadily reducing our annual purchasing costs. In the coming years we expect to obtain even greater savings, through continued internal coordination and consolidation, increased purchases from Eastern Europe and Asia, and standardization of components and products.

Increased purchases from low-cost countries

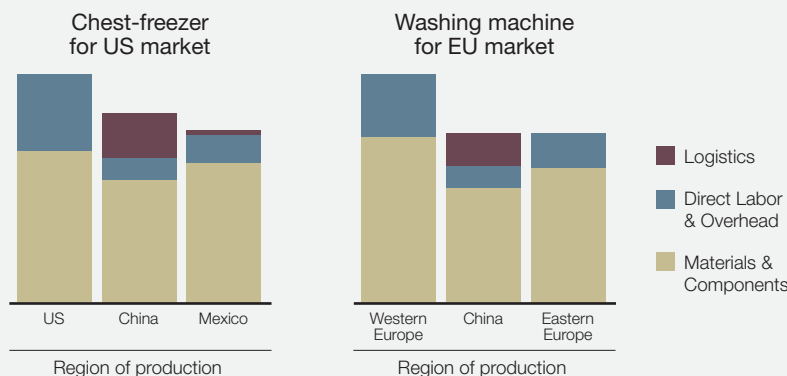


The goal is to increase the share of purchases from low-cost countries from about 20% today to about 40% in 2006.

The diagrams show the current total cost of a chest-freezer sold in the US and a washing machine sold in the EU. The cost of producing the chest-freezer in Mexico, including purchases of materials and components from low-cost countries, is fully competitive with costs for a corresponding product produced in Asia. Wages are higher in Mexico, but this is offset by higher transport costs from Asia to the US market. Cost relations are similar for a washing machine produced in Eastern Europe.

Examples of regional production costs

Estimated landed cost for two different appliances



In the examples above, production in Mexico and Eastern Europe is competitive with China and Korea.



The Electrolux Icon fridge/freezer.

Understanding
consumer needs is
the basis for our
product development.

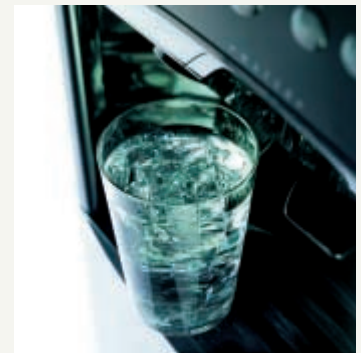
We're investing more in product development

Consumers are willing to spend more for products that better meet their real needs and preferences. Product innovation is therefore a key to profitable growth. That's why we expect to increase our investment in product development from about 1% to about 2% of sales over the next few years.

In order to make sure we get good returns on these investments we have improved our product creation process. This will result in greater precision, shorter lead times and shorter product cycles.

Our need-based market segmentation model is now the starting point for all new products. Clearly defined user needs are required for allocation of investment in a new product.

In 2002 we set up a central function dedicated to understanding consumer needs, and we're committed to developing more competence and investing more in this area throughout our operations. Today, we also measure consumer attitudes more systematically in order to learn more about their needs and behavior in relation to our products.

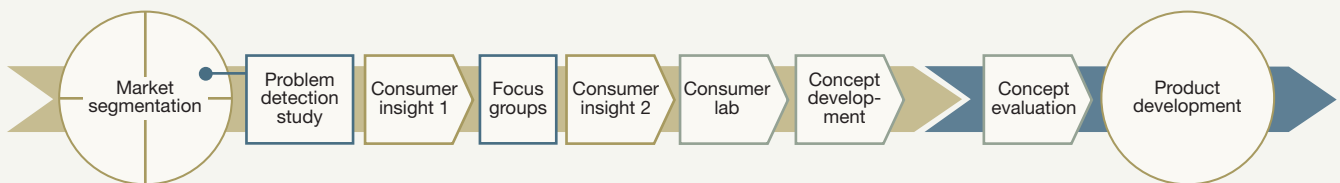


Ice maker

The Electrolux side-by-side refrigerators feature ice-makers that serve cubes, crushed ice or ice-water. There is also an Extra-Ice function for large volumes.

Product development based on consumer insight

Our product development process has been improved for better precision.



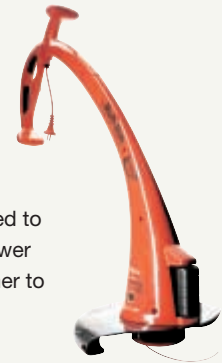
The front end of our product development process is a road-map for generating consumer insight. We maximize efforts to generate deep consumer understanding and knowledge.

Our goal is to develop products and services that profitably satisfy our consumers' identified needs.



New grass trimmer with double function

Flymo's trimmer/edger is designed to make garden work easier with fewer machines. It converts from trimmer to edger with a simple adjustment.



The quietest vacuum cleaner on the market

The new Ultra Silencer vacuum cleaner is one of the products generated by our new development process. It is based on identification of consumer needs for quieter operation. The Ultra Silencer features the lowest noise level on the market, and has achieved high sales as well as good profitability.

Market communication for the Ultra Silencer focuses on its low noise level. The commercial has won several prizes.



The Electrolux Icon range

The new Electrolux Icon range is a series of appliances in aluminum or stainless steel, for exclusive built-in kitchens. It combines high technology, quality and clean design. The Icon range includes steam ovens, teppan yaki hotplates, an espresso machine, an induction hob, a telescope hood, a side-by-side refrigerator/freezer and a separate control panel.



Investment requests

We are committed to building deep understanding of consumer needs into all our products and services. To make sure that this happens on a consistent basis, we have a list of special consumer questions that must be answered in order for all investment request approvals.



The Electrolux Automower

The battery-driven Automower cuts the lawn automatically with no supervision. It is quiet and emission free, and there is no need to collect grass.



Refrigerator with wine cooler

In 2004 the Group will launch a large range of new refrigerators in the Chinese market. The model shown here features a patented wine cooler for the highest price segment in the market.



New appliances in North America

A new exclusive range of appliances under the Electrolux brand will be launched in North America during the first half of 2004. These will be the first appliances to be single-branded with Electrolux since the Group acquired the rights to the brand in this market in 2000.



Electrolux Molteni Podium

A new professional cooking station from Molteni, the Group's French subsidiary. Molteni specializes in highly exclusive cookers that are built by hand to customer specifications.

New cordless cleaner

Ergorapido is designed for instant cleaning of tables and other furniture. It features environment-friendly, long-life rechargeable batteries.



New riders from Husqvarna

The new Husqvarna riders are designed for users who want the very best. The ProFlex 21 features a high level of comfort, including servo steering for easier, more precise operation.



Customers are willing
to pay more for brands
they know and trust.



The Electrolux Automower.

We're building Electrolux as a global brand

We're continuing to reduce the number of Group brands and build Electrolux as our leading global brand. In many countries where we have strong local brands we double-brand these with Electrolux. This makes the local brand a platform for building the Electrolux brand.

In 2003 we initiated double-branding with local brands in a number of countries, including Austria, Belgium, Denmark, Luxembourg, The Netherlands and the UK. In 2004 about 60% of all appliances sold in Europe will be double-branded.

During the year Electrolux was also re-launched as a brand for floor-care products in North America. We're launching a new range of white goods in North America under the Electrolux brand during the first half of 2004. Electrolux will be positioned in higher price

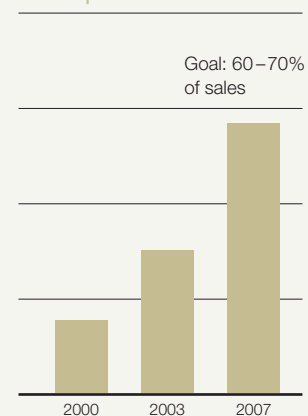
segments than the existing Frigidaire brand for white goods and Eureka brand for vacuum cleaners.

In 2003 the new identity for the Electrolux brand started to take shape. During the year, all market communication for Electrolux-branded consumer products in Europe, North America and most of Asia was assigned to a single advertising agency. All media advertising in Europe was assigned to one agency.

Over the next few years we are going to increase our investment in market communication from about 1% of sales to about 2%. With more consolidated activities we will also obtain a better yield on the money we spend.

Building Electrolux brand equity will be part of the variable salary for sector heads as of 2004.

The Electrolux brand's share of Group sales



The goal is for the Electrolux brand to account for about two-thirds of sales of branded products by 2007, including double-branding.



The Group has strong local or regional consumer brands in many markets. These are being double-branded with Electrolux in order to establish the Electrolux name among consumers in these countries. For example REX is the leading brand for appliances in Italy, and as of 2004 all products are being double-branded REX Electrolux.



A single agency

In the beginning of 2003, we aligned all marketing communications activities within a single agency across Europe, North America and most of Asia. This will enable more consistent communication of the Electrolux brand across product categories and regions. A new graphic identity program was launched at the end of the year.

More bang for the buck

We are focusing our advertising resources on the Electrolux brand to increase our impact among consumers. In addition, concentrating our media investments in Europe in a single media agency enables us to plan and buy advertising space more cost-efficiently.

The new Electrolux communications platform started to take shape in 2003. Electrolux will stand for innovative, relevant solutions with inviting contemporary design, based on superior understanding of how consumers want to live their lives at home.



Electrolux-branded floor-care products introduced in US

Electrolux returned to the North American vacuum-cleaner market at the end of 2003. The Electrolux US web site was also the Internet launch platform for the new Electrolux identity.

We're committed to making Electrolux a global winner

We're well on our way to transforming Electrolux into a consumer- and customer-insight driven company with a greater focus on product development and marketing. We're building on our strong financial position and leading global market shares. We're committed to making Electrolux a company that achieves long-term growth and sustainable profitability.

We are focusing on what I call our six accelerators – products, brands, pricing, purchasing, production efficiency and talent management.

We are now increasing our investments in product development and marketing. Over the next three years we expect to gradually increase our spend in these areas from about 1% to about 2% of sales respectively.

The goal is to maintain the Group's operating

margin at about 6%, inclusive of the above investments, but exclusive of the costs for relocating production. Costs for transfer of production over the next few years can amount to SEK 1–2 billion annually, which is in line with the Group's restructuring costs in recent years.

As we are investing in new, efficient plants in low-cost countries and in new products, Group capital expenditure will rise from the current level of about SEK 3.5 billion to about SEK 4–5 billion. We should continue to generate good cash flow. Our balance sheet is strong, and we should be able to provide our shareholders with a good dividend.

Hans Stråberg

President and CEO

Our six accelerators

Products

- Increase investments in product development based on consumer insight
- Improve product mix
- Shorten time to market
- Accelerate product life cycle

Brands

- Build the Electrolux brand globally, across categories
- Increase value sales
- Building brand equity now tied to managers' bonus systems

Pricing

- Focus on total cost to serve customers
- Clear and consistent pricing structure
- Win-win approach

Purchasing

- Better internal coordination of purchases
- Increase purchases from low-cost countries
- Further standardize components and products

Production efficiency

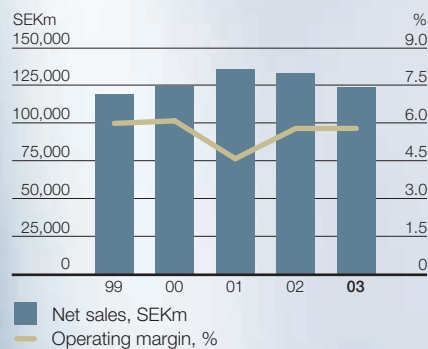
- Reduce no. of product platforms
- Consolidate no. of plants
- Increase production base in low-cost countries
- Lean manufacturing

Talent management

- Strengthen leadership
- Secure key competences
- Improve coaching skills
- Increase mobility between functions and countries

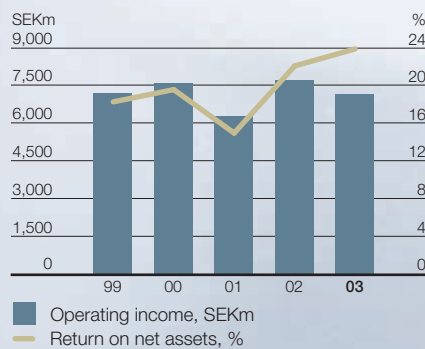


Net sales and operating margin



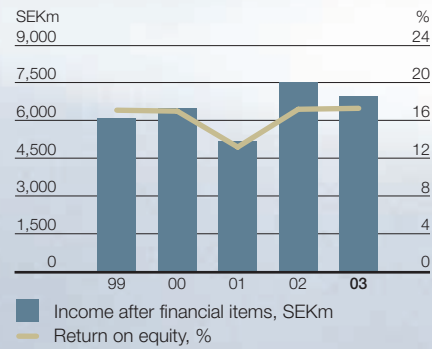
Operating income declined in 2003 as a result of changes in exchange rates.

Operating income and return on net assets



Return on net assets improved to 23.9% from 22.1% in 2002, despite lower operating income.

Income after financial items and return on equity



Income after financial items decreased by 7% and return on equity remained unchanged at 17%.

Good performance by most operations in 2003

Higher demand for Consumer Durables

Demand for Consumer Durables increased in most of the Group's markets during the year, with the exception of Brazil. Market conditions for Professional Products remained weak, particularly in food-service equipment, diamond tools and power cutters.

Operating margin improved

Adjusted for changes in exchange rates, acquisitions and divestments, Group sales increased by 3.3%. Operating margin improved to 6.2% (6.1), excluding items affecting comparability. Operating income was adversely affected by changes in exchange rates in the amount of SEK 930m, of which two thirds referred to translation effects. These effects were traceable mainly to the strengthening of the Swedish krona against the US dollar.

Increased downward pressure on prices within Consumer Durables was offset by greater manufacturing efficiency, savings from restructuring, and lower costs for materials and components.

All key ratios improved or were in line with the previous year. The balance sheet improved further.

Cash flow not as strong as in 2002

Cash flow was weaker than in 2002. This was mainly due to an increase in accounts receivable, and a decrease in accounts payable from the high level in the previous year. In both 2001 and 2002 we succeeded in substantially reducing working capital, which was at a historically low level at year-end 2002.

Higher margin for appliances in Europe and US

Appliances and consumer outdoor products in North America showed strong growth and higher operating income in USD. Margin improved for both operations. Appliances and floor-care products in Europe also performed well. In addition, Professional Outdoor Products showed continued good growth, and margin improved slightly from the high level of the previous year.

On the other hand, floor-care products in North America showed a substantial decline in operating income due to an unfavorable product mix and downward pressure on prices. Income and margin in the fourth quarter improved after a particularly weak third quarter, however. The operation in food-service equipment also showed a downturn following weak demand in the European market.

A substantial decline in operating income was noted for appliances outside Europe and North America. Here also we saw an improvement in the fourth quarter, when income was positive. The new management in both India and China is acting decisively to improve performance.

Sales and income, SEKm	2003	Change	2002
Net sales	124,077	-6.8%	133,150
Operating income*	7,638	-6.5%	8,165
Margin, %	6.2		6.1
Income after financial items*	7,469	-6.4%	7,979
Margin, %	6.0		6.0
Net income per share, SEK*	16.75	-0.9%	16.90
Value creation	3,449	-12	3,461

* Excluding items affecting comparability.

Group sales increased by 3.3% adjusted for changes in exchange rates and acquisitions and divestments. Operating income increased by 1.5% in comparable currencies. Information on changes in sales and operating income by business area compared with the previous year can be found on page 33.

Actions to improve underperformers

The restructuring measures announced in December 2002 were implemented according to plan. Production within appliances in India and China was consolidated to fewer plants, and operations were focused on core areas. We also divested the compressor operation, which had shown weak profitability for several years.

In North America, the plant for air conditioners was closed during the third quarter, and these products are now sourced externally. In January 2004, we decided that one of our two refrigerator plants in the US will be closed in 2005. In February 2004, we started an evaluation regarding a potential closure of the vacuum-cleaner plant in Sweden, and a move of production to the plant in Hungary.

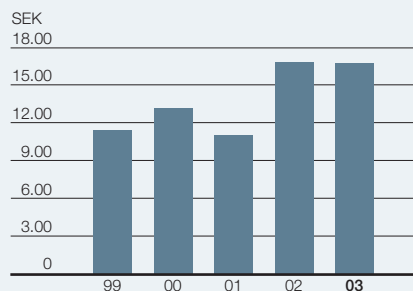
Investments in new plants

In order to further improve our cost-efficiency in manufacturing, we decided to invest in several new plants in low-cost countries. This will enable further consolidation of production, and also support future growth in several markets.

Building the Electrolux brand

During the year we double-branded Electrolux with strong local brands in 8 additional countries in Europe. In November, the Electrolux-brand was introduced for floor-care products in the US, and was very well received. A new range of high-end Electrolux-branded appliances will be introduced in the US during 2004.

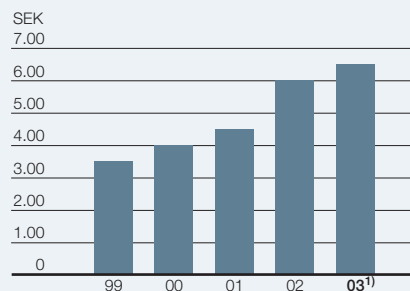
Net income per share¹⁾



1) Excluding items effecting comparability.

Net income per share declined by 0.9% in 2003, excluding items affecting comparability.

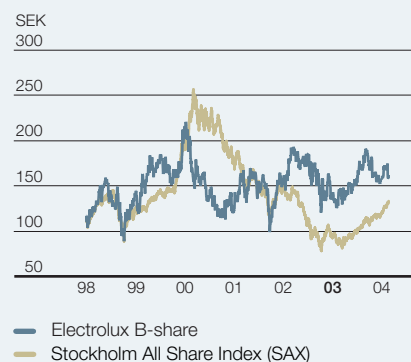
Dividend per share



1) Proposed by the Board of Directors.

During the last five years the dividend has had an annual average growth of 17%.

Trend for the Electrolux share



In 2003, the trading price of the Electrolux B-share increased by 15%, as against an increase of 30% in the Stockholm All Share Index.

Major positive factors in 2003

- Higher demand for Consumer Durables in most markets
- Group operating margin improved, excluding items affecting comparability
- Improved equity/assets and net debt/equity ratios
- Strong growth and higher income in USD for appliances and consumer outdoor products in North America
- Continued positive trend in sales volume and income for appliances and floor-care products in Europe
- Strong performance for Professional Outdoor Products, margin remained at high level

Major negative factors in 2003

- Weak demand within several product areas in Professional Products
- Changes in exchange rates negatively impacted operating income by approx. SEK 930m, mainly translation effects
- Increased downward pressure on prices in Consumer Durables
- Weaker cash flow, mainly due to higher working capital
- Substantially lower income for floor-care products in US, and food-service equipment in Europe
- Considerable decline in income for appliances outside Europe and North America, but improvement in fourth quarter

Outlook for 2004

Market demand in 2004 is expected to show some growth from the previous year in both Europe and North America.

On the basis of increased spending on R&D and brand building aimed at strengthening the Group

long-term, as well as expectations for continued negative impact from changes in exchange rates, operating income for the full year of 2004 is expected to be somewhat lower than in 2003, excluding items affecting comparability.

Consumer Durables

- Industry shipments of appliances increased in both Europe and North America
- Strong sales growth and higher income in USD for appliances and outdoor products in North America
- Continued positive trend in both sales volume and income for appliances in Europe, margin improved somewhat
- Substantial decline in income for floor-care products in North America, due to unfavorable product mix and pressure on prices
- Continued negative income for appliances outside Europe and North America
- Increased investments in new products and in building the Electrolux brand

Consumer Durables comprise mainly white goods, i.e., refrigerators, freezers, cookers, dryers, washing machines, dishwashers, room air-conditioners and microwave ovens, as well as floor-care products and garden equipment.

In 2003, white goods accounted for 77% (77) of sales, while garden equipment accounted for 15% (15) and floor-care products for 8% (8).

Market position

Electrolux has leading market positions in white goods, floor-care products and garden equipment in both Europe and North America.

The Group is the leading white-goods producer in Australia, and has substantial market shares in this product category in Brazil and India, as well as a significant market presence in China.

	Estimated market shares, Europe (units) ¹⁾	Estimated market shares, USA (units) ¹⁾
White goods	No. 1 with approx. 20% market share	No. 3 with approx. 23% market share
Floor-care products	No. 1 with approx. 15% market share	No. 2 with approx. 30% market share

1) Including private label.

Operations in Europe

Key data¹⁾

Consumer Durables, Europe SEKm, unless otherwise stated	2003	2002	2001
Net sales	47,312	48,250	47,200
Operating income	3,382	3,265	2,528
Operating margin, %	7.1	6.8	5.4
Net assets	6,977	7,576	9,426
Return on net assets, %	40.4	37.1	23.3
Capital expenditure	1,269	1,328	1,244
Average number of employees	28,755	30,837	31,462

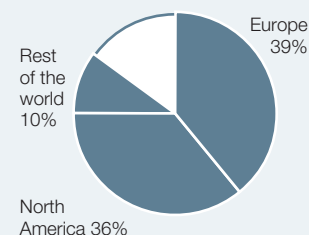
1) Excluding items affecting comparability.

White goods

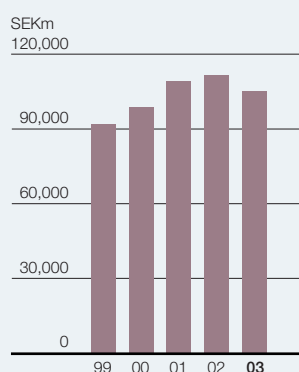
Total industry shipments of core appliances in Europe increased in volume by approximately 4% in 2003 compared with the previous year. Western Europe showed an increase of 3%, while the market in Eastern Europe increased by approximately 10%. Total industry unit shipments in 2003 are estimated at 72.6 (69.6) million, excluding microwave ovens, of which Western Europe accounted for 55.0 (53.6) million.

Group sales of appliances in Europe increased in volume with good growth particularly in Eastern Europe, Spain and the UK. Operating income and margin was in line with the previous year.

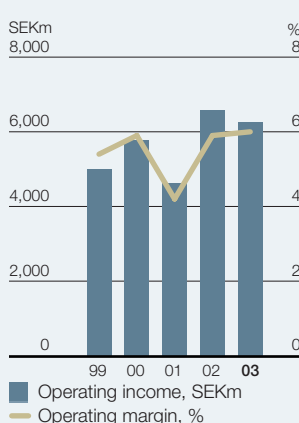
Share of total Group sales 85%



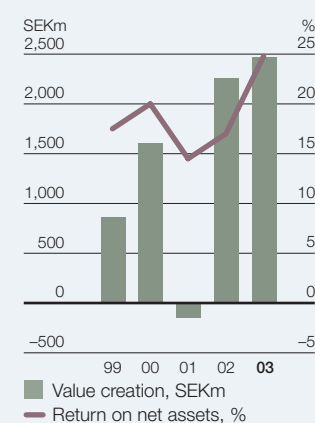
Net sales



Operating income and margin



Value creation and return on net assets



Business area Consumer Durables

Operating income was negatively affected by unfavorable currency trends and downward pressure on prices, while higher volumes and improved manufacturing efficiency had a positive impact.

Investments in new plants

In order to improve the manufacturing structure in Europe, the Board decided to invest in the construction of a new fridge-freezer factory in Hungary, with an annual capacity of 560,000 units, and a new washing-machine factory in Russia, with an initial capacity of 150,000 units. The total investment for both projects amounts to approximately SEK 680m. In addition, a decision was taken during the year to expand the capacity at the dryer plant in Poland.

These investments will contribute to reducing complexity and enable further consolidation of manufacturing in the respective product areas, as well as supporting future growth in the Eastern European markets. The Group already has a large manufacturing base in Hungary with production of about two million refrigerators and freezers per year, in addition to two million vacuum cleaners.

Consolidation of brands

Efforts to consolidate the brand portfolio continued. During 2003, double-branding of local brands with the Electrolux brand was started in several markets, e.g., Arthur Martin in France, Juno in Germany, Rex in Italy, Zanussi in both the UK and the Benelux countries.

The first joint advertising campaign in Europe for the Electrolux brand was launched during the autumn of 2003 in Sweden, Finland, France and several Central European markets.

Divestment of shareholding in Vestfrost A/S

As of August 1, 2003, the Group divested its 50% shareholding in Vestfrost A/S, a Danish producer of refrigerators and freezers. In 2002, sales amounted to approximately SEK 1,400m, and the number of employees was 1,100.

Restructuring

The restructuring measures announced in December 2002 proceeded according to plan. These relate mainly to the consolidation of product platforms and changes in the production structure to a few master plants and a number of smaller, leaner manufacturing units. Measures during the year included the closure of a plant for hobs in Germany.

Floor-care products

The market for floor-care products in Europe showed good growth in volume, particularly in the lower price segments. Sales for the Group's European operation declined somewhat. Operating income improved, mainly as a result of a better product mix and implemented restructuring.

Evaluation of vacuum-cleaner plant in Sweden

In February 2004, an evaluation was initiated regarding a potential closure of the vacuum-cleaner plant in Västervik, Sweden, and a move of production to the plant in Hungary. The Västervik plant has approximately 500 employees. A closure would incur a total cost of approximately SEK 190m.

Garden equipment

Demand for consumer outdoor products in Europe was weaker than in 2002, mainly due to unfavorable weather. Group sales in Europe declined somewhat and operating income improved.

All outdoor products under single management

To coordinate resources and leverage, the Group's total strength in outdoor products, professional and consumer operations have been combined under one single management.

As of the first quarter 2004, the Group's garden equipment for the consumer market will be reported as a separate segment within Consumer Durables. The new segment will also include consumer outdoor products sold under the Husqvarna brand, previously reported within the Professional Outdoor Products segment.

For more information, see Change in segment reporting in 2004 on page 26.

Quick facts

Products	Key brands	Location of major plants	Major competitors
White goods	Electrolux, AEG, Zanussi*, REX*	Italy, Hungary, Sweden, Germany	Bosch-Siemens, Whirlpool, Merloni
Floor-care products	Electrolux, AEG	Hungary, Sweden	Bosch-Siemens, Miele, Philips, Dyson
Garden equipment	Electrolux, Husqvarna, Flymo*, Partner*, McCulloch*	UK, Italy	GGP

* Double-branded with Electrolux.

Operations in North America

Key data¹⁾

Consumer Durables, North America SEKm, unless otherwise stated	2003	2002	2001
Net sales	45,063	48,450	46,814
Operating income	2,866	3,271	1,814
Operating margin, %	6.4	6.8	3.9
Net assets	10,724	12,874	14,330
Return on net assets, %	22.8	21.8	12.3
Capital expenditure	1,089	984	1,530
Average number of employees	19,602	18,318	16,704

1) Excluding items affecting comparability.

White goods

In the US, industry shipments of core appliances increased in volume by approximately 4%, while shipments of major appliances, i.e., including room air-conditioners and microwave ovens, rose by approximately 8%. Total industry unit shipments of core appliances in 2003 are estimated at 43.5 (41.7) million.

Group sales of white goods in North America showed good growth in USD. Operating income and margin increased as a result of higher volumes, lower costs for materials and improved manufacturing efficiency.

Introduction of the Electrolux brand

The Group is continuing its efforts to improve the product offering and build brand equity in North America. A new line of highly specified appliances under the Electrolux brand will be launched in 2004.

Restructuring

As part of the Group's restructuring program announced in December 2002, the plant for room air-conditioners in North America was closed during the third quarter of 2003. Products are now being sourced from external suppliers.

In January 2004, the decision was taken to discontinue production of refrigerators at the factory in Greenville, Michigan, in the US. Production of the majority of products currently manufactured in Greenville will be moved to a new factory to be built in Mexico. The Greenville factory has approximately 2,700 employees. The closure of the factory will incur a total cost of approximately SEK 1,100m, the majority of which will be taken as a charge against operating income in the first quarter of 2004. Approximately half of the cost refers to write-down of assets.

Floor-care products

Demand for floor-care products in the US showed some growth over the previous year. Sales for the Group's American operation declined somewhat in local currency. Operating income showed a considerable downturn, mainly as a result of an unfavorable product mix and downward pressure on prices.

Garden equipment

Demand for garden equipment in North America showed an upturn. The Group achieved good sales growth in USD. Operating income increased substantially as a result of higher volumes and improved manufacturing efficiency.

Quick facts

Products	Key brands	Location of major plants	Major competitors
White goods	Electrolux, Frigidaire*	USA, Canada	Whirlpool, General Electric, Maytag
Floor-care products	Electrolux, Eureka	USA, Mexico	Hoover, Bissel, Royal
Garden equipment	Husqvarna, Poulan, Weed Eater	USA	Toro, Murray, MTD

* Double-branded with Electrolux.

Operations in Rest of the world

Key data¹⁾

Consumer Durables, Rest of the world SEKm, unless otherwise stated	2003	2002	2001
Net sales	12,646	14,820	14,976
Operating income	2	51	287
Operating margin, %	0.0	0.3	1.9
Net assets	4,461	3,913	6,754
Return on net assets, %	0.0	0.3	4.6
Capital expenditure	470	406	334
Average number of employees	15,418	17,518	18,866

1) Excluding items affecting comparability.

White goods

Australia

The Australian market for appliances showed an upturn. Both sales and income for the Group's Australian operation declined, however. Margin was in line with the previous year.

The Australian operation markets appliances under eight different brands. During the year, a process was initiated to reduce the number to three and at the same time introduce the Electrolux brand. The Group is also strengthening the product portfolio in Australia with a substantial number of new products in 2004.

Brazil

Demand for core appliances in Brazil showed a considerable downturn for the year as a whole. However, shipments in the fourth quarter were largely unchanged compared with the same period in 2002. Group sales of appliances showed good growth in local currency, but declined in Swedish krona. Operating income improved from the previous year, but was still negative.

India and China

Sales for the Group's appliance operations in India and China were substantially lower than in 2002, as a result of implemented restructuring and focusing of operations on core areas. Income for both operations remained negative, but improved from the previous year, mainly in the fourth quarter.

In China, production of refrigerators was consolidated from two plants to one. In India, production was discontinued at both compressor plants and at one of the three refrigerator plants. Capacity was reduced in the remaining refrigerator plants. In addition, as Asia is becoming an important base for sourcing, a new purchasing office was established in the region in 2003.

Both the Indian and Chinese operations are being increasingly integrated into the Group, participating in global product councils, and benefiting from other supporting Group processes in purchasing, talent management and branding.

New plant for washers in Thailand

In December 2003, a new plant for washing machines was inaugurated in Thailand. The plant has an annual capacity of 200,000 units. Apart from enhancing sales in the local market, the plant will produce washing machines for other markets in South East Asia.

Quick facts

Products	Key brands	Location of major plants	Major competitors
White goods	Electrolux, Westinghouse, Simpson	Australia, Brazil, China, India	Whirlpool, Fisher & Paykel, LG, Haier, Samsung, Bosch-Siemens
Floor-care products	Electrolux, Volta, AEG	Brazil	Dyson, LG, National, Haier, Arno

Professional Products

- Continued weak market conditions in food-service equipment and laundry equipment
- Decline in income for Professional Indoor Products, margin unchanged
- Divestment of compressor operation
- Higher demand for chainsaws and garden equipment, decline for diamond tools
- Increased income for Professional Outdoor Products, margin remained at a high level

The Professional Products business area includes products for both indoor and outdoor use. Operations within Indoor Products comprise food-service equipment for hotels, restaurants and institutions, as well as laundry equipment for apartment-house laundry rooms, laundrettes, hotels and other professional users. The compressor operation was divested as of August 1, 2003.

Operations within Outdoor Products comprise mainly high-performance chainsaws, clearing saws and lawn and garden equipment. The majority of these products are sold under the Husqvarna brand. This business area also includes power cutters, diamond tools and related equipment for cutting of, e.g., concrete and stone.

Professional Indoor Products

Key data¹⁾

SEKm, unless otherwise stated	2003	2002	2001
Net sales	8,113	10,887	17,073
Operating income	556	753	1,070
Operating margin, %	6.9	6.9	6.3
Net assets	974	1,621	4,769
Return on net assets, %	38.3	22.0	15.7
Capital expenditure	278	295	657
Average number of employees	6,126	7,995	14,429

1) Excluding items affecting comparability.

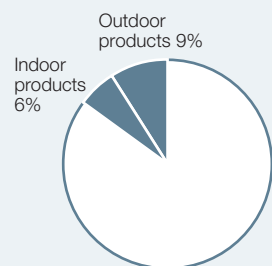
Total sales for Professional Indoor Products were lower than in the previous year, mainly as a result of the divestment of the compressor operation as of August 1, 2003. Operating income declined, but with an unchanged margin.

Market position

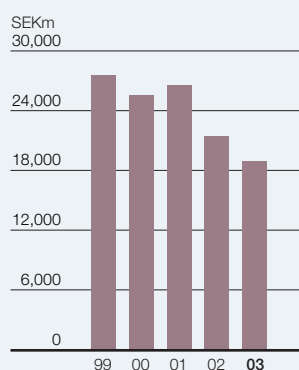
Product area	Market position
Food-service equipment	World's third largest producer of food-service equipment, leading position in European market.
Laundry equipment	One of the leaders in the global market. Largest producer in Europe.

Product area	Market position
Chainsaws	Husqvarna and Jonsered are among the top three worldwide brands for professional chainsaws, with a global market share of about 40% in the professional segment.
Lawn and garden equipment	Operations refer mainly to North America. Global market share of 5–10%.
Power cutters and diamond tools	Electrolux is one of the world's largest producers of diamond tools and related equipment for the construction and stone industries.

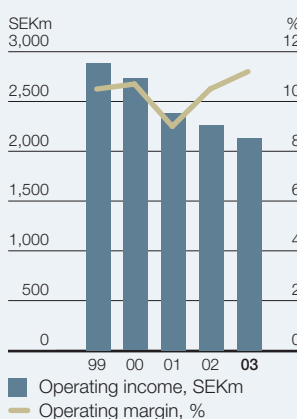
Share of total Group sales 15%



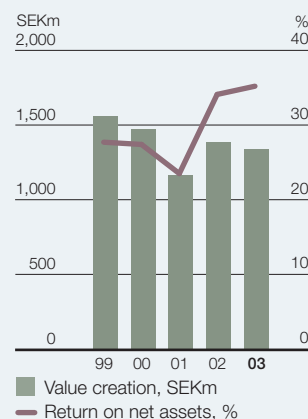
Net sales



Operating income and margin



Value creation and return on net assets



Food-service equipment

Demand for food-service equipment was considerably lower than in the previous year, particularly in some key markets in Southern Europe and the Nordic region. Group sales declined and operating income showed a substantial downturn.

Laundry equipment

Sales for laundry equipment declined slightly due to lower demand in the US and Japan. Operating income decreased, mainly as a result of changes in exchange rates. Operating margin was somewhat lower than in the previous year.

Divestment of compressor operation

As of August 1, 2003, the Group divested its compressor operation, which had external sales of approximately SEK 2,800m in 2002, and about 4,100 employees. The sale generated a capital loss of SEK 85m.

Quick facts

Products	Key brands	Location of major plants	Major competitors
Food-service equipment	Electrolux, Zanussi Professional, Dito, Molteni	Italy, France, Switzerland	Enodis, ITW-Hobart, Franke, Ali Group
Laundry equipment	Electrolux/ Wascator	Sweden, Denmark, France	IPSO, Alliance, Miele, Primus

Professional Outdoor Products**Key data¹⁾**

SEKm, unless otherwise stated	2003	2002	2001
Net sales	10,856	10,597	9,452
Operating income	1,576	1,508	1,313
Operating margin, %	14.5	14.2	13.9
Net assets	4,429	3,866	2,901
Return on net assets, %	34.2	46.9	39.5
Capital expenditure	305	229	213
Average number of employees	6,043	5,945	4,201

1) Excluding items affecting comparability.

Demand for professional chainsaws is estimated to have shown some growth in both Europe and North America, however, mainly referring to lower-specified products. Group sales of chainsaws showed good growth in volume over the previous year.

Sales of professional lawn and garden products showed good growth, while sales of diamond tools and power cutters declined for comparable units as a result of continued weak market demand.

Total sales for Professional Outdoor Products were higher than in the previous year. Operating income improved somewhat and margin was largely unchanged.

Quick facts

Products	Key brands	Location of major plants	Major competitors
Professional chainsaws and lawn and garden equipment	Husqvarna, Jonsered	Sweden, USA	Stihl, Echo, Toro
Power cutters and diamond tools	Partner Industrial Products, Dimas, Diamant Boart	USA, Sweden, Greece	Tyrolit, Saint Gobain, Ashai

Change in segment reporting in 2004

As of the first quarter of 2004, the Group's garden equipment for the consumer market will be reported as a separate segment within Consumer Durables. The new Outdoor Products segment will also include consumer outdoor products sold under the Husqvarna brand, previously reported within Professional Outdoor Products.

The new reporting structure reflects the organizational change

within outdoor products in which all consumer and professional outdoor products have been combined under one management. The tables below show financial key data, excluding items affecting comparability for 2003, 2002 and 2001 in accordance with the new reporting structure.

Consumer Durables

Europe

SEKm, unless otherwise stated	2003	2002	2001
Net sales	44,267	45,128	44,694
Operating income	3,289	3,136	2,569
Operating margin, %	7.4	6.9	5.7
Net assets	5,873	6,613	8,239
Return on net assets, %	46.1	41.2	27.6
Capital expenditure	1,202	1,273	1,200
Average number of employees	27,788	29,837	30,533

North America

SEKm, unless otherwise stated	2003	2002	2001
Net sales	32,247	35,245	32,752
Operating income	1,583	2,027	807
Operating margin, %	4.9	5.8	2.5
Net assets	7,683	8,678	10,055
Return on net assets, %	18.8	20.4	8.3
Capital expenditure	618	477	922
Average number of employees	15,249	15,101	13,544

Rest of the world

SEKm, unless otherwise stated	2003	2002	2001
Net sales	12,544	14,796	14,932
Operating income	0	55	317
Operating margin, %	0.0	0.4	2.1
Net assets	4,420	4,114	6,639
Return on net assets, %	0.0	1.0	5.1
Capital expenditure	470	406	335
Average number of employees	15,389	17,484	18,830

Outdoor Products

SEKm, unless otherwise stated	2003	2002	2001
Net sales	17,223	18,229	18,541
Operating income	1,493	1,445	952
Operating margin, %	8.7	7.9	5.1
Net assets	4,498	5,068	5,850
Return on net assets, %	25.6	22.8	13.6
Capital expenditure	560	566	655
Average number of employees	5,633	4,415	4,269

Professional Products

Professional Indoor Products

SEKm, unless otherwise stated	2003	2002	2001
Net sales	8,113	10,887	17,073
Operating income	556	753	1,070
Operating margin, %	6.9	6.9	6.3
Net assets	974	1,630	4,771
Return on net assets, %	38.3	22.0	15.7
Capital expenditure	278	295	657
Average number of employees	6,126	7,995	14,429

Professional Outdoor Products

SEKm, unless otherwise stated	2003	2002	2001
Net sales	9,596	8,719	7,523
Operating income	1,462	1,431	1,297
Operating margin, %	15.2	16.4	17.2
Net assets	4,117	3,746	2,626
Return on net assets, %	35.0	49.0	45.4
Capital expenditure	283	227	209
Average number of employees	5,759	5,781	4,057

Report by the Board of Directors for 2003

- Net sales declined to SEK 124,077m (133,150), but rose 3.3% for comparable units, adjusted for changes in exchange rates
- Operating margin improved to 6.2% (6.1) excluding items affecting comparability, operating income was adversely affected by changes in exchange rates in the amount of SEK 930m
- Net income amounted to SEK 4,778m (5,095) or SEK 15.25 (15.60) per share
- Good growth and higher income in USD for appliances and outdoor products within Consumer Durables, North America
- Solid performance by appliances and other operations within Consumer Durables, Europe, in a competitive environment
- Board proposes raising dividend to SEK 6.50 (6.00) per share, redemption of shares totaling approximately SEK 3,000m

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Key data¹⁾

SEKm, unless otherwise stated	2003	Change	2002	Change	2001
Net sales	124,077	-6.8%	133,150	-2.0%	135,803
Operating income	7,175	-7.2%	7,731	23%	6,281
Margin, %	5.8		5.8		4.6
Operating income, excluding items affecting comparability	7,638	-6.5%	8,165	27%	6,422
Margin, %	6.2		6.1		4.7
Income after financial items	7,006	-7.1%	7,545	45%	5,215
Net income	4,778	-6.2%	5,095	32%	3,870
Net income per share, SEK	15.25	-2.2%	15.60	37%	11.35
Dividend per share, SEK	6.50 ²⁾	8.3%	6.00	33%	4.50
Return on equity, %	17.3		17.2		13.2
Return on net assets, %	23.9		22.1		15.0
Value creation	3,449	-12	3,461	3,199	262
Net debt/equity ratio	0.00		0.05		0.37
Operating cash flow	2,866	-63%	7,665	31%	5,834
Capital expenditure	3,463	3.8%	3,335	-21%	4,195
Average number of employees	77,140	-5.9%	81,971	-5.9%	87,139

1) Including items affecting comparability, unless otherwise stated. For key data, excluding items affecting comparability, see page 31.

2) Proposed by the Board of Directors.

For definitions, see page 77.

Outlook for 2004

Market demand in 2004 is expected to show some growth from the previous year in both Europe and North America.

On the basis of increased spending on R&D and brand building aimed at strengthening the Group

long-term, as well as expectations for continued negative impact from changes in exchange rates, operating income for the full year of 2004 is expected to be somewhat lower than in 2003, excluding items affecting comparability.

Net sales and income

- Net sales increased by 3.3% for comparable units, adjusted for changes in exchange rates
- Operating income declined by 7.2% to SEK 7,175m (7,731), corresponding to a margin of 5.8% (5.8)
- Net income decreased by 6.2% to SEK 4,778m (5,095)
- Net income per share declined by 2.2% to SEK 15.25 (15.60)

Net sales

Net sales for the Electrolux Group in 2003 amounted to SEK 124,077m, as against SEK 133,150m in the previous year. The decline refers mainly to changes in exchange rates.

Changes in net sales

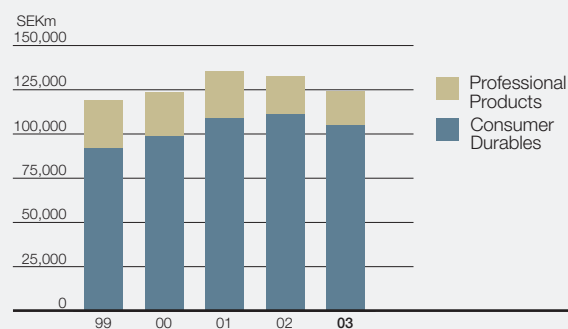
%	2003	2002	2001
Changes in Group structure	-0.9	-3.4	+2.4
Changes in exchange rates	-9.2	-4.1	+9.1
Changes in volume/price/mix	+3.3	+5.5	-2.4
Total	-6.8	-2.0	9.1

For information regarding changes in Group structure, see page 41.

In terms of business areas, net sales for Consumer Durables declined by 5.8% to SEK 105,021m (111,520) and net sales for Professional Products by 11.7% to SEK 18,969m (21,484). The decline for Consumer Durables refers mainly to changes in exchange rates, and the decline for Professional Products was largely due to divestments.

In comparable currencies, sales for Consumer Durables increased by 4.2%, while sales for Professional Products declined by 6.5%, see page 33.

Net sales, by business area



Net sales for the Consumer Durables business area declined by 5.8% to SEK 105,021m, but increased by 4.2% in comparable currencies.

Operating income

The Group's operating income for 2003 decreased by 7.2% to SEK 7,175m (7,731), which corresponds to 5.8% (5.8) of net sales.

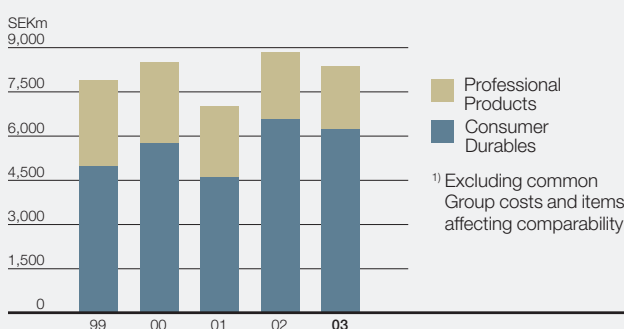
In terms of business areas, operating income for Consumer Durables declined by 5.1% to SEK 6,250m (6,587), mainly due to unfavorable currency trends and downward pressure on prices. Margin was unchanged, however. Operating income for Professional Products declined by 5.7% to SEK 2,132m (2,261), mainly due to changes in exchange rates. Margin improved from the previous year.

In comparable currencies, operating income for Consumer Durables increased by 3.4%, and operating income for Professional Products declined by 1.9%, see page 33.

Depreciation and amortization

Depreciation and amortization in 2003 amounted to SEK 3,353m (3,854), of which SEK 182m (230) refers to goodwill.

Operating income, by business area¹⁾



Operating income for Consumer Durables declined by 5.1% to SEK 6,250m, but increased by 3.4% in comparable currencies.

Financial net

Net financial items improved to SEK -169m (-186), mainly as a result of reduced net borrowings.

For more information regarding financial items, see Note 9 on page 53.

Income after financial items

Income after financial items decreased by 7.1% to SEK 7,006m (7,545) corresponding to 5.6% (5.7) of net sales.

Taxes

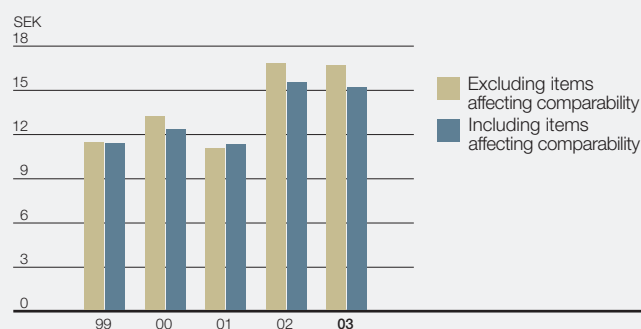
Total taxes in 2003 amounted to SEK 2,226m (2,459), corresponding to 31.8% (32.6) of income after financial items.

For more information concerning taxes, see Note 10 on page 53.

Net income per share

Net income declined by 6.2% to SEK 4,778m (5,095), corresponding to a decline of 2.2% in net income per share to SEK 15.25 (15.60).

Net income per share



Net income per share declined by 2.2% to SEK 15.25. Excluding items affecting comparability, net income per share declined by 0.9% to SEK 16.75.

Consolidated income statement

Amounts in SEKm, unless otherwise stated	Note	2003	2002	2001
Net sales	Note 4	124,077	133,150	135,803
Cost of goods sold		-93,742	-101,705	-105,654
Gross operating income		30,335	31,445	30,149
Selling expenses		-16,877	-17,738	-17,806
Administrative expenses		-5,699	-5,405	-5,790
Other operating income	Note 5	130	135	150
Other operating expenses	Note 6	-251	-272	-281
Items affecting comparability	Note 7	-463	-434	-141
Operating income	Notes 4, 8, 28	7,175	7,731	6,281
Financial income	Note 9	794	947	973
Financial expenses	Note 9	-963	-1,133	-2,039
Income after financial items		7,006	7,545	5,215
Taxes	Note 10	-2,226	-2,459	-1,477
Minority interests in net income	Note 11	-2	9	132
Net income		4,778	5,095	3,870
Net income per share, basic and diluted, SEK	Note 12	15.25	15.60	11.35
Net income per share, basic and diluted, according to US GAAP, SEK	Note 30	15.60	16.25	11.00
Average number of shares, basic and diluted, millions	Note 12	313.3	327.1	340.1

Effects of changes in exchange rates

Changes in exchange rates compared to the previous year, i.e., translation and transaction effects, had a negative impact on operating income of approximately SEK -930m (-216).

Approximately SEK -610m (-236) of the above mentioned amount refers to translation of income statements in subsidiaries, and was mainly due to the strengthening of the Swedish krona against the US dollar. The transaction effect was approximately SEK -320m (20) and refers largely to the weakening of the British pound against the euro. The transaction amount includes a positive impact of approximately SEK 69m (112) from hedging.

The effect of changes in exchange rates on income after financial items amounted to approximately SEK -855m (-100).

For additional information on effects of changes in exchange rates, see section on Foreign exchange risk in Note 2, Financial risk management, on page 50.

Net sales and expenses, by currency

Currency	Share of net sales, %	Share of expenses, %	Average exchange rate 2003	Average exchange rate 2002
SEK	3	8	—	—
USD	37	39	8.08	9.72
EUR	33	36	9.13	9.15
GBP	5	3	13.25	14.58
Other	22	14	—	—
Total	100	100		

Items affecting comparability

The previously stated income figures for 2003 include items affecting comparability in the amount of SEK -463m (-434). These items include a capital loss from the divestment of the compressor operation, and a provision for previously issued loan guarantees for launderette operators in Germany in the third quarter, as well as write-down of assets in Nordwaggon, a partly owned railcar operator in the fourth quarter.

Items affecting comparability

SEKm	2003	2002	2001
Capital gains and losses from divestments			
Compressor operation	-85		
Leisure-appliance operation		1,800	3,120
European home-comfort operation		85	
Zanussi Metallurgica and other		25	
Restructuring provisions and write-downs			
Major appliances, mainly outside Europe, and compressors		-1,338	
Write-down of assets within compressors and other underperforming operations		-1,006	
Mainly components operation and major appliances in Europe			-3,261
Other			
Write-down of participation in Nordwaggon	-85		
Provision for German launderette operators	-293		
Total	-463	-434	-141

The provision for loan guarantees refers to launderettes in Germany equipped with professional laundry equipment supplied by the Group. In accordance with business practices in this sector, Electrolux has previously provided guarantees for loans in connection with the set up of launderettes. The launderettes have experienced financial difficulties due to weak market conditions. As of December 31, 2003, the Group had fulfilled the major part of these guarantee commitments.

Nordwaggon is a Swedish-based railcar operator that is owned 50% by Electrolux and 50% by the Swedish state-owned Swedcarrier. The Group entered into this partnership in 1990 in order to fulfill a need for special purpose-railcars. Nordwaggon has made a write-down and taken a provision referring to railcars. The Group's participation has therefore been written down in the amount of SEK 85m. Electrolux and Swedcarrier have jointly issued letters of support for loans and leasing agreements in Nordwaggon totaling SEK 1,492m.

Structural changes

Evaluation of vacuum-cleaner plant in Sweden

In February 2004, an evaluation was initiated regarding a potential closure of the vacuum-cleaner plant in Västervik, Sweden, and a move of production to the plant in Hungary. The Västervik plant has approximately 500 employees. A closure would incur a total cost of approximately SEK 190m.

Closure of refrigerator plant in USA

In January 2004, the decision was taken to discontinue production of refrigerators at the factory in Greenville, Michigan, in the US.

In October 2003, Electrolux announced that the factory was under evaluation due to weak financial performance. The decision to close the plant was taken after careful and in-depth evaluation of proposals from the local community, the state of Michigan and the company's labor unions. Production of the majority of products currently manufactured in Greenville will be moved to a new factory, which will be built in Mexico.

The Greenville factory has approximately 2,700 employees. The closure of the factory will incur a total cost of approximately SEK 1,100m, the majority of which will be taken as a charge against operating income in the first quarter of 2004. Approximately half of the cost refers to write-down of assets.

Restructuring program 2002

The restructuring program announced in December 2002 proceeded according to plan. Some measures will continue in 2004. The measures refer mainly to major appliances in North America, India and China, as well as to the divested compressor operation.

Of the total charge against operating income of SEK 1,338m in 2002, approximately SEK 1,241m had been utilized as of December 31, 2003. Savings during the year amounted to SEK 246m. Personnel cutbacks numbered 4,946. The program involves total personnel cutbacks of 5,091.

Measures taken during 2003 included the closure of one plant for air conditioners in North America and one for refrigerators in India.

Additional savings in 2004 are estimated at approximately SEK 112m. Total savings are estimated at approximately SEK 365m on an annual basis from 2005.

Restructuring program 2002

SEKm	Total cost	Utilized as of Dec. 31, 2003	Savings 2003	Estimated additional savings 2004
Major appliances, Rest of the world	613	560	84	28
Major appliances, North America	396	396	100	45
Major appliances, Europe	177	133	46	39
Total major appliances	1,186	1,089	230	112
Compressors	152	152	16	—
Total	1,338¹⁾	1,241	246	112

1) SEK 567m of the total cost referred to write-downs of assets.

Restructuring program 2001 and 2000

The restructuring measures announced in 2001, which mainly referred to the component operations and major appliances, were almost completed during the year. As of December 31, 2003, approximately SEK 3,050m of the charge of SEK 3,261m had been utilized. The remaining part of the provision refers mainly to redundancy payments.

In 2000, a charge of SEK 883m was made for structural measures within major appliances and floor-care products. As of December 31, 2003, a total of SEK 772m of this charge had been utilized. The remaining part of the provision refers mainly to redundancy payments.

Value created

Total value created in 2003 was largely unchanged at SEK 3,449m (3,461). Value created was positively impacted by lower average net assets, excluding items affecting comparability, which declined to SEK 32,226m (36,182). The decline in net assets was mainly due to changes in exchange rates and divestments. This was partially offset by an increase in working capital, however. The capital turnover rate was 3.85, as compared with 3.68 in the previous year.

Effects of new accounting standards

As of January 1, 2003, the Group implemented the new Swedish accounting standard RR 27, "Financial instruments". The standard stipulates the classification of financial instruments to be used in the balance sheet and required disclosures. The intention is to improve the comprehension of the manner in which financial instruments affect the results, financial situation and cash flows of an entity.

RR 27 applies to all financial instruments, including off-balance sheet items, with the exception of shares in subsidiaries and associated companies, post-employment benefits and share-based compensation to employees. The implementation of RR 27 increased the Group's total assets and liabilities by approximately SEK 300m.

As of January 1, 2004, the Group applies the new Swedish accounting standard RR 29, "Employee Benefits", which is based on the International Accounting Standard IAS 19. Pensions and other post-retirement benefits have previously been reported in accordance with the applied local rules in each country. In accordance with RR 5, "Accounting for changes in accounting principles", this has incurred a one-time charge net of taxes of SEK 1,600m, to Group's opening equity in 2004, and has no effect on the income statement or cash flow. The Group's obligations related to pension benefits in each country will not be affected by this change in accounting principles.

As of January 1, 2005, Electrolux will apply International Financial Reporting Standards, IFRS. The Group has started the preparations

for the transition and identified the areas where the most significant differences exist at present. Additional differences could arise when all IFRS applicable 2005 are finalized. In order to meet the requirements for comparative information prior to 2005, the Group has already implemented certain changes in the reporting systems, which are expected to be finalized before the end of the first quarter of 2004.

For more information, see Note 1 on page 46.

Change in segment reporting in 2004

As of the first quarter 2004, the Group's garden equipment operation within the business area Consumer Durables will be reported as a separate segment in the quarterly reports and annual report. The new Consumer Outdoor Products segment will also include products sold under the Husqvarna brand, previously reported within the Professional Outdoor Products segment. The new reporting structure reflects the organizational change within Outdoor Products in which all consumer and professional outdoor products have been combined under one management.

For more information, see page 26 or visit the financial section of the Electrolux Investor Relation website, www.electrolux.com/financials

Income and key ratios, excluding items affecting comparability

Excluding the above-mentioned items affecting comparability, operating income for 2003 declined by 6.5% to SEK 7,638m (8,165), representing 6.2% (6.1) of net sales. Income after financial items decreased by 6.4% to SEK 7,469m (7,979), corresponding to 6.0% (6.0) of net sales. Net income declined by 5.1% to SEK 5,241m (5,521), corresponding to a decline of 0.9% in net income per share to SEK 16.75 (16.90).

Excluding items affecting comparability, the actual tax rate was 29.8% (30.9). Return on equity was 18.9% (18.6) and return on net assets was 23.7% (22.6).

Key data, excluding items affecting comparability¹⁾

SEKm, unless otherwise stated	2003	Change	2002	Change	2001
Net sales	124,077	-6.8%	133,150	-2.0%	135,803
Operating income	7,638	-6.5%	8,165	27%	6,422
Margin, %	6.2		6.1		4.7
Income after financial items	7,469	-6.4%	7,979	49%	5,356
Net income	5,241	-5.1%	5,521	46%	3,774
Net income per share, SEK	16.75	-0.9%	16.90	52%	11.10
Dividend per share, SEK	6.50 ²⁾	8.3%	6.00	33%	4.50
Return on equity, %	18.9		18.6		12.9
Return on net assets, %	23.7		22.6		14.6
Value creation	3,449	-12	3,461	3,199	262
Net debt/equity ratio	0.00		0.05		0.37
Operating cash flow	2,866	-62.6%	7,665	31%	5,834
Capital expenditure	3,463	3.8%	3,335	-21%	4,195
Average number of employees	77,140	-5.9%	81,971	-5.9%	87,139

1) Key data, including items affecting comparability, see page 27.

2) Proposed by the Board of Directors.

Operations by business area

Demand increased during the year in most of the Group's product areas in both Europe and North America. Market conditions in Asia and Australia improved, while demand in Brazil showed a significant downturn.

The strengthening of the Swedish krona against most currencies during the year had a negative impact on sales and income, particularly for Consumer Durables in North America and Professional Outdoor Products.

The markets for Consumer Durables in both Europe and the US were characterized by an increased downward pressure on prices. This was offset, however, by improved manufacturing efficiencies, savings from restructuring and lower costs for materials and components.

Sales and operating income for Consumer Durables increased in comparable currencies, but declined in Swedish krona. Operating margin was largely unchanged compared with the previous year.

Sales for Professional Products declined, mainly as a result of the divestment of the compressor and motor operations within Indoor Products. Operating income was lower than in the previous year, but margin improved.

Consumer Durables

Total industry shipments of core appliances in Europe increased in volume by approximately 4% in 2003 compared with the previous year. Western Europe showed an increase of approximately 3%, while the market in Eastern Europe increased by approximately 10%.

Group sales of appliances in Europe increased in volume with good growth particularly in Eastern Europe, Spain and the UK. Operating income and margin was in line with the previous year. Operating income was negatively affected by unfavorable currency trends and downward pressure on prices, while higher volumes and improved manufacturing efficiency had a positive impact.

In the US, industry shipments of core appliances increased in volume by approximately 4%. Shipments of major appliances, i.e., including room air-conditioners and microwave ovens, rose by approximately 8%.

Group sales of appliances in North America showed good growth in USD. Operating income and margin increased as a result of higher volumes, lower costs for materials and improved manufacturing efficiency.

Demand for core appliances in Brazil showed a considerable downturn for the year as a whole. However, shipments in the fourth quarter were largely unchanged compared with the same period in 2002. Group sales of appliances showed good growth in local currency, but declined in Swedish krona. Operating income improved from the previous year, but was still negative.

Group sales of appliances in India and China were substantially lower than in 2002, as a result of implemented restructuring and focusing of operations on core areas. Income for both operations remained negative, but improved from the previous year, mainly in the fourth quarter.

The Australian market for appliances showed an upturn. Both sales and income for the Group's Australian operation declined, however. Margin was in line with the previous year.

Overall, operating income for the appliance operation outside Europe and North America declined substantially and was negative. However, income for the seasonally strong fourth quarter showed an improvement over last year and was positive.

The market for floor-care products in Europe showed good growth in volume, particularly in the lower price segments. Sales for the Group's European operation declined somewhat. Operating income improved, mainly as a result of a better product mix and implemented restructuring.

Demand for floor-care products in the US showed some growth over the previous year. Sales for the Group's American operation declined somewhat in local currency. Operating income showed a considerable downturn, mainly as a result of an unfavorable product mix and increased downward pressure on prices.

Demand for consumer outdoor products in Europe was weaker than in 2002, mainly due to unfavorable weather. Group sales in Europe declined somewhat, and operating income improved.

Demand for garden equipment in North America showed an upturn. The Group achieved good sales growth in USD. Operating income increased substantially as a result of higher volumes and improved manufacturing efficiency.

Overall, sales for the Consumer Durables business area were lower than in the previous year due to changes in exchange rates. Operating income declined, and margin was unchanged.

Professional Indoor Products

Demand for food-service equipment was considerably lower than in the previous year, particularly in some key markets in Southern Europe and the Nordic region. Group sales declined and operating income showed a substantial downturn.

Sales for laundry equipment declined somewhat due to lower demand in the US and Japan. Operating income decreased, mainly as a result of changes in exchange rates. Operating margin was somewhat lower than in the previous year.

Total sales for Professional Indoor Products were lower than in the previous year, mainly as a result of the divestment of the compressor operation as of August 1, 2003. Operating income declined, but with an unchanged margin.

Professional Outdoor Products

Demand for professional chainsaws is estimated to have shown some growth in both Europe and North America, however, mainly referring to lower-specified products. Group sales of chainsaws showed good growth in volume over the previous year.

Sales of professional lawn and garden products showed good growth, while sales of diamond tools and power cutters declined for comparable units as a result of continued weak market demand.

Overall, sales for Professional Outdoor Products were higher than in the previous year. Operating income improved somewhat, and margin was largely unchanged.

Operations by business area

Net sales

SEKm	2003	Change, %	2002	Change, %	2001
Consumer Durables					
Europe	47,312	-1.9	48,250	2.2	47,200
North America	45,063	-7.0	48,450	3.5	46,814
Rest of the world	12,646	-14.7	14,820	-1.0	14,976
Total Consumer Durables	105,021	-5.8	111,520	2.3	108,990
Professional Products					
Indoor	8,113	-25.5	10,887	-36.2	17,073
Outdoor	10,856	2.4	10,597	12.1	9,452
Total Professional Products	18,969	-11.7	21,484	-19.0	26,525
Other	87	-40.4	146	-49.3	288
Total	124,077	-6.8	133,150	-2.0	135,803

Operating income

SEKm	2003	Margin, %	2002	Margin, %	2001	Margin, %
Consumer Durables						
Europe	3,382	7.1	3,265	6.8	2,528	5.4
North America	2,866	6.4	3,271	6.8	1,814	3.9
Rest of the world	2	0.0	51	0.3	287	1.9
Total Consumer Durables	6,250	6.0	6,587	5.9	4,629	4.2
Professional Products						
Indoor	556	6.9	753	6.9	1,070	6.3
Outdoor	1,576	14.5	1,508	14.2	1,313	13.9
Total Professional Products	2,132	11.2	2,261	10.5	2,383	9.0
Common Group costs, etc.	-744		-683		-590	
Operating income before items affecting comparability	7,638	6.2	8,165	6.1	6,422	4.7
Items affecting comparability ¹⁾	-463		-434		-141	
Total	7,175	5.8	7,731	5.8	6,281	4.6

1) For allocation by business area, see Note 3 on page 51.

Net sales and operating income compared to 2002

Change, %	Net sales	Net sales in comparable currency	Operating income	Operating income in comparable currency
Consumer Durables				
Europe	-1.9	0.1	3.6	5.0
North America	-7.0	10.1	-12.4	3.4
Rest of the world	-14.7	-1.5	-95.8	-106.2
Total Consumer Durables	-5.8	4.2	-5.1	3.4
Professional Products				
Indoor	-25.5	-23.4	-26.2	-24.4
Outdoor	2.4	10.8	4.5	9.3
Total Professional Products	-11.7	-6.5	-5.7	-1.9
Total	-6.8	2.4	-7.2	1.5

Financial position

- Equity/assets ratio improved to 42.7% (39.7)
- Return on equity was 17.3% (17.2)
- Average net assets declined to SEK 30,071m (34,975)

Net assets and return on net assets

Net assets as of December 31, 2003, amounted to SEK 26,422m (27,916). Average net assets for the year amounted to SEK 30,071m (34,975). Adjusted for items affecting comparability, average net assets amounted to SEK 32,226m (36,182), corresponding to 26.0% (27.2) of net sales.

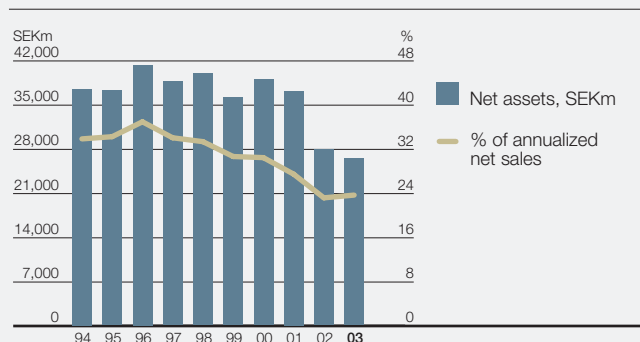
The decline in average net assets mainly referred to changes in exchange rates and write-downs.

The return on net assets was 23.9% (22.1), and 23.7% (22.6), excluding items effecting comparability.

Change in net assets

SEKm	Net assets	Average net assets
January 1, 2003	27,916	34,975
Divestments and acquisitions	-1,328	-184
Change in restructuring provisions	1,119	130
Write-down of assets	—	-1,051
Changes in pension provisions (PBGC settlement and minimum pension liability in the US)	-123	-1,121
Changes in exchange rates	-2,542	-3,739
Changes in working capital, capital expenditures, depreciation, etc.	1,380	1,061
December 31, 2003	26,422	30,071

Net assets



Net assets at year-end corresponded to 23.6% of annualized net sales in 2003, as against 23.1% in 2002.

Working capital

Working capital at year-end amounted to SEK 4,068m (2,216), corresponding to 3.6% (1.8) of annualized net sales. The increase refers mainly to accounts payable.

Inventories amounted to SEK 14,945m (15,614) at year-end, and accounts receivable to SEK 21,172m (22,484), corresponding to 13.4% (12.9) and 18.9% (18.6) of annualized net sales, respectively. Accounts payable amounted to SEK 14,857m (16,223), corresponding to 13.3% (13.4) of annualized net sales.

Working capital

SEKm	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Inventories	14,945	15,614	17,001
Accounts receivable	21,172	22,484	24,189
Accounts payable	-14,857	-16,223	-17,304
Provisions	-9,786	-11,279	-10,319
Prepaid and accrued income and expenses	-6,787	-7,224	-6,903
Other	-619	-1,156	-5
Working capital	4,068	2,216	6,659
<i>% of annualized net sales</i>	<i>3.6</i>	<i>1.8</i>	<i>5.3</i>

Net borrowings

Net borrowings at year-end declined to SEK -101m (1,398), as liquid funds exceeded interest-bearing liabilities. Changes in exchange rates had a positive effect on net borrowings.

Net borrowings

SEKm	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Interest-bearing liabilities	12,501	15,698	23,183
Liquid funds	12,602	14,300	12,374
Net borrowings	-101	1,398	10,809

Liquid funds

Liquid funds at year-end amounted to SEK 12,602m (14,300), corresponding to 11.3% (11.8) of annualized net sales.

Electrolux goal is to ensure that the level of liquid funds corresponds to at least 2.5% of annualized net sales. The Group's goal is that the liquidity (i.e., liquid funds less short-term borrowings) shall exceed zero, with due consideration for fluctuations referring to acquisitions, divestments and seasonal variations.

As shown in the table below, liquid funds as a percentage of annualized net sales considerably exceeded the Group's minimum criterion in recent years, primarily due to positive operating cash flow and divestment of operations in recent years.

Liquidity profile

SEKm	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Liquid funds	12,602	14,300	12,374
% of annualized net sales	11.3	11.8	9.8
Net liquidity	8,593	12,682	7,118
Fixed-interest term, days	64	48	32
Effective annual yield, %	4.4	4.4	4.7

For more information on the liquidity profile, see Note 18 on page 57.

Consolidated balance sheet

Amounts in SEKm, unless otherwise stated	Note	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Assets				
Fixed assets				
Intangible assets	Note 13	4,782	4,928	5,159
Tangible assets	Note 14	15,638	18,188	22,526
Financial assets	Note 15	1,276	1,591	1,888
Deferred tax assets	Note 10	1,914	2,991	2,778
Total fixed assets		23,610	27,698	32,351
Current assets				
Inventories, etc.	Note 16	14,945	15,614	17,001
Current receivables				
Accounts receivable	Note 17	21,172	22,484	24,189
Taxes receivable		490	580	1,017
Other receivables	Note 18	2,972	3,713	5,998
Prepaid expenses and accrued income		1,237	1,035	1,517
		25,871	27,812	32,721
Liquid funds	Note 18			
Short-term investments		8,577	8,316	4,061
Cash and cash equivalents		4,025	5,984	8,313
		12,602	14,300	12,374
Total current assets		53,418	57,726	62,096
Total assets		77,028	85,424	94,447
Assets pledged	Note 19	423	1,908	2,410
Equity and liabilities				
Equity				
Share capital	Note 21	1,621	1,694	1,831
Restricted reserves		11,711	14,287	13,438
Retained earnings		9,352	6,553	9,725
Net income		4,778	5,095	3,870
		27,462	27,629	28,864
Minority interests		27	592	699
Provisions				
Provisions for pensions and similar commitments	Note 23	5,678	6,018	4,095
Deferred tax liabilities	Note 10	1,256	1,998	1,848
Other provisions	Note 24	4,427	5,582	6,493
		11,361	13,598	12,436
Financial liabilities				
Long-term loans	Note 18	8,173	13,759	17,658
Short-term loans		4,009	1,618	5,256
		12,182	15,377	22,914
Operating liabilities				
Accounts payable		14,857	16,223	17,304
Tax liabilities		1,180	1,211	1,198
Other liabilities		1,935	2,535	2,612
Accrued expenses and prepaid income	Note 25	8,024	8,259	8,420
		25,996	28,228	29,534
Total equity and liabilities		77,028	85,424	94,447
Contingent liabilities	Note 26	1,179	949	1,220

Report by the Board of Directors for 2003

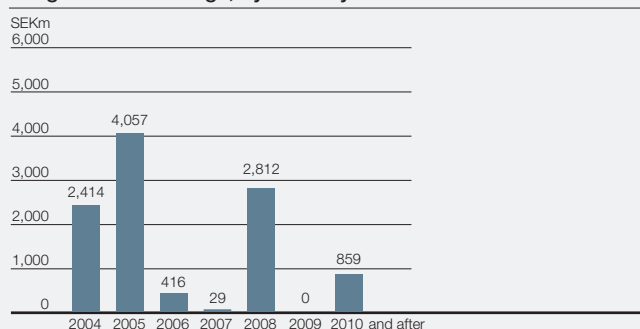
Borrowings

At year-end, the Group's interest bearing liabilities, including interest-bearing pension liabilities, amounted to SEK 12,501m (15,698), of which SEK 8,173m (13,759) referred to long-term borrowings with average maturities of 2.7 years (3.3). A significant portion of the long-term borrowings are raised in the euro bond market.

The Group's goal for long-term borrowings includes an average time to maturity of at least two years, an evenly spread of maturities, and an average interest-fixing period of one year. At year-end, the average interest-fixing period for long-term borrowings was 1.1 years (0.9).

The average interest rate for the Group's total interest-bearing borrowings at December 31, 2003, was 4.9% (4.2).

Long-term borrowings, by maturity



During 2003, a total net of SEK 1,490m in borrowings matured or was amortized. For more information on borrowings, see Note 18 on page 58.

Ratings

Electrolux has Investment Grade ratings from Moody's and Standard & Poor's. The long-term ratings from both institutions were unchanged during the year. Standard & Poor's changed the long-term outlook from positive to stable.

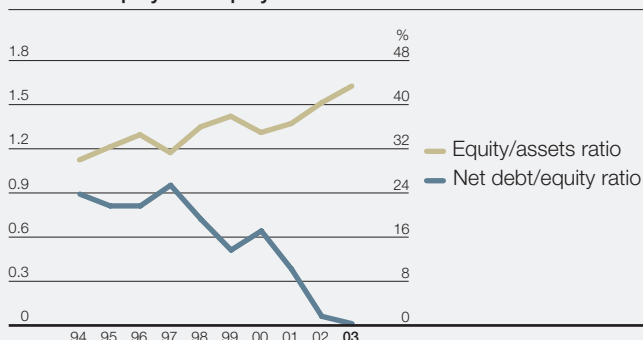
Ratings

	Long-term debt	Outlook	Short-term debt	Short-term debt, Sweden
Moody's	Baa1	Stable	P-2	
Standard & Poor's	BBB+	Stable	A-2	K-1

Net debt/equity and equity/assets ratios

The net debt/equity ratio was 0.00 (0.05). The equity/assets ratio improved to 42.7% (39.7).

Net debt/equity and equity/assets ratios



Net debt in relation to equity has been reduced significantly over the past ten years.

Minority interests

Minority interests decreased to SEK 27m (592), mainly as a result of the divestment of the 50% shareholding in Vestfrost A/S, a Danish producer of refrigerators and freezers, and the acquisition of all outstanding shares in Electrolux Home Appliances Co. Ltd in China.

Equity and return on equity

Group equity as of December 31, 2003, amounted to SEK 27,462m (27,629), which corresponds to SEK 89.40 (86.80) per share.

Return on equity was 17.3% (17.2). Excluding items affecting comparability, return on equity was 18.9% (18.6).

As of January 1, 2004, the Group implements the new Swedish accounting standard RR 29, "Employee Benefits". This has incurred a one-time charge net of taxes of SEK 1,600m to Group's opening equity in 2004, and has no effect on the income statement or cash flow.

For more information on the new accounting standard RR 29, see Note 1 on page 46.

Change in consolidated equity

Amounts in SEKm, unless otherwise stated	Share capital	Restricted reserves	Retained earnings	Total
Closing balance Dec. 31, 2001	1,831	13,438	13,595	28,864
Translation differences ¹⁾	—	—	-1,786	-1,786
Minimum liability, US pensions ²⁾	—	—	-1,335	-1,335
Transfers between restricted and unrestricted equity	—	712	-712	—
Net income	—	—	5,095	5,095
Cancellation of shares	-137	137	—	—
Dividend payment	—	—	-1,483	-1,483
Repurchase of shares	—	—	-1,703	-1,703
Dividends to minority shareholders	—	—	-23	-23
Closing balance Dec. 31, 2002	1,694	14,287	11,648	27,629
Translation differences ¹⁾	—	—	-1,259	-1,259
Minimum liability, US pensions ²⁾	—	—	-123	-123
Transfers between restricted and unrestricted equity	—	-2,649	2,649	—
Net income	—	—	4,778	4,778
Cancellation of shares	-73	73	—	—
Dividend payment	—	—	-1,894	-1,894
Repurchase of shares ³⁾	—	—	-1,669	-1,669
Closing balance Dec. 31, 2003	1,621	11,711	14,130	27,462

1) The net of assets and liabilities in foreign subsidiaries constitutes a net investment in foreign currency, which generates a translation difference in connection with consolidation. For more information on Exposure from net investments, see Note 2 Financial risk management section "Foreign exchange risk" on page 49.

2) In case of underfunding in pension liabilities, US accounting rules require companies to record a minimum liability in the accounts. For more information on Pension liabilities, see Note 23 Provision for pensions and similar commitments, on page 60.

3) Net after divestment of shares under the employee stock option program.

Financial risk management

The Group is exposed to a number of risks relating to financial instruments, including, for example liquid funds, accounts receivables, customer financing receivables, payables, borrowings, and derivative instruments. The risks associated with these instruments are, primarily:

- Interest rate risk on liquid funds and borrowings
- Financing risks in relation to the Group's capital requirements
- Foreign exchange risk on earnings and net investments in foreign subsidiaries
- Commodity price risk affecting the expenditure on raw material and components for goods produced
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy and a credit policy for the Group to manage and control these risks. Each business sector has specific financial policies approved by each sub-board. The above-mentioned risks are managed by the use of derivative financial instruments according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension funds assets.

Management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are managed by four regional treasury centers located in Europe, North America, Asia Pacific and Latin America. Measurement of risk in Group Treasury is performed by a separate risk controlling function on a daily basis. Furthermore, there are guidelines in the Group's policies and procedures for managing operating risk relating to financial instruments by, e.g., segregation of duties and power of attorney.

Proprietary trading in currency, commodities and interest-bearing instruments is permitted within the framework of the Financial Policy. This trading is primarily aimed at maintaining a high quality of information flow and market knowledge to contribute to the proactive management of the Group's financial risks.

The Credit Policy for the Group ensures that the management process for customer credits includes customer rating, credit limits, decision levels and management of bad debts.

For more detailed information on:

- Accounting principles for financial instruments, see Note 1 on page 46
- Financial risk management, see Note 2 on page 49
- Financial instruments, see Note 18 on page 56

Cash flow

- Operating cash flow decreased to SEK 2,866m (7,665), mainly due to higher working capital
- Increase in working capital to SEK 4,068m (2,216) from record low level in 2002, mainly due to higher accounts receivable and lower accounts payable
- Capital expenditure increased by 3.8% to SEK 3,463m (3,335)

Operating cash flow

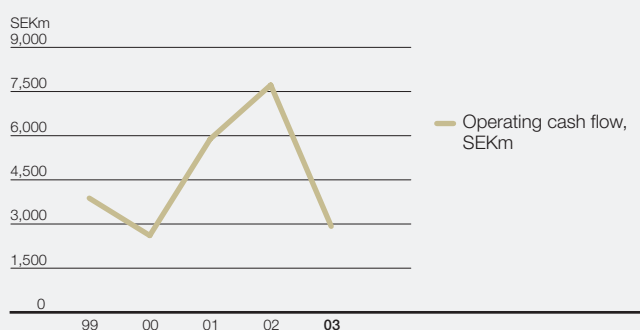
Operating cash flow generated by business operations after financial items and taxes was SEK 2,866m as compared to SEK 7,665m in 2002, after adjustment for proceeds from divested and acquired operations.

The decline is mainly due to an increase in working capital, largely referring to accounts receivable. Working capital at year-end 2002 was at a historically low level, largely due to high accounts payable. Higher taxes paid, higher utilization of restructuring provisions, as well as changes in exchange rates also had a negative impact on operating cash flow.

Cash flow

SEKm	2003	2002	2001
Cash flow from operations, excluding change in operating assets and liabilities	7,124	9,100	5,848
Change in operating assets and liabilities	-831	1,805	3,634
Capital expenditure in tangible fixed assets	-3,463	-3,335	-4,195
Other	36	95	547
Operating cash flow	2,866	7,665	5,834
Net proceeds from divestment and acquisition of operations	857	2,229	4,861
Total cash flow from operations and investments	3,723	9,894	10,695

Operating cash flow



Operating cash flow declined in 2003, mainly due to an increase in working capital.

Capital expenditure

Capital expenditure in tangible fixed assets in 2003 increased to SEK 3,463m (3,335), of which SEK 373m (295) refers to Sweden. Capital expenditure corresponded to 2.8% (2.5) of net sales.

The increase compared to the previous year referred mainly to Consumer Durables and Professional Outdoor Products. Capital expenditures within Consumer Durables referred mainly to appliances in North America, Asia and Australia. Capital expenditure within Professional Outdoor Products referred mainly to the development of environmentally efficient products.

Approximately 40% of total capital expenditure during the year referred to new products. Major projects included the development of product platforms and new products within the cooking,

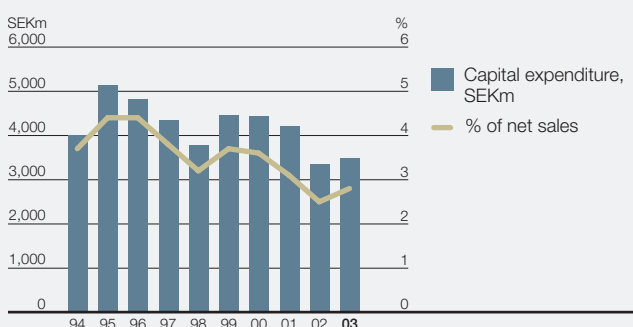
refrigeration, dishwashing and washing product areas in Europe. Projects in North America included new products within the cooking and refrigeration product categories.

Approximately 25% of total capital expenditure was attributable to rationalization and replacement of existing production equipment. About 10% referred to the expansion of capacity within the appliance operation in Eastern Europe and Asia. Investments in IT accounted for approximately 5%.

Capital expenditure, by business area

SEKm	2003	2002	2001
Consumer Durables			
Europe	1,269	1,328	1,244
% of net sales	2.7	2.8	2.6
North America	1,089	984	1,530
% of net sales	2.4	2.0	3.3
Rest of the world	470	406	334
% of net sales	3.7	2.7	2.2
Professional Products			
Indoor	278	295	657
% of net sales	3.4	2.7	3.8
Outdoor	305	229	213
% of net sales	2.8	2.2	2.3
Other	52	93	217
Total	3,463	3,335	4,195
% of net sales	2.8	2.5	3.1

Capital expenditure



Capital expenditure increased by 3.8% to SEK 3,463m in 2003, corresponding to 2.8% of net sales.

Costs for research and development

Costs for Research and Development in 2003, including capitalization of SEK 344m (176), amounted to SEK 1,628m (1,797), corresponding to 1.3% (1.3) of net sales.

R&D projects during the year mainly referred to new products and design projects within appliances, including development of global product platforms. Other major projects included new products with improved environmental and ergonomic performance within Professional Outdoor Products.

The product creation process has been improved during the year to support consumer-insight driven product development and the brand strategy.

Consolidated cash flow statement

Amounts in SEKm, unless otherwise stated	Note	2003	2002	2001
Operations				
Income after financial items		7,006	7,545	5,215
Depreciation and amortization		3,353	3,854	4,277
Capital gain/loss included in operating income		-8	-1,910	-2,931
Provision for restructuring		-1,410	1,551	1,975
Provision for pension litigation		—	-913	-1,192
		8,941	10,127	7,344
Taxes paid		-1,817	-1,027	-1,496
Cash flow from operations, excluding change in operating assets and liabilities		7,124	9,100	5,848
Change in operating assets and liabilities				
Change in inventories		-746	-706	1,164
Change in accounts receivable		-1,624	28	-50
Change in other current assets		-141	832	146
Change in operating liabilities and provisions		1,680	1,651	2,374
Cash flow from operations		6,293	10,905	9,482
Investments				
Acquisition of operations	Note 27	—	-1,542	-2,524
Divestment of operations	Note 27	857	3,771	7,385
Machinery, buildings, land, construction in progress, etc.		-3,463	-3,335	-4,195
Capitalization of product development and software		-470	-195	—
Other		506	290	547
Cash flow from investments		-2,570	-1,011	1,213
Total cash flow from operations and investments		3,723	9,894	10,695
Financing				
Change in short-term loans	Note 27	1,099	-2,096	-4,232
Change in long-term loans		-2,579	-2,061	173
Dividend		-1,894	-1,483	-1,365
Repurchase of shares		-1,669	-1,703	-1,752
Cash flow from financing		-5,043	-7,343	-7,176
Total cash flow		-1,320	2,551	3,519
Liquid funds at beginning of year		14,300	12,374	8,422
Exchange-rate differences referring to liquid funds		-378	-625	433
Liquid funds at year-end		12,602	14,300	12,374
Change in net borrowings				
Total cash flow, excluding change in loans		160	6,708	7,578
Net borrowings at beginning of year		-1,398	-10,809	-16,976
Exchange-rate differences referring to net borrowings		1,339	2,703	-1,411
Net borrowings at year-end		101	-1,398	-10,809

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes an increase of the dividend for 2003 to SEK 6.50 (6.00) per share, for a total payment of SEK 1,993m (1,894). The proposed dividend corresponds to 39% (36) of net income per share for the year, excluding items affecting comparability.

The Group's goal is for the dividend to correspond to 30–50% of net income for the year.

For more information on dividend payment, see page 71.

Proposed redemption of shares

On the basis of the Group's strong balance sheet, and in order to contribute to increased shareholder value, the Board of Directors has decided to propose that the Annual General Meeting approve redemption of shares in a total amount of approximately SEK 3,000m.

More details on the redemption offer will be disclosed prior to the Annual General Meeting on April 21, 2004.

Proposed renewed mandate for share repurchases

The Annual General Meeting in 2003 authorized the Board of Directors to acquire and transfer own shares during the period up to the next Annual General Meeting in April 2004. Shares of series A and/or B may be acquired on the condition that, following each repurchase transaction, the company owns a maximum of 10% of the total number of shares.

As of February 11, 2004, the Group owned a total of 17,500,000 B-shares, equivalent to 5.4% of the total number of outstanding shares.

The Board of Directors has decided to propose that the Annual General Meeting approve a renewed mandate for the repurchase of a maximum of 10% of the total number of shares. This authorization would cover the period up to the Annual General Meeting in 2005. The details of the proposal will be communicated after they have been determined by the Board.

Repurchases of own shares in 2003 and 2004

During 2003, Electrolux repurchased 11,331,828 own B-shares for a total of SEK 1,688m, corresponding to an average price of

SEK 149 per share. During the year, senior managers purchased 113,300 B-shares from Electrolux under the terms of the employee stock option programs for a total consideration of SEK 19m, corresponding to an average price of SEK 168 per share. As of December 31, 2003, the company owned a total of 17,000,000 B-shares, equivalent to 5.2% of the total number of outstanding shares.

In January of 2004, Electrolux repurchased 500,000 B-shares for a total of SEK 80m, corresponding to an average price of SEK 160.

The purpose of the share repurchase program is to ensure the possibility to adapt the capital structure of the Group and thereby contribute to increased shareholder value, or to use the repurchased shares in conjunction with the financing of potential acquisitions and the Group's option programs.

Repurchase of own shares in 2000–2003

	2003	2002	2001	2000
No. of shares bought back	11,331,828	11,246,052	11,570,000	25,035,000
Total amount paid, SEKm	1,688	1,703	1,752	3,193
Price per share, SEK	149	151	151	127
No. of shares held by Electrolux, at year-end	17,000,000 ¹⁾	20,394,052 ¹⁾	36,605,000	25,035,000
% of outstanding shares	5.2	6.0	10.0	6.8

1) After cancellation of shares.

Cancellation of shares

The Annual General Meeting in April 2003 decided on the cancellation of previously repurchased own shares, excluding shares required to meet the obligations under the Group's employee stock option program.

The cancellation process was completed in May 2003 and involved 14,612,580 B-shares, reducing the share capital by SEK 73.1m. The share capital, thereafter, consists of 10,000,000 A-shares and 314,100,000 B-shares, totaling 324,100,000 shares.

Cancellation and repurchase of shares in 2003 and 2004

Number of shares	Total outstanding A- and B-shares	Shares held by Electrolux	Shares held by other shareholders
Number of shares as of January 1, 2003	338,712,580	20,394,052	318,318,528
Cancellation of shares and reduction of share capital, as of May, 2003	-14,612,580	-14,612,580	—
Shares sold to senior managers in 3rd quarter under the terms of the stock option programs	—	-113,300	113,300
Repurchase of shares in 2003	—	11,331,828	-11,331,828
Total number of shares as of December 31, 2003	324,100,000	17,000,000	307,100,000
Repurchase of shares in January, 2004	—	500,000	-500,000
Total number of shares as of February 11, 2004	324,100,000	17,500,000	306,600,000

Other facts

De-listing in Paris and Zurich

During 2003, the Electrolux share was de-listed from the stock exchanges in Paris and Zurich. The de-listing in Paris was finalized as of August 29, 2003, and the de-listing in Zurich as of April 30, 2003.

Option Programs

Electrolux has implemented several employee stock option programs offered to senior managers. These programs are intended to attract, retain and motivate managers by providing long-term incentives through benefits linked to the company's share price.

A detailed description of all option programs and related costs can be found in Note 28 on page 64.

Long-term incentive program 2004

The Board of Directors will present a proposal at the Annual General Meeting for a new annual long-term incentive program for 2004. The proposed program is based on goals approved by the Board for the value creation within the Group over a three-year period. It supports the Electrolux principles of "pay-for-performance" and is an integral part of the total compensation plan for Electrolux management.

Depending on the outcome of value creation, the proposed program would distribute a variable number of Electrolux B-shares, estimated at 800,000–1,200,000, to fewer than 200 senior managers in more than 20 countries. The defined levels for value creation, include a minimum level which must be exceeded in order to enable distribution of shares, as well as a maximum level. The shares will be distributed at the end of the three-year performance period, and managers will be required to hold the shares for a period of two years.

The Board will propose to the Annual General Meeting that the Company's obligations under the proposed program, including employer contribution, shall be secured by repurchased shares.

The total cost of the program over a three-year period is estimated at SEK 150m, including costs for employer contributions and the financing cost for the repurchased shares. It is estimated that the cost will not exceed SEK 240m. The minimum cost, if no shares are distributed, will amount to SEK 17m, i.e., the financing cost for the repurchased shares.

The distribution of repurchased shares under this program would result in an estimated maximum dilution of 0.38%, measured as the maximum increase in number of outstanding shares.

For more information, see Note 28 on page 65.

Asbestos litigation in the US

Litigation and claims related to asbestos are pending against the Group in the US. Almost all of the cases refer to externally supplied components used in industrial products manufactured by discontinued operations prior to the early 1970s. Many of the cases involve multiple plaintiffs who have made identical allegations against many other defendants who are not part of the Electrolux Group.

As of December 31, 2003, the Group had a total of 584 (216 lawsuits pending, representing approximately 21,000 (approximately 14,000) plaintiffs. During 2003, 497 new cases were filed and 129 pending cases were resolved. Approximately 20,000 of the plaintiffs refer to cases pending in the state of Mississippi.

Electrolux believes its predecessor companies may have had insurance coverage applicable to some of the cases during some of the relevant years. Electrolux is currently in discussions with those insurance carriers.

Additional lawsuits may be filed against Electrolux in the future. It is not possible to predict either the number of future claims or the number of plaintiffs that any future claims may represent. In addition, the outcome of asbestos claims is inherently uncertain and always difficult to predict and Electrolux cannot provide any assurances that the resolution of these types of claims will not have a material adverse effect on its business or results of operations in the future.

Pending litigation in the US related to vacuum cleaners

Electrolux has a pending lawsuit in the US related to the design of the upright, cyclonic vacuum cleaners manufactured and sold by the Group's floor-care operation. The plaintiff claims that the Group has wrongfully used certain trade secrets when designing the cyclonic products, and is seeking a judgment against the Group in the amount of approximately USD 60m. A trial is scheduled for Spring 2004.

The Group believes it has valid defenses to these claims. However, should the plaintiffs claims prevail, this could have a material adverse effect on the Group's income.

Producer responsibility for recycling costs

In December 2002, the European Union (EU) adopted the Waste Electrical and Electronic Equipment (WEEE) Directive, introducing producer responsibility for the cost of recycling and waste disposal. This implies that each manufacturer and importer, from August 2005, must finance the recycling of electrical products it places on the EU market after that date (individual producer responsibility). For products sold before August 2005, producers shall jointly share the recycling obligations based on current market share (collective producer responsibility).

The WEEE Directive encompasses more than 20 million Electrolux products sold each year in Europe. The compliance with the WEEE Directive could have a potential material adverse effect on the Group's income, financial position and cash flow. Estimates of the cost remain highly uncertain, as total volumes to be collected are, as yet, unknown. Furthermore, treatment costs cannot be predicted until contracts are in place, and transposition of the Directive by EU Member States may change the requirements finally placed on producers.

Major changes in the Group

Divestments and acquisitions

During the year, the Group divested its compressor operation and its 50% shareholding in Vestfrost A/S, a Danish producer of refrigerators and freezers. The divestment of the compressor operation generated a capital loss of SEK 85m, and the divestment of the shareholding in Vestfrost a capital gain of SEK 7m.

As of December 31, 2003, the Group acquired the outstanding 40% of Electrolux Home Appliances Co. Ltd in China.

Report by the Board of Directors for 2003

Divestments

	Business area	Date, 2003	Net sales 2002, SEKm	Number of employees
Compressor operation	Professional Indoor Products	August, 1	2,800	4,100
50% in Vestfrost A/S	Consumer Durables ¹⁾	August, 1	1,400	1,100
Total divestments			4,200	5,200

1) Europe.

Employees

The average number of employees in 2003 was 77,140 (81,971), of whom 6,635 (6,586) were in Sweden. At year-end, the total number of employees was 74,989 (83,347).

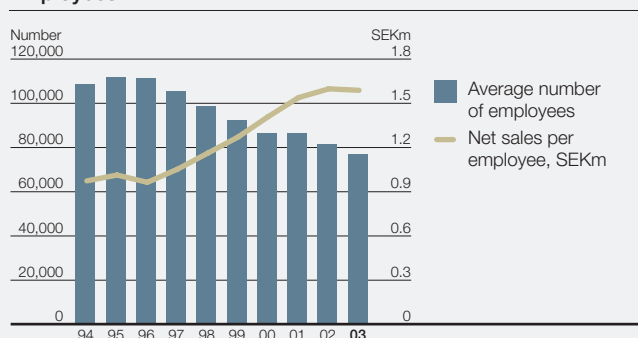
Change in average number of employees

Average number of employees in 2002	81,971
Number of employees in operations divested in 2003	-3,014
Restructuring programs	-2,487
Other changes	670
Average number of employees in 2003	77,140

Salaries and remuneration in 2003 amounted to SEK 17,154m (19,408), of which SEK 2,014m (1,904) refers to Sweden.

See also Note 28 on page 62.

Employees



The average number of employees decreased to 77,140 in 2003, mainly as a result of divestments and structural changes.

Environmental activities

Electrolux operates 97 manufacturing facilities in 25 countries. Manufacturing operations comprise largely the assembly of components made by suppliers. Other processes include metalworking, molding of plastics, painting and enameling, and, to some degree, the casting of parts.

Chemicals, such as lubricants and cleaning fluids, are used as process aids and chemicals used in products include insulation materials, paint and enamel. The production processes generate an environmental impact in the form of water and airborne emissions, solid waste, and noise.

Studies of the total effect of the Group's products during their entire lifetime, i.e., through production and use to disposal, indicate that the greatest environmental impact is generated when the products are used. The stated Electrolux strategy is to develop and actively promote increased sales of products with lower environmental impact.

Mandatory permits and notification in Sweden and elsewhere

Electrolux operates 14 plants in Sweden, which account for approximately 11% of the total value of the Group's production. Permits are required by Swedish authorities for eight of these plants, while six are required to submit notification. The permits refer to, e.g., thresholds or maximum permissible values for air and waterborne emissions and for noise. No significant non-compliance with Swedish environmental legislation was reported in 2003.

Manufacturing units in other countries adjust their operations, apply for necessary permits and report to the authorities in accordance with local legislation. The Group follows a precautionary policy, both with reference to acquisitions of new plants and continuous operations. Potential non-compliance, disputes or items that pose a material financial risk are reported to the Group in accordance with the Group policy. These routines have disclosed no items of significance during the year. Electrolux products are affected by legislation in various markets, which principally involves limits for energy consumption (white goods) and emissions (outdoor products powered by gasoline). Electrolux continuously monitors changes in legislation, and product development and manufacturing are adjusted well in advance to reflect these changes.

The Board of Directors' activities in 2003

Members and meetings

The Board of Directors of Electrolux consists of nine members without deputies, elected by the Annual General Meeting, and three members with deputies, appointed by the Swedish employee organizations. Other company personnel participate in Board meetings and contribute presentations on specific issues.

Seven ordinary Board meetings were held during the year, of which one in Italy, where the Board visited Professional Indoor Operations. The meeting focused on the strategic and operational turn-around of the Group's food-service operations, including an analysis of the food-service industry in general. In addition, there were three meetings addressing specific issues.

In the course of the year, the Board reviewed the Group's results and financial position on an ongoing basis, as well as the outlook presented by the President at each meeting. The Board also dealt regularly with questions related to acquisitions and divestments, establishment of new operations, investments, and the Group's strategic direction, including among others strategies for branding, design and product development.

Working procedures

The working procedures for the Board of Directors stipulate that 4-7 meetings shall normally be held annually, and that one or two of them shall be in conjunction with visits to either subsidiaries or companies outside the Group. The Group's external auditor reports to the Board at least once a year.

The working procedures also include detailed instructions to the President regarding issues that require the Board's approval, and the type of financial and other reports that shall be submitted to the Board. Specifications in these instructions include among others the maximum amounts which various decision-making functions within the Group are authorized to spend. The working procedures also cover the Group's financial policy.

Remuneration Committee

The working procedures also stipulate that remuneration to Group Management should be proposed by a Remuneration Committee. The Committee comprises Rune Andersson, Chairman of the Board, Jacob Wallenberg, Deputy Chairman of the Board, and Hans Stråberg, President and CEO of Electrolux. The President is excluded from participation in meetings and decision-making regarding his total compensation.

The Remuneration Committee shall establish principles for remuneration of members of Group Management for subsequent approval by the Board of Directors. Proposals submitted by the Remuneration Committee to the Board of Directors include targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, criteria for assessment of variable salary, long-term incentives and pension terms.

A minimum of two Committee meetings are convened each year. Six meetings were held in 2003. Special consideration was given to a proposal for a new long-term incentive program.

Audit Committee

The main task of the Audit Committee is to assist the Board in monitoring processes and internal controls for accounting and financial reporting, including related disclosures, as well as audits of financial statements. The Committee comprises three non-executive Board members: Peggy Bruzelius (Chairperson), Thomas Halvorsen and Louis R. Hughes. Three meetings were held in 2003.

Key topics at these meetings included review of the audited financial statements as well as review and pre-approval of audit

and permissible non-audit services provided by the external auditor, and the scope and costs of these services.

Ad hoc committees

The Board of Directors also refers specific issues to ad hoc committees whose sole purpose is to deal with these issues. An ad hoc committee for reviewing the Group's financial policy, including the pension policy, held one meeting during the year.

Nomination procedure for election of Board members

The following applies to the nominating process for Board members who will be proposed for election by a group of major shareholders at the 2004 Annual General Meeting.

During the fourth quarter of 2003, the Chairman contacted representatives of three major shareholders, i.e., Investor AB (represented by Claes Dahlbäck), Alecta Mutual Pension Insurance (represented by Ramsay J. Brufer) and AMF Pension Funds (represented by Tor Marthin). These representatives have jointly and under supervision of the Chairman nominated candidates to be proposed for election at the AGM.

The names of the above shareholder representatives were made public on October 21, 2003, in the Electrolux Report for the first nine months of 2003. Five meetings have been held to evaluate the Board's activities, the composition of the Board, directors' fees and possible requirements for special expertise on the Board.

The names of the nominees are given in the written notice of the Annual General Meeting.

Parent Company

The Parent Company comprises the functions of the Group's head office, as well as six companies operating on a commission basis for AB Electrolux.

Net sales for the Parent Company in 2003 amounted to SEK 6,713m (6,692), of which SEK 3,882m (3,807) referred to sales to Group companies and SEK 2,831m (2,885) to external customers. After appropriations of SEK -143m (-130) and taxes of SEK 362m (-30), net income for the year amounted to SEK 5,836m (3,550).

Undistributed earnings in the Parent Company at year-end amounted to SEK 15,172m.

Net financial exchange-rate differences during the year amounted to SEK 341m (694), of which SEK -29m (-230) comprised realized exchange-rate losses on loans intended as hedges for foreign net investments, while SEK 361m (902) comprised exchange-rate gains on derivative contracts for the same purpose.

There is usually no effect generated by these differences on Group income, as exchange-rate differences are offset against translation differences, that is, the change in equity arising from the translation of net assets in foreign subsidiaries at year-end rates.

Group contributions in 2003 amounted to SEK 1,139m. Group contributions net after taxes in the amount of SEK 820m is reported in retained earnings. See change in equity on the next page.

For information on the number of employees, salaries and remuneration, see Note 28 on page 62. For information on holdings in shares and participations, see Note 29 on page 65.

Income statement

Amounts in SEKm, unless otherwise stated	Note	2003	2002
Net sales		6,713	6,692
Cost of goods sold		-5,848	-5,681
Gross operating income		865	1,011
Selling expenses		-660	-640
Administrative expenses		-621	-615
Other operating income	Note 5	1,840	77
Other operating expenses	Note 6	-912	-2,209
Operating income	Note 28	512	-2,376
Group contributions		—	1,255
Financial income	Note 9	5,867	5,459
Financial expenses	Note 9	-762	-628
Income after financial items		5,617	3,710
Appropriations	Note 22	-143	-130
Income before taxes		5,474	3,580
Taxes	Note 10	362	-30
Net income		5,836	3,550

Balance sheet

Amounts in SEKm, unless otherwise stated	Note	Dec. 31, 2003	Dec. 31, 2002
Assets			
Fixed assets			
Intangible assets	Note 13	580	611
Tangible assets	Note 14	533	525
Financial assets	Note 15	28,723	34,209
Deferred tax assets		105	—
Total fixed assets		29,941	35,345
Current assets			
Inventories, etc.	Note 16	409	374
Current receivables			
Receivables from subsidiaries		4,205	3,854
Accounts receivables		388	587
Tax refund claim		—	41
Other receivables		181	242
Prepaid expenses and accrued income		149	100
		4,923	4,824
Liquid funds			
Short-term investments		6,946	6,656
Cash and cash equivalents		1,821	1,434
		8,767	8,090
Total current assets		14,099	13,288
Total assets		44,040	48,633
Assets pledged	Note 19	5	5
Equity and liabilities			
Equity			
Share capital	Note 20	1,621	1,694
Statutory reserve	Note 21	2,941	2,868
Retained earnings		9,336	8,529
Net income		5,836	3,550
		19,734	16,641
Untaxed reserves	Note 22	756	613
Provisions			
Provisions for pensions and similar commitments	Note 23	251	245
Other provisions	Note 24	247	360
		498	605
Financial liabilities			
Payable to subsidiaries		11,744	18,751
Bond loans		5,954	7,702
Mortgages, promissory notes, etc.		1,449	1,729
Short-term loans		1,799	532
		20,946	28,714
Operating liabilities			
Payable to subsidiaries		490	578
Accounts payable		505	471
Other liabilities		85	207
Accrued expenses and prepaid income	Note 25	1,026	804
		2,106	2,060
Total equity and liabilities		44,040	48,633
Contingent liabilities	Note 26	1,976	2,271

Change in equity

Amounts in SEKm, unless otherwise stated	Share capital	Restricted reserves	Retained earnings	Total
Closing balance				
Dec. 31, 2001	1,831	2,731	11,715	16,277
Net income	—	—	3,550	3,550
Dividend payment	—	—	-1,483	-1,483
Repurchase of shares	—	—	-1,703	-1,703
Cancellation of B-shares and reduction of share capital	-137	137	—	—
Closing balance				
Dec. 31, 2002	1,694	2,868	12,079	16,641
Net income	—	—	5,836	5,836
Dividend payment	—	—	-1,894	-1,894
Repurchase of shares, net	—	—	-1,669	-1,669
Cancellation of B-shares and reduction of share capital	-73	73	—	—
Group contributions	—	—	820	820
Closing balance				
Dec. 31, 2003	1,621	2,941	15,172	19,734

Cash flow statement

Amounts in SEKm, unless otherwise stated	2003	2002
Operations		
Income after financial items	5,617	3,710
Depreciation according to plan charged against above income	164	140
Capital gain/loss included in operating income	-824	1,914
	4,957	5,764
Taxes paid	-20	-22
Cash flow from operations, excluding change in operating assets and liabilities	4,937	5,742
Change in operating assets and liabilities		
Change in inventories	-35	434
Change in accounts receivable	199	44
Change in current intra-Group balances	700	9,706
Change in other current assets	12	327
Change in current liabilities and provisions	27	-11
Cash flow from operations	5,840	16,242
Investments		
Change in shares and participations	3,445	-1,014
Machinery, buildings, land, construction in progress, etc.	-181	-126
Other	2,904	-3,372
Cash flow from investments	6,168	-4,512
Total cash flow from operations and investments	12,008	11,730
Financing		
Change in short-term loans	1,267	-56
Change in long-term loans	-9,035	-4,679
Dividend	-1,894	-1,483
Repurchase of shares	-1,669	-1,703
Cash flow from financing	-11,331	-7,921
Total cash flow	677	3,809
Liquid funds at beginning of year	8,090	4,281
Liquid funds at year-end	8,767	8,090
Change in net borrowings		
Total cash flow, excluding change in loans	1,438	8,544
Net borrowings at beginning of year	-1,873	-10,417
Net borrowings at year-end	-435	-1,873

Notes to the financial statements

Amounts in SEKm, unless otherwise stated

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Sweden, thereby applying the standards of the Swedish Financial Accounting Standards Council. These accounting principles differ in certain significant respects from those in the US. Certain non-US GAAP measures are used in this annual report, e.g., value creation. For a description of significant differences, see Note 30 on page 67. In the interest of achieving comparable financial information within the Group, Electrolux companies apply uniform accounting rules as defined in the Electrolux Accounting Manual, irrespective of national legislation.

The following should be noted:

- A number of new standards from the Swedish Financial Accounting Standards Council, RR 2:02, 22, 24, 25, 26 and 28 came into effect as of January 1, 2003. The implementation of the new standards has had no material effect on the consolidated financial statements.
- As of January 1, 2003, Electrolux implemented also RR 27, "Financial instruments: Disclosure and classification". RR 27 stipulates how financial instruments shall be classified in the balance sheet and prescribes the disclosures to be presented in order to make it easier for the reader of financial statements to understand how financial instruments affect the results, financial situation and cash flows of an entity. RR 27 applies to all financial instruments, whether they are reported on the balance sheet or not, with the exception of shares in subsidiaries and associated companies, post-employment benefits and share based compensation to employees. The implementation of RR 27 increased total assets and liabilities by approximately SEK 300m.
- As of January 1, 2004, Electrolux applies the new standard RR 29, "Employee Benefits". RR 29 stipulates how the company shall account for and report employee benefits. The main differences between RR 29 and the present accounting standards refer to defined benefit post-employment plans. RR 29 requires that liabilities for these plans are calculated according to the Projected Unit Credit Method and reduced by the market value of the plan assets. RR 29 also requires that the cost of the benefits be expensed in the period in which the benefits are earned. The implementation of RR 29 has had a one-time effect of SEK 1,600m, net of taxes, that has been charged to opening balance of retained earnings as a change in accounting principles.
- As of January 1, 2005, Electrolux will apply International Financial Reporting Standards (IFRS, previously IAS). Swedish accounting principles have in recent years been successively adapted to IFRS. However, there are still certain areas where differences exist. Further, certain IFRS standards, mandatory from 2005, are not in final form yet. The Group believes that the finalization of these standards might create certain additional differences, besides the areas identified below. Based on the present knowledge, the Group has identified the following standards as being those that most significantly differ from the accounting standards presently applied under Swedish GAAP:
 - IAS 19 "Employee Benefits" (the difference will disappear when RR 29 is implemented in 2004)
 - IAS 38 "Intangible Assets"
 - IAS 39 "Financial Instruments: Recognition and Measurement".

The effects have not yet been quantified, except for IAS 19 as described above. At transition, the effect of the changes will be reported as an adjustment to opening balance of retained earnings.

The Group has already implemented certain changes in its reporting systems and expects to finalize this task before the end of the first quarter of 2004, in order to be able to collect the comparative information that will be necessary when the new standards are implemented in 2005.

- Computation of net debt/equity, equity/assets and net assets includes minority interests in adjusted shareholders' equity. Definitions of these ratios are provided on page 77.

Principles applied for consolidation

The consolidated financial statements have been prepared in accordance with Standard RR 1:00 of the Swedish Financial Accounting Standards Council applying the purchase method, whereby the assets and liabilities in a subsidiary on the date of acquisition are evaluated to determine the acquisition value to the Group. Any differences between the acquisition price and the market value of the acquired net assets are reported as goodwill or negative goodwill. The consolidated income for the Group includes the income statements for the Parent Company and its direct and indirect owned subsidiaries after

- elimination of intra-group transactions and unrealized profits in stock, and
- depreciation and amortization of group goodwill and other acquired surplus values.

Definition of Group companies

The consolidated financial statements include AB Electrolux and all companies in which the Parent Company at year-end directly or indirectly owns more than 50% of the voting rights referring to all shares and participations, or otherwise exercises decisive control.

The following applies to acquisitions and divestments during the year:

- Companies acquired during the year have been included in the consolidated income statement as of the date of acquisition
- Companies divested during the year have been included in the consolidated income statement up to and including the date of divestment.

At year-end 2003, the Group comprised 353 (409) operating units, and 284 (299) companies.

Associated companies

Investments in associated companies, i.e., those in which the Parent Company directly or indirectly owned 20–50% of the voting rights at year-end, or otherwise exercised significant influence, have been reported according to the equity method. This means that the Group's share of income before taxes in an associated company is reported as part of the Group's operating income and the Group's share of taxes is reported as part of the Group's taxes. Investments in such a company are reported at a value corresponding to the Group's share of the company's equity, adjusted for possible over- and undervaluation. Joint ventures are reported according to the equity method.

Translation of financial statements in foreign subsidiaries

According to RR 8, "Effects of changes in exchange rates", foreign subsidiaries can be classified as either foreign operations that are integral to the operations of the reporting entity, or as independent foreign entities. The method used to translate the financial statements of a foreign subsidiary depends on how it is classified. An independent entity accumulates cash and other monetary items, incurs expenses and generates income, all substantially in its local currency. Electrolux subsidiaries are classified as independent foreign entities. Based on this classification, the balance sheets of foreign subsidiaries have been translated into Swedish kronor at year-end rates. Income statements have been translated at the average rates for the year. Translation differences thus arising have been taken directly to equity.

Prior to consolidation, the financial statements of subsidiaries in countries with highly inflationary economies have been remeasured into their functional currency and the exchange-rate differences arising from that remeasurement have been charged to income. The remeasured financial statements have

Note 1 continued

then been translated into Swedish kronor following the same method as for other independent foreign entities. Consequently, changes in equity due to high inflation are reported in the consolidated income statement.

Hedging of net investment

The Parent Company uses foreign exchange derivative contracts and loans in foreign currencies in hedging certain net foreign investments. Exchange-rate differences related to these contracts and loans have been charged to Group equity after deduction of taxes, to the extent to which there are corresponding translation differences.

General accounting and valuation principles

Revenue recognition

Sales are recorded net of VAT (Value-Added Tax), specific sales taxes, returns and trade discounts. Revenues arise almost exclusively from sales of finished products. Sales are recognized when the significant risks and rewards connected with ownership of the goods have been transferred to the buyer and the Group retains neither a continuing right to dispose of the goods nor effective control of those goods and when the amount of revenue can be measured reliably. This means that sales are recorded when goods have been put at the disposal of the customers in accordance with agreed terms of delivery. Revenues from services are recorded when the service has been performed.

Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Grants related to assets are included in the balance sheet as "deferred income" and recognized as income over the useful life of the asset. In the income statement, grants are deducted in reporting the related expense. In 2003, grants recognized in the income statement amounted to SEK 55m.

Other operating income and expenses

These items include profits and losses arising from the sale of fixed assets and the divestment of operations, as well as the share of income in associated companies. Other operating expenses also include amortization of goodwill. See Notes 5 and 6 on page 52.

Items affecting comparability

This item includes events and transactions with significant effects in comparing income for the current period with previous periods including:

- Capital gains and losses from divestments of product groups or major units
- Close-down or significant down-sizing of major units or activities
- Restructuring initiatives with a set of activities aimed at reshaping a major structure or process
- Significant impairment
- Other major non-recurring costs or income

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Taxes

Taxes include current and deferred taxes applying the liability method. Deferred taxes are calculated using enacted tax rates. Taxes incurred by the Electrolux Group are affected by appropriations and other taxable (or tax-related) transactions in the individual Group companies. They are also

affected by utilization of tax losses carried forward referring to previous years or to acquired companies. This applies to both Swedish and foreign Group companies. Deferred tax assets on tax losses and temporary differences are recognized only if it is probable that they will be utilized in the near future.

A comparison of the Group's theoretical and actual tax rates and other disclosures are provided in Note 10 on page 53.

Financial assets and liabilities in foreign currency

In the individual subsidiaries' accounts, assets and liabilities denominated in foreign currency are valued at year-end exchange rates. Exchange-rate differences arising from commercial receivables and liabilities in foreign currency are included in operating income. Exchange-rate differences arising from financial assets and liabilities are included in financial items in the profit and loss statement. Foreign currency derivatives used for hedging financial assets and liabilities are valued at year-end exchange rates and the interest in the contracts is accrued and included in the income statement.

Intangible fixed assets

Acquisition goodwill

Acquisition goodwill is reported as an intangible asset and amortized over the estimated useful life, which is usually 10–20 years.

Over the last few decades, Electrolux has made a large number of acquisitions. For four of them Electrolux applies an amortization period of 40 years, i.e., for the goodwill arising from the major strategic acquisitions of Zanussi, White Consolidated Industries, American Yard Products and Email. These acquisitions have given Electrolux major market shares in Europe, North America and Australia as well as a leading global position.

The industry in which the Group operates is relatively stable, and large market shares are a key success factor as they enable economies of scale and create barriers to entry by new competitors. Zanussi, White Consolidated Industries and American Yard Products were acquired in the late 1980s, when useful lives of 40 years were in accordance with current international practice. Experience of these acquisitions clearly indicates useful lives of well over 40 years, which supported the decision to assign a useful life of 40 years for the acquisition of Email in 2001. The value of goodwill is continuously monitored, and impairment tests indicate that the assigned useful lives are clearly sustainable for these acquisitions. Amortization of goodwill for these four acquisitions in 2003 amounted to SEK 105m.

A useful life of 20 years has been assigned for the goodwill arising from the strategic acquisition of Diamant Boart in 2002.

Trademarks

The right to use the Electrolux brand in North America, acquired in May 2000, is amortized over 40 years in the consolidated accounts. To build fewer but stronger brands is one of the Group's key strategies and this acquisition provides Electrolux with the possibility to use the Electrolux brand worldwide. Although the useful life is regarded as indefinite, it was established at 40 years in 2000 to be consistent with the useful lives of the strategic acquisitions made in North America.

Capitalized development expenses

Electrolux capitalizes certain development expenses for new products and expenses for developed and/or acquired software provided that the level of certainty of their future economic benefits and useful life is high. Capitalization has been limited to development projects initiated after January 1, 2002.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less straight-line

Notes

Amounts in SEKm, unless otherwise stated

Note 1 continued

accumulated depreciation, which is based on the estimated useful life of the asset. These are:

Buildings	10–40 years
Machinery and technical installations	3–15 years
Other equipment	3–10 years

The Parent Company reports additional fiscal depreciation, permitted by Swedish tax law, as “appropriations” in the income statement. In the balance sheet these are included in “untaxed reserves.” See Note 22 on page 60.

Financial fixed assets

Financial assets are initially recognized at proceeds paid, net of transaction costs incurred. After initial recognition, short-term investments and derivatives used for hedging these investments are valued at the lowest of cost or market value on a portfolio basis. Long-term investments held to maturity are valued at amortized cost using the effective interest method.

Shares and participations in associated companies are accounted for according to the equity method.

Impairment

At each balance sheet date, the Group assesses whether there is any indication that any of the company's fixed assets are impaired. If any such indication exists, the company estimates the recoverable amount of the asset. An impairment loss is recognized by the amount of which the carrying amount of an asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. The value in use of an asset is mostly estimated using the discounted cash-flows method. The discount rates used in 2003 were in the range of 11 to 36%. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Leasing

The Group generally owns its production facilities. The Group rents some warehouse and office premises under leasing agreements and has also leasing contracts for certain office equipment.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Most leasing agreements in the Group are operational leases and the costs recognized directly in the income statement in the corresponding period.

Leases of land and buildings, where the Group has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Assets under financial leases are recognized in the balance sheet and the future leasing payments are recognized as a loan. Expenses for the period correspond to depreciation of the leased asset and interest cost for the loan.

Inventories

Inventories are valued at the lower of acquisition cost and market value. Acquisition cost is computed according to the first-in, first-out method (FIFO) or weighted average method. Appropriate provisions have been made for obsolescence.

Accounts receivable

The Group records provisions for bad debts based upon a formula with 50% for receivables past due by 6 months and with 100% for receivables overdue by 12 months. In conjunction with the formula based provision, the Group reviews the bad debt provision each period end to ensure that the provision is appropriate given the perceived risks. In addition, all

expected losses are independently reserved.

When foreign currency contracts intended as hedges for the cross-border flow of goods and services have been arranged, accounts receivable are valued at contract rates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and other short-term highly liquid investments, of which the majority have original maturity of three months or less.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty are recognized at the date of sale of the products covered by the warranty and are calculated based on historical data for similar products.

Restructuring provisions are recognized when the company has adopted a detailed formal plan for the restructuring and the plan has been communicated to those affected by the restructuring.

Pensions

The methods for calculating and accounting pension costs and pension liabilities differ from country to country. The companies report according to local rules, and the reported figures are included in the consolidated accounts of the Group.

Borrowings

Borrowings are initially recognized at proceeds received, net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method. Gains and losses are recorded in the income statement when borrowings are derecognized, as well as through the amortization process.

When interest-rate swaps are used for hedging of loans, the interest is accrued and recorded in the income statement as interest expense.

Derivatives

Derivatives are initially recognized in the balance sheet at cost when a premium is received or paid, otherwise they are kept off-balance.

Foreign currency and interest-rate derivatives held for trading are valued at the lowest of cost or market value on a portfolio basis.

In the Parent Company and the regional treasury centers, foreign currency derivatives (internal and external) used for hedging of transaction exposure are valued at the lowest of cost or market value on a portfolio basis. In other group companies, foreign currency derivatives used for hedging of transaction exposure are kept off-balance in accordance with deferral hedge accounting.

In the Parent Company and the regional treasury centers, foreign commodity derivatives (internal and external) used for hedging of forecasted purchases are valued at the lowest of cost or market value on a portfolio basis. In other group companies commodity derivatives used for hedging of forecasted purchases are kept off-balance in accordance with deferral hedge accounting.

Accounts payable

When foreign currency contracts intended as hedges for the cross-border flow of goods and services have been arranged, accounts payable are valued at contract rates.

Note 1 continued

Employee stock options

For the employee stock option programs, the Group provides for employer contributions expected to be paid when the options are exercised. The provision is periodically revalued.

Cash flow

The cash-flow statement has been prepared according to the indirect method.

Use of estimates

Management of the Group has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

Note 2 Financial risk management

Financial risk management

The Group is exposed to a number of risks relating to financial instruments including, for example, liquid funds, accounts receivables, customer financing receivables, payables, borrowings, and derivative instruments. The risks associated with these instruments are, primarily:

- Interest-rate risk on liquid funds and borrowings
- Financing risks in relation to the Group's capital requirements
- Foreign-exchange risk on earnings and net investments in foreign subsidiaries
- Commodity price risk affecting the expenditure on raw material and components for goods produced
- Credit risk relating to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy for the Group to manage and control these risks. Each business sector has specific financial policies approved by each sub-board (hereinafter all policies are referred to as "the Financial Policy"). These risks are to be managed by the use of derivative financial instruments according to the limitations stated in the Financial Policy. The Financial Policy also describes the management of risks relating to pension fund assets.

The management of financial risks has largely been centralized to Group Treasury in Stockholm. Local financial issues are managed by four regional treasury centers located in Europe, North America, Asia Pacific and Latin America. Measurement of risk in Group Treasury is performed by a separate risk controlling function on a daily basis. Furthermore, there are guidelines in the Group's policies and procedures for managing operating risk relating to financial instruments by, e.g., segregation of duties and power of attorney.

Proprietary trading in currency, commodities and interest-bearing instruments is permitted within the framework of the Financial Policy. This trading is primarily aimed at maintaining a high quality of information flow and market knowledge to contribute to the proactive management of the Group's financial risks.

Interest-rate risk on liquid funds and borrowings

Interest-rate risk refers to the Group's exposure to the market risk for adverse effects of changes in interest rates on the Group's income. The main factors determining this risk include the interest-fixing period.

Liquid funds

Liquid funds consist of short-term investments, cash and cash equivalents. Electrolux goal is that the level of liquid funds corresponds to at least 2.5% of net sales. The Group's net liquid funds (defined as liquid funds less short-term borrowings) shall exceed zero, with due consideration for fluctuations referring to acquisitions, divestments and seasonal variations. Investment of liquid funds is mainly made in interest-bearing instruments with high liquidity and with issuers with a long-term rating of at least A-defined by Standard & Poor's or similar as stated in the Financial Policy.

Interest-rate risk in liquid funds

Group Treasury manages the interest rate risk of the investments in relation to a benchmark position defined as a one-day holding period. Any deviation from the benchmark is limited by a risk mandate. Derivative financial instruments like Futures and Forward-Rate Agreements are used to manage the interest-rate risk. The holding periods of investments are mainly short-term. The major portion of the investments is made with maturities between 0 and 3 months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 100m. For more information, see Note 18 on page 57.

Borrowings

The debt financing of the Group is managed by Group Treasury in order to ensure efficiency and risk control. Debt is primarily taken up at the Parent Company level and transferred to subsidiaries as internal loans or capital injections. In this process various swap instruments are used to convert the funds to the required currency. Short-term financing, to meet seasonal working capital requirements are also undertaken in the local subsidiaries. The Group's borrowings contain no terms (financial triggers) for premature cancellation based on rating. For more information, see Note 18 on page 57.

Interest-rate risk in long-term borrowings

The Financial Policy states that the goal for the long-term loan portfolio is an average interest-fixing period of one year. Group Treasury can choose to deviate from this policy on the basis of a mandate established by the Board of Directors. However, the maximum fixed-rate period is three years. Derivatives, such as interest-rate swap agreements, are used to manage the interest-rate risk by changing the interest from fixed to floating or vice versa.

On the basis of 2003 volumes and interest fixing, a one-percentage point shift in interest rates paid would impact the Group's interest expenses by approximately SEK -25m in 2004. This calculation is based on a parallel shift of all yield curves simultaneously by one-percentage point. Electrolux acknowledges that the calculation is an approximation and does not take into consideration the fact that the interest rates on different maturities might change differently.

Credit ratings

Electrolux has Investment Grade ratings from Moody's and Standard & Poor's. The long-term ratings from both rating institutions were unchanged during the year. Standard & Poor's changed the long-term outlook from positive to stable.

Ratings

	Long-term debt	Outlook	Short-term debt	Short-term debt, Sweden
Moody's	Baa1	Stable	P-2	
Standard & Poor's	BBB+	Stable	A-2	K-1

Amounts in SEKm, unless otherwise stated

Note 2 continued

Financing risk

Financing risk refers to the risk that financing of the Group's capital requirements and refinancing of existing loans could become more difficult or more costly. This risk can be decreased by ensuring that maturity dates are evenly distributed over time, and that total short-term borrowings do not exceed liquidity levels. The net borrowings (i.e., total interest-bearing liabilities less liquid funds), excluding seasonal variances, shall be long-term according to the Financial Policy. The Group's goals for long-term debts include an average time to maturity of at least two years, and an evenly spread of maturities. A maximum of 25% of the borrowings are normally allowed to mature in a 12-month period. Exceptions are made when the net borrowing position of the Group is small. For more information, see Note 18 on page 57.

Foreign exchange risk

Foreign exchange risk refers to the adverse effects of changes in foreign exchange rates on the Group's income and equity. In order to manage such effects, the Group covers these risks within the framework of the Financial Policy. The Group's overall currency exposure is managed centrally.

The major currencies that Electrolux is exposed to are the US dollar, the euro, the Canadian dollar, and the British pound. Other significant exposures are the Norwegian krona, the Australian dollar and various Eastern European currencies.

Transaction exposure from commercial flows

The Group's financial policy stipulates the hedging of forecasted sales in foreign currencies, taking into consideration the price fixing periods and the competitive environment. This implies that the various business sectors within Electrolux have varying policies for hedging depending on their commercial circumstances. The Financial Policy permits the operating units to hedge invoiced and forecasted flows from 75% to 100% up to 18 months. Group subsidiaries cover their risks in commercial currency flows mainly through the Group's four regional treasury centers. Group Treasury thus assumes the currency risks and covers such risks externally by the use of currency derivatives.

The Group's geographically widespread production reduces the effects of changes in exchange rates. The table on page 29 shows the distribution of the Group's sales and operating expenses in major currencies. As the table indicates, there was a good currency balance during the year in the US dollar and the euro. For more information on exposures and hedging, see Note 18 on page 58.

Translation exposure from consolidation of entities outside Sweden

Changes in exchange rates also affect the Group's income in connection with translation of income statements of foreign subsidiaries into Swedish kronor. Electrolux does not hedge such exposure. The translation exposures arising from income statements of foreign subsidiaries are included in the sensitivity analysis mentioned below.

Foreign exchange sensitivity from transaction and translation exposure

Electrolux is particularly exposed to changes in exchange rates between Swedish kronor and the US dollar, the euro, the Canadian dollar and the British pound. For example, a change up or down by 10% in the value of each of the USD, EUR, CAD, and GBP against the SEK would affect the Group's income after financial items for one year by approximately

SEK +/-400m, as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2003 and does not include any dynamic effects, such as changes in competitiveness or consumer behavior arising from such changes in exchange rates.

Exposure from net investments (balance sheet exposure)

The net of assets and liabilities in foreign subsidiaries constitutes a net investment in foreign currency, which generates a translation difference in connection with consolidation. In order to limit negative effects on Group equity resulting from translation differences, hedging is implemented on the basis of borrowings and foreign exchange derivative contracts. This implies that the decline in value of a net investment, resulting from a rise in the exchange rate of the Swedish krona, is offset by the exchange gain on the Parent Company's borrowings and foreign exchange derivative contracts, and vice versa. Hedging of the Group's net investments is implemented within the Parent Company in Sweden. The Financial Policy stipulates the extent to which the net investments can be hedged and also sets the benchmark for risk measurement. Group Treasury is allowed to deviate from the benchmark under a given risk mandate.

Commodity price risks

Commodity-price risk is the risk that the cost of direct and indirect materials could increase as underlying commodity prices rise in global markets. The Group is exposed to fluctuations in commodity prices through agreements with suppliers, whereby the price is linked to the raw material price on the world market. This exposure can be divided into direct commodity exposure, which refers to pure commodity exposures, and indirect commodity exposures, which is defined as exposure arising from only part of a developed product. The Group hedges only a limited number of materials that are exchange-traded on the world market, through commodity forwards and futures. The hedged materials are copper, aluminum, nickel and zinc. The hedging horizon depends on the business environment and is defined within each business sector.

Credit risk

Credit risk in financial activities

Exposure to credit risks arises from the investment of liquid funds, and as counterpart risks related to derivatives. In order to limit exposure to credit risk, a counterpart list has been established which specifies the maximum permissible exposure in relation to each counterpart. The Group strives for arranging master netting agreements (ISDA) with the counterparts for derivative transactions and has established such agreements with the majority of the counterparts.

Credit risk in accounts receivable

Electrolux sells to a substantial number of customers in the form of large retailers, buying groups, independent stores and professional users. Sales are made on the basis of normal delivery and payment terms, if they are not included in one of the Customer Financing operations in the Group. Customer Financing solutions are also arranged outside the Group. The Credit Policy of the Group ensures that management process for customer credits includes customer rating, credit limits, decision levels and management of bad debts. The Board of Directors sets customer credit limits that exceed SEK 300m. There is a concentration of credit exposures on a number of customers in, primarily, USA and Europe. For more information, see Note 17 on page 56.

Note 3 Segment information

Business areas

Electrolux products are classified in three areas, i.e., Consumer Durables, Professional Indoor Products and Professional Outdoor Products. These areas form the basis for the Group's primary segment information.

The Consumer Durables business area comprises mainly white goods. It also includes floor-care products as well as garden equipment and light-duty chainsaws. Professional Indoor Products comprise food-service equipment and laundry equipment for professional users. The operation in compressors was divested during the year. Professional Outdoor Products comprise mainly high-performance chainsaws and professional lawn and

garden equipment, as well as power cutters and diamond tools.

Within Consumer Durables, the white goods operation is managed regionally while floor-care products and consumer outdoor products are managed globally. In the Group's external financial reporting, floor-care products and consumer outdoor products are reported together with white goods within the respective geographical regions, since these products are sold in the same markets and to a large extent to the same retailers, and are therefore exposed to similar risks.

Financial information related to the above business areas is reported below.

Business areas	Net sales			Operating income		
	2003	2002	2001	2003	2002	2001
Europe	47,312	48,250	47,200	3,382	3,265	2,528
North America	45,063	48,450	46,814	2,866	3,271	1,814
Rest of the world	12,646	14,820	14,976	2	51	287
Total Consumer Durables	105,021	111,520	108,990	6,250	6,587	4,629
Professional Indoor Products	8,113	10,887	17,073	556	753	1,070
Professional Outdoor Products	10,856	10,597	9,452	1,576	1,508	1,313
Total Professional Products	18,969	21,484	26,525	2,132	2,261	2,383
Other	87	146	288	—	—	—
Common Groups costs	—	—	—	-744	-683	-590
Items affecting comparability	—	—	—	-463	-434	-141
Total	124,077	133,150	135,803	7,175	7,731	6,281

Business areas	Assets		Liabilities		Capital expenditure		Cash flow ²⁾	
	2003	2002	2003	2002	2003	2002	2003	2002
Europe	29,678	30,517	22,702	22,958	1,269	1,328	3,170	4,746
North America	10,999	12,851	274	198	1,089	984	2,803	3,628
Rest of the world	6,589	6,470	2,128	2,338	470	406	-262	1,023
Total Consumer Durables	47,266	49,838	25,104	25,494	2,828	2,718	5,711	9,397
Professional Indoor Products	3,818	6,085	2,844	4,455	278	295	23	142
Professional Outdoor Products	7,126	7,293	2,696	3,417	305	229	771	1,569
Total Professional Products	10,944	13,378	5,540	7,872	583	524	794	1,711
Other ¹⁾	4,368	5,323	3,902	4,176	52	93	-796	-1
Items affecting comparability	882	1,187	2,492	3,963	—	—	—	—
	63,460	69,726	37,038	41,505	3,463	3,335	5,709	11,107
Liquid assets	12,602	14,302	—	—	—	—	—	—
Interest-bearing receivables	966	1,396	—	—	—	—	—	—
Interest-bearing liabilities	—	—	12,502	15,698	—	—	—	—
Equity	—	—	27,488	28,221	—	—	—	—
Financial items	—	—	—	—	—	—	-169	-186
Taxes paid	—	—	—	—	—	—	-1,817	-1,027
Total	77,028	85,424	77,028	85,424	3,463	3,335	3,723	9,894

1) Includes common Group services such as Holding and Treasury as well as customer financing activities.

2) Cash flow from operations and investments.

The business areas are responsible for the management of the operational assets and their performance is measured at the same level, while the financing is managed by Group Treasury at Group or country level. Consequently, liquid assets, interest-bearing receivables, interest-bearing

liabilities and equity are not allocated to the business segments.

In the internal management reporting, items affecting comparability are not included in the business areas. The table on page 52 specifies the business areas to which they correspond.

Notes

Amounts in SEKm, unless otherwise stated

Note 3 continued

Items affecting comparability

	Impairment/restructuring		Capital gain/losses	
	2003	2002	2003	2002
Europe	—	-303	—	—
North America	—	-396	—	—
Rest of the world	—	-723	—	—
Total Consumer Durables	—	-1,422	—	—
Professional Indoor	-293	-922	-85	1,910
Professional Outdoor	—	—	—	—
Total Professional Products	-293	-922	-85	1,910
Other	—	—	-85	—
Total	-293	-2,344	-170	1,910

Inter-segment sales exist only within Consumer Durables with the following split:

	2003	2002
Europe	1,061	1,049
North America	551	747
Rest of the world	40	27
Eliminations	-1,652	-1,823

Geographical segments

The Group's business segments operate mainly in three geographical areas of the world; Europe, North America, Rest of the world. Sales by market are presented below and show the Group's consolidated sales by geographical market, regardless of where the goods were produced.

Sales, by market

	2003	2002
Europe	59,460	61,632
North America	49,205	53,391
Rest of the world	15,412	18,127
Total	124,077	133,150

Assets and capital expenditure, by geographical area

	Assets		Capital expenditure	
	2003	2002	2003	2002
Europe	53,954	58,293	1,820	1,869
North America	18,597	22,671	1,157	1,042
Rest of the world	4,477	4,460	486	424
Total	77,028	85,424	3,463	3,335

Note 4 Net sales and operating income

Operating income includes net exchange-rate differences in the amount of SEK 225m (-7). Net sales in Sweden amounted to SEK 4,307 m (4,473). Exports from Sweden during the year amounted to SEK 9,463m (10,547), of which SEK 7,688 m (8,587) was to Group subsidiaries.

The Group's Swedish factories accounted for 7.6% (6.8) of the total value of production. Costs for research and development amounted to SEK 1,322m (1,627) and are included in Cost of goods sold.

Note 5 Other operating income

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Gain on sale of						
Tangible fixed assets	99	62	119	—	—	—
Operations and shares	31	73	31	1,840	77	19
Total	130	135	150	1,840	77	19

Note 6 Other operating expenses

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Loss on sale of						
Tangible fixed assets	-24	-43	-8	—	—	-4
Operations and shares	-13	-23	-28	-912	-2,209	-746
Shares of income in associated companies	-32	24	12	—	—	—
Amortization of goodwill	-182	-230	-257	—	—	—
Total	-251	-272	-281	-912	-2,209	-750

Note 7 Items affecting comparability

	Group		
	2003	2002	2001
Capital gains, Leisure appliances	—	1,800	3,120
Other capital gains	—	110	—
Capital loss, Compressors	-85	—	—
Provision loan guarantees	-293	—	—
Restructuring and impairment	-85	-2,344	-3,261
Total	-463	-434	-141

Items affecting comparability in 2003 include a capital loss from the divestment of the compressor operation, a provision for previously issued loan guarantees for launderette operators in Germany as well as write-down of assets in the partly owned railcar operator Nordwaggon.

The items are further described in the Report by the Board of Directors on page 30.

Note 8 Leasing

	Operating leases	Financial leases		Operating leases	Financial leases
2001	1,032	44	2004	844	47
2002	996	47	2005–08	1,589	54
2003	967	49	2009–	629	4
			Total	3,062	105

The book value of assets under financial leases consists of building and land in the amount of SEK 170m.

Note 9 Financial income and expenses

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Financial income						
Interest income and similar items						
From subsidiaries	—	—	—	375	521	688
From others	794	942	972	314	420	251
Dividends						
From subsidiaries	—	—	—	5,175	4,508	5,554
From others	—	5	1	3	10	5
Total financial income	794	947	973	5,867	5,459	6,498
Financial expenses						
Interest expense and similar items						
To subsidiaries	—	—	—	-518	-736	-589
To others	-949	-1,182	-2,059	-585	-586	-1,043
Exchange-rate differences						
On loans and forward contracts as hedges for foreign net investments	—	—	—	332	672	-941
On other loans and borrowings, net	-14	49	20	9	22	14
Total financial expenses	-963	-1,133	-2,039	-762	-628	-2,559

Interest income includes income from the Group's Customer Financing operations in the amount of SEK 123m (212). Premiums on forward

contracts intended as hedges for foreign net investments have been amortized as interest in the amount of SEK -43m (114).

Note 10 Taxes

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Current taxes	-1,945	-1,772	-1,160	257	-30	76
Deferred taxes	-270	-676	-305	105	—	—
Group share of taxes in associated companies	-11	-11	-12	—	—	—
Total	-2,226	-2,459	-1,477	362	-30	76

Current taxes include additional costs of SEK 174m related to previous years. Deferred taxes include a positive effect of SEK 156m due to changes in tax rates.

Theoretical and actual tax rates

%	Group		
	2003	2002	2001
Theoretical tax rate	35.6	37.2	38.0
Losses for which deductions have not been made	3.0	4.6	5.8
Non-taxable income statement items, net	4.1	-8.7	-10.0
Timing differences	-5.8	-3.2	5.8
Utilized tax-loss carry forwards	-2.8	-0.8	-12.2
Dividend tax	0.2	0.4	0.6
Other	-2.5	3.1	0.3
Actual tax rate	31.8	32.6	28.3

The theoretical tax rate for the Group is calculated on the basis of the weighted total Group net sales per country, multiplied by the local statutory tax rates. In addition, the theoretical tax rate is adjusted for the effect of non-deductible amortization of goodwill.

Changes in deferred taxes

Net deferred tax assets and liabilities Dec. 31, 2002	993
Deferred taxes in acquired/divested operations	43
Deferred taxes recognized in equity	6
Deferred taxes recognized in the income statement	-270
Exchange-rate differences	-130
Other	16
Net deferred tax assets and liabilities Dec. 31, 2003	658

As of December 31, 2003, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 1,741m (3,535), which have not been included in computation of deferred tax assets.

Of those tax loss carry-forwards SEK 115m expire in 2004, SEK 165m between 2005 and 2007 and SEK 1,461m 2008 or later.

Notes

Amounts in SEKm, unless otherwise stated

Note 10 continued

Deferred tax assets and liabilities

	Group								
	Assets			Liabilities			Net		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Fixed assets ¹⁾	412	358	62	1,631	1,559	1,813	-1,219	-1,201	-1,751
Inventories	288	197	143	537	495	646	-249	-298	-503
Current receivables	168	126	80	130	19	26	38	107	54
Liquid funds	—	—	—	51	—	—	-51	—	—
Provisions for pensions and similar commitments	1,439	1,063	130	414	—	—	1,025	1,063	130
Other provisions	562	719	1,420	367	282	379	195	437	1,041
Financial and operating liabilities	708	739	781	68	—	—	640	739	781
Other items	—	9	182	107	352	17	-107	-343	165
Recognized unused tax losses	386	489	1,013	—	—	—	386	489	1,013
Tax assets and liabilities	3,963	3,700	3,811	3,305	2,707	2,881	658	993	930
Set-off of tax	-2,049	-709	-1,033	-2,049	-709	-1,033	—	—	—
Net deferred tax assets and liabilities	1,914	2,991	2,778	1,256	1,998	1,848	658	993	930

1) Of which a net of SEK 39m refers to shares and participations.

Parent Company

The deferred tax assets in the Parent Company amounted to SEK 105m (209) and relate to temporary differences. The Group accounts include

deferred tax liabilities of SEK 227m (181) related to untaxed reserves in the Parent Company.

Note 11 Minority interests

	2003	2002	2001
Minority interests in			
Income after financial items	-9	2	133
Taxes	7	7	-1
Net income	-2	9	132

Note 12 Net income per share

	2003	2002	2001
Net income, SEKm	4,778	5,095	3,870
Number of shares ¹⁾ , basic and diluted	313,270,489	327,093,373	340,064,997
Net income per share, basic and diluted, SEK	15.25	15.60	11.35

1) Weighted average number of shares outstanding during the year, after repurchase of own shares.

Note 13 Intangible assets

	Group					Parent Company
	Goodwill	Product development	Software	Other	Total	Brands, etc.
Acquisition costs						
Closing balance Dec. 31, 2001	7,645	—	—	810	8,455	663
Acquired during the year	638	—	—	80	718	—
Development	—	176	19	—	195	2
Fully amortized	-727	—	—	—	-727	—
Sold during the year	-159	—	—	—	-159	—
Exchange-rate differences	-918	—	—	-132	-1,050	—
Closing balance Dec. 31, 2002	6,479	176	19	758	7,432	665
Acquired during the year	-25	—	—	14	-11	3
Development	—	344	126	—	470	—
Reclassification ¹⁾	-108	—	—	186	78	—
Sold during the year	-32	—	—	-22	-54	—
Fully amortized	-647	—	—	-13	-660	—
Exchange-rate differences	-637	-5	-1	-22	-665	—
Closing balance Dec. 31, 2003	5,030	515	144	901	6,590	668

1) Final purchase price allocation of Diamant Boart International.

Note 13 continued

	Group				Total	Parent
	Goodwill	Product development	Software	Other		Company
Accumulated amortization according to plan						Brands, etc.
Closing balance Dec. 31, 2001	3,037	—	—	259	3,296	30
Amortization for the year	230	5	2	31	268	24
Sold and acquired during the year	-35	—	—	4	-31	—
Fully amortized	-727	—	—	—	-727	—
Impairment	195	—	—	1	196	—
Exchange-rate differences	-389	—	—	-109	-498	—
Closing balance Dec. 31, 2002	2,311	5	2	186	2,504	54
Amortization for the year	182	38	5	57	282	34
Sold and acquired during the year	-32	—	—	-1	-33	—
Fully amortized	-647	—	—	-13	-660	—
Impairment	—	—	—	—	—	—
Exchange-rate differences	-284	—	—	-1	-285	—
Closing balance Dec. 31, 2003	1,530	43	7	228	1,808	88
Net book value Dec. 31, 2002	4,168	171	17	572	4,928	611
Net book value Dec. 31, 2003	3,500	472	137	673	4,782	580

1) Final purchase price allocation of Diamant Boart International.

As described in Note 1, goodwill from four major acquisitions is amortized over 40 years. The goodwill amortization for these amounted to SEK 105m in 2003.

In 2002, goodwill in low-performing operations within Consumer Durables, Rest of the world, and within the compressor operations was impaired. Discount rates of 13–35% were used when calculating value in use.

Note 14 Tangible fixed assets

Group	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs						
Closing balance Dec. 31, 2001	1,738	11,130	40,037	3,532	3,370	59,807
Acquired during the year	5	113	1,227	263	1,727	3,335
Corporate acquisitions	53	478	232	161	5	929
Corporate divestments	2	-336	-3,017	-482	-60	-3,893
Transfer of work in progress and advances	5	223	3,147	-49	-3,326	—
Sales, scrapping, etc.	-142	-492	-1,834	-389	-21	-2,878
Exchange-rate differences	-129	1,068	-3,844	-184	-617	-5,842
Closing balance Dec. 31, 2002	1,532	10,048	35,948	2,852	1,078	51,458
Acquired during the year	8	225	832	258	2,140	3,463
Corporate acquisitions	—	—	—	—	—	—
Corporate divestments	-68	-749	-4,058	-290	-38	-5,203
Transfer of work in progress and advances	15	218	1,555	-1	-1,787	—
Sales, scrapping, etc.	-62	-355	-2,301	-297	—	-3,015
Exchange-rate differences	-56	-750	-2,780	-129	-188	-3,903
Closing balance Dec. 31, 2003	1,369	8,637	29,196	2,393	1,205	42,800
Accumulated depreciation according to plan						
Closing balance Dec. 31, 2001	167	5,266	29,530	2,318	—	37,281
Depreciation for the year	17	374	2,894	301	—	3,586
Corporate acquisitions	—	220	143	119	—	482
Corporate divestments	10	-147	-2,429	-359	—	-2,925
Sales, scrapping, etc.	-21	-308	-1,725	-389	—	-2,444
Impairment	47	276	672	36	—	1,032
Exchange-rate differences	-15	-510	-3,108	-109	—	-3,742
Closing balance Dec. 31, 2002	205	5,171	25,977	1,917	—	33,270
Depreciation for the year	11	387	2,423	249	—	3,070
Corporate divestments	-36	-454	-3,252	-124	—	-3,866
Sales, scrapping, etc.	-12	-226	-2,240	-252	—	-2,730
Impairment	—	—	12	1	—	13
Exchange-rate differences	-15	-413	-2,086	-81	—	-2,595
Closing balance Dec. 31, 2003	153	4,465	20,834	1,710	—	27,162
Net book value Dec. 31, 2002	1,327	4,877	9,971	935	1,078	18,188
Net book value Dec. 31, 2003	1,216	4,172	8,362	683	1,205	15,638

In 2002, tangible fixed assets in low-performing operations within Consumer Durables, Europe and Rest of the world and within the compressor operations were impaired. Discount rates of 11–22% were used when calculating value in use. The book values for land were SEK 1,160m (1,238).

The tax assessment value for Swedish Group companies was for buildings SEK 328m (332), and land SEK 74m (66).

The corresponding book values for buildings were SEK 186m (181), and land SEK 21m (22). Accumulated write-ups on buildings and land were at year-end SEK 134m (147).

Notes

Amounts in SEKm, unless otherwise stated

Note 14 continued

Parent Company	Land and land improvements	Buildings	Machinery and technical installations	Other equipment	Construction in progress and advances	Total
Acquisition costs						
Closing balance Dec. 31, 2001	7	74	1,371	336	38	1,826
Acquired during the year	—	—	87	21	16	124
Transfer of work in progress and advances	—	—	25	—	-25	0
Sales, scrapping, etc.	—	—	-143	-53	—	-196
Closing balance Dec. 31, 2002	7	74	1,340	304	29	1,754
Acquired during the year	—	—	70	99	9	178
Transfer of work in progress and advances	—	—	1	—	-1	—
Sales, scrapping, etc.	—	—	-127	-48	—	-175
Closing balance Dec. 31, 2003	7	74	1,284	355	37	1,757
Accumulated depreciation according to plan						
Closing balance Dec. 31, 2001	2	62	1,041	169	—	1,274
Depreciation for the year	—	2	105	34	—	141
Sales, scrapping, etc.	—	—	-135	-51	—	-186
Closing balance Dec. 31, 2002	2	64	1,011	152	—	1,229
Depreciation for the year	—	2	95	33	—	130
Sales, scrapping, etc.	—	—	-123	-12	—	-135
Closing balance Dec. 31, 2003	2	66	983	173	—	1,224
Net book value Dec. 31, 2002	5	10	329	152	29	525
Net book value Dec. 31, 2003	5	8	301	182	37	533

Tax assessment value for buildings was SEK 95m (95), and land SEK 20m (17). The corresponding book values for buildings were

SEK 8m (10), and land SEK 5m (5). Undepreciated write-ups on buildings and land were SEK 2m (2).

Note 15 Financial fixed assets

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Participations in associated companies	185	167	190	—	—	—
Participations in other companies	55	167	204	96	141	125
Shares in subsidiaries	—	—	—	21,663	24,200	25,088
Long-term receivables in subsidiaries	—	—	—	6,936	9,645	6,331
Long-term holdings in securities	149	175	172	—	—	—
Other receivables	887	1,082	1,322	28	223	257
Total	1,276	1,591	1,888	28,723	34,209	31,801

A specification of shares and participations is provided in Note 29 on page 65.

Note 16 Inventories

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Raw materials	3,111	4,017	4,585	118	147	134
Products in progress	598	778	898	47	15	18
Finished products	11,313	11,153	11,876	244	212	656
Advances to suppliers	37	71	93	—	—	—
Advances from customers	-114	-405	-451	—	—	—
Total	14,945	15,614	17,001	409	374	808

Note 17 Accounts receivable

At year-end 2003, accounts receivable, net of provisions for doubtful accounts, amounted to SEK 21,172m (22,484), representing the maximum possible exposure to customer defaults. The book value of accounts receivable is considered to represent fair value. The total

provision for bad debts at year-end was SEK 1,012m (1,459). Electrolux has a significant concentration on a number of major customers primarily in the US and Europe. Receivables concentrated to customers amounting to SEK 300m or more represent 31% of the total accounts receivable.

Note 18 Financial instruments

Financial instruments is defined in accordance with the Swedish Financial Accounting Standard Council's standard RR 27, which is based on IAS 32. Additional and complementary information is presented in the following Notes to the Annual Report: Note 1 "Accounting and valuation principles" discloses the accounting and valuation policies adopted and Note 2 "Financial risk management" describes the Group's risk policies in general

and regarding the principal financial instruments of Electrolux in more detail. Note 17 describes the accounts receivables and related credit risks. The information in this note highlights and describes the principal interest-bearing financial instruments of the Group regarding specific major terms and conditions when applicable, and the exposure to interest rate risk and the fair values at year-end.

Note 18 continued

Liquid funds

Liquid funds consist of short-term investments (less than one year) and cash equivalents. The table below presents the key data of liquid funds. The book value of liquid funds is approximately equal to fair value.

Liquidity profile

	2003	2002	2001
Investments with maturities over three months	3,783	7,602	892
Investments with maturities up to three months	8,207	6,698	11,482
Fair value derivative assets included in short-term investments	612	—	—
Liquid funds	12,602	14,300	12,374
% of annualized net sales	11.3	11.8	9.8
Net liquidity ¹⁾	8,593	12,682	7,118
Fixed-interest term, days	64	48	32
Effective yield, % (average per annum)	4.4	4.4	4.7

1) The net liquidity calculation in 2003 includes long-term borrowings with maturities within 12 months.

For 2003, liquid funds amounted to 11.3% (11.8) of annualized net sales, thereby exceeding the Group's minimum criterion, primarily due to positive operating cash flow and divestments of operations in recent years.

Interest-bearing liabilities

At year-end 2003, the Group's total interest-bearing liabilities, including interest-bearing pension liabilities, amounted to SEK 12,501m (15,698),

Interest-bearing liabilities

Issue/maturity dates	Description of loan	Interest rate, %	Currency	Nominal value (in currency)	Total book value Dec. 31,	
					2003	2002
Bond loans						
Fixed rate¹⁾						
2000–2005	Global MTN Program	6.1250	EUR	300	2,712	2,735
2000–2008	Global MTN Program	6.0000	EUR	268	2,416	2,437
1996–2004	Bond Loan FRF 1,000m ²⁾	6.5000	FRF	690	—	959
2000–2008	Global MTN Program	6.0000	EUR	32	290	293
1998–2008	Global MTN Program	6.5000	NOK	400	—	503
2001–2005	SEK MTN Program	5.3000	SEK	200	200	200
2001–2004	SEK MTN Program ²⁾	3.3820	SEK	170	—	170
2001–2008	SEK MTN Program	4.2303	SEK	85	85	85
1996–2003	SEK MTN Program	8.7000	SEK	—	—	100
Floating rate						
1998–2005	Global MTN Program	Floating	USD	25	181	220
1997–2027	Industrial Development Revenue Bonds	Floating	USD	10	73	88
Total bond loans					5,957	7,790
Other long-term loans						
	Fixed rate loans	—	—	—	1,901	1,642
	Floating rate loans ²⁾	—	—	—	315	4,327
Total other long-term loans					2,216	5,969
Total long-term loans					8,173	13,759
Short-term loans						
Short-term part of long-term loans						
2001–2004	SEK MTN Program ²⁾	3.3820	SEK	170	170	—
1996–2004	Bond loan FRF 1,000m ²⁾	6.5000	FRF	690	952	—
	Other long-term loans ²⁾	—	—	—	1,292	—
Other short-term loans						
	Bank borrowings and commercial papers	—	—	—	1,316	1,618
	Fair value of derivative liabilities	—	—	—	279	—
Total short-term loans					4,009	1,618
Interest-bearing pensions					319	321
Total interest-bearing liabilities					12,501	15,698

1) The interest-rate fixing profile of the loans above has been adjusted from fixed to floating with interest-rate swaps.

2) Long-term loans in the table above with maturities within 12 months are classified as short-term loans in the Group's balance sheet as of December 31, 2003.

of which SEK 8,173m (13,759) referred to long-term loans. As of December 31, 2003, long-term loans with maturities within 12 months, SEK 2,414m, are reported as short-term loans in the Group's balance sheet. A significant portion of the total of outstanding long-term borrowings has been made under Electrolux global medium term note program. This program allows for borrowings up to EUR 2,000m. As of December 31, 2003, Electrolux utilized approximately EUR 630m (680) of the capacity of the program.

The majority of total long-term borrowings, SEK 7,331m, are taken up in Sweden at the parent company level. Given the strong liquidity, Electrolux does not currently maintain any committed credit facilities for short-term borrowings, other than as back-up facility for the European commercial paper program, which amounts to EUR 150m. Electrolux expects to meet any future requirements for short-term borrowings through bilateral bank facilities and capital market programs such as commercial paper programs.

At year-end 2003, the average interest-fixing period for long-term borrowings was 1.1 years (0.9). The calculation of the average interest-fixing period includes the effect of interest-rate derivatives used to manage the interest-rate risk of the debt portfolio. The interest rate at year-end for the total borrowings was 4.9% (4.2).

The fair value of the interest-bearing loans including swap transactions used to manage the interest fixing was approximately SEK 12,650m. The loans and the interest-rate swaps are valued marked-to-market in order to calculate the fair value.

The following table sets out the carrying amount of the Group's interest-bearing liabilities that are exposed to fixed and floating interest-rate risk.

Notes

Amounts in SEKm, unless otherwise stated

Note 18 continued

The average maturity of the Group's long-term borrowings (including long-term loans with maturities within 12 months) was 2.7 years (3.3) at the end of 2003. As a result of the Group's positive cash flow, no additional long-term funding was undertaken in 2003, apart from SEK 100m to fund

the operations in Brazil. A net total of SEK 1,490m in loans matured or were amortized. Short-term loans pertain primarily to countries with capital restrictions. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, as at December 31,

	2004	2005	2006	2007	2008	2009	2010–	Total
Debenture and bond loans	—	3,093	—	—	2,791	—	73	5,957
Bank and other loans	—	964	416	29	21	—	786	2,216
Short-term part of long-term loans	2,414	—	—	—	—	—	—	2,414
Total	2,414	4,057	416	29	2,812	—	859	10,587

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 874m (971) are included in the item Other receivables in the Group's balance sheet. The Group's customer financing activities are performed in order to provide sales support and are directed mainly to independent retailers in the US and in Scandinavia. The majority of the financing is shorter than 12 months. There is no major concentration of credit risk related to customer financing. Collaterals and the right to repossess the inventory also reduce the credit risk in the financing operations. The income from customer financing is subject to interest-rate risk. This risk is immaterial to the Group.

Commercial flows

The table below shows the forecasted transaction flows (imports and exports) for the 12-month period of 2004 and hedges at year-end 2003. The hedged amounts during 2004 are dependent on the hedging policy for each flow considering the existing risk exposure. Gross hedging of flows up to 18 months, not shown in the table, amounts to SEK 434m and this hedging refers mainly to USD/SEK and EUR/SEK.

	GBP	CAD	NOK	CZK	AUD	CHF	HUF	EUR	USD	SEK	Other	Total
Inflow of currency (long position)	3,450	2,560	1,150	730	920	790	450	5,620	2,190	1,520	3,810	23,190
Outflow of currency (short position)	-340	-390	—	—	-190	-100	-1,590	-8,520	-5,430	-5,370	-1,260	-23,190
Gross transaction flow	3,110	2,170	1,150	730	730	690	-1,140	-2,900	-3,240	-3,850	2,550	—
Hedge	-1,020	-760	-120	-130	-290	-170	640	-900	1,200	2,020	-470	—
Net transaction flow	2,090	1,410	1,030	600	440	520	-500	-3,800	-2,040	-1,830	2,080	—

The effect of hedging on operating income during 2003 amounted to SEK 69m (112). At year-end, unrealized exchange-rate gains on forward contracts amounted to SEK 47m (150), where SEK 35m will mature in 2004 and SEK 12m will mature in 2005.

Derivative financial instruments

The tables below present the fair value and nominal amounts of the Group's derivative financial instruments for managing of financial risks and proprietary trading. The fair value of financial instruments used for proprietary trading at the end of 2003 was SEK 6m (5).

Fair value

	2003			2002		
	Positive MV	Negative MV	Net MV	Positive MV	Negative MV	Net MV
Interest-rate swaps	364	-145	219	424	-220	204
Cross currency interest-rate swaps	15	-16	-1	68	-58	10
Forward-rate agreements and futures	10	-10	0	3	-4	-1
Foreign exchange derivatives (Forwards and Options)	759	-319	440	889	-194	695
Commodity derivatives	9	-4	5	8	-10	-2
Total	1,157	-494	663	1,392	-486	906

Valuation of derivative financial instruments at market value (MV), presented in the table above, is done at the most accurate market prices available.

This means that instruments, which are quoted on the market, such as for instance the major bond and interest-rate future markets, are all marked-to-market with the current price. The foreign-exchange spot rate is then used to convert the market value into Swedish kronor, before it is discounted back to the valuation date. For instruments where no reliable price is available on the market, cash flows are discounted using the deposit/swap curve of the cash flow currency. In the event that no proper cash flow schedule is available, for instance as in the case with forward rate agreements, the underlying schedule is used for valuation purposes. To the extent option instruments are used, the valuation is based on the Black-Scholes formula.

Nominal amounts

	2003	2002
Interest-rate swaps		
Maturity shorter than 1 year	8,219	934
Maturity 2–5 years	9,188	7,837
Maturity 6–10 years	—	2,472
Total interest-swaps	17,407	11,243
Cross currency interest-rate swaps	245	1,150
Forward-rate agreements	35,625	23,974
Foreign-exchange derivatives (Forwards and Options)	12,603	21,958
Commodity derivatives	21	165
Total	65,901	58,489

Note 19 Assets pledged for liabilities to credit institutions

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Real-estate mortgages	418	1,090	1,384	—	—	—
Corporate mortgages	—	9	28	—	—	—
Receivables	—	124	285	—	—	—
Inventories	—	238	450	—	—	—
Other	5	447	263	5	5	5
Total	423	1,908	2,410	5	5	5

The sharp reduction of pledged assets in 2003 is mainly due to that the company in India has ceased pledging assets, the divestment of the compressor unit in China and renegotiations of bank loans in Germany.

Note 20 Equity

Unrestricted consolidated earnings amount to SEK 14,130m. No allocation to restricted reserves is required. The accumulated translation differences charged to equity since January 1, 1998, amount to SEK -1,583m (-324). Translation differences in 2003 amount to SEK -1,259m and have been reduced by SEK 376m, net of taxes, through equity hedging. The equity method reserve amounted to SEK 62m (-124).

Retained earnings is the sum of the free reserves of the Parent Company and that portion of each subsidiary's equity that could be paid as dividend without requiring the Parent Company to write down the book value of the subsidiary. The remaining portion of equity is recognized as restricted reserves.

Note 21 Share capital and number of shares

	Value at par
On December 31, 2003, the share capital comprised	
10,000,000 A-shares, par value SEK 5	50
314,100,000 B-shares, par value SEK 5	1,571
Total	1,621

A-shares carry one vote and B-shares one-tenth of a vote.

Number of shares	Owned by Electrolux	Owned by other shareholders	Total
Shares at Dec. 31, 2002			
A-shares	—	10,000,000	10,000,000
B-shares	20,394,052	308,318,528	328,712,580
Repurchased shares			
A-shares	—	—	—
B-shares	11,331,828	-11,331,828	—
Cancelled shares			
A-shares	—	—	—
B-shares	-14,612,580	—	-14,612,580
Sold shares			
A-shares	—	—	—
B-shares	-113,300	113,300	—
Shares at Dec. 31, 2003			
A-shares	—	10,000,000	10,000,000
B-shares	17,000,000	297,100,000	314,100,000

As of December 31, 2003, Electrolux had repurchased 17,000,000 B-shares, with a total par value of SEK 85m. The average number of shares during the year has been 313,270,489 (327,093,373).

Notes

Amounts in SEKm, unless otherwise stated

Note 22 Untaxed reserves, Parent Company

	Dec. 31, 2003	Appropriations	Dec. 31, 2002	Appropriations	Dec. 31, 2001
Accumulated depreciation in excess of plan on					
Brands	405	99	306	108	198
Machinery and equipment	265	-11	276	32	244
Buildings	12	-1	13	-1	14
Exchange-rate reserve	—	-11	11	-10	21
Other financial reserves	4	-3	7	1	6
Tax-allocation reserve	70	70	—	—	—
Total	756	143	613	130	483

Other financial reserves include fiscally permissible appropriations referring to receivables in subsidiaries in politically and economically unstable countries.

Note 23 Provisions for pensions and similar commitments

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Interest-bearing pensions	319	321	269	251	245	230
Other pensions	2,757	2,801	744	—	—	—
Other commitments	2,602	2,896	3,082	—	—	—
Total	5,678	6,018	4,095	251	245	230

Pension liabilities

The Group sponsors pension plans in many of the countries in which it has significant activities. Pension plans can be defined contribution or defined benefit plans or a combination of both, and follow, in general, the local practices.

The Group's major defined benefit plans cover employees in the US, UK, Switzerland, Germany and Sweden. The German plan is unfunded and the plans in the US, UK, Switzerland and Sweden are funded.

The methods for calculating and accounting for pension costs and pension liabilities differ from country to country. The companies report according to local rules, and the reported figures are included in the consolidated accounts of the Group.

In case of underfunding, US rules require the companies to record an additional minimum liability. Following these rules, the Group recorded in 2002 an additional pre-tax pension liability of USD 245m, equivalent to SEK 2,154m, at year-end exchange rate and which, after deduction of deferred taxes, resulted in a charge to equity of SEK 1,335m. In 2003, the additional minimum liability has increased to a pre-tax pension liability of USD 272m, equivalent to SEK 1,976m at year-end exchange rate. After deduction of deferred taxes and adjustment for changes in exchange rates, the increase has resulted in a charge to equity of SEK 123m.

The adjustment will be reversed when the underfunding situation ends.

All pension assets are managed by external investment companies and the portfolios comprise both shares and interest-bearing securities.

Other commitments

In addition to providing pension benefits, the Group provides other post retirement benefits, primarily health care benefits, for some of its employees in certain countries (US).

In some countries and following local regulations, the companies make provisions for obligatory severance payments. These provisions cover the Group's commitment to pay employees a lump sum upon reaching retirement age, or upon the employees' dismissal or resignation.

Swedish pension foundations

The pension liabilities of the Group's Swedish defined benefit pension plans were funded through two pension foundations established in 1998. The two foundations were merged on October 1, 2003. The market value of the assets of the foundation amounted to SEK 1,253m, while the pension commitments amounted to SEK 1,271m as per December 31, 2003. In the Swedish companies a total of SEK 105m is recorded as liabilities to the pension foundation.

Note 24 Other provisions

	Group						Parent Company			
	Provisions for restructuring		Warranty commitments	Pension litigation	Other	Total	Provisions for restructuring	Warranty commitments	Other	Total
	Acquisitions	Other								
Closing balance Dec. 31, 2001	—	1,771	1,223	1,084	2,415	6,493	204	88	84	376
Provisions made	166	886	723	—	810	2,585	—	—	—	—
Provisions used	-13	-751	-390	-880	-656	-2,690	-7	-7	-2	-16
Unused amounts reversed	—	—	-45	-75	-70	-190	—	—	—	—
Exchange-rate differences	1	-113	-93	-129	-282	-616	—	—	—	—
Closing balance Dec. 31, 2002	154	1,793	1,418	—	2,217	5,582	197	81	82	360
Provisions made	—	—	4,058	—	1,094	5,152	—	—	—	—
Provisions used	-136	-1,280	-3,744	—	-684	-5,844	-103	-9	-1	-113
Unused amounts reversed	—	—	-83	—	-45	-128	—	—	—	—
Exchange-rate differences	-1	-62	-87	—	-185	-335	—	—	—	—
Closing balance Dec. 31, 2003	17	451	1,562	—	2,397	4,427	94	72	81	247

Note 24 continued

Provisions for restructuring represent the expected costs to be incurred in the coming years as a consequence of the Group's decision to close some factories, rationalize production and reduce personnel, both for newly acquired and previously owned companies. The amounts are based on management's best estimates and are adjusted when changes to these estimates are known. The majority of restructuring plans are

expected to be completed during 2004 and the amounts have not been discounted. Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products. Warranty is normally granted for 1 to 2 years after the sale. Other provisions include mainly provisions for tax, environmental or other claims none of which is material to the Group.

Note 25 Accrued expenses and prepaid income

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Accrued holiday pay	1,139	1,214	1,299	176	172	158
Other accrued payroll costs	1,267	1,217	1,081	182	136	98
Accrued interest expenses	202	199	265	173	149	220
Prepaid income	637	1,040	1,256	7	3	28
Other accrued expenses	4,779	4,589	4,519	488	344	344
Total	8,024	8,259	8,420	1,026	804	848

Other accrued expenses include accruals for fees, advertising and sales promotion, bonuses, extended warranty, rebates and other items.

Note 26 Contingent liabilities

	Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Discounted bills	—	10	22	—	—	—
Accounts receivable, with recourse	370	182	580	—	—	—
Guarantees and other commitments						
On behalf of subsidiaries	—	—	—	1,804	2,129	8,992
Other	728	666	539	146	112	127
Capital value of pension commitments in excess of reported liabilities	81	91	79	26	30	20
Total	1,179	949	1,220	1,976	2,271	9,139

In addition to the above contingent liabilities, guarantees for fulfillment of contractual undertakings are given as part of the Group's normal course of business. There was no indication at year-end that payment will be required in connection with any contractual guarantees.

Electrolux has, jointly with the state-owned company AB Swedecarrier, issued letters of support for loans and leasing agreements totaling SEK 1,492m in the associated company Nordwaggon AB.

Note 27 Acquired and divested operations

	Group		
	2003	2002	2001
Fixed assets	-1,600	-753	735
Inventories	-482	-46	-43
Receivables	-1,146	-670	-576
Other current assets	-98	-245	-2,450
Liquid funds	-389	127	-68
Loans	870	-43	2,943
Other liabilities and provisions	1,531	837	417
Purchase price	1,246	2,101	2,288
Liquid funds in acquired/divested operations	-389	128	-68
Effect on Group liquid funds	857	2,229	2,220

The assets and liabilities in 2003 refer to the divestments of Compressors and Vestfrost.

The acquired and divested assets and liabilities in 2002 refer mainly to the acquisition of Diamant Boart International and the divestments of the remaining part of the Leisure appliance product line, the European motor operation and Zanussi Metallurgica.

In the consolidated cash flow statement of 2001, an amount of SEK 2,641m, referring to short-term loans in the sold Veneta Factoring, was included in cash flow from investments under the heading Divestment of operations.

Notes

Amounts in SEKm, unless otherwise stated

Note 28 Employees, salaries, remunerations and employer contributions

Average number of employees, by geographical area

	Group		
	2003	2002	2001
Europe	39,514	42,601	46,899
North America	21,169	20,117	21,294
Rest of the world	16,457	19,253	18,946
Total	77,140	81,971	87,139

In 2003, the average number of employees was 77,140 (81,971), of whom 51,240 (54,755) were men and 25,900 (27,216) were women. A detailed specification of average number of employees by country has been submitted to the Swedish Patent and Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information. See also Electrolux website www.electrolux.com/ir

Salaries, other remuneration and employer contributions

	2003		2002		2001	
	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions	Salaries and remuneration	Employer contributions
Parent Company (of which pension costs)	1,081	647 (194) ¹⁾	993	559 (196) ¹⁾	1,046	462 (149) ¹⁾
Subsidiaries (of which pension costs)	16,073	4,958 (489)	18,415	5,764 (423)	19,284	6,021 (354)
Group total (of which pension costs)	17,154	5,605 (683)	19,408	6,323 (619)	20,330	6,483 (503)

1) Of which SEK 1m (19) and (22) respectively refers to pension costs for the President and his predecessors.

Salaries and remuneration for board members, senior managers and other employees, by geographical area

	2003		2002		2001	
	Boards and senior managers	Other employees	Boards and senior managers	Other employees	Boards and senior managers	Other employees
Sweden						
Parent Company	45	1,036	32	961	30	1,016
Other	30	903	24	887	18	908
Total Sweden	75	1,939	56	1,848	48	1,924
EU, excluding Sweden	119	7,445	142	8,456	135	8,786
Rest of Europe	45	931	51	973	44	999
North America	48	5,196	39	6,047	55	6,451
Latin America	19	271	18	328	24	449
Asia	24	232	31	371	32	426
Africa	—	30	—	23	2	33
Oceania	11	769	8	1,017	5	917
Total outside Sweden	266	14,874	289	17,215	297	18,061
Group total	341	16,813	345	19,063	345	19,985

Board members and senior managers in the Group were 395 men and 58 women, of whom 15 men and 6 women in the Parent Company.

Employee absence due to illness

%	Second half of 2003	
	Employees in the Parent Company	All employees in Sweden
Total absence due to illness, as a percentage of total normal working hours	8.0	6.6
of which 60 days or more	57.9	54.5
Absence due to illness, by category¹⁾		
women	10.9	9.8
men	6.5	5.4
29 years or younger	5.5	4.6
30 – 49 years	8.7	7.2
50 years or older	9.1	7.7

1) % of total normal working hours within each category respectively.

According to the new regulations in the Swedish Annual Accounts Act, effective as of July 1, 2003, absence due to illness for employees in the Parent Company and the Group's employees in Sweden is reported in the table. The Parent Company comprises the Group's head office, as well as a number of units and plants, and employs approximately half of the Group's employees in Sweden.

Note 28 continued

Remuneration to the Board of Directors, the President, other members of Group Management and auditors

Remuneration Committee

Remuneration for Group Management is proposed by the Remuneration Committee to the Board of Directors. The committee comprises Rune Andersson, Chairman of the Board, Jacob Wallenberg, Deputy Chairman of the Board, and Hans Stråberg, President and CEO of Electrolux. The President is excluded from participation in the meetings and decision-making, with respect to total compensation for the President.

The Remuneration Committee is obliged to make proposals to the Board of Directors on compensation matters for the President and other members of Group Management including targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable salary, the criteria to be applied in the assessment of variable salary, long-term incentives, and pension terms.

A minimum of two meetings is convened each year, with additional meetings scheduled as needed. Six meetings were held during the year.

Compensation to the Board of Directors

In accordance with the decision by the Annual General Meeting, fees were paid to the Board of Directors amounting to SEK 3,750,000. SEK 1,000,000 was paid to the Chairman, SEK 350,000 was paid to the Deputy Chairman and to each of the other members who are not employed by the Group.

The Board decided that SEK 300,000 would be allocated for committee work. This amount has been distributed between the members of the Audit Committee with regard to their additional commitment and responsibility. SEK 150,000 was paid to Peggy Bruzelius, Chairperson, and SEK 75,000 each to Louis R. Hughes and Thomas Halvorsen.

Fees to auditors

PricewaterhouseCoopers (PwC) are appointed auditors for the period until the 2006 Annual General Meeting. Fees in 2003, to PwC, which as of 2002 performs virtually all external auditing within the Group, amounted to SEK 45m (38) for audits, and SEK 13m (10) referring primarily to tax services for the Group. Fees to other audit firms amounted to SEK 3m (4).

General principles of compensation at Electrolux

Electrolux strives to offer fair and competitive total compensation with an emphasis on "pay for performance" and consequently, variable salary

represents a significant proportion of total compensation for higher-level management positions. When objectives are achieved, total compensation is favourable and when objectives are not, the total compensation is lower. The financial driver for variable salary is value creation.

Through 2002, Electrolux employed diverse programs for variable salary. In 2003, the Group introduced a new and more uniform system for management and other positions. The system is based on grading of positions through the Mercer International Position Evaluation System (IPE). A target and a stretch level of variable compensation are linked to the IPE grade. According to the IPE grading, higher-level positions have a higher percentage of variable salary than lower positions. Total cash compensation, i.e., annual base salary plus variable salary, is evaluated when setting rates of pay.

To apply the variable salary system within the entire Group it has been divided into three different structures; Group staffs, North America and all other.

In the beginning of 2004, nearly all of the previously existing variable salary programs had been replaced by the new system. Individual transition plans are being completed and the new system implementation will be finished in the beginning of 2006.

Compensation to the President and Group Management

The total compensation to the President and the other members of Group Management is comprised of fixed salary, variable salary, benefits, and long-term incentives. The general principles of compensation at Electrolux are closely observed with strong regard for the position held, competitive compensation in the country where located as well as individual performance. Variable salary for the President and members of Group Management is based on the principles applied within the Group, which reward improvement in value created. Variable salary for the President is based on value created for the Group and sector heads on the value created for their sectors. Group staff heads receive variable salary based on value created for the Group and performance objectives within their functions. The maximum variable salary as a percent of annual fixed salary is 110% for the President and no more than 100% of base salary for members of Group Management except one, which is limited to 150%. The Group's long-term incentive program in 2003 is a stock option program.

The following table shows the compensation to the President and other members of Group Management.

Summary of compensation to Group Management

SEK, unless otherwise stated	Fixed salary ¹⁾	Variable salary paid in 2003 for 2002	Pension costs ²⁾	Total remuneration not including options	Value of options granted in 2003 ³⁾	Number of options			
						Beginning of 2003 ⁴⁾	Granted during the year	End of 2003	
President and CEO	7,151,806	6,058,630	3,894,200	17,104,636	1,620,000	152,300	60,000	—	212,300
Other members of Group Management	37,248,309	27,540,616	21,782,700	86,571,625	8,100,000	874,400	300,000	-10,000	1,164,400
Total	44,400,115	33,599,246	25,676,900	103,676,261	9,720,000	1,026,700	360,000	-10,000	1,376,700

1) The amount includes vacation salary, paid vacation days and travel allowance.

2) In addition to this amount, approximately SEK 604,500 has been recorded as a contingent liability related to death and disability coverage for the President and CEO, and approximately SEK 772,900 in total for the other members of Group Management.

3) The value is calculated with the Black-Scholes Options Valuation model at the date of grant with a volatility factor of 30% and dividend growth rate in line with the historical

development; resulting in SEK 27 per option. No reduction in value has been made for the absence of transferability and other restrictions inherent in employee stock option programs. The President and CEO received 60,000 options and members of Group Management 30,000 options each.

4) Refers to holdings in the beginning of the year by the members of Group Management as of December 31, 2003.

Notes

Amounts in SEKm, unless otherwise stated

Note 28 continued

Pensions for the President and members of Group Management

The President and other Swedish members of Group Management are covered by the ITP plan. With one exception, all members of Group Management are members of the alternative ITP defined contribution pension plan. The contribution to the alternative ITP is an amount between 20 and 35% of pensionable salary between 7.5 and 30 base amounts, which increases to higher level, as participants grow older.

The President and other Swedish Group Management are also covered by two supplemental defined contribution retirement plans. One plan has a contribution of 15% of the pensionable salary for the President, and 10% of the pensionable salaries of other Swedish Group Management members. The second plan is an extension of the alternative ITP, a flat contribution of 20% on pensionable salary above 30 base amounts. With one exception, the retirement age is 60 for the President and other Swedish members of Group Management.

The pensionable salary is calculated as the current fixed salary plus the average variable salary for the last three years. The retirement benefit is payable for life or a shorter period of not less than 5 years. The participant determines the payment period at the time of retirement.

In addition to the retirement contribution, Electrolux provides disability benefits at a level of 70% of pensionable salary including credit for other disability benefits, plus survivor benefits equal to a sum of 150 Swedish base amounts payable over a minimum five-year period.

One member of Group Management has chosen to retain a defined benefit pension plan on top of the ITP plan. The retirement age is 65 and the benefits are payable for life. These benefits amount to the equivalent of 32.5% of the portion of salary corresponding to 20–30 base amounts as defined by the Swedish National Insurance Act, 50% of the portion corresponding to 30–100 base amounts, and 32.5% of the portion exceeding 100 base amounts.

The capital value of pension commitments for the current President, prior Presidents and survivors is SEK 130m (137).

There is no agreement for special severance pay for members of Group Management.

For members of Group Management employed outside of Sweden, varying pension terms and conditions apply, depending upon the country of employment. The earliest retirement age for a full pension is 60.

Option programs

1998–2000 option programs

In 1998, an annual program for employee stock options was introduced for approximately 100 senior managers. Options were allotted on the basis of value created according to the Group's model for value creation. If no value was created, no options were issued. The options can be used to purchase Electrolux B-shares at a strike price, which is 15% higher than the average closing price of the Electrolux B-shares on the Stockholm Exchange during a limited period prior to allotment. The options were granted free of consideration to participants.

2001, 2002 and 2003 option programs

In 2001, a new program for employee stock options was introduced for less than 200 senior managers. The options can be used to purchase Electrolux B-shares at a strike price, which is 10% above the average closing price of the Electrolux B-shares on the Stockholm Exchange during a limited period prior to allotment. The options were granted free of consideration to participants. The 2002 and 2003 option programs are based on the same parameters as the 2001 program.

Summary of option programs 1998–2003

Program	Grant date	Total number of outstanding options		Number of options in each lot ¹⁾	Strike price, SEK	Expiration date	Vesting, years
		Beginning of 2003	End of 2003				
1998	Feb. 25, 1999	556,500	455,000	10,600	170	Feb. 25, 2004	1
1999	Feb. 25, 2000	1,068,800	1,002,000	16,700	216	Feb. 25, 2005	1
2000	Feb. 26, 2001	524,300	472,300	6,500	170	Feb. 26, 2006	1
2001	May 10, 2001	2,475,000	2,365,000	15,000	177	May 10, 2008	3 ²⁾
2002	May 6, 2002	2,865,000	2,805,000	15,000	191	May 6, 2009	3 ²⁾
2003	May 8, 2003	—	2,745,000	15,000	164	May 8, 2010	3 ²⁾

1) The President and CEO was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.

2) For the 2001, 2002 and 2003 options, one third vests after 12 months, one third after 24 months and the final one third after 36 months.

Change in number of options per program

Program	Number of options 2002 ¹⁾					Number of options 2003			
	Jan. 1, 2002	Granted	Exercised	Cancelled ²⁾	Dec. 31, 2002	Granted	Exercised	Cancelled ²⁾	Dec. 31, 2003
1998	694,300	—	—	137,800	556,500	—	80,300	21,200	455,000
1999	1,285,900	—	—	217,100	1,068,800	—	—	66,800	1,002,000
2000	595,800	—	—	71,500	524,300	—	13,000	39,000	472,300
2001	2,490,000	—	—	15,000	2,475,000	—	20,000	90,000	2,365,000
2002	—	2,865,000	—	—	2,865,000	—	—	60,000	2,805,000
2003	—	—	—	—	—	2,745,000	—	—	2,745,000

1) No options were exercised during 2002.

2) Options are cancelled if not exercised, which may be due to expiration at the end of the term of the options or before their term of expiration normally because of termination of employment. Cancellation is governed by the provisions of the option program.

Note 28 continued

Synthetic options 2000

The Board granted Wolfgang König, Head of White Goods Europe, 118,400 synthetic employee stock options with the right to receive a cash amount for each option when exercised, calculated as the difference between the current share price and the strike price of SEK 147. The options may be exercised until July 1, 2006. The options have been allotted without consideration and as compensation for lost options with his former employer immediately before joining the Electrolux Group. This program is hedged with an equity swap. The annual cost is SEK 0.7m.

Hedging arrangements for the stock option programs

The company uses repurchased Electrolux B-shares in order to meet the company's obligations under the stock option programs. The shares will be sold to option holders who wish to exercise their right under the option agreement(s). Electrolux will also sell additional shares on the market in connection with the exercise of options in order to cover the cost of employer contributions. Between 2000 and 2003, the Annual General Meeting approved the sale of 12,839,100 shares for this purpose.

Assuming that all outstanding stock options allotted up to and including 2003 are exercised, a sale of previously repurchased shares will result in a dilution of 3.5%. This includes the sale of shares to cover employer contributions in connection with exercise.

Accounting principles and cost of options

The Group accounts for employer contributions expected to be paid when the options are exercised. The provision for outstanding options is periodically revalued. The total provision as per December 31, 2003, for all option programs was SEK 120m.

The option programs are settled through repurchased shares. Such repurchase increases the financial expenses of the Group with approximately SEK 76m annually. When exercised, the Group sells repurchased shares, which increases the Group's equity without an effect on the profit and loss statement.

The Black-Scholes value of the 2003 option program at grant date was SEK 74m. The estimated financing costs for the hedging through repurchased shares was SEK 22m calculated on an annual basis.

Long-term incentive program 2004

The Board of Directors will present a proposal at the Annual General Meeting for a new annual long-term incentive program for 2004. The proposed program is based on goals approved by the Board for the value creation within the Group over a three-year period. It supports the Electrolux principles of "pay-for-performance" and is an integral part of the total compensation plan for Electrolux management.

Depending on the outcome of value creation, the proposed program would distribute a variable number of Electrolux B-shares, estimated at 800,000–1,200,000, to fewer than 200 senior managers in more than 20 countries. The defined levels for value creation include a minimum level which must be exceeded in order to enable distribution of shares, as well as a maximum level. The shares will be distributed at the end of the three-year performance period, and managers will be required to hold the shares for a period of two years.

Senior managers have been grouped on five levels, i.e., the President and CEO, Group Management and three levels for other managers. The Board will approve the value of the program for each of these five levels. The approved value determines the number of shares to be distributed, on the basis of the average trading price for the Electrolux B-share, adjusted for the estimated net present value of dividends for the three-year period.

The Board will propose to the Annual General Meeting that the company's obligations under the proposed program, including employer contribution, shall be secured by repurchased shares.

The total cost of the program over a three-year period is estimated at SEK 150m, including costs for employer contributions and the financing cost for the repurchased shares. It is estimated that the cost will not exceed SEK 240m. The minimum cost, if no shares are distributed, will amount to SEK 17m, i.e., the financing cost for the repurchased shares.

The distribution of repurchased shares under this program would result in an estimated maximum dilution of 0.38%, measured as the maximum increase in number of outstanding shares.

The details of the proposal will be communicated after they are determined by the Board.

Note 29 Shares and participations

Associated companies and joint ventures	Holding, %	Book value, equity method, SEKm
Eureka Forbes Ltd, India	40.0	74
Atlas Eléctrica, S.A., Costa Rica	18.4	41
Nordwaggon AB, Sweden	50.0	37
Sidème S.A., France	39.0	16
Viking Financial Services, USA	50.0	9
Diamant Boart S.A., Argentina	46.7	4
A/O Khimki Husqvarna, Russia	50.0	3
Diamant Boart Inc., The Philippines	20.0	1
e2 Home AB, Sweden	50.0	0
Manson Tools AB, Sweden	49.0	0
Saudi Refrigerators Manufacturing Company Ltd, Saudi-Arabia	49.0	0

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Electrolux does not have unlimited liability for any of these companies.

Notes

Amounts in SEKm, unless otherwise stated

Note 29 continued

Other companies		Holding, %	Book value, SEKm
Veneta Factoring S.p.A., Italy		10.0	20
Business Partners B.V., The Netherlands		0.7	11
Philco Air Conditioning, China		5.0	7
Electrolux Financial S.A., Spain		10.0	6
Other		—	11
			55
Subsidiaries		Holding, %	
Major Group companies			
Australia	Electrolux Home Products Pty. Ltd		100
Austria	Electrolux Hausgeräte G.m.b.H.		100
	Electrolux Austria G.m.b.H.		100
Belgium	Electrolux Home Products Corp. N.V.		100
	Electrolux Belgium N.V.		100
	Diamant Boart International S.A.		100
Brazil	Electrolux do Brasil S.A.		98
Canada	Electrolux Canada Corp.		100
China	Electrolux Home Appliances (Hangzhou) Co. Ltd		100
	Electrolux Zhongyi (Changsha) Refrigerators Co. Ltd		100
	Zanussi Zhongyi (Changsha) Refrigerators Co. Ltd		100
Denmark	Electrolux Home Products Denmark A/S		100
Finland	Oy Electrolux Ab		100
	Oy Electrolux Kotitalouskoneet Ab		100
France	Electrolux France S.A.		100
	Electrolux Home Products France S.A.		100
	Electrolux Professionnel S.A.		100
Germany	Electrolux Deutschland GmbH		100
	AEG Hausgeräte GmbH		100
Hungary	Electrolux Lehel Hűtőgépgyár Kft		100
India	Electrolux Kelvinator Ltd		76
Italy	Electrolux Zanussi Italia S.p.A.		100
	Electrolux Professional S.p.A.		100
	Electrolux Italia S.p.A.		100
	Electrolux Home Products Italy S.P.A.		100
Luxembourg	Electrolux Luxembourg S.à r.l.		100
Mexico	Electrolux de Mexico, S.A. de CV		100
The Netherlands	Electrolux Associated Company (Nederland) B.V.		100
	Electrolux Holding B.V.		100
	Electrolux Home Products B.V.		100
Norway	Electrolux Home Products Norge AS		100
Spain	Electrolux España S.A.		100
	Electrolux Home Products España S.A.		100
	Electrolux Home Products Operations España S.L.		100
Sweden	Husqvarna AB		100
	Electrolux Laundry Systems Sweden AB		100
	Electrolux Hemprodukter AB		100
	Electrolux Professional AB		100
	Electrolux Floor Care and Light Appliances AB		100
Switzerland	Electrolux Holding AG		100
	A+T Hausgeräte AG		100
United Kingdom	Electrolux Plc		100
	Electrolux Outdoor Products Ltd		100
	Electrolux Professional Ltd		100
USA	Electrolux Home Products Inc.		100
	Electrolux North America Inc.		100
	Electrolux Professional Inc.		100
	Electrolux Professional Outdoor Products Inc.		100

A detailed specification of Group companies has been submitted to the Swedish Patent and Registration Office and is available on request from AB Electrolux, Investor Relations and Financial Information.

Note 30 US GAAP information

The consolidated financial statements have been prepared in accordance with Swedish accounting standards (Swedish GAAP), which differ in certain significant respects from accounting principles generally accepted in the United States of America (US GAAP). Following is a description of those differences that have a significant effect on net income and shareholders' equity.

The Group also submits an annual report on Form 20-F to the US Securities and Exchange Commission (SEC).

Acquisitions

According to Swedish accounting standards, prior to 1996, the tax benefit arising from realized pre-acquisition loss carry-forwards of an acquired subsidiary could be recognized in earnings as a reduction of current tax expenses when utilized. Under US GAAP, the benefits arising from such loss carry-forwards are required to be recorded as a component of purchase accounting, usually as a reduction of goodwill. From 1996, these differences no longer exist.

Up to 2001, acquisition provisions could be established under Swedish accounting standards for restructuring costs related to other subsidiaries affected by the acquisition. These provisions are reversed to goodwill under US GAAP. From 2001, these differences no longer exist.

Goodwill and other intangible assets

Under Swedish GAAP, all intangible assets including goodwill must be amortized over the expected useful life of the asset. Assigning indefinite useful life is not permitted. Amortization expenses on goodwill and indefinite-lived intangible assets under US GAAP for the year ended December 31, 2001, was SEK -222m.

According to the US accounting standard SFAS 142, "Goodwill and Other Intangible Assets", applicable as from January 1, 2002, acquisition goodwill and other intangible assets that have indefinite useful lives are not amortized but are instead tested for impairment at least annually at a reporting unit level. Consequently, amortization of goodwill recorded under Swedish GAAP has been reversed for US GAAP purposes. Amortization has also been reversed for intangible assets recognized under Swedish GAAP that have been assigned indefinite lives under SFAS 142, such as the acquisition of the right to use the Electrolux trademark in North America. The goodwill and the intangible assets with assigned indefinite lives have been tested for impairment in accordance with the methods prescribed in SFAS 142. Prior to the adoption of SFAS 142, the Group applied the discounted approach under APB 17 in order to test these assets for impairment. No impairment charges were recorded as a result of annual tests performed in December, 2003.

Under Swedish GAAP, intangible assets acquired in a business combination can be recorded separately from goodwill only if they, based on a control-oriented framework, meet the definition and recognition criteria for an intangible asset. SFAS 141 requires recognition of identifiable intangible assets based on separability and contractually related criteria. The purchase price allocation for Diamant Boart, acquired 2002, was finalized during 2003 and intangible assets were recognized in compliance with both Swedish GAAP and US GAAP.

Product development costs

Prior to 2002, Swedish GAAP allowed capitalization of both research and development costs; however, the majority of Swedish corporations, including Electrolux, did not capitalize such costs. Beginning 2002, product development costs associated with the creation of intangible assets should be capitalized under Swedish GAAP if the following can be demonstrated:

1. the technical feasibility of completing the intangible asset,
2. the intention to complete it,

3. the ability to use or sell the intangible asset,
4. how the asset will generate future economic benefits, and
5. the ability to measure reliably the expenditure attributable to the intangible asset during the development.

US GAAP requires that research and development costs be expensed as incurred, except for certain costs associated with the development of software, as discussed below.

Software development

Prior to 2002, all costs related to the development of software for internal use were generally expensed as incurred under Swedish GAAP. Under US GAAP, direct internal and external costs incurred during the application development stage should be capitalized, whereas, internal and external costs incurred during the preliminary project stage and the post-implementation stage should be expensed as incurred. As from 2002, Swedish GAAP is in all material aspects in line with US GAAP.

Restructuring and other provisions

Up until December 31, 2002, the recognition of restructuring cost under US GAAP, as specified in EITF 94-3, was deferred until a commitment date was established. This was usually the date on which management, having appropriate level of authority, committed the Group to the restructuring plan, identified all significant actions, including the method of disposition and the expected date of completion, and, in the case of employee terminations, specified the severance arrangements and communicated them to employees. Prior to 2002, the guidance under Swedish GAAP was not as prescriptive and, in certain circumstances, allowed for earlier recognition. Additionally, US GAAP was more prescriptive than Swedish GAAP regarding the types of costs which were allowed to be classified as restructuring cost, specifically those which were a direct result of the restructuring and which were not associated with the ongoing activities of the Group. As from 2002, Swedish GAAP was in all material aspects in line with EITF 94-3.

In January 2003, SFAS 146, "Accounting for costs Associated with Exit or Disposal Activities", was adopted under US GAAP. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than at the date of an entity's commitment to an exit plan. The timing of recognition and related measurement of liability for one-time termination benefits in relation to employees who are to be involuntarily terminated depends on whether the employees are required to render service until they are terminated in order to receive the termination benefits and, if so, whether employees will be retained to render service beyond a minimum retention period.

The SFAS 146 nullifies EITF 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. All restructuring activities initiated prior to January 1, 2003, continue to be accounted for in accordance with EITF 94-3 under US GAAP. In 2003, the Group did not have any restructuring charges, however, following the new US GAAP standard certain differences are likely to exist in the future.

Pensions

According to Swedish accounting practise, defined benefit pension obligations are recorded in the consolidated financial statements on the basis of accounting standards valid in the countries where the sponsoring companies operate. US accounting standards are defined in SFAS 87, "Employers' Accounting for Pensions", which is more prescriptive, particularly in the use of actuarial assumptions such as future salary increases, discount rates and inflation. Additionally, SFAS 87 requires that a specific actuarial method (the projected unit credit method) be used.

Notes

Amounts in SEKm, unless otherwise stated

Note 30 continued

Certain pension commitments in Sweden are administered through a multi-employer plan for Swedish white-collar employees. In accordance with Swedish GAAP, Electrolux recognized income and recorded an asset for its allocable portion of a surplus, not utilized in 2000. Under US GAAP, the entire amount was not allowed to be recognized until it was received or available for utilization. In 2002, Electrolux utilized the remaining allocable surplus, and the amount has been recognized in current earnings in accordance with US GAAP.

Derivatives and hedging

Effective January 1, 2001, the Group adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Transactions, an Amendment to FASB Statement 133", for US GAAP reporting purposes. These statements establish accounting and reporting standards requiring that derivative instruments be recorded on the balance sheet at fair value as either assets or liabilities, and requires the Group to designate, document and assess the effectiveness of a hedge to qualify for hedge accounting treatment. Under Swedish GAAP, unrealized gains and losses on hedging instruments used to hedge future cash flows are deferred and recognized in the same period that the hedged transaction is recognized.

In accordance with the transition provisions of SFAS 133, the Group recorded a net transition loss of approximately SEK 24m in accumulated other comprehensive income and SEK 4m net loss in earnings to recognize the fair value of derivative and hedging instruments. Substantially, all of the transition adjustment recognized in accumulated other comprehensive income has been recognized in earnings as of December 31, 2001. The subsequent adjustments from Swedish GAAP to US GAAP represent marked-to-market effects and recognition of items not qualifying for hedge accounting treatment under US GAAP.

Prior to the adoption of SFAS 133 and SFAS 138, management decided not to designate any derivative instruments as hedges for US GAAP reporting purposes except for certain instruments used to hedge the net investments in foreign operations. Consequently, derivatives used for the hedging of future cash flows, fair value hedges and trading purposes are marked-to-market in accordance with US GAAP. This increases the volatility of the income statement under US GAAP as a result of the deviation in accounting standards between Sweden and the United States.

Securities

According to Swedish accounting standards, debt and equity securities held for trading purposes are reported at the lower of cost or market. Financial assets and other investments, that are to be held to maturity, are valued at acquisition cost. In accordance with US GAAP and SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," holdings are classified, according to management's intention, as either "held-to-maturity," "trading," or "available for sale." Debt securities classified as "held-to-maturity" are reported at amortized cost. Trading securities are recorded at fair value, with unrealized gains and losses included in current earnings. Debt and marketable equity securities that are classified as available for sale are recorded at fair value, with unrealized gains and losses reported as a separate component of shareholders' equity. Electrolux classifies its equity securities as "held for trading" and "available for sale". Debt securities are classified as "held-to-maturity".

Discontinued operations

Under Swedish GAAP, the divestment of a segment or a major part of a segment requires segregating information about the divested operations from the continuing operations. None of the divestments made by

Electrolux during the three years ended 2003 were of that magnitude.

Under US GAAP, the definition of a discontinued operation changed in 2002 with the adoption of SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Under SFAS 144, each of the following 2003 and 2002 divestments are accounted for as discontinued operations: Vestfrost, the compressor operation, Zanussi Metallurgica, the European motor operation, the Mexican compressor plant, the European home comfort operation and the remainder of the leisure appliance product line. Accordingly, the results of operations for 2003 and 2002 relating to these divestments, including any loss for write-down to fair value less cost to sell, and any gain or loss on disposal are required to be reclassified as discontinued operations. Additionally, US GAAP also requires the results of operations of these divestments for prior years to be reclassified from continuing operations to discontinued operations. The following table sets forth the amounts reflected as discontinued operations in 2003 and 2002, and the amounts reclassified from continuing to discontinued operations, with respect to these divestments, under US GAAP.

	Years ended December 31		
	2003	2002	2001
Net sales	2,436	4,828	7,309
Operating income	62	1,396	-380
Net income	2	1,088	-301

Revaluation of assets

In accordance with Swedish GAAP, Electrolux has written up certain land and buildings to values in excess of the acquisition cost. Such revaluation is not permitted in accordance with US GAAP.

Stock-based compensation

Electrolux has several compensatory employee stock option programs, which are offered to senior managers. As a consequence of the decision taken by the Annual General Meeting to use treasury shares when the options are exercised, the Group has in 2002 dissolved the liability that had previously been recognized for Swedish GAAP purposes. For US GAAP purposes, Electrolux records a liability in respect of accrued compensation for its variable plans. According to Swedish accounting practice, employer's record provisions for related social fees at the time the options are granted. US GAAP provides that the employer payroll taxes due upon exercise of stock options must be recognized as an expense at the exercise date of the option.

Guarantees

In November 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The initial recognition and measurement provisions of FIN 45 are effective for guarantees issued or modified after December 31, 2002. Swedish GAAP does not require recognition of the fair value of a guarantee. There was no material impact on the Group's consolidated financial statements as a result of adopting FIN 45.

Adjustments not affecting equity or income

Receivables sold with recourse

Under Swedish GAAP, receivables that are sold with recourse are reported as a contingent liability. US accounting standard SFAS 140 permits the derecognizing of such assets only if the transferor has effectively surrendered control over the transferred assets. The amounts are therefore reclassified and reported as accounts receivables and loans for US GAAP purposes.

Note 30 continued

Reclassifications

In accordance with Swedish GAAP, Electrolux has recorded advances received from customers as a reduction to inventory. Under US GAAP, such items have been classified as a current liability.

Adjustments of prior years amount to 20-F filing

Accounting for pensions

The US GAAP information for the year ending December 31, 2002 and 2001, as included in the 2002 Annual Report has been adjusted in accordance with the filing of the 2002 Form 20-F. It has been adjusted to reflect the prepaid expenses for unrecognized actuarial losses in accordance with SFAS 87 related to the Swedish Pension Funds.

	Years ended December 31	
	2002	2001
Net income according to 2002 Annual Report	5,308	3,711
Effect of adjustment		
Pensions (net of tax -12)	—	30
Net income according to US GAAP per 2002 20-F filing	5,308	3,741
Comprehensive income according to 2002 Annual Report	2,122	5,605
Effect of adjustment		
Pensions (net of tax 54)	—	-140
Comprehensive income according to US GAAP per 2002 20-F filing	2,122	5,465
Shareholders' equity according to 2002 Annual Report	27,580	28,667
Effect of adjustment		
Pensions (net of tax 30, 30)	-76	-76
Shareholders' equity according to US GAAP per 2002 20-F filing	27,504	28,591

Consolidated statement of cash flow

The statement of cash flow presented in AB Electrolux financial statements differs from the statement of cash flows according to SFAS 95. The main differences are the following: SFAS 95 requires a reconciliation of cash and cash equivalents (liquid assets with maturities of three months or less when acquired), whereas Electrolux also includes financial instruments with maturities of three months or more at the time of acquisition in liquid assets; SFAS 95 requires that changes in long-term accounts receivable are included in cash flows from operating activities, whereas Electrolux includes these changes as investments. SFAS 95 requires changes in long-term loans to be reported gross showing proceeds and principal payments, whereas Electrolux presents a net amount.

Recently issued accounting standards

SFAS 149 In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends SFAS 133 for decisions made:

1. as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133,
2. in connection with other FASB projects dealing with financial instruments, and
3. in connection with implementation issues raised in relation to the application of the definition of a derivative.

SFAS 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. Adoption of SFAS 149 did not have a material impact on the Group's consolidated financial statements.

SFAS 150 In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity", to establish standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument within its scope as a liability (or an asset in some circumstances).

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for certain provisions which have been deferred. There was no impact on the Group's consolidated financial statements as a result of adopting SFAS 150.

EITF 00-21 In January 2003, the Emerging Issues Task Force (EITF) issued EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables". EITF 00-21 addresses the issues of:

1. how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting; and
2. how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. EITF 00-21 does not change otherwise applicable revenue recognition criteria.

EITF 00-21 is effective for revenue arrangements entered into fiscal periods beginning after June 15, 2003. There was no impact in the Group's consolidated financial statement as a result of adopting EITF 00-21.

SAB 104 On December 17, 2003, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin 104 (SAB 104), "Revenue Recognition", which supercedes SAB 101, "Revenue Recognition in Financial Statements". SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables". The revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. There was no impact in the Group's consolidated financial statements as a result of adopting SAB 104.

FIN 46 In January 2003, the FASB issued Interpretation 46, "Consolidation of Variable Interest Entities". A variable interest entity is a legal entity that lacks either:

1. equity interest holders as a group that lack the characteristics of a controlling financial interest, including: decision making ability and an interest in the entity's residual risks and rewards or
2. the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support.

Interpretation 46 requires a variable interest entity created after February, 2003 to be consolidated if any of its interest holders are entitled to a majority of the entity's residual return or are exposed to a majority of its expected losses as of December 31, 2003. This party is referred to as the primary beneficiary. There was no impact in the Group's consolidated financial statements as a result of adopting FIN 46.

FIN 46 (R) In December 2003, the FASB issued FASB Interpretation 46 (R), "Consolidation of Variable Interest Entities". FIN 46 (R) replaces FIN 46 and clarifies the accounting for interests in variable interest entities. The Group will begin to apply FIN 46 (R) to entities considered to be variable interest entities for periods after December 31, 2003. Electrolux is in the process of assessing the impact of FIN 46 (R).

Notes

Amounts in SEKm, unless otherwise stated

Note 30 continued

The following is a summary of the effects that application of US GAAP would have on consolidated net income, equity and the balance sheet.

Consolidated net income	2003	2002	2001
Net income as reported in the consolidated income statement	4,778	5,095	3,870
Adjustments before taxes			
Acquisitions	—	53	304
Goodwill and other intangible assets	193	233	—
Development costs	-316	-156	—
Restructuring and other provisions	—	-545	-296
Pensions ¹⁾	33	74	308
Derivatives and hedging	191	579	-33
Capitalization of computer software	-24	-24	17
Securities	6	-5	—
Stock-based compensation	-7	-69	34
Taxes on the above adjustments ¹⁾	27	73	-19
Other taxes	—	—	-444
Net income according to US GAAP	4,881	5,308	3,741
Net income from continuing operations according to US GAAP	4,879	4,220	4,042
Net income/loss from discontinued operations according to US GAAP	2	1,088	-301
Net income per share in SEK according to US GAAP	15.60	16.25	11.00
Number of shares ²⁾	313,270,489	327,093,373	340,064,997

1) After adjustments as described on page 69.

2) Weighted average number of shares outstanding through the year, after repurchase of own shares.

Comprehensive income	2003	2002	2001
Net income according to US GAAP	4,881	5,308	3,741
Comprehensive income recognized in accordance with Swedish accounting principles	-1,382	-3,121	1,815
Comprehensive income recognized for US GAAP adjustments			
Translation differences	9	76	-49
Pensions, net of tax —, 18 and 12 respectively ¹⁾	2	42	-18
Derivatives and hedging, net of tax 41, 72 and -1 respectively	-104	-183	4
Securities, net of tax —, — and 20 respectively	—	—	-28
Comprehensive income according to US GAAP	3,406	2,122	5,465

1) After adjustments as described on page 69.

Equity	2003	2002	2001
Equity as reported in the consolidated balance sheet	27,462	27,629	28,864
Adjustments before taxes			
Acquisitions	-564	-594	-711
Goodwill and other intangible assets	392	233	—
Development costs	-472	-156	—
Restructuring and other provisions	—	—	545
Pensions ¹⁾	419	355	239
Derivatives and hedging	303	257	-67
Capitalization of software	20	44	68
Securities	1	-5	—
Revaluation of assets	-134	-147	-159
Stock-based compensation	-42	-35	34
Taxes on the above adjustments ¹⁾	-37	-77	-222
Equity according to US GAAP	27,348	27,504	28,591

1) After adjustments as described on page 69.

Balance sheet

The table summarizes the consolidated balance sheets prepared in accordance with Swedish accounting principles and US GAAP.

	Swedish principles			US GAAP		
	2003	2002	2001	2003	2002	2001
Intangible assets	4,782	4,928	5,159	4,362	4,411	4,565
Tangible assets	15,638	18,188	22,526	15,504	18,085	22,351
Financial assets	3,190	4,582	4,666	3,461	4,744	4,689
Current assets ¹⁾	53,418	57,726	62,096	55,045	58,855	63,601
Total assets	77,028	85,424	94,447	78,372	86,095	95,206
Equity ¹⁾	27,462	27,629	28,864	27,348	27,504	28,591
Minority interests	27	592	699	27	592	699
Provisions for pensions and similar commitments	5,678	6,018	4,095	6,185	6,162	4,403
Other provisions ¹⁾	5,683	7,580	8,341	6,034	7,897	8,081
Financial liabilities	12,182	15,377	22,914	12,772	15,307	23,412
Operating liabilities	25,996	28,228	29,534	26,006	28,633	30,020
Total equity and liabilities	77,028	85,424	94,447	78,372	86,095	95,206

1) After adjustments as described on page 69.

Proposed distribution of earnings

According to the consolidated financial statements, the Group's unappropriated earnings amount to SEK 14,130m.
No allocation to restricted equity is required.

	Thousands of kronor
The Board of Directors and the President propose that net income for the year and retained earnings	5,835,537 9,337,025
Totaling	15,172,562
be distributed as follows:	
A dividend of SEK 6.50 per share to each shareholder, totaling ¹⁾	1,992,900
To be carried forward	13,179,662
Total	15,172,562

Stockholm, February 11, 2004

Rune Andersson
Chairman of the Board

Jacob Wallenberg
Deputy Chairman

Peggy Bruzelius	Thomas Halvorsen	Louis R. Hughes	Barbara R. Thoralfsson	
Michael Treschow	Karel Vuursteen	Bert Gustafsson	Ulf Carlsson	Annika Ögren
		Hans Stråberg <i>President</i>		

¹⁾ Calculated on the number of outstanding shares as per February 11, 2004. Based on the resolution adopted by the Annual General Meeting in April 2003, a maximum of 2,983,428 additional shares may be repurchased prior to the Annual General Meeting in April 2004, thereby decreasing the total dividend payment.

Auditors' report

To the Annual General Meeting of the shareholders of AB Electrolux (Corporate identity No. 556009-4178)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Electrolux for the year 2003. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability we examined significant decisions, actions taken and circumstances of

the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, February 11, 2004

PricewaterhouseCoopers AB

Peter Clemedtson
*Authorized Public Accountant
Partner in Charge*

Anders Lundin
Authorized Public Accountant

Eleven-year review

Amounts in SEKm, unless otherwise stated

	2003	2002	2001	2000	1999	1998
Net sales and income						
Net sales	124,077	133,150	135,803	124,493	119,550	117,524
Organic growth, %	3.3	5.5	-2.4	3.7	4.1	4.0
Depreciation and amortization	3,353	3,854	4,277	3,810	3,905	4,125
Items affecting comparability	-463	-434	-141	-448	-216	964
Operating income ¹⁾	7,175	7,731	6,281	7,602	7,204	7,028
Income after financial items ¹⁾	7,006	7,545	5,215	6,530	6,142	5,850
Net income ¹⁾	4,778	5,095	3,870	4,457	4,175	3,975
Cash flow						
EBITDA ²⁾	10,991	12,019	10,699	11,860	11,325	10,189
Cash flow from operations, excluding change in operating assets and liabilities	7,124	9,100	5,848	8,639	7,595	5,754
Changes in operating assets and liabilities	-831	1,805	3,634	-2,540	1,065	-1,056
Cash flow from operations	6,293	10,905	9,482	6,099	8,660	4,698
Cash flow from investments of which capital expenditures	-2,570 -3,463	-1,011 -3,335	1,213 -4,195	-3,367 -4,423	-3,137 -4,439	-776 -3,756
Cash flow from operations and investments	3,723	9,894	10,695	2,732	5,523	3,922
Operating cash flow	2,866	7,665	5,834	2,552	3,821	1,817
Dividends and repurchase of shares	-3,563	-3,186	-3,117	-4,475	-1,099	-915
Capital expenditure as % of net sales	2.8	2.5	3.1	3.6	3.7	3.2
Margins ²⁾						
Operating margin, %	6.2	6.1	4.7	6.5	6.2	5.2
Income after financial items as % of net sales	6.0	6.0	3.9	5.6	5.3	4.2
EBITDA margin, %	8.9	9.0	7.9	9.5	9.5	8.7
Financial position						
Total assets	77,028	85,424	94,447	87,289	81,644	83,289
Net assets ³⁾	26,422	27,916	37,162	39,026	36,121	39,986
Working capital	4,068	2,216	6,659	9,368	8,070	12,101
Accounts receivable	21,172	22,484	24,189	23,214	21,513	21,859
Inventories	14,945	15,614	17,001	16,880	16,549	17,325
Accounts payable	14,857	16,223	17,304	12,975	11,132	10,476
Equity	27,462	27,629	28,864	26,324	25,781	24,480
Interest-bearing liabilities	12,501	15,698	23,183	25,398	23,735	29,353
Data per share, SEK ^{4) 5)}						
Net income ¹⁾	15.25	15.60	11.35	12.40	11.40	10.85
Net income according to US GAAP ⁶⁾	15.60	16.25	10.90	13.55	11.05	10.25
Equity	89	87	88	77	70	67
Dividend ⁷⁾	6.50	6.00	4.50	4.00	3.50	3.00
Trading price of B-shares at year-end	158.00	137.50	156.50	122.50	214.00	139.50
Key ratios						
Value creation	3,449	3,461	262	2,423	1,782	437
Return on equity % ¹⁾	17.3	17.2	13.2	17.0	17.1	18.2
Return on net assets % ^{1) 3)}	23.9	22.1	15.0	19.6	18.3	17.5
Net assets as % of net sales ^{3) 5)}	23.6	23.1	29.3	30.4	30.6	33.3
Accounts receivable as % of net sales ⁵⁾	18.9	18.6	19.1	18.1	18.2	18.2
Inventories as % of net sales ⁵⁾	13.4	12.9	13.4	13.1	14.0	14.4
Net debt/equity ratio ³⁾	0.00	0.05	0.37	0.63	0.50	0.71
Interest coverage ratio	8.28	7.66	3.80	4.34	4.55	3.46
Dividend as % of equity ⁷⁾	7.3	6.9	5.1	5.2	5.0	4.5
Other data						
Average number of employees	77,140	81,971	87,139	87,128	92,916	99,322
Salaries and remuneration	17,154	19,408	20,330	17,241	17,812	18,506
Number of shareholders	60,400	59,300	58,600	61,400	52,600	50,500

Additional information can be found on the Investor Relations' website, www.electrolux.com/ir

1997	1996	1995	1994	1993	Compound annual growth rate, %	
					5 years	10 years
113,000	110,000	115,800	108,004	100,121	1.1	2.2
5.0	-3.0	5.0	7.0		2.8	3.2
4,255	4,438	4,407	4,214	4,252	-4.1	-2.3
-1,896						
2,654	4,448	5,311	5,034	2,945	0.4	9.3
1,232	3,250	4,016	3,595	1,250	3.7	18.8
352	1,850	2,748	2,195	584	3.7	23.4
8,805	8,886	9,718	9,248	7,197	1.5	4.3
4,718	6,174	7,110	6,259	4,767	4.4	4.1
584	-2,198	-3,288	-759	2,189	—	—
5,302	3,976	3,822	5,500	6,956	6.0	-1.0
-4,344	-4,767	-4,369	-1,844	-3,810	—	—
-4,329	-4,807	-5,115	-3,998	-3,682	-1.6	-1.4
958	-791	-547	3,656	3,146	-1.0	0.2
865	842	-370	1,891	3,457	9.5	4.2
-915	-915	-915	-458	-458	31.2	22.8
3.8	4.4	4.4	3.7	3.7		
4.0	4.0	4.6	4.7	2.9		
2.8	3.0	3.5	3.3	1.2		
7.8	8.1	8.4	8.6	7.2		
79,640	85,169	83,156	84,183	77,647	-1.6	-0.1
38,740	41,306	37,293	37,518	40,870	-8.0	-4.3
10,960	12,360	10,757	8,869	11,181	-19.6	-9.6
21,184	20,494	19,602	20,015	18,522	-0.6	1.3
16,454	17,334	18,359	18,514	16,698	-2.9	-1.1
9,879	9,422	10,027	11,066	9,486	7.2	4.6
20,565	22,428	21,304	20,465	16,853	2.3	5.0
29,993	32,954	31,750			-15.7	—
0.95	5.05	7.50	6.00	1.60	7.0	25.3
2.40	4.55	7.95	15.45	1.00	8.8	31.6
56	61	58	56	46	5.8	6.8
2.50	2.50	2.50	2.50	1.25	16.7	17.9
110.20	79.20	54.50	75.40	56.80	4.5	10.8
1.7	8.5	13.2	11.7	3.5		
6.4	10.9	13.2	12.4	7.1		
34.0	36.9	34.2	33.8	39.3		
18.6	18.3	18.0	18.0	17.8		
14.4	15.5	16.8	16.7	16.1		
0.94	0.80	0.80	0.88	1.49		
1.42	2.26	2.77	2.38	1.28		
4.4	4.1	4.3	4.5	2.7		
105,950	112,140	112,300	109,470	114,700	-4.9	-3.9
19,883	20,249	20,788	19,431	18,691	-1.5	-0.9
45,660	48,300	54,600	55,400	65,700	3.6	-0.8

- 1) 1994: Exclusive of capital gain on Autoliv.
- 2) As of 1997, items affecting comparability are excluded.
- 3) As of 1993, minority interests are included in adjusted equity.
- 4) The figures for 1993-97 have been adjusted for the 5:1 stock split in 1998.
- 5) 2000: After repurchase of own shares, the average number of shares amounted to 359,083,955 and at year-end 341,134,580. 2001: After repurchase of own shares, the average number of shares amounted to 340,064,997 and at year-end 329,564,580. 2002: After repurchase and cancellation of own shares, the average number of shares amounted to 327,093,373 and at year-end 318,318,528. 2003: After repurchase and cancellation of own shares, the average number of shares amounted to 313,270,489 and at year-end 307,100,000.
- 6) Adjusted in connection with introduction of FAS 106 and 109 in 1993.
- 7) 2003: Proposed by the Board. In addition, the Board has proposed a redemption of shares totaling approximately SEK 3,000m.
- 8) Net sales are annualized.

Quarterly figures

Amounts in SEKm, unless otherwise stated

Net sales and income		Q1	Q2	Q3	Q4	Full year
Net sales	2003	32,062	33,313	30,387	28,315	124,077
	2002	33,580	37,224	31,760	30,586	133,150
	2001	33,670	37,459	32,793	31,881	135,803
Operating income	2003	1,798	2,409	1,320	1,648	7,175
	Margin, %	5.6	7.2	4.3	5.8	5.8
	2003¹⁾	1,798	2,409	1,698	1,733	7,638
	Margin, %	5.6	7.2	5.6	6.1	6.2
	2002	3,791	2,722	1,781	-563	7,731
	Margin, %	11.3	7.3	5.6	-1.8	5.8
	2002 ¹⁾	1,906	2,722	1,756	1,781	8,165
	Margin, %	5.7	7.3	5.5	5.8	6.1
	2001	1,852	2,036	2,442	-49	6,281
	Margin, %	5.5	5.4	7.4	-0.2	4.6
	2001 ¹⁾	1,852	2,036	1,085	1,449	6,422
	Margin, %	5.5	5.4	3.3	4.5	4.7
Income after financial items	2003	1,798	2,334	1,286	1,588	7,006
	Margin, %	5.6	7.0	4.2	5.6	5.6
	2003¹⁾	1,798	2,334	1,664	1,673	7,469
	Margin, %	5.6	7.0	5.5	5.9	6.0
	2002	3,682	2,694	1,728	-559	7,545
	Margin, %	11.0	7.2	5.4	-1.8	5.7
	2002 ¹⁾	1,797	2,694	1,703	1,785	7,979
	Margin, %	5.4	7.2	5.4	5.8	6.0
	2001	1,499	1,752	2,202	-238	5,215
	Margin, %	4.5	4.7	6.7	-0.7	3.8
	2001 ¹⁾	1,499	1,752	845	1,260	5,356
	Margin, %	4.5	4.7	2.6	4.0	3.9
Net income per share, SEK	2003	3.95	5.10	2.50	3.70	15.25
	2003¹⁾	3.95	5.10	3.70	4.00	16.75
	2002	9.00	5.60	3.80	-2.80	15.60
	2002 ¹⁾	3.75	5.60	3.75	3.80	16.90
	2001	3.10	3.45	5.65	-0.85	11.35
	2001 ¹⁾	3.10	3.45	1.75	2.80	11.10
Average number of shares, million	2003	316.2	314.0	312.2	310.7	313.3
	2002	329.6	329.6	327.2	322.0	327.1
	2001	341.1	341.1	341.1	336.9	340.1
Value creation	2003	731	1,279	649	790	3,449
	2002	609	1,475	636	741	3,461
	2001	290	392	-453	33	262

1) Exclusive of items affecting comparability, 2003: SEK -463m, 2002: SEK -434m, 2001: SEK -141m.

Net sales, by business area		Q1	Q2	Q3	Q4	Full year
Consumer Durables						
Europe	2003	11,987	11,478	11,907	11,940	47,312
	2002	11,241	11,896	12,605	12,508	48,250
	2001	10,901	11,246	12,237	12,816	47,200
North America	2003	12,028	13,179	11,196	8,660	45,063
	2002	13,284	15,090	10,876	9,200	48,450
	2001	12,308	14,104	11,154	9,248	46,814
Rest of the world	2003	2,908	3,073	3,097	3,568	12,646
	2002	3,437	4,257	3,332	3,794	14,820
	2001	3,233	4,229	3,509	4,005	14,976
Total Consumer Durables	2003	26,923	27,730	26,200	24,168	105,021
	2002	27,962	31,243	26,813	25,502	111,520
	2001	26,442	29,579	26,900	26,069	108,990
Professional Products						
Indoor	2003	2,165	2,496	1,718	1,734	8,113
	2002	3,029	3,032	2,192	2,634	10,887
	2001	4,584	5,037	3,829	3,623	17,073
Outdoor	2003	2,950	3,064	2,447	2,395	10,856
	2002	2,547	2,907	2,720	2,423	10,597
	2001	2,525	2,692	2,108	2,127	9,452
Total Professional Products	2003	5,115	5,560	4,165	4,129	18,969
	2002	5,576	5,939	4,912	5,057	21,484
	2001	7,109	7,729	5,937	5,750	26,525
Other	2003	24	23	22	18	87
	2002	42	42	35	27	146
	2001	119	151	-44	62	288
Total Group	2003	32,062	33,313	30,387	28,315	124,077
	2002	33,580	37,224	31,760	30,586	133,150
	2001	33,670	37,459	32,793	31,881	135,803

Quarterly figures

Amounts in SEKm, unless otherwise stated

Operating income, by business area		Q1	Q2	Q3	Q4	Full year
Consumer Durables						
Europe	2003	710	794	852	1,026	3,382
	Margin, %	5.9	6.9	7.2	8.6	7.1
	2002	676	819	828	942	3,265
	Margin, %	6.0	6.9	6.6	7.5	6.8
	2001	447	578	585	918	2,528
	Margin, %	4.1	5.1	4.8	7.2	5.4
North America	2003	798	1,135	544	389	2,866
	Margin, %	6.6	8.6	4.9	4.5	6.4
	2002	876	1,338	577	480	3,271
	Margin, %	6.6	8.9	5.3	5.2	6.8
	2001	807	685	188	134	1,814
	Margin, %	6.6	4.9	1.7	1.4	3.9
Rest of the world	2003	-120	-50	12	160	2
	Margin, %	-4.1	-1.6	0.4	4.5	0.0
	2002	-22	98	-41	16	51
	Margin, %	-0.6	2.3	-1.2	0.4	0.3
	2001	45	130	21	91	287
	Margin, %	1.4	3.1	0.6	2.3	1.9
Total Consumer Durables	2003	1,388	1,879	1,408	1,575	6,250
	Margin, %	5.2	6.8	5.4	6.5	6.0
	2002	1,530	2,255	1,364	1,438	6,587
	Margin, %	5.5	7.2	5.1	5.6	5.9
	2001	1,299	1,393	794	1,143	4,629
	Margin, %	4.9	4.7	3.0	4.4	4.2
Professional Products						
Indoor	2003	138	193	124	101	556
	Margin, %	6.4	7.7	7.2	5.8	6.9
	2002	183	214	197	159	753
	Margin, %	6.0	7.1	9.0	6.0	6.9
	2001	328	459	176	107	1,070
	Margin, %	7.2	9.1	4.6	3.0	6.3
Outdoor	2003	442	506	356	272	1,576
	Margin, %	15.0	16.5	14.5	11.4	14.5
	2002	386	435	356	331	1,508
	Margin, %	15.2	15.0	13.1	13.7	14.2
	2001	331	371	280	331	1,313
	Margin, %	13.1	13.8	13.3	15.6	13.9
Total Professional Products	2003	580	699	480	373	2,132
	Margin, %	11.3	12.6	11.5	9.0	11.2
	2002	569	649	553	490	2,261
	Margin, %	10.2	10.9	11.3	9.7	10.5
	2001	659	830	456	438	2,383
	Margin, %	9.3	10.7	7.7	7.6	9.0
Common Group costs, etc.	2003	-170	-169	-190	-215	-744
	2002	-193	-182	-161	-147	-683
	2001	-106	-187	-165	-132	-590
Items affecting comparability	2003	—	—	-378	-85	-463
	2002	1,885	—	25	-2,344	-434
	2001	—	—	1,357	-1,498	-141
Total Group, including items affecting comparability	2003	1,798	2,409	1,320	1,648	7,175
	Margin, %	5.6	7.2	4.3	5.8	5.8
	2002	3,791	2,722	1,781	-563	7,731
	Margin, %	11.3	7.3	5.6	-1.8	5.8
	2001	1,852	2,036	2,442	-49	6,281
	Margin, %	5.5	5.4	7.4	-0.2	4.6

Definitions

Capital indicators

Annualized sales

In computation of key ratios where capital is related to net sales, the latter are annualized and converted at year-end exchange rates and adjusted for acquired and divested operations.

Net assets

Total assets, excluding liquid funds, interest-bearing financial receivables, as well as non-interest-bearing liabilities and provisions.

Adjusted equity

Equity, including minority interests.

Working capital

Net assets less fixed assets and deferred tax assets/liabilities.

Net borrowings

Total interest-bearing liabilities less liquid funds.

Net debt/equity ratio

Net borrowings in relation to adjusted equity.

Equity/assets ratio

Adjusted equity as a percentage of total assets less liquid funds.

Net income per share

Net income per share

Net income divided by the average number of shares after buy-backs.

Net income per share according to US GAAP

See information on US GAAP in Note 30, on page 67.

Other key ratios

Organic growth

Sales growth, adjusted for acquisitions, divestments and changes in exchange rates.

EBITDA margin

Earnings before interest, tax, depreciation and amortization expressed as a percentage of net sales.

Operating cash flow

Total cash flow from operations and investments, excluding acquisitions and divestment of operations.

Operating margin

Operating income expressed as a percentage of net sales.

Return on equity

Net income expressed as a percentage of average equity.

Return on net assets

Operating income expressed as a percentage of average net assets.

Interest coverage ratio

Operating income plus interest income in relation to total interest expense.

Capital turnover rate

Net sales divided by average net assets.

Value creation

Value creation is the primary financial performance indicator for measuring and evaluating financial performance within the Group. The model links operating income and asset efficiency with the cost of the capital employed in operations. The model measures and evaluates profitability by region, business area, product line, and operation.

Value created is measured excluding items affecting comparability and defined as operating income less the weighted average cost of capital (WACC) on average net assets during a specific period. The cost of capital varies between different countries and business units due to country-specific factors such as interest rates, risk premiums and tax rates.

A higher return on net assets than the weighted average cost of capital implies that the Group or the unit creates value.

Electrolux Value Creation model

Net sales

– Cost of goods sold

– Marketing and administration costs

= Operating income, EBIT¹⁾

– WACC x Average net assets¹⁾

= Value creation

EBIT= Earnings before interest and taxes, excluding items affecting comparability.
WACC=Weighted Average Cost of Capital, 13% in 2003 and 2002, before tax. The WACC for previous years has been 14% before tax.

1) Excluding items affecting comparability.

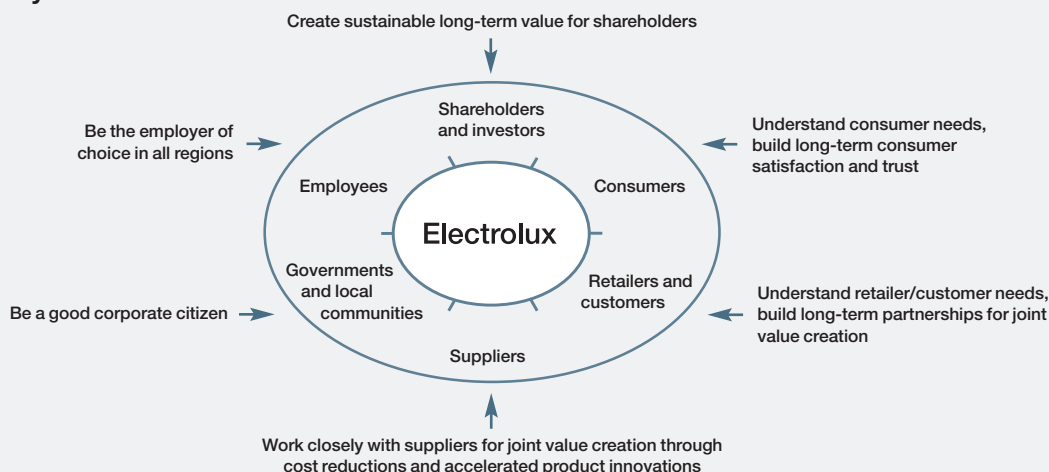
Governance for Corporate Sustainability

Electrolux strives to implement the highest standards and most effective processes to ensure that its operations create long-term value for shareholders and other stakeholders. This includes maintaining an efficient organizational structure, operating systems for internal control and risk management, and transparency in internal and external financial reporting.

The Group is committed to continuous improvements in energy efficiency, factory emissions, waste generation and handling of hazardous materials in manufacturing and other processes, as well as designing products with a high level of environmental performance.

The Group strives to be an attractive employer, respecting its responsibility to provide safe and healthy workplaces while guaranteeing fairness for all employees.

Electrolux key stakeholders



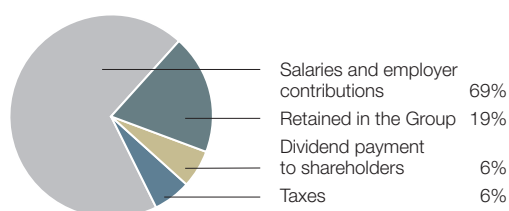
Distribution of Group's value added by stakeholders

The table below shows the value added generated by the Group and its distribution by different stakeholders.

SEKm		2003	2002	2001
Customers	Revenues	124,077	133,150	135,803
Suppliers	Cost of goods and services	-90,790	-95,834	-98,432
	Value added	33,287	37,316	37,371
	Of which retained in the Group for capital expenditure, product development, marketing, etc.	-6,250	-7,468	-6,662
	Distributed to stakeholders	27,037	29,848	30,709
Employees	Salaries	17,154	19,408	20,330
	Employer contributions	5,605	6,323	6,483
Public sector	Taxes	2,215	2,448	1,465
Credit institutions	Interest payments	169	186	1,066
Shareholders	Dividend payments	1,894	1,483	1,365

Value added represents the contribution made by a company's production, i.e., the increase in value arising from manufacture, handling, etc., within the company. It is defined as sales revenues less the costs of purchased goods and services.

Distribution of value added in 2003



In 2003, value added amounted to SEK 33,287m of which 19% remained within the Group for capital expenditure, product development, marketing, etc.

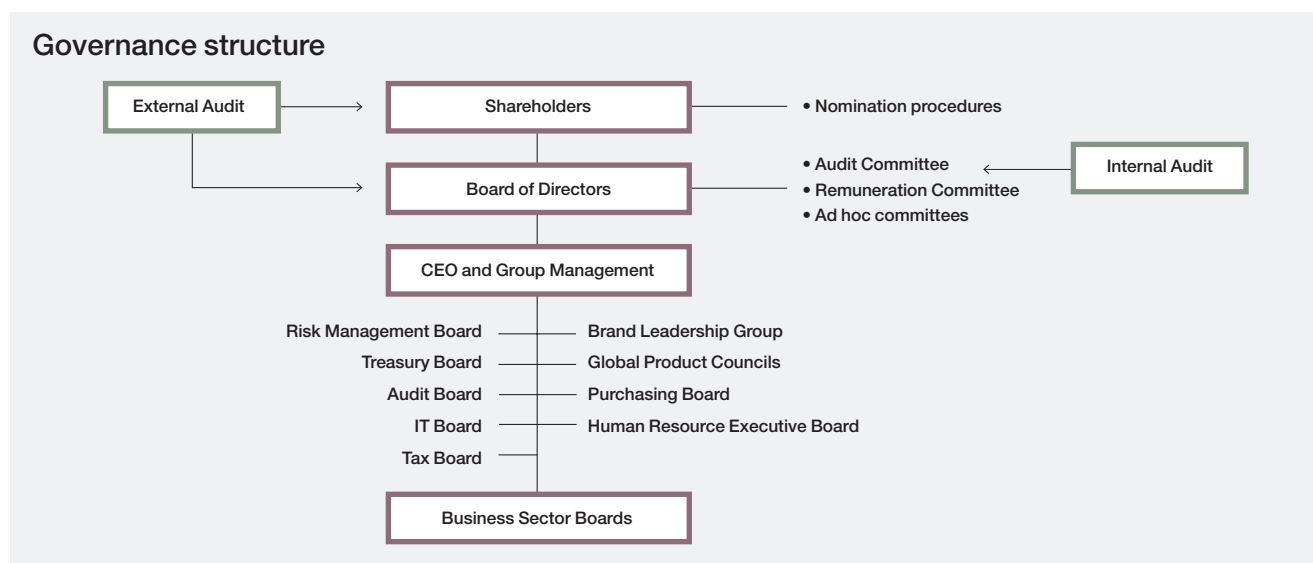
Electrolux included in Dow Jones Sustainability Indexes

Electrolux is included in the Dow Jones Sustainability World Indexes (DJSI World) and the pan-European sustainability benchmark (DJSI STOXX) for the fourth consecutive year. These indexes measure sustainability on a global basis across all market sectors and industry groups. Electrolux is rated as leader in the Furnishing and Appliance sectors.

At least eight other leading Socially Responsible Investment Funds and analysts have included the Electrolux share in their indexes, such as FTSE4Good, Innovest, Ecobalance, Portfolio 21 and the Sustainable Business Top 20.



Corporate Governance



Shareholder structure

According to the share register held by VPC (Swedish Central Securities Depository & Clearing Organization) the Group had at year-end 2003 a total of approximately 60,400 shareholders. The ten largest held shares corresponding to approximately 30% of share capital and approximately 45% of the voting rights.

Approximately 54% of the share capital was owned by Swedish institutions and mutual funds, approximately 36% by foreign investors, and 10% by private Swedish investors.

Major shareholders	Share capital, %	Voting rights, %
Investor AB	5.9	25.7
Alecta Mutual Pension Insurance	4.9	4.0
AMF Pension Funds	3.8	3.1
Nordea Investment Funds	3.7	3.0
Robur Investment Funds	2.9	2.3
SHB/SPP Investment Funds	2.6	2.1
Fourth Swedish National Pension Fund	2.4	2.0
Third Swedish National Pension Fund	1.8	1.5
SEB Investment Funds	1.6	1.3
AFA Insurance	1.6	1.3
Total	31.2	46.3
Board of Directors and Group Management, collectively	0.3	1.3

For more information regarding shareholders and the distribution of shareholdings, see page 92.

Voting rights

The share capital of AB Electrolux consists of two classes of shares, A-shares and B-shares. An A-share entitles one vote and a B-share one-tenth of a vote. All shares entitle the holder to the same proportion of assets and earnings, and carry equal rights to dividends.

As of December 31, 2003, the share capital consisted of 10,000,000 A-shares and 314,100,000 B-shares.

The Group's dividend policy states that the dividend should normally correspond to 30–50% of net income.

For more information on share capital and shares, see Electrolux Articles of Association, which is available on the Group's website, www.electrolux.com/ir

Annual General Meeting

The Annual General Meeting of shareholders is to be held within six months after the end of the financial year. All shareholders listed in the share register, providing notification of attendance has been received, are entitled to participate. Shareholders who are unable to attend may vote by proxy.

The Annual General Meeting in April 2003 was attended by shareholders representing 37.8% of the capital and 51.3% of the votes.

The nomination of Board of Directors is made in accordance with the nomination procedures established by the Annual General Meeting. The Board of Directors is elected by the Annual General Meeting, for a period of one year.

External auditors

PricewaterhouseCoopers (PwC) has been appointed auditor for a four-year period until the Annual General Meeting in 2006.

PwC provides an audit opinion on AB Electrolux and its subsidiaries' financial statements, the consolidated financial statements for the Electrolux Group, and the administration of AB Electrolux and the Group.

The audit is conducted in accordance with the Swedish Companies Act and the generally accepted Swedish auditing standards issued by FAR, the institute for the accountancy profession in Sweden (Swedish GAAS). The audit of local statutory financial statements for legal entities in different countries is performed as required by law or applicable regulation, in accordance with the generally accepted auditing standards issued by the International Federation of Accountants (IFAC GAAS), with an audit opinion for the various legal entities. Additionally, PwC audits in accordance with US generally accepted auditing standards (US GAAS), with an audit report to be filed with the Form 20-F to the US Securities and Exchange Commission.

For fees paid to the auditors, see Note 28 on page 63.

The Board of Directors

The Board of Directors of Electrolux consists of nine members, without deputies, who are elected by the Annual General Meeting, for a period of one year. Three members with deputies are appointed by the Swedish employee organizations, in accordance with Swedish labor laws.

Corporate Governance

Electrolux complies with the listing requirements of Stockholmsbörsen regarding independent Board members. Apart from the President and CEO, the members of the Board are non-executives. Three members are non-Swedish citizens and the average age of the Board members is 54. Eight Board members are shareholders in Electrolux with a total holding of 500,000 A-shares and

543,370 B-shares, representing 1.3% of the total voting rights. The holdings by Board members have increased compared to the previous year by 500,000 B-shares, acquired by the Chairman of the Board, and 2,750 B-shares in total, acquired by three other Board members.

Summary, Board of Directors

	Function	Age	Nationality	Director since	Number of A-shares	Number of B-shares	Number of options	Audit Committee	Remuneration Committee	Compensation, SEK ⁵⁾
Rune Andersson	Chairman, Non-Executive Director	60	SWE	1998	500,000	500,000 ²⁾	—		X ¹⁾	1,000,000
Jacob Wallenberg	Deputy Chairman, Non-Executive Director	48	SWE	1998	—	2,000	—		X	350,000
Peggy Bruzelius	Non-Executive Director	55	SWE	1996	—	2,500	—	X ¹⁾		500,000
Thomas Halvorsen	Non-Executive Director	55	SWE	1996	—	500 ²⁾	—	X		425,000
Louis R. Hughes	Non-Executive Director	55	US	1996	—	2,000 ²⁾³⁾	—	X		425,000
Hans Stråberg	President and CEO	47	SWE	2002	—	2,870	212,300		X	—
Barbara R. Thoralfsson	Non-Executive Director	45	US	2003	—	—	—			350,000
Michael Treschow	Non-Executive Director	61	SWE	1997	—	33,250	60,000			350,000
Karel Vuursteen	Non-Executive Director	63	NL	1998	—	250 ⁴⁾	—			350,000
Ulf Carlsson	Employee representative	46	SWE	2001	—	—	—			—
Bert Gustafsson	Employee representative	53	SWE	1999	—	—	—			—
Annika Ögren	Employee representative	39	SWE	2003	—	—	—			—
Total					500,000	543,370	272,300			3,750,000

1) Chairperson.

2) Holding acquired during 2003.

3) Refers to 1,000 ADRs, corresponding to 2,000 B-shares.

For more information concerning Board of Directors, see page 88.

4) Holding acquired in the beginning of 2004.

5) Compensation in accordance with the resolution adopted by the Annual General Meeting.

Working procedures

The Board of Directors decides on issues including strategy, investments, acquisitions and divestments of companies, organization and financing.

The working procedures for the Board of Directors also include a detailed instruction to the President and CEO regarding issues that require the Board of Directors' approval. These instructions specify, among other things, the type of financial and other reports that shall be submitted to the Board, the maximum amounts that various decision-making functions within the Group are authorized to approve as regards credit limits, capital expenditure, and other outlays. The working procedures also cover the Group's financial policy.

The Board of Directors meets 4–7 times per year. One or two of these meetings is usually held in conjunction with a visit to an operating entity. The Group's external auditor reports to the Board at least once a year.

The working procedures are revised annually at the Board's statutory meeting, or as deemed necessary.

Remuneration Committee

The Board's working procedures also stipulate that remuneration to Group Management should be proposed by a Remuneration Committee. This committee comprises the Chairman of the Board, the Deputy Chairman and the President and CEO of Electrolux. A minimum of two meetings are convened each year, and additional meetings are scheduled as needed. The President and CEO is excluded from participation in the meetings and decision-making regarding his compensation and benefits.

The Remuneration Committee makes proposals to the Board of Directors regarding targets for variable compensation, the relationship between fixed and variable salary, changes in fixed or variable

salary, the criteria to be applied in the assessment of variable salary, long-term incentives, and pension terms.

Audit Committee and ad hoc committees

The Board has established an Audit Committee comprising three non-executive Board members. The main task of this committee is to assist the Board of Directors in monitoring processes and internal controls for accounting and financial reporting, including related disclosures, as well as the audits of the financial statements. Working procedures for the Audit Committee were established early in 2003.

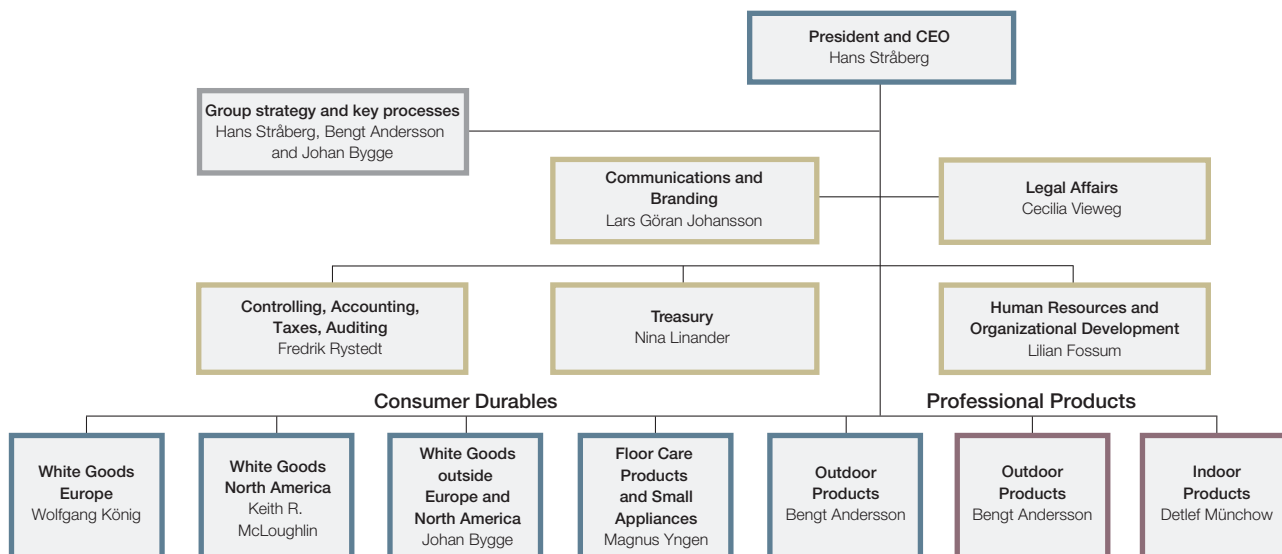
The Board of Directors has also established the practice of referring specific issues to ad hoc committees formed for the sole purpose of addressing those issues. An ad hoc committee for reviewing the Group's financial policy, including the pension policy, held one meeting during the year.

Nomination procedure for election of Board members

The following applies to the nominating process for Board members who will be proposed for election by a group of major shareholders at the 2004 Annual General Meeting.

During the fourth quarter of 2003, the Chairman contacted representatives of three major shareholders, i.e., Investor AB (represented by Claes Dahlbäck), Alecta Mutual Pension Insurance (represented by Ramsay J. Brufer) and AMF Pension Funds (represented by Tor Marthin). These representatives have jointly and under supervision of the Chairman nominated candidates to be proposed for election at the AGM.

The names of the above shareholder representatives were made public on October 21, 2003, in the Electrolux Report for the first nine months of 2003. Five meetings have been held to evaluate



the Board's activities, the composition of the Board, directors' fees and possible requirements for special expertise on the Board.

The names of the nominees are given in the written notice of the Annual General Meeting.

Management and Company structure

Electrolux operations are organized into seven business sectors, including a total of 27 product lines. There are five supporting Group staff units.

Group Management

In addition to the President and CEO, Group Management includes the six sector heads and the five Group staff heads. Group Management meets each month to review the previous month's results, update forecasts and plans, and discuss strategic issues.

Business sectors

The sector heads have complete responsibility for the results and balance sheets of their respective sectors. The overall management of the sectors is the responsibility of sector boards, which meet every quarter. The President and CEO is the chairman of all sector boards. Apart from the President and CEO, the sector board meetings are attended by the management of the respective sectors, as well as the Head of Group staff Controlling, Accounting, Taxes, Auditing. The sector boards are responsible for monitoring on-going operations, establishing strategies, determining sector budgets, and making decisions on major investments.

The product line managers are responsible for the profitability and long-term development of their product lines.

Six Group processes

In order to ensure a systematic approach to improving operational efficiency and secure the manner in which business is performed, the Group has defined six core processes within strategically important areas. These processes are common for the entire Group and comprise purchasing, people, branding, product creation, demand flow, and business support.

The President and CEO and two members of Group Management form a special working group with the task of addressing

strategic issues and increasing cooperation between the sectors within the framework of the above-mentioned processes.

Remuneration to the Board and Group Management

Compensation for the Chairman and Board members is paid in accordance with the resolution adopted by the Annual General Meeting.

Compensation to the President and CEO and Group Management is proposed by the Remuneration Committee and comprises fixed salary, variable salary, benefits and long-term incentives. The general principles of compensation at Electrolux are closely observed with strong regard for the position held, competitive compensation in the country of location, and individual performance.

Variable salary is paid depending on performance. Variable salary for the President and CEO and sector heads is determined by improved value created during the year, the primary financial performance indicator for the Group. Group staff heads receive variable salary based on improved value created for the Group and performance objectives within their respective functions. For more information on this concept, see below.

In terms of long-term incentive programs, Electrolux has implemented several employee stock option programs, which are designed to align management incentives with shareholder interests.

For more information on compensations during 2003, see Note 28 on page 63.

Value creation

The Group uses a model for value creation to measure profitability by business area, sector, product line and region. The model links operating income and asset efficiency with the cost of the capital employed in operations. Value created is also the basis for incentive systems for managers and employees in the Group. The Group has covered its cost of capital every year since 1998.

Value created is measured as operating income, excluding items affecting comparability, less the weighted average cost of capital (WACC) on average net assets, excluding items affecting comparability.

For details on the value creation concept, see page 77.

Internal control and risk management

The Board of Directors has the overall responsibility for establishing an effective system of internal control and risk management. The responsibility for maintaining an effective control environment and operating the system for internal control and risk management is delegated to the President and CEO.

The management at varying levels is responsible for this within their respective areas of responsibility. The limits of this responsibility are set out in Delegation of Authority documents and in other Group requirements, such as policies and procedures, including the Electrolux Workplace Code of Conduct, Code of Ethics, and manuals, including the minimum internal control requirements based on Group process-descriptions, e.g., the six core processes. These internal requirements in combination with laws and external regulations form the control environment and create the basis for the internal control and risk-management process. All employees, including process/risk/control owners, are accountable for compliance with these requirements set by the Group.

The Internal Audit function, Management Assurance & Special Assignments, performs independent objective assurance and consulting activities, and has the task of bringing a systematic approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes. The head of this function has dual reporting lines to the President and CEO and the Audit Committee for assurance activities, while other activities are reported to the Head of Group staff Controlling, Accounting, Taxes, Auditing.

The internal control and risk-management process includes five key activities, i.e., assess risk, develop control strategy, monitor, improve, and inform and communicate.

Assessing risks

Assessing risks includes identifying, sourcing and measuring business risks, i.e., strategic, operational, commercial, financial, and compliance risks, as well as identifying opportunities that ensure long-term creation of value.

Developing control strategies

The decision as to which control strategy to apply depends on the nature of the risk and the results from a cost-benefit analysis, within the requirements set by the Group. Control strategies for managing risks may include insuring, outsourcing, hedging, prohibiting, divesting, reducing risk through detective and preventative internal control procedures, acceptance, exploitation, reorganization and redesign.

Monitoring procedures

The effectiveness of the infrastructure for assessing risks and executing control strategies is monitored continuously. Monitoring involves both formal and informal procedures applied by management and process/risk/control owners, including reviews of results in comparison with budgets and plans, analytical procedures, and key performance indicators.

In addition, various tools including self-assessments and risk surveys are used within the Group. In order to identify and evaluate controls, within the information security area and the transactional and reporting processes, reporting units within the Group applies control self-assessment since 2002. Risks are graded by a simple color system to ensure easy internal benchmarking and tracking of improvements.

Management and process/risk/control owners are assisted by the internal and external assurance providers in the evaluation of the effectiveness of the process.

Continuous improvement

Activities within the internal control and risk-management process are continuously evaluated to provide a basis for improvements. Evaluation involves internal and external benchmarking.

Inform and communicate

The process generates valuable information regarding business objectives, risks and control strategies. Communicating on a timely basis throughout the Group contributes to ensuring that the right business decisions are made. In 2003, the Group implemented a representation process in which Group Management signs a representation letter stating their opinion regarding internal control over financial reporting as well as disclosure controls and procedures. The Board of Directors and management have established the following committee and Board to support the process.

- The Audit Committee reviews the adequacy and effectiveness of internal controls regarding financial reporting and disclosure controls and procedures. The Audit Committee reviews internal audit reports prepared by the Internal Audit function, Management Assurance & Special Assignments.
- The Risk Management Board supports risk-management decisions at Group level. The Board consists of the President and CEO, the Head of Group staff Legal Affairs and the Head of Group staff Controlling, Accounting, Taxes, Auditing.

Electrolux Group Code of Ethics

In February 2004, the Board of Directors adopted the Electrolux Group Code of Ethics. It outlines both prescriptive and proscriptive ethical standards, which are to be strictly followed by all employees and Board members of the Electrolux Group, in all markets and at all times.

The Code formalizes the principles by which the Group conducts its relations with employees, shareholders, business partners and other interests. Electrolux encourages suppliers, sales agents, consultants and other business partners to adopt these principles.

The Electrolux Group Code of Ethics is published on the Group's website, www.electrolux.com/corpgov

Financial reporting and disclosure

The Group has a policy of full and fair disclosure to ensure that the market receives timely and comprehensive information on an equal basis. A disclosure policy according to the Sarbanes-Oxley Act of 2002 was adopted by the Audit Committee during 2003.

Financial information is issued regularly in the form of:

- quarterly reports, published as press releases
- the Electrolux Annual Report
- an annual report on Form 20-F, and quarterly reports under Form 6-K, which are filed with the US Securities and Exchange Commission
- press releases on news and all important matters which could materially affect the share price
- telephone conferences with analysts, investors and media on the day of publication of the quarterly and full-year results, as well as in connection with release of important news
- meetings with financial analysts and investors worldwide

All reports and press releases are published simultaneously on the Group's website, www.electrolux.com/ir

Environmental Performance

Group environmental activities span all phases of the Group's business, from choice of raw materials to manufacturing, transportation, consumer use phase, and recycling.

Strategy and policy

The Electrolux environmental strategy is based on a holistic approach. The Group recognizes three basic drivers for its strategy of developing and marketing products with outstanding environmental performance: regulations, consumer demand and resource efficiency.

The most important trends in legislation and regulation involve energy efficiency, recycling and use of potentially hazardous substances, see table below. Consumers are increasingly aware of the direct relationship between higher efficiency and lower lifecycle costs, and the continuous pursuit of cost savings leads to more efficient use of material and energy resources in manufacturing.

Improved environmental performance is an essential element of Electrolux operations and a business opportunity, as well as a central component of the Group's brand strategy.

Environmental impact and risk during manufacturing

Electrolux shows an above average environmental and social performance in comparison with the durable goods manufacturing industry as a whole. This has been confirmed in studies performed by the Munich-based business analysis firm Oekom Research. The Group works continuously to reduce consumption of energy and water at production sites, and to achieve high use rates for purchased material and components.

Environmental regulations regarding manufacturing facilities vary between countries and regions, as does their application by authorities. Group units comply with local regulations, and also act cautiously in light of the long-term nature of operations.

Energy labeling and energy directives

Energy efficiency and product labeling are core issues for the Group, as they are for the appliance industry as a whole. On the

The Electrolux Environmental Policy

We want our products, services and production to be part of a sustainable society.

We are committed to:

- Designing products to reduce their adverse environmental impact in production, use and disposal.
- Reducing resource consumption, waste and pollution in our operations.
- Taking a proactive approach regarding environmental legislation that affects our business.
- Encouraging suppliers, subcontractors, retailers and recyclers of our products to adopt the same environmental principles as Electrolux.
- Giving appropriate weight to this environmental policy when making future planning and investment decisions.
- Setting targets and objectives, within the scope of the environmental management system, to achieve continual improvement and a sustainable development.

This environmental policy has been formally adopted by Electrolux Group Management. Each business sector manager is responsible for its implementation.

For more information, see www.electrolux.com/environment

Group's major markets in Europe and North America, these regulations require that every product bears a label indicating the product's energy consumption. Environmental impact and electricity costs are thus displayed to the consumer and become factors in purchasing decisions. Similar labeling regulations are also applied in Mexico, Japan and Australia. Voluntary labeling in Hong Kong, China and Brazil may become mandatory in the future.

Energy labeling of products has contributed greatly to increased demand for energy efficient products, and the Group's focus on meeting this demand has proven to significantly increase profitability. As shown in the graph "Green range" on page 85, the most efficient products have a higher share of gross profit, reflecting consumer awareness that lifecycle savings from lower electricity costs offset higher purchase prices.

The Group's products are well within all regulatory limits and are well represented in the highest energy efficiency classes as

Summary of typical issues for which regulations affect the Group's business areas

Issues	Regulations	Business areas
Energy efficiency	Mandatory energy consumption limits for certain products in EU, US, other markets; voluntary industry agreements on some products in EU.	Consumer Durables Professional Products
Energy labeling	Mandatory labeling in EU, North America, Mexico, Japan, Australia; voluntary labeling in Hong Kong, China, Brazil.	Consumer Durables Professional Products
Producer responsibility	WEEE Directive (EU); state/provincial legislation (North America)	All business areas
Emissions from combustion engines	EU, US, other markets. Japanese regulations are to be harmonized with US EPA guidelines by 2011	Outdoor products
Air- and waterborne emissions, solid waste	EU, US, other markets	All plants
Greenhouse effect	Kyoto Protocol, national implementation	All business areas
Ozone depletion	Montreal Protocol, national implementation	Consumer Durables Professional Products
Hazardous chemicals	RoHS Directive (EU); state/provincial legislation (North America)	All products

Environmental Performance

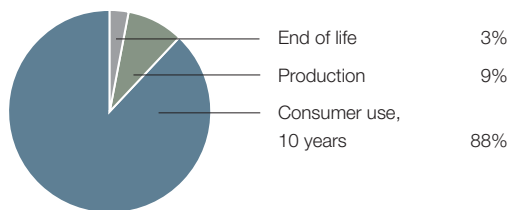
defined by the EU's Energy+ scheme and the US Environmental Protection Agency's Energy Star program. In addition, Electrolux and the other major manufacturers in Europe have committed to voluntary agreements on energy efficiency improvements for washing machines and dishwashers, which are not included in Energy+. The European Commission has endorsed these voluntary agreements.

Fleet average energy efficiency for various categories of white goods sold in Europe showed continued improvement in 2003, most notably for dishwashers, see graph "Fleet average" below. This is largely due to standardization on a single global platform for the Group's dishwashers and the replacement of mechanical controls with electronics.

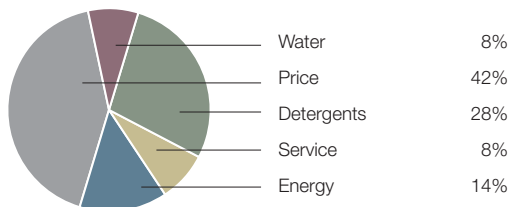
Electrolux products

In general, the greatest environmental impact of Group products occurs during use, through consumption of energy, fuel and water. Efficient appliances reduce consumer-operating costs. As noted above, the Group's focus on offering products with superior environmental performance provides competitive benefits.

Life-cycle impact



Life-cycle cost



Environmental impact of household appliances occurs mainly during use, and the purchase price is often less than half of the total life-cycle cost. Efficient appliances mean both economic and ecological savings. The charts are based on data from washing machines sold in Europe.

Product safety

Electrolux continuously audits products from a safety point of view, and promotes product safety awareness throughout the organization.

The Group has a comprehensive system to collect information about all safety incidents, and to analyze these to discover root causes and effects. The majority of these incidents do not represent any risk to the consumer. Analysis of safety-related incidents has given the Group a deep understanding of how they occur, and this know-how is part of every product development effort.

If analysis reveals a case that may represent a serious problem, the matter is brought to the Group Product Safety Advisory Committee. This committee conducts a complete evaluation of the issue and makes a decision on the need for corrective measures.

Restricted materials in products

In 1986, the United Nations adopted the Montreal Protocol, calling for the phase-out of ozone-depleting substances. The use of chlorofluorocarbon (CFC) as refrigerant and insulation material is prohibited in Europe and the US, and the Group's product ranges in these markets have been free of CFCs for many years. The Group has been a leader in the phase-out of both CFC and HCFC in new markets, such as China and Brazil. The phase-out of substances with ozone-depleting potential (ODP) and global-warming potential (GWP) continued in new markets during the year. Worldwide CFC elimination is complete, with the Group's refrigerators in China, Brazil and India entirely CFC-free since 2002. The refrigerator operations in Australia use only HFC and HC with no ODP. The RoHS Directive (Restrictions on the use of certain Hazardous Substances) was adopted by the EU in December, 2002, and will ban the sales of electrical products containing lead, mercury, cadmium, hexavalent chromium and two brominated flame-retardants from July, 2006.

The RoHS Directive offers potential competitive advantages, and Electrolux continues development of a comprehensive program to identify cost-effective alternative components and manufacturing methods.

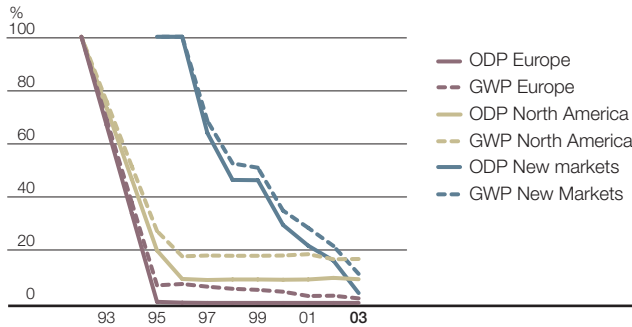
The Group systematically gathers information from all suppliers regarding potentially harmful chemicals used in raw materials and sub-assemblies. A Restricted Materials List has been developed to ensure that Electrolux has the information necessary to respond expeditiously if any compound is found to be potentially harmful to the environment, or if it may complicate recycling or affect market acceptance of any product.

Fleet average



Reduction in energy consumption for products sold in Europe, with energy index set at 100% in the year 1998.

Phase-out of substances with ozone-depleting and global warming potential

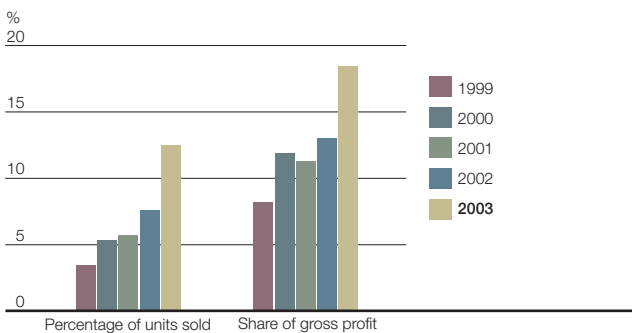


The graph shows the relative change in ozone depleting and global warming potential in refrigerants and insulating gases used in the Group's products from 1992 to 2003. The annual calculations are based on the ODP and GWP equivalents of different substances, as defined by the United Nations Environment Program (UNEP). In order to adjust for changes in production structure and enable annual comparisons, values are normalized against the total amount of used substances. The year 1992 is set as index 100%. The curve reflects the transition from CFC, via HCFC to HFC and HC in Europe, where today HC dominates. In North America, HCFC and HFC are still dominant. In the new markets, HCFC, HFC and HC are used. There is no use of CFC in the Group. The decrease for 2000–2003 is a consequence of phasing out CFC in India. All other changes are due to product mix changes.

Environmental management systems

The Electrolux Environmental Management System (EMS) is a vital tool for achieving and maintaining high standards for clean manufacturing. The Group's policy stipulates that all manufacturing units with at least 50 employees shall be certified according to ISO 14001. Newly acquired units shall complete the certification process within three years after acquisition. By the end of 2003, 91% of the Group's total manufacturing area was certified according to ISO 14001, corresponding to 74 production units, or 89% of the total number of units required to certify. The Group also aims to implement EMS for the entire operation in each business sector. Apart from production units, six non-manufacturing units have received ISO 14001 certification. Two units are also registered according to the EU management tool EMAS.

Green range



Within major appliances in Europe, the products with the best environmental performance accounted for 13% of total sold units in 2003, and 18% of gross profit.

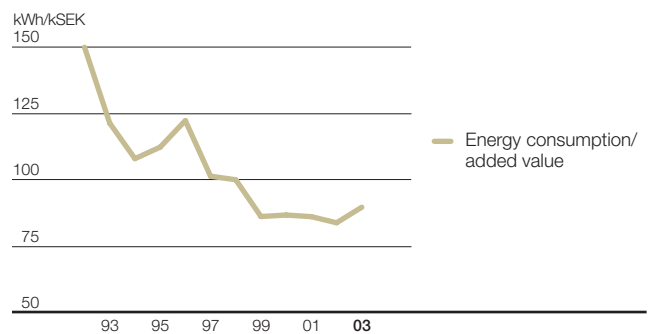
Performance indicators

A number of environmental performance indicators have been developed to assess the results of the Group's environmental work.

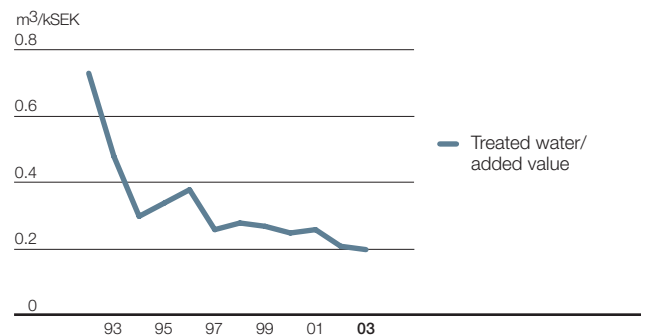
This year's data confirm the trends toward improved environmental performance in Group products and production processes. There is a reduction over time in CO₂ emissions as well as for energy and water consumption per added value. However, due to the weakening of the US dollar, the indicators for energy and CO₂ emissions increased in 2003.

Material utilization in production improved in 2003, resulting in a reduction of land filled waste and hazardous material. At the same time, externally recycled material increased.

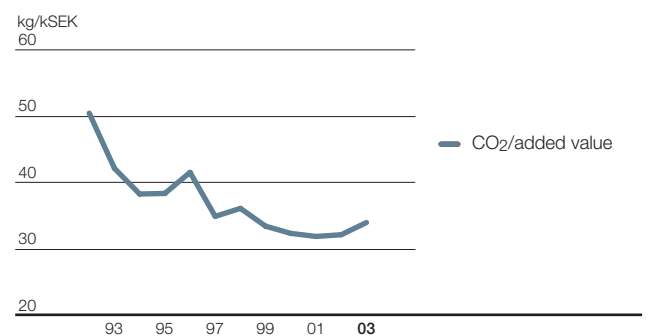
Energy consumption per added value



Treated water per added value



CO₂ per added value



Since a large part of environmental impact depends on the volume of production, some indicators are calculated in relation to added value, which is defined as the difference between total production cost and the cost for direct material.

Producer responsibility

The EU's Waste Electrical and Electronic Equipment (WEEE) Directive regarding producer responsibility for the cost of recycling and waste disposal was adopted in December, 2002. The Directive stipulates that as of August, 2005, each manufacturer and importer must finance the recycling of the electrical products it places on the market (individual producer responsibility). For products sold before August, 2005, producers shall share recycling obligations based on current market share (collective producer responsibility).

The WEEE Directive is designed to create opportunities for achieving competitive advantage through product development and effective management. Individual producer responsibility, as opposed to a system of shared financial responsibility, means that Group investments in product design aimed at lowering end-of-life disposal costs will directly benefit Electrolux. Electrolux is cooperating with Hewlett-Packard, Sony and Gillette to develop efficient, market-based waste management systems to meet the requirements of the WEEE Directive.

Collection of electrical and electronic equipment (EEE) is the responsibility of national and local authorities. Producers must finance the treatment of the EEE that is collected. The WEEE Directive is applicable to the more than 20 million Electrolux products sold annually in Europe.

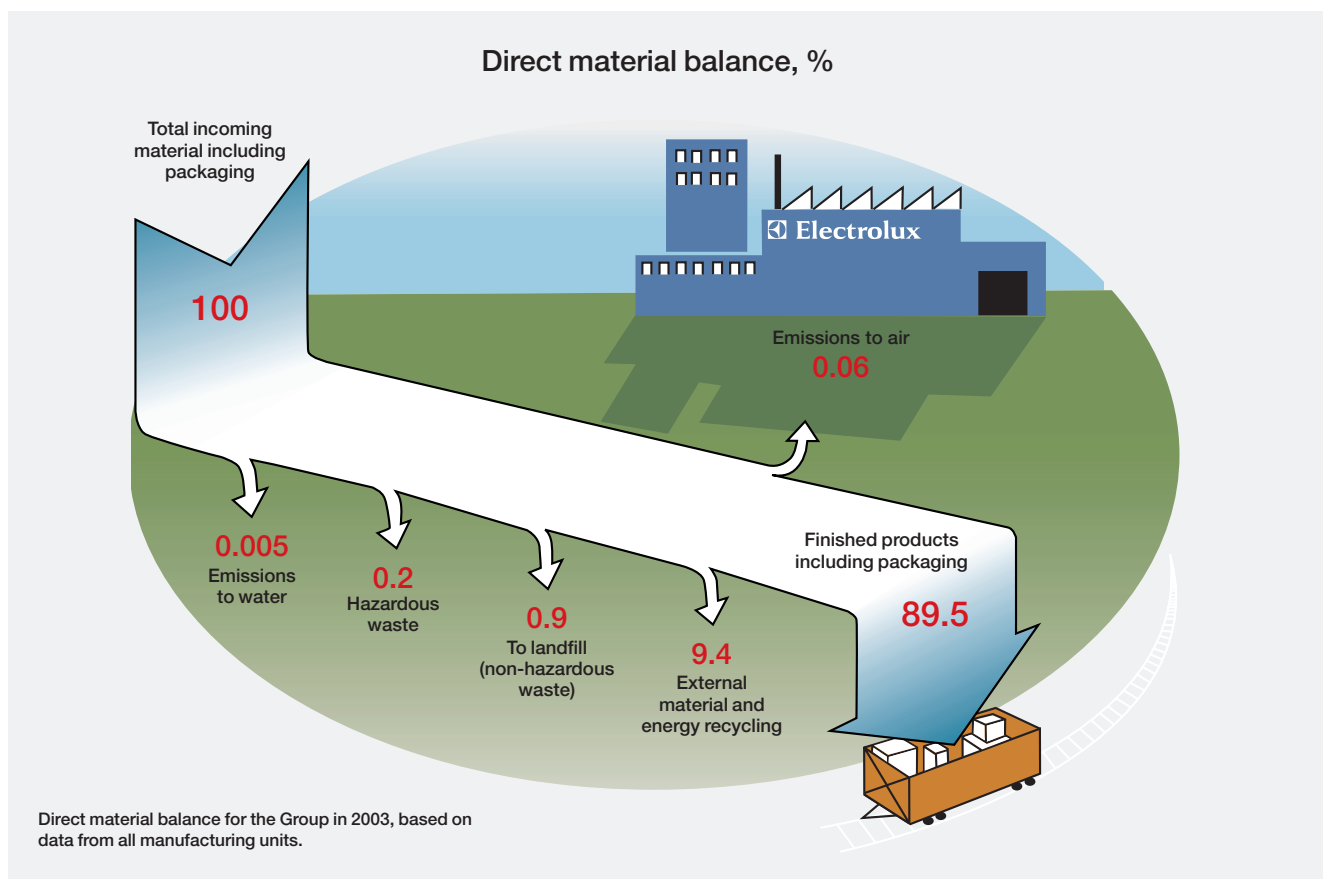
For Electrolux and for the industry as a whole, estimates of the cost of complying with the WEEE Directive remain highly uncertain, primarily because:

- Until collection systems are in place, the total volumes that will be collected in various markets can be only roughly estimated. Approximately 16 kg of EEE per capita is placed on the market in the EU each year, and the WEEE Directive stipulates that at

least 4 kg per capita (25% of all EEE) must be collected. Today, collection systems are in place in Belgium, Denmark, The Netherlands, Norway, Sweden and Switzerland. During the first years after the Directive goes into effect, the quantities collected in countries with no currently existing systems might be only slightly more than the 4 kg minimum. However, in Sweden, where collection of EEE is well established, the volume collected annually is nearly 11 kg per capita (69% of all EEE).

- Treatment costs vary considerably between markets, and even within them. A study performed by Electrolux shows that recycling costs can vary by a factor of two to three within a given country. These costs cannot be reliably estimated until large-scale contracts are in place. Experience with similar legislation in Sweden shows that the cost of producer responsibility for major appliances such as cookers, washers, etc., does not exceed EUR 5 per appliance. The corresponding cost for treatment of refrigerators and freezers containing CFC, which is currently the responsibility of municipalities, is approximately EUR 25. The Group expects that economies of scale that arise as producer responsibility expands into larger markets will lead to lower per-appliance costs.
- The WEEE Directive establishes minimum standards that must be met by Member States. Final requirements will be set when the Directive is transposed into national legislation, which is required by August, 2004.

Producer responsibility in Scandinavia has not affected overall demand or profitability for Electrolux products, as consumers do not appear to forego purchases in response to price increases on the scale of the costs indicated above.



Social Responsibility

Electrolux recognizes its responsibility to act as a good corporate citizen. The Group has a long history of providing safe and healthy working conditions, opportunities for education and health care, and careful management of environmental impacts. The Group is implementing long-term management procedures aimed at guaranteeing fair business practices and consistent monitoring of social performance.

The Electrolux People Process

With the Electrolux People Process, the Group provides effective support for managers throughout the company to recruit and develop motivated employees. At the same time, it aims to ensure that individuals are treated fairly in all dealings with the company.

Seven sub-processes

Seven sub-processes within the overall People Process comprise the core of human resources management at Electrolux, defining a set of minimum standards which local managers are required to meet. These sub-processes include recruitment and selection, introduction, performance management, competence development, career development and compensation.

Workplace Code of Conduct

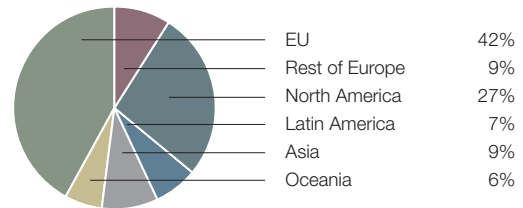
The Electrolux Workplace Code of Conduct, adopted by Group Management in 2002, defines minimum acceptable work standards for all people involved in the manufacturing and sale of Electrolux products, in all countries, business sectors and occupations. The code is based on internationally recognized treaties and agreements, such as the core conventions of the International Labor Organization and the OECD Guidelines for Multinational Enterprises.

The Electrolux Workplace Code of Conduct covers:

- child labor
- forced labor
- health and safety
- non-discrimination
- harassment and abuse
- working hours
- compensation
- freedom of association
- environmental compliance.

To support the introduction and to monitor Electrolux units on Code of Conduct performance, the Group has developed the ALFA tool (Awareness – Learning – Feedback – Assessment). The tool communicates the key concepts of the Code, and units respond to a number of assessment questions related to each provision of the Code. Each participating unit receives a rating based on the results of the assessment questions. The results and unit ratings are used to identify possible problems and good examples, as well as planning of continued implementation processes. The tool has been deployed in all Electrolux business sectors, and 96% of manufacturing units have so far been evaluated and rated.

Employees, by geographical area



In 2003, the average number of employees worldwide was 77,140, of whom two thirds, or 51,240 were men and one third, or 25,900 were women.

Management procedures

A practical manual has been developed to clearly outline required procedures and documentation. Implementation of this document is ongoing, and these systems will ultimately be integrated into all entities' day-to-day operating procedures.

In 2003, Electrolux initiated on-site verification visits of Electrolux units to review performance and monitor compliance with the Workplace Code of Conduct.

A process aimed at systematically integrating the Code into existing supply-chain procedures has been initiated. The Code has been formally communicated to Electrolux suppliers and is now being introduced as an element of supplier agreements.

United Nations Global Compact

Electrolux has officially endorsed the United Nations Global Compact Initiative (www.unglobalcompact.org). The Compact consists of nine principles relating to human rights, labor standards and the environment. These principles are in line with the Electrolux Workplace Code of Conduct. Electrolux is also engaged in a network of Nordic companies that meets regularly to share experiences and discuss issues of mutual interest related to the Global Compact and Corporate Social Responsibility.



Board of Directors

Rune Andersson

Chairman

Born 1944, M. Eng., Hon. Tech. D. Board Chairman: Mellby Gård AB, Älvsbyhus AB. Various positions at Electrolux 1977–1982, including Head of operation in food-service equipment. Elected 1998. Holdings in AB Electrolux: 500,000 A-shares and 500,000 B-shares through a company.

Peggy Bruzelius

Born 1949, M. Econ. Board Chairman: Grand Hotel Holding AB, Lancelot Asset Management AB. Board Member: Axfood AB, AB Drott, Industry and Commerce Stock Exchange Committee, Axel Johnson AB, AB Ratos, Scania AB, Syngenta AG, The Association of the Stockholm School of Economics. Deputy Chairman: The Royal Swedish Academy of Engineering Sciences. Elected 1996. Holding in AB Electrolux: 2,500 B-shares.

Thomas Halvorsen

Born 1949, B.A. President, Fourth Swedish National Pension Fund. Board Member: AP Fastigheter AB, Beijer Alma AB. Elected 1996. Holding in AB Electrolux: 500 B-shares.

Louis R. Hughes

Born 1949, B.S., Mech. Eng., MBA. Non-executive Chairman, Maxager Technology, California, USA. Board Member: British Telecom plc, Sulzer AG, ABB Ltd. Member of the Board of Advisers, WaveCrest Laboratories. Executive Vice President, General Motors Corporation, Detroit, USA, 1992–2000. Elected 1996. Holding in AB Electrolux: 1,000 ADRs.

Hans Stråberg

President and CEO

Born 1957, M. Eng. President and CEO of Electrolux, 2002. Board Member: The Association of Swedish Engineering Industries Board, AB Ph. Nederman & Co. Elected 2002. Holdings in AB Electrolux: 2,870 B-shares, 212,300 options.

Barbara R. Thoralfsson

Born 1959, MBA, B.A. President, NetCom ASA, Oslo, Norway. Board Member: Rieber & Søn ASA, IKT-Norway. Member of the Board of Representatives in Storebrand ASA. Elected 2003. Holding in AB Electrolux: 0 shares.

Michael Treschow

Born 1943, M. Eng. Board Chairman: Telefonaktiebolaget LM Ericsson. Deputy Chairman: The Confederation of Swedish Enterprise. Board Member: ABB Ltd. President and CEO of AB Electrolux, 1997–2002. Elected 1997. Holdings in AB Electrolux: 33,250 B-shares, 60,000 options.

Karel Vuursteen

Born 1941, Agricultural Eng. Board Member: Akzo Nobel N.V., Gucci Group N.V., Heineken Holding N.V., Henkel KGaA, Nyenrode University, Royal Ahold N.V., ING Group N.V., Ranstad Holding N.V. President and CEO, Heineken N.V., Amsterdam, The Netherlands, 1991–2002. Elected 1998. Holding in AB Electrolux: 250 B-shares.

Jacob Wallenberg

Deputy Chairman

Born 1956, B.S. in Econ., MBA. Board Chairman: SEB, Skandinaviska Enskilda Banken. Deputy Chairman: Investor AB, Atlas Copco AB, Knut and Alice Wallenberg's Foundation, SAS AB. Board Member: ABB Ltd, The Nobel Foundation, The Confederation of Swedish Enterprise. Elected 1998. Holding in AB Electrolux: 2,000 B-shares.

Employee Representative Members

Ulf Carlsson

Born 1958. Representative of the Swedish Confederation of Trade Unions. Elected 2001. Holding in AB Electrolux: 0 shares.

Bert Gustafsson

Born 1951. Representative of the Federation of Salaried Employees in Industry and Services. Deputy Member, 1997–1998. Ordinary Member, 1999. Holding in AB Electrolux: 0 shares.

Annika Ögren

Born 1965. Representative of the Swedish Confederation of Trade Unions. Elected 2003. Holding in AB Electrolux: 0 shares.

Employee Representative Deputy Members

Malin Björnberg

Born 1959. Representative of the Federation of Salaried Employees in Industry and Services. Elected 1999. Holding in AB Electrolux: 0 shares.

Mats Ekblad

Born 1967. Representative of the Federation of Salaried Employees in Industry and Services. Elected 2000. Holding in AB Electrolux: 200 B-shares.

Ola Bertilsson

Born 1955. Representative of the Swedish Confederation of Trade Unions. Elected 2002. Holding in AB Electrolux: 0 shares.

Auditors

Peter Clemedtson

PricewaterhouseCoopers AB

Born 1956. Authorized Public Accountant. Partner in Charge. Holding in AB Electrolux: 0 shares.

Anders Lundin

PricewaterhouseCoopers AB

Born 1956. Authorized Public Accountant. Holding in AB Electrolux: 0 shares.



Rune Andersson



Louis R. Hughes



Thomas Halvorsen



Karel Vuursteen



Ola Bertilsson



Peggy Bruzelius



Mats Ekblad



Bert Gustafsson



Hans Stråberg



Annika Ögren



Michael Treschow



Barbara R. Thoralfsson



Malin Björnberg



Jacob Wallenberg



Ulf Carlsson



Group Management

Hans Stråberg

President and CEO

Born 1957, M.Eng. Joined Electrolux in 1983. Head of product area, Dishwashers and Washing Machines, 1987. Head of product division, Floor Care Products, Västervik, 1992. Executive Vice-President, Frigidaire Home Products, USA, 1995. Head of Floor Care Products and Small Appliances and Executive Vice-President, AB Electrolux, 1998. Chief Operating Officer of Electrolux, October 2001. President and CEO of Electrolux, 2002. Board Member: The Association of Swedish Engineering Industries Board, AB Ph. Nederman & Co. Holdings: 2,870 B-shares, 212,300 options.

Bengt Andersson

Head of Outdoor Products

Born 1944, Mech. Eng. Production Engineer, Facit AB, 1966–1975. Joined Electrolux in 1973. Sector Manager, Facit-Addo, 1976, Technical Director, Electrolux Motor, 1980, Product-line Manager, Outdoor Products North America, 1987, Product-line Manager, Forest and Garden Equipment, 1991 and Flymo, 1996. Head of Professional Outdoor Products, Executive Vice-President, AB Electrolux, 1997. Head of Consumer and Professional Outdoor Products, Senior Executive Vice-President, AB Electrolux, 2002. Board Member: Kabe Husvagnar AB. Holdings: 5,000 B-shares, 157,600 options.

Johan Bygge

Head of White Goods Outside Europe and North America

Born 1956, M. Econ. Deputy Group Controller, Telefonaktiebolaget LM Ericsson, 1983, Head of Cash Management, 1986. Joined Electrolux in 1987 as Group Controller. Head of Group Controlling, Accounting, Taxes, Auditing, Administration and IT, 1996–2000, as well as Acting Treasurer in 2000. Head of Consumer Outdoor Products outside North America, Executive Vice-President, AB Electrolux, 2001. Head of White Goods outside Europe and North America, Senior Executive Vice-President, AB Electrolux, 2002. Head of Consumer Outdoor Products outside North America, 2001–2003. Board Member: First Swedish National Pension Fund, The Bank of Sweden Tercentenary Foundation. Holdings: 2,024 B-shares, 157,600 options.

Wolfgang König

Head of White Goods Europe

Born 1950, Graduate of Law, MBA. Management consultant with McKinsey & Co. Inc., Germany, 1979–1987. Member of Management Board, Quelle AG, Austria, 1987–1989 and Kauffhof Warenhaus AG, Germany, 1989–1993. CEO, Kodak AG,

Germany, 1993–1997. General Manager, Consumer Imaging, Europe, Africa, Middle East and Corporate Vice-President, Eastman Kodak Company, 1997. Joined Electrolux in 2000 as Head of White Goods Europe and Executive Vice-President, AB Electrolux. Holdings: 1,500 B-shares, 221,400 options.

Keith R. McLoughlin

Head of White Goods North America

Born 1956, B.S.Eng. Has held a number of senior management positions with DuPont between 1981–2003, most recently as Vice-President and General Manager of DuPont Nonwovens, 2000–2003, and of DuPont Corian, 1997–2000. Joined Electrolux in March 2003 as Head of White Goods North America and Executive Vice-President, AB Electrolux. Holdings: 0 shares, 30,000 options.

Detlef Münchow

Head of Professional Indoor Products

Born 1952, MBA and PhD Econ. Member of senior management in consulting firms Knight Wendling/Wegenstein AG, 1980–1989 and GMO AG, 1989–1992. FAG Bearings AG, 1993–1998, as Chief Operating Officer in FAG Bearings Corporation, USA. Joined Electrolux in 1999 as Head of Professional Indoor Products and Executive Vice-President, AB Electrolux. Holdings: 0 shares, 136,400 options.

Magnus Yngen

Head of Floor Care Products and Small Appliances

Born 1958, M.Eng. Lic.Tech. Held several international sales and marketing positions, 1988–1995. Joined Electrolux in 1995 as Technical Director within the direct sales operation LUX. Head of Floor Care International operations, 1999. Head of Floor Care Europe operations, 2001. Head of Floor Care Products and Small Appliances, Executive Vice-President, AB Electrolux, 2002. Holdings: 0 shares, 81,500 options.

Lilian Fossum

Head of Group Staff Human Resources and Organizational Development

Born 1962, M. Econ. Management consultant, McKinsey, 1985–1988. Group Controller and other executive positions, Axel Johnson Group, 1988–1992. Manager Business Development, Vattenfall, 1994–1996. CFO, Spendrups Bryggeri AB, 1996, Deputy CEO and Manager Business Development, 1999. Joined Electrolux in 2000 as Senior Vice-President, Group Staff Human Resources and Organizational Development. Holdings: 7,600 B-shares, 64,300 options.

Lars Göran Johansson

Head of Group Staff Communications and Branding

Born 1954, M. Econ. Account Executive, KREAB Communications Consultancy 1978–1984, President 1985–1991. Headed the Swedish “Yes to EU Foundation campaign” for the referendum that determined Sweden’s membership in the EU in 1994. Joined Electrolux as Senior Vice-President, Communication and Public Affairs, 1995. Holdings: 500 B-shares, 147,600 options.

Nina Linander

Head of Group Staff Treasury

Born 1959, M. Econ, MBA. Held several Corporate Finance positions at investment banks in London, UK, 1988–1993. Director of Product Area Electricity and other executive positions, Vattenfall, 1994–2001. Joined Electrolux in 2001 as Head of Group Staff Treasury. Holdings: 1,000 B-shares, 60,000 options.

Fredrik Rystedt

Head of Group Staff Controlling, Accounting, Taxes, Auditing

Born 1963, M. Econ. Joined Electrolux Treasury Department, 1989. Subsequently held several positions within the Group’s financial operations. Head of Mergers and Acquisitions, 1996. Joined Sapa AB in 1998, as Head of Business Development, Chief Financial Officer, 2000. Rejoined Electrolux in 2001 as Chief Administrative Officer. Holdings: 0 shares, 90,000 options.

Cecilia Vieweg

Head of Group Staff Legal Affairs

Born 1955, B. of Law. Attorney with Berglund & Co. Advokatbyrå, Gothenburg, 1987–1990, Corporate Legal Counsel, AB Volvo 1990–1992. General Counsel, Volvo Car Corporation, 1992–1997. Attorney and partner in Wahlin Advokatbyrå, Gothenburg, 1998. Joined Electrolux in 1999 as General Counsel. Board member: Haldex AB. Holdings: 0 shares, 136,400 options.

Robert E. Cook, Head of Consumer Outdoor Products North America.

Left his positions as Head of White Goods North America and Executive Vice-President of AB Electrolux, during March 2003. He continues as responsible for consumer outdoor products in North America, reporting to Bengt Andersson.



Detlef Münchow



Cecilia Vieweg



Hans Stråberg



Lilian Fossum



Magnus Yngen



Nina Linander



Fredrik Rystedt



Bengt Andersson



Lars Göran Johansson



Wolfgang König



Keith R. McLoughlin

For more information about the Group's organization and structure, see page 81.



Johan Bygge

Electrolux shares

The market capitalization of Electrolux shares at year-end 2003 was SEK 48.5 (43.8) billion, excluding repurchased shares. The Group's market capitalization thereby corresponded to 2.1% (2.5) of the total market capitalization of the Stockholm Exchange.

The highest closing price for Electrolux B-shares during the year was SEK 191 on September 3, and the lowest was SEK 125.50 on January 28 and 31. The highest closing price for A-shares during the year was SEK 185 on September 3, and the lowest was SEK 128 on February 3.

Trading volume

In 2003, 480.4 (504.4) million Electrolux shares were traded on the Stockholm Exchange at a value of SEK 74.5 (81.8) billion. Electrolux shares thus accounted for 3.0% (3.0) of the total trading volume on the Stockholm Exchange of SEK 2,453 (2,702) billion for the year.

The average value of the A- and B-shares traded daily was SEK 299.2m (327.4).

A total of 128.3 (259.2) million Electrolux shares were traded on the London Stock Exchange, while 4.5 (6.9) million American Depository Receipts (ADRs) were traded within the NASDAQ system. At year-end, 1,459,967 (1,483,288) depository receipts were outstanding.

De-listing in Paris and Zurich

During 2003, the Electrolux share was delisted from the stock exchanges in Paris and Zurich. The de-listing in Paris was finalized as of August 29, 2003, and the de-listing in Zurich as of April 30, 2003.

Effective yield

The effective yield indicates the actual profitability of an investment in shares, and comprises dividends received plus change in trading price.

The compounded annual effective yield on an investment in Electrolux shares was 14.2% over the past ten years, including the distribution of Gränges in 1996, and adjusted for the 5:1 stock split in 1998. The corresponding figure for the Stockholm Exchange was 11.4%.

Quick facts

Share listings¹⁾: Stockholm, London, NASDAQ²⁾
 Number of shares: 324,100,000
 Number of shares after repurchase: 307,100,000
 High and low 2003 for B-shares: SEK 191–125.5
 Market capitalization at year-end: SEK 48.5 billion
 Beta value³⁾: 0.9
 GICS code⁴⁾: 25201040
 Ticker codes: Reuters ELUXB.ST,
 Bloomberg ELUXB SS

- 1) During 2003, the Electrolux share was de-listed from the stock exchanges in Paris and Zurich.
- 2) One ADR corresponds to two B-shares.
- 3) The beta value indicates the volatility of the trading price of a share relative to the general market trend. Measured against the Stockholm All-Share Index for the last four years.
- 4) MSCI's Global Industry Classification Standard (used for securities).

Trading volume of Electrolux shares

Thousands	2003	2002	2001	2000	1999
Stockholm, A- and B-shares (ELUXa and ELUXb)	480,415	504,394	435,335	390,573	277,636
London, B-shares (ELXB)	128,303	259,231	398,741	291,006	246,860
NASDAQ, ADRs (ELUX)	4,460	6,890	7,984	6,414	5,711

JPMorgan, Morgan Guarantee Trust Company, is the depository bank for ADRs.

Average daily trading volume of Electrolux shares on the Stockholm Exchange

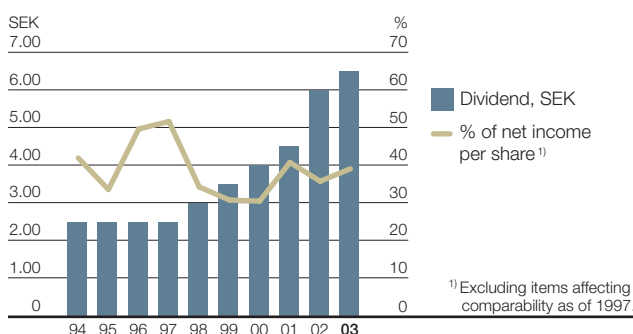
SEK thousands	2003	2002	2001	2000	1999
A-shares	33	72	50	80	77
B-shares	299,139	327,294	250,020	226,324	180,120
Total	299,172	327,366	250,070	226,404	180,197

Dividend and dividend policy

The Board has decided to propose a dividend of SEK 6.50 (6.00) per share at the Annual General Meeting, corresponding to 39% (36) of net income per share, excluding items affecting comparability.

The Group's goal is that the dividend corresponds to 30–50% of net income for the year.

Dividend per share



The Board of Directors proposes an increase of the dividend to SEK 6.50 per share for 2003.

Cancellation and repurchase of shares

The Annual General Meeting in April 2003 decided on the cancellation of previously repurchased own shares, excluding those shares required to meet the obligations under the employee stock option program.

During 2003, Electrolux repurchased 11,331,828 B-shares. 113,300 B-shares were sold during the year to senior managers under the terms of the employee stock option programs. As of December 31, 2003, the company owned a total of 17,000,000 B-shares, equivalent to 5.2% of the total number of outstanding shares. Between 2000 and 2003, Electrolux repurchased shares for a total of SEK 8,336m, corresponding to an average price of SEK 141 per share.

In January 2004, Electrolux repurchased 500,000 B-shares for a total of SEK 80m, corresponding to an average price of SEK 160 per share.

As of February 11, 2004, the company owned a total of 17,500,000 B-shares, equivalent to 5.4% of the total number of outstanding shares.

Repurchase of shares

	2003	2002	2001	2000
Number of shares as of January 1	338,712,580	366,169,580	366,169,580	366,169,580
Cancellation of shares	-14,612,580	-27,457,000	—	—
Number of shares as of December 31	324,100,000	338,712,580	366,169,580	366,169,580
Number of shares bought back	11,331,828	11,246,052	11,570,000	25,035,000
Total amount paid, SEKm	1,688	1,703	1,752	3,193
Price per share, SEK	149	151	151	127
Number of shares sold under terms of the employee stock option programs	113,300	—	—	—
Total amount received, SEKm	19	—	—	—
Number of shares held by Electrolux, at year-end	17,000,000 ¹⁾	20,394,052 ¹⁾	36,605,000	25,035,000
% of outstanding shares	5.2	6.0	10.0	6.8

1) After cancellation of shares.

Proposed renewed mandate for share repurchases

The Board of Directors has decided to propose that the Annual General Meeting approve a renewed mandate for the repurchase of a maximum of 10% of the total number of shares. This authorization would cover the period up to the Annual General Meeting in 2005.

Proposed redemption of shares

On the basis of the Group's strong balance sheet and in order to contribute to increased shareholder value, the Board of Directors has decided to propose that the Annual General Meeting approve a redemption of shares in a total amount of approximately SEK 3,000m.

Share capital and number of shares

Following the reduction in the share capital in May 2003, the share capital of Electrolux as of December 31, 2003, consisted of 10,000,000 A-shares and 314,100,000 B-shares, totaling 324,100,000 shares. A-shares carry one vote and B-shares one-tenth of a vote. Each share has a par value of SEK 5.00. The total share capital at year-end amounted to SEK 1,620.5m.

Incentive programs

Electrolux has implemented several employee stock option programs for senior managers. The programs entitle an allotment of options, which can be redeemed for shares at a fixed price. The value of the options is linked to the trading price of the Electrolux B-share.

Major shareholders in AB Electrolux

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, % ¹⁾
Investor AB	9,232,390	9,847,800	19,080,190	5.9	25.7
Alecta Mutual Pension Insurance	—	15,894,098	15,894,098	4.9	4.0
AMF Pension Funds	—	12,210,000	12,210,000	3.8	3.1
Nordea Investment Funds	—	11,875,489	11,875,489	3.7	3.0
Robur Investment Funds	—	9,307,675	9,307,675	2.9	2.3
SHB/SPP Investment Funds	—	8,466,016	8,466,016	2.6	2.1
Fourth Swedish National Pension Fund	—	7,778,400	7,778,400	2.4	2.0
Third Swedish National Pension Fund	—	5,846,486	5,846,486	1.8	1.5
SEB Investment Funds	—	5,223,867	5,223,867	1.6	1.3
AFA Insurance	—	5,150,070	5,150,070	1.6	1.3
Other shareholders	767,610	205,500,099	206,267,709	63.6	53.7
External shareholders	10,000,000	297,100,000	307,100,000	94.8	100.0
AB Electrolux	—	17,000,000	17,000,000	5.2	—
Total	10,000,000	314,100,000	324,100,000	100.0	100.0

1) Adjusted for repurchase of shares as of December 31, 2003.

Source: SIS Ägarservice as of December 31, 2003.

As of December 31, 2003, about 36% of the total share capital was owned by foreign investors, about 54% by Swedish institutions and mutual funds, and about 10% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees, so that the actual shareholders are not officially registered.

The Board of Directors will present a proposal at the Annual General Meeting for a new annual long-term incentive program for 2004. The proposed program is based on goals approved by the Board for the value creation within the Group over a three-year period, and would distribute a variable number of Electrolux B-shares.

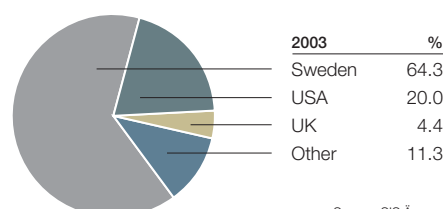
For further information, see Note 28 on page 65.

Distribution of shareholdings in AB Electrolux

Shareholding	Number of shareholders	% of shareholders
1-1,000	52,399	86.8
1,001-10,000	7,005	11.6
10,001-100,000	699	1.2
100,001-	252	0.4
Total	60,355	100.0

Source: SIS Ägarservice as of December 31, 2003.

Shareholders by country



Source: SIS Ägarservice as of December 31, 2003.

As of December 31, 2003, about 36% of the total share capital was owned by foreign investors.

Electrolux shares

Per-share data¹⁾

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Year-end trading price, SEK ²⁾	158.00	137.50	156.50	122.50	214.00	139.50	110.20	79.20	54.50	75.40
Highest trading price, B-shares, SEK	191.00	197.00	171.00	230.00	222.00	161.00	139.80	85.40	77.40	87.80
Lowest trading price, B-shares, SEK	125.50	119.50	92.00	110.00	118.00	87.50	77.70	54.30	50.80	56.40
Change in price during the year, %	15	-12	28	-43	53	27	39	45	-28	33
Equity, SEK	89	87	88	77	70	67	56	61	58	56
Trading price/equity, %	178	158	178	159	304	209	196	129	94	135
Dividend, SEK	6.50 ³⁾	6.00	4.50	4.00	3.50	3.00	2.50	2.50 ⁴⁾	2.50	2.50
Dividend, % ⁵⁾	38.8 ⁶⁾	35.5 ⁶⁾	40.5 ⁶⁾	30.2 ⁶⁾	30.5 ⁶⁾	34.0 ⁶⁾	51.4 ⁶⁾	49.4	33.3	41.7
Dividend yield, % ⁷⁾	4.1	4.4	2.9	3.3	1.6	2.2	2.3	3.2	4.6	3.3
Net income, SEK	16.75 ⁶⁾	16.90 ⁶⁾	11.10 ⁶⁾	13.25 ⁶⁾	11.45 ⁶⁾	8.85 ⁶⁾	4.85 ⁶⁾	5.05	7.50	6.00 ⁶⁾
Cash flow, SEK ⁸⁾	9.15	23.14	15.55	4.67	11.53	2.57	2.66	-2.27	-3.53	4.1
EBIT multiple ⁹⁾	6.8	5.9	10.0	8.1	12.9	10.0	4.6	2.2	1.4	1.8
EBIT multiple ^{6) 9)}	6.3	5.6	9.8	7.7	12.5	11.5	2.6			
P/E ratio ¹⁰⁾	10.4	8.8	13.8	9.2	18.7	15.8	22.7	15.7	7.3	12.6
Number of shareholders	60,400	59,300	58,600	61,400	52,600	50,500	45,660	48,300	54,600	55,400

1) The figures for 1994–1997 have been adjusted for the 5:1 stock split in 1998.

2) Last price paid for B-shares.

3) Proposed by the Board.

4) Plus 1/2 share in Gränges for every Electrolux share.

5) As % of net income.

6) Excluding items affecting comparability.

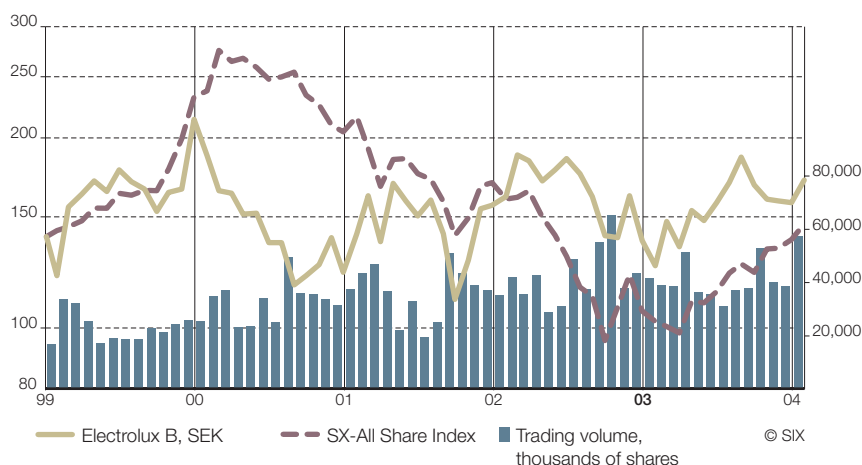
7) Dividend per share divided by trading price at year-end.

8) Cash flow from operations less capital expenditures divided by average number of shares after buy-backs.

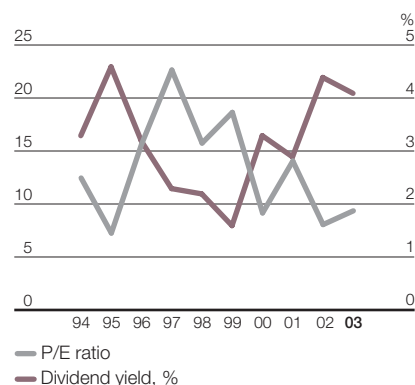
9) Market capitalization plus net borrowings and minority interests, divided by operating income.

10) Trading price in relation to net income per share after full dilution.

Price and trading volume of Electrolux B-shares on the Stockholm Exchange, 1999–January 2004



P/E ratio and dividend yield



At year-end 2003, the P/E ratio, excluding items affecting comparability for Electrolux B-shares was 9.4. The dividend yield was 4.1% based on the dividend proposal for 2003.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on Wednesday, April 21, 2004 at the Berwald Hall, Dag Hammarskjölds Väg 3, Stockholm.

Registration

Shareholders who intend to participate in the Annual General Meeting must be registered with VPC AB (Swedish Central Securities Depository & Clearing Organization) on Thursday, April 8, 2004. Shareholders whose shares are registered through banks or trustees must have their shares temporarily registered in their own names at VPC on that date.

Participation

In addition, notice of intent to participate must be given to Electrolux not later than 4 p.m. on Friday, April 16, 2004, when also the number of advisors should be stated. Notice of intent to participate can be made by mail to AB Electrolux, Dept. C-J, SE-105 45 Stockholm, Sweden, by fax at +46 8 738 63 35, or by telephone at +46 8 738 64 10. Notice can also be given at: www.electrolux.com/agm

Notice should include the shareholder's name, registration number, if any, address and telephone number. Shareholders participating by proxy should submit a copy of the proxy authorization prior to the date of the AGM.

Dividend

The Board has proposed a dividend of SEK 6.50 per share and Monday, April 26, 2004 as record day, after which it is expected that dividends will be paid by VPC on Thursday, April 29, 2004.

April 21, 2004 is the last day for trading in Electrolux shares that entitle a dividend for 2003.



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